UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 40-F

o **REGISTRATION STATEMENT PURSUANT TO SECTION 12 OF THE SECURITIES EXCHANGE ACT OF 1934**

OR

x **ANNUAL REPORT PURSUANT TO SECTION 13(a) OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2021 Commission File Number: 001-39974

WEST FRASER TIMBER CO. LTD.

(Exact name of Registrant as specified in its charter)

British Columbia Canada	**2421**	**98-1630330**
(Province or Other Jurisdiction of Incorporation or Organization)	*(Primary Standard Industrial Classification Code)*	*(I.R.S. Employer Identification No.)*

501 – 858 Beatty Street
Vancouver, British Columbia
Canada V6B 1C1
Tel: (604) 895-2700

(Address and telephone number of Registrant's principal executive offices)

West Fraser, Inc.
1900 Exeter Road, Suite 105
Germantown, TN 38138
Tel: (901) 620-4200

(Name, address (including zip code) and telephone number (including area code) of agent for service in the United States)

Securities registered or to be registered pursuant to section 12(b) of the Act:

Title Of Each Class	Name Of Each Exchange On Which Registered
Common Shares, no par value	**New York Stock Exchange**

Securities registered or to be registered pursuant to Section 12(g) of the Act: **None**

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act: **None**

For annual reports, indicate by check mark the information filed with this Form:

x Annual Information Form x Audited Annual Financial Statements

Indicate the number of outstanding shares of each of the Registrant's classes of capital or common stock as of the close of the period covered by the annual report: **103,647,256 Common Shares**

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes x No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the Registrant was required to submit and post such files).

Yes x No o

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 12b-2 of the Exchange Act.

Emerging growth company o

If an emerging growth company that prepares its financial statements in accordance with U.S. GAAP, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. o

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. o

INTRODUCTORY INFORMATION

West Fraser Timber Co. Ltd. (" **West Fraser**") is a company amalgamated under the laws of British Columbia, Canada. West Fraser's common shares were registered under registered under Section 12(b) of the Securities Exchange Act of 1934, as amended (the "**Exchange Act**") effective February 1, 2021. West Fraser is a Canadian issuer eligible to file its annual report pursuant to Section 13 of the Exchange Act on Form 40-F pursuant to the multi-jurisdictional disclosure system (the "**MJDS**") adopted by the United States Securities and Exchange Commission (the "**SEC**"). The equity securities of the Company are further exempt from Sections 14(a), 14(b), 14(c), 14(f) and 16 of the Exchange Act pursuant to Rule 3a12-3 of the Exchange Act. The common shares of West Fraser are traded in the United States on the New York Stock Exchange ("**NYSE**").

In this annual report, references to "we", "our", "us", the "Company" or "West Fraser", mean West Fraser Timber Co. Ltd. and its consolidated subsidiaries, unless the context suggests otherwise.

Unless otherwise indicated, all amounts in this annual report are in United States dollars and all references to "$" mean United States dollars.

PRINCIPAL DOCUMENTS

The following documents have been filed as part of this annual report on Form 40-F:

Document	Exhibit No.
Annual Information Form of the Company for the year ended December 31, 2021 (our " **2021 AIF**")	99.1
Audited consolidated financial statements of the Company and notes thereto as at December 31, 2021 and 2020 and January 1, 2020 and for the years ended December 31, 2021 and 2020, together with the report of the Independent Registered Public Accounting Firm (our "**2021 Audited Annual Financial Statements**")	99.2
Management's Discussion and Analysis of the Company for the year ended December 31, 2021 (our " **2021 Annual MD&A**")	99.3

FORWARD-LOOKING STATEMENTS

This annual report includes or incorporates by reference certain statements that constitute "forward-looking statements" within the meaning of Section 21E under the Exchange Act and Section 27A of the U.S. Securities Act of 1933, and related assumptions concerning its operations, economic performance and financial matters. Actual results or events could differ materially from those set forth in, or implied by, the forward-looking statements and the related assumptions due to a variety of factors. Investors are referred to the cautionary notes entitled "Forward-Looking Statements" that are included in each of our 2021 AIF and 2021 Annual MD&A for a discussion of these forward-looking statements and the risks that impact these forward-looking statements. Investors are also referred to the risks described under the title "Risks and Uncertainties" in our 2021 Annual MD&A and in our 2021 AIF. This list of important factors affecting forward-looking statements is not exhaustive, and reference should be made to the other factors discussed in public filings with securities regulatory authorities, including the SEC. Accordingly, investors should exercise caution in relying upon forward-looking statements, and West Fraser undertakes no obligation to publicly update or revise any forward-looking statements, whether written or oral, to reflect subsequent events or circumstances except as required by applicable securities laws.

NOTE TO UNITED STATES READERS REGARDING DIFFERENCES BETWEEN UNITED STATES AND CANADIAN REPORTING PRACTICES

West Fraser is permitted to prepare this annual report in accordance with Canadian disclosure requirements which require Canadian public companies to prepare financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("**IFRS**"). Accordingly, the Company's audited consolidated financial statements as at December 31, 2021 and 2020 and January 1, 2020 and for the years ended December 31, 2021 and 2020 have been prepared in accordance with IFRS, and the audit is performed in accordance with the standards of the Public Company Accounting Oversight Board (United States) ("**PCAOB**") and our Independent Registered Public Accounting Firm is independent within the meaning of the Chartered Professional Accountants of British Columbia Code of Professional Conduct and the auditor independence standards of the PCAOB and the SEC.

Therefore, West Fraser's audited consolidated financial statements incorporated by reference in this annual report may not be comparable to financial statements prepared in accordance with US GAAP.

CONTROLS AND PROCEDURES

West Fraser is responsible for establishing and maintaining disclosure controls and procedures (as such term is defined in Rules 13a-15(e) of the Exchange Act) and internal control over financial reporting (as such term is defined in Rules 13a-15(f) of the Exchange Act).

Disclosure Controls and Procedures

Disclosure controls and procedures are defined in Rule 13a-15(e) of the Exchange Act to mean controls and other procedures of an issuer that are designed to ensure that information required to be disclosed by the issuer in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and includes, without limitation, controls and procedures designed to ensure that such information is accumulated and communicated to the issuer's management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate, to allow timely decisions regarding required disclosure.

Our management, with the participation of our President and Chief Executive Officer (" **CEO**") and the Vice-President, Finance and Chief Financial Officer ("**CFO**"), conducted an evaluation of our disclosure controls and procedures as of December 31, 2021. Based on this evaluation, our CEO and CFO have concluded that our disclosure controls and procedures are effective as of December 31, 2021.

Internal Control over Financial Reporting

This annual report does not include a report of management's assessment regarding internal control over financial reporting due to a transition period established by rules of the SEC for newly public companies.

No Auditor's Attestation Report

This annual report does not include an attestation report of West Fraser's independent registered public accounting firm due to a transition period established by rules of the SEC for newly public companies.

West Fraser will be required to provide a report of management's assessment regarding internal control over financial reporting and a related auditor attestation report in accordance with SEC requirements with its annual report filed under the Exchange Act for the year ending December 31, 2022.

No Changes in Internal Control over Financial Reporting

There has been no change in West Fraser's internal controls over financial reporting that occurred during the year ended December 31, 2021 that has materially affected, or is reasonably likely to materially affect, our internal controls over financial reporting, other than changes in our internal controls over financial reporting resulting from the acquisition and integration of Norbord Inc., which was acquired on February 1, 2021.

AUDIT COMMITTEE

Our Board of Directors (the **"Board"**) has established a separately-designated independent Audit Committee (the **"Audit Committee"**) of the Board in accordance with Section 3(a)(58)(A) of the Exchange Act for the purpose of overseeing our accounting and financial reporting processes and the audits of our annual financial statements. As at the date of this annual report, the Audit Committee was comprised of Reid Carter (Chair), Janice G. Rennie, Gillian D. Winckler, Colleen M. McMorrow and Gerald J. Miller. The Board has determined that each of the members of the Audit Committee is independent as determined under Rule 10A-3 of the Exchange Act and Section 303A.02 of the NYSE Listed Company Manual.

AUDIT COMMITTEE FINANCIAL EXPERT

Our Board of Directors has determined that Gillian D. Winckler is an audit committee financial expert (as that term is defined in Form 40-F) and is an independent director under applicable securities laws and the listing requirements of the NYSE.

PRINCIPAL ACCOUNTING FEES AND SERVICES

Our independent registered public accounting firm is PricewaterhouseCoopers LLP, Vancouver, British Columbia, Canada, Auditor Firm ID: 271.

The following table sets forth information regarding amounts billed to us by our registered public accounting firm for each of our last two fiscal years ended December 31 in thousands of United States dollars[1]:

	2021	2020
Audit Fees	$ 1,734	$ 763
Audit-Related Fees	249	11
Tax Fees	250	212
All Other Fees	36	—
Total	**$ 2,269**	**$ 986**

1. Amounts represent actual and estimated fees related to the respective fiscal years noted. Amounts are billed and paid in Canadian dollars and have been translated to United States dollars using the average exchange rate for the respective years noted. Certain amounts related to 2020 have been reclassified to conform to current year presentation.

Audit Fees

Audit fees relate to the audit of our annual consolidated financial statements, reviews of interim consolidated financial statements, and statutory audits of the financial statements of our subsidiaries.

Audit-Related Fees

Audit–Related Fees include employee benefit audits, services associated with registration statements, prospectuses, and other documents filed with securities regulators, and due diligence assistance.

Tax Fees

Tax fees relate to tax compliance, tax advice, and tax planning services.

All Other Fees

All other fees relate to fees in connection with translation services.

Audit Committee Pre-Approval Policies

The Audit Committee has adopted a policy that sets out the pre-approval requirements related to services to be performed by our independent auditors. The policy provides that the Audit Committee will annually review proposed audit, audit related, tax and other services (to be submitted by the Chief Financial Officer and the independent auditor), and will provide general approval of described services, usually including specific maximum fee amounts.

Unless a service has received general pre-approval, it will require specific pre-approval by the Audit Committee. The Audit Committee is permitted to delegate pre-approval authority to any of its members. The Audit Committee reports on the pre-approval process to the full Board of Directors from time to time.

None of the services provided by PricewaterhouseCoopers in 2021 were treated as exempt from pre-approval pursuant to the de minimis provision of paragraph (c)(7)(i)(C) of Rule 2-01 of Regulation S-X.

OFF-BALANCE SHEET ARRANGEMENTS

West Fraser has not entered into any off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues, expenses, results of operations, liquidity, capital expenditures or capital resources that are material to investors.

CONTRACTUAL OBLIGATIONS

The required tabular disclosure of contractual obligations is included in " *Liquidity & Capital Resources – Contractual Obligations*" of the 2021 Annual MD&A, filed as Exhibit 99.3 to this annual report, and incorporated herein by reference.

CODE OF ETHICS

West Fraser has adopted a "code of ethics" (as that term is defined in Form 40-F), entitled the West Fraser Code of Conduct that applies to all directors, officers and employees of West Fraser, including its CEO and CFO (the "**Code of Ethics**"). A copy of the Code of Ethics is posted on West Fraser's website at https://www.westfraser.com/investors/corporate/code-conduct.

No substantive amendments were made to the Code of Ethics during the fiscal year ended December 31, 2021, and no waivers of the Code of Ethics were granted to any principal officer of West Fraser or any person performing similar functions during the fiscal year ended December 31, 2021.

NYSE CORPORATE GOVERNANCE

West Fraser's common shares are listed for trading on the New York Stock Exchange (" **NYSE**"). Section 303A.11 of the NYSE Listed Company Manual requires foreign private issuers, such as West Fraser, to disclose any significant ways in which their corporate governance practices differ from those followed by domestic companies under NYSE Listing Standards. West Fraser's quorum requirement for meetings of shareholders is a minimum of 10% of the outstanding common shares in attendance at each meeting of shareholders which is less than the 50% majority quorum requirement of many U.S. incorporated NYSE listed issuers. Other than with respect to this quorum requirement, there are no significant differences between our corporate governance practices and those practices required by the NYSE of other publicly listed companies.

INTERACTIVE DATA FILE

West Fraser has submitted to the SEC an Interactive Data File in connection with this annual report.

UNDERTAKING

West Fraser undertakes to make available, in person or by telephone, representatives to respond to inquiries made by the Commission staff, and to furnish promptly, when requested to do so by the Commission staff, information relating to: the securities registered pursuant to Form 40-F; the securities in relation to which the obligation to file an annual report on Form 40-F arises; or transactions in said securities.

CONSENT TO SERVICE OF PROCESS

West Fraser has previously filed an Appointment of Agent for Service of Process and Undertaking on Form F-X signed by the Company and its agent for service of process with respect to the class of securities in relation to which the obligation to file this annual report arises, which Form F-X is incorporated herein by reference. Any change to the name or address of West Fraser's agent for service shall be communicated promptly to the Commission by amendment to Form F-X referencing the file number of the Company.

SIGNATURES

Pursuant to the requirements of the Exchange Act, West Fraser certifies that it meets all of the requirements for filing on Form 40-F and has duly caused this annual report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: February 15, 2022

WEST FRASER TIMBER CO. LTD.

By: */s/ Raymond W. Ferris*

Raymond W. Ferris
President and Chief Executive Officer

EXHIBIT INDEX

Exhibit Number	Exhibit Description
99.1	Annual Information Form of the Company for the year ended December 31, 2021
99.2	Audited consolidated financial statements of the Company and notes thereto as at December 31, 2021 and 2020 and January 1, 2020 and for the years ended December 31, 2021 and 2020, together with the report of the Independent Registered Public Accounting Firm
99.3	Management's Discussion and Analysis for the year ended December 31, 2021
99.4	Certification of Chief Executive Officer pursuant to Rule 13a-14(a) of the Exchange Act, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
99.5	Certification of Chief Financial Officer pursuant to Rule 13a-14(a) of the Exchange Act, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
99.6	Certification of Chief Executive Officer pursuant to Rule 13a-14(b) of the Exchange Act and 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
99.7	Certification of Chief Financial Officer pursuant to Rule 13a-14(b) of the Exchange Act and 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
99.8	Consent of PricewaterhouseCoopers LLP
101	The following financial information from the Company's annual report on Form 40-F for the year ended December 31, 2021 formatted in Inline XBRL (Extensible Business Reporting Language): (i) the Consolidated Balance Sheets, (ii) the Consolidated Statements of Earnings and Comprehensive Earnings, (iii) the Consolidated Statements of Changes in Shareholders' Equity, (iv) the Consolidated Statements of Cash Flows, and (vi) Notes to Consolidated Financial Statements.
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

Exhibit 99.1

WEST FRASER TIMBER CO. LTD.

ANNUAL INFORMATION FORM

DATED FEBRUARY 15, 2022

Exhibit 99.1

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ITEM 1 - GENERAL INFORMATION

Basis of Presentation

This Annual Information Form ("AIF") of West Fraser Timber Co. Ltd. ("West Fraser"), the "Company", "we", "us", or "our") is dated as of February 15, 2022. Except as otherwise indicated, the information contained in it is as of December 31, 2021.

For definitions of various abbreviations and technical terms used in this AIF, please see the Glossary located on page 29 of this AIF.

Where this AIF includes information from third parties, we believe that such information (including industry and general publications and surveys) is generally reliable. However, we have not independently verified any such third-party information and cannot assure you of its accuracy or completeness.

All financial information in this AIF is presented in United States ("U.S.") dollars, unless otherwise indicated. Information referred to in this AIF as being available on our website at www.westfraser.com does not form a part of this AIF.

Forward-looking Statements

This AIF includes statements and information that constitute "forward-looking information" within the meaning of Canadian securities laws and "forward-looking statements" within the meaning of United States securities laws (collectively, "forward-looking statements"). Please refer to the cautionary note entitled "Forward-Looking Statements" under Item 10 – "*Additional Information*" for a discussion of these forward-looking statements and the risks that impact these forward-looking statements. Additional risks impacting our business and these forward-looking statements are discussed under the heading "Risks and Uncertainties" in our Management Discussion and Analysis for the year ended December 31, 2021 (our "2021 MD&A").

ITEM 2 - CORPORATE STRUCTURE

West Fraser is organized under the *Business Corporations Act* (British Columbia) and assumed its present form in 1966 by the amalgamation of a group of companies under the laws of B.C.

Our executive office is located at 858 Beatty Street, Suite 501, Vancouver, B.C., Canada, V6B 1C1 and our registered office is located at 1500 - 1055 West Georgia Street, Vancouver, B.C., Canada, V6E 4N7.

The operating subsidiaries of the Company are:

Name	Jurisdiction of Incorporation	Percentage of Voting Securities Owned
Angelina Forest Products, LLC	Texas	100%
Blue Ridge Lumber Inc.	Alberta	100%
Manning Forest Products Ltd.	Alberta	100%
Norbord Alabama Inc.	Alabama	100%
Norbord Europe Ltd.	United Kingdom	100%
Norbord Georgia LLC	Delaware	100%
Norbord Inc.	Canada	100%
Norbord Minnesota Inc.	Delaware	100%
Norbord Mississippi LLC	Delaware	100%
Norbord NV	Belgium	100%
Norbord Sales Inc.	Ontario	100%
Norbord South Carolina Inc.	South Carolina	100%
Norbord Texas (Jefferson) Inc.	Delaware	100%
Norbord Texas (Nacogdoches) Inc.	Delaware	100%
Sundre Forest Products Inc.	Alberta	100%
West Fraser, Inc.	Delaware	100%
West Fraser Wood Products Inc.	Delaware	100%
West Fraser Mills Ltd.	British Columbia	100%
West Fraser Newsprint Ltd.	Canada	100%

In addition, Alberta Newsprint Company and Cariboo Pulp & Paper Company are unincorporated 50%-owned joint operations governed, respectively, by the laws of Alberta and British Columbia.

ITEM 3 - GENERAL DEVELOPMENT OF THE BUSINESS

3.1 General Development of the Business Over the Last Three Years

History and Development of Business

West Fraser is a diversified wood products company with facilities in Canada, the U.S., the U.K. and Europe, manufacturing, selling, marketing and distributing lumber, engineered wood products (OSB, LVL, MDF, plywood, particleboard), pulp, newsprint, wood chips and other residuals and renewable energy. West Fraser originated in 1955 when three brothers, Pete, Bill and Sam Ketcham, acquired a lumber planing mill located in Quesnel, B.C. (“Quesnel”). From 1955 through 2020 the business expanded through the acquisition of a number of sawmills and related timber harvesting rights and the acquisition or development of lumber, panels and pulp & paper businesses. As a result of the Norbord Acquisition, we are now a leading producer of OSB. In addition to OSB, Norbord manufactures particleboard, MDF and related value-added products. Our business is comprised of 34 lumber mills, five pulp and paper mills and six renewable energy facilities, 15 OSB facilities, three MDF facilities, three plywood facilities, two particleboard facilities, one LVL facility, one treated wood facility and one veneer facility.

Major developments for West Fraser during the last three years include the following:

Norbord Acquisition

On November 19, 2020, we announced that we had entered into an arrangement agreement with Norbord under which we had agreed to acquire Norbord to create a leading diversified global wood products company (the "Arrangement Agreement").

We completed the acquisition of Norbord on February 1, 2021 (the "Norbord Acquisition") and Norbord is now a wholly-owned subsidiary of West Fraser. We issued 54,484,188 Common shares to the shareholders of Norbord in connection with this acquisition and assumed Norbord's outstanding stock options.

In accordance with our obligations under the Arrangement Agreement, West Fraser's common shares ("Common shares") were listed on and began trading on the NYSE under the symbol WFG on February 1, 2021. Concurrent with this listing, we changed our stock symbol on the TSX to WFG. In accordance with the *U.S. Exchange Act*, the Common shares have been deemed to be registered under Section 12g-3 of the *U.S. Exchange Act* as West Fraser is a "successor issuer" to Norbord under the *U.S. Exchange Act*. Accordingly, West Fraser files continuous disclosure reports with the United States Securities and Exchange Commission (the "SEC") under the requirements of the *U.S. Exchange Act*.

We filed a Form 51-102F4 – Business Acquisition Report in respect of our acquisition of Norbord on SEDAR on March 26, 2021, and a copy has been furnished to the SEC on Form 6-K.

Changes to Long-Term Debt and Operating Facilities

On February 1, 2021, concurrent with the closing of the Norbord Acquisition, we completed various administrative amendments to our CAD$850 million committed revolving credit facility and our $200 million term loan to facilitate the Norbord Acquisition. We also replaced our CAD$150 million committed revolving credit facility with a $450 million committed revolving credit facility due 2024 on substantially the same terms. Norbord's accounts receivable securitization facility and secured revolving credit facilities were terminated at closing and the security related to all of Norbord's debt was discharged as of February 1, 2021.

As part of the Norbord Acquisition, we assumed Norbord's 2023 Notes, bearing interest at 6.25% and Norbord's 2027 Notes, bearing interest at 5.75%. On March 2, 2021, we made a mandatory change of control offer for the 2023 Notes and the 2027 Notes pursuant to which $1 million of the 2023 Notes and $1 million of the 2027 Notes were redeemed and were repaid in the second quarter of 2021. On April 6, 2021, we elected to redeem the remaining 2027 Notes on May 6, 2021. On May 6, 2021, we elected to redeem the remaining 2023 Notes on June 7, 2021. After the completion of the redemption of the Notes, the principal value of long-term debt was reduced by $665 million from the date of the Norbord Acquisition.

Change in Functional and Reporting Currency

As a result of the completion of the Norbord Acquisition, the functional currency of our Canadian operations changed from the Canadian dollar to the U.S. dollar as of February 1, 2021. Concurrent with the change in functional currency, we also changed our presentation currency for the purposes of our financial statements from Canadian dollars to U.S. dollars. Accordingly, we commenced presenting our financial statements in U.S. dollars with our unaudited interim financial statements as at and for the three months ended March 31, 2021.

Share Repurchases

Over the past three years, we have had in place several NCIBs, which have allowed us to repurchase our shares in accordance with the rules of the TSX in the following amounts:

- 2019: 1,178,400 Common shares were purchased at a cost of $61 million.
- 2020: No shares were purchased under this bid.
- 2021: 7,059,196 Common shares were purchased at a cost of $527 million.

The current NCIB will terminate on February 16, 2022, or earlier if the maximum number of Common shares authorized for repurchase under the NCIB have been purchased.

On August 20, 2021, we completed a substantial issuer bid pursuant to which we purchased for cancellation a total of 10,309,278 Common shares at a price of CAD$97.00 (US$76.84) per share for an aggregate purchase price of CAD$1.0 billion (US$792 million).

Dudley, Georgia Lumber Mill

Our new lumber manufacturing complex in Dudley became fully operational in the second quarter of 2021. As it ramps up over the next few years, it is expected to reach an annual production capacity of 270 million board feet. The old Dudley mill had an annual capacity of 170 million board feet.

Chambord, Quebec OSB Mill

On March 29, 2021, we announced that our OSB mill in Chambord had restarted with panels being produced and shipped to customers. The Chambord mill is ramping up towards its stated annual production capacity of 550 million square feet (3/8-inch basis), which typically takes 18 to 24 months. Having invested $71 million and with a strong available labour force and committed wood supply in the region, the Chambord mill is expected to be among our lowest cost OSB operations once fully ramped up.

Acquisition of Lufkin, Texas lumber mill

On December 1, 2021, we completed the acquisition of the Angelina Forest Products' SYP lumber mill located in Lufkin, Texas for $302 million, net of cash acquired of $8 million and, subject to certain post-closing adjustments. The new turn-key facility began construction in 2018 and commenced operations in late 2019. The facility is expected to progress toward production capacity of approximately 305 million board feet over the next three to four years.

Acquisition of Allendale, South Carolina OSB mill

On December 6, 2021, we completed the acquisition of an idled OSB mill located near Allendale, South Carolina for $280 million, of which $276 million was allocated to property, plant and equipment. The Allendale facility commenced production in 2007, has been idle since late 2019 and has an estimated stated capacity of approximately 760 million square feet (3/8-inch basis). The Company intends to invest an estimated $70 million of additional capital during 2022 to upgrade and optimize the facility in preparation for its restart, subject to market conditions and hiring the requisite employees.

Dividend Currency Change

On October 27, 2021, we announced that as the majority of our shareholder base is now outside Canada, and the majority of our cash flows are denominated in U.S. dollars, future dividends will be declared and payable in U.S. dollars.

Senior Leadership Changes

On December 7, 2021, we announced the following management changes: (i) Sean McLaren, formerly the Company's President, Solid Wood, has become the Company's Chief Operating Officer, (ii) Kevin Burke, formerly the Company's Vice-President, North American Engineered Wood Products and Renewable Energy, has become the Company's Senior Vice-President, Wood Products, (iii) Keith Carter, formerly the Company's Vice-President, Western Canada Operations, has become the Company's Senior Vice-President, Western Canada, and (iv) Alan McMeekin, formerly the Company's Vice-President, European Engineered Wood Products, has become the Company's Senior Vice-President, Europe.

3.2 Corporate Strategy

Our goal at West Fraser is to generate strong financial results through the business cycle, relying on our committed workforce, the quality of our assets and our well-established people and operating culture. This culture emphasizes cost control in all aspects of the business and operating in a responsible, sustainable, financially conservative and prudent manner.

The North American wood products industry is cyclical and periodically faces difficult market conditions and serious challenges. Our earnings are sensitive to changes in world economic conditions, primarily those in North America, Asia and Europe and particularly to the U.S. housing market for both new construction and repair and renovation spending. Most of our revenues are from sales of commodities for which prices are sensitive to variations in supply and demand. As many of our costs are denominated in Canadian dollars, Pounds Sterling and Euros, exchange rate fluctuations of the Canadian dollar, Pound Sterling and Euro against the U.S. dollar are anticipated to be a significant source of earnings volatility for us.

West Fraser strives to make sustainability a central principle upon which our people operate, and we believe the Company's sustainable, renewable building materials that sequester carbon are a truly natural solution in the fight against climate change. There are numerous government initiatives and proposals globally to address climate-related issues. Within the jurisdictions of West Fraser's operations, some of these initiatives would regulate, and do regulate, and/or tax the production of carbon dioxide and other greenhouse gases to facilitate the reduction of carbon emissions, providing incentives to produce and use cleaner energy.

We believe that maintaining a strong balance sheet and liquidity profile, along with our investment grade debt rating, enables us to execute a balanced capital allocation strategy. Our goal is to reinvest in our operations across all market cycles to strategically enhance productivity, product mix, and capacity and to maintain a leading cost position. We believe that a strong balance sheet also provides the financial flexibility to capitalize on growth opportunities, including the pursuit of opportunistic acquisitions and larger-scale strategic growth initiatives, and is a key tool in managing our business over the long-term including returning capital to shareholders.

Sales
($ millions - for the year ended December 31)

	2021[1]	**2020**	**2019**
Lumber	4,804	3,258	2,497
NA EWP	4,264	467	449
Pulp & Paper	727	648	727
Europe EWP	723	—	—
	10,518	4,373	3,673

1. Includes sales of Norbord since the acquisition date of February 1, 2021, and sales of Angelina since the acquisition date of December 1, 2021.

ITEM 4 - DESCRIPTION OF THE BUSINESS

4.1 Principal Products and Markets

West Fraser is a diversified wood products company producing lumber, OSB, LVL, MDF, plywood, particleboard, pulp, newsprint, wood chips, other residuals and energy with facilities across Canada, in the United States, in the United Kingdom and in Europe. We hold rights to timber resources that are sufficient to supply a significant amount of the fibre required by our Canadian operations and have long-term agreements for the supply of a portion of the fibre required by our U.S. lumber and U.K. OSB operations.

4.2 Markets

West Fraser's products are used in home construction, repair and remodelling, industrial applications, papers, tissue and box material. Our products are primarily sold to major retail chains, contractor supply yards and wholesalers, as well as industrial customers for further processing or as components for other products. Changes in new home construction activity levels in the U.S. are a significant driver of volatility in lumber and OSB demand. In general, the business is affected by the level of housing starts, the level of home repairs, the availability and cost of financing, changes in industry capacity, changes in raw material prices, changes in foreign exchange rates (primarily the Canadian dollar, Pound Sterling and Euro currencies) and other operating costs.

In Canada, our lumber operations are located in western Canada and produce SPF lumber, wood chips and other residuals. In the U.S. our sawmills are located in the southern U.S. and produce SYP lumber, wood chips and other residuals. OSB operations are located in Alberta, Ontario, Quebec, the U.S., the U.K. and Belgium.

The markets for our products are highly competitive and product pricing can be volatile. Our products are sold in markets open to a number of companies with similar products and we compete with global producers. Our competitive position is affected by factors such as cost and availability of raw materials, energy and labour, the ability to maintain high operating rates and low per unit manufacturing costs, the quality of our final products and our ability to transport products to our customers. Some of our products may also compete with non-wood fibre-based alternatives or with alternative products in certain market segments. Purchasing decisions by customers are generally based on price, quality, service and availability of supply. However, because commodity products such as ours have few distinguishing properties from producer to producer, competition for these products is based primarily on price. Prices and sales volumes are influenced by general economic conditions, the balance of supply and demand for the product, and the availability of transportation.

4.3 Manufacturing Inputs

Fibre Supply

Our operations are dependent on the consistent supply of substantial quantities of wood fibre in various forms. The primary manufacturing facilities, which produce lumber, plywood, LVL and OSB, consume whole logs, while the pulp & paper, particleboard and MDF facilities mostly consume wood by-products in the form of wood chips (including from whole-log chipping operations), shavings and sawdust resulting from the production of lumber, plywood or LVL, as well as recycled materials. Many facilities also consume hog fuel and wood waste in energy systems.

West Fraser does not own any timberlands; wood fibre supply comes from several different sources. In Canada, we hold forest licences and agreements to source roundwood logs from Crown timberlands, which are supplemented by open market and private purchases, as discussed below under "Canadian Forest Tenures". In the U.S., roundwood logs for both lumber and OSB are primarily sourced from private and industry-owned woodlands. In Europe, wood fibre is purchased from government and private landowners.

Canadian Forest Tenures

Our lumber, plywood, LVL, pulp & paper manufacturing capacity and North American OSB and MDF operations that are located in Canada obtain fibre directly or indirectly from timberlands that are substantially all publicly owned. The right to harvest timber is acquired through provincially granted licences. Licences grant the holder the right to harvest up to a specified quantity of timber annually and either have a term of 15 to 25 years and are replaceable or have a shorter term but are not replaceable. Government objectives in granting licences include responsible management of timber, soils, wildlife, water and fish resources and the preservation of biodiversity and the protection of cultural values. The objectives also include achieving the fullest possible economic utilization of the forest resources and employment in local communities.

Timber tenures across Canada require the payment of a fee, commonly known as stumpage, for timber harvested pursuant to its terms. Stumpage in Canada is primarily product/price specific and, in some provinces, varies on a lagged basis with the sales price of the product into which the logs will be converted. Stumpage in a number of provinces is also influenced by the results of certain publicly auctioned timber harvesting rights. Timber tenures in B.C. and Alberta also require the holder to carry out reforestation to ensure reestablishment of the forest after harvesting. Reforestation projects are planned and supervised by our woodlands staff and are subject to approval by relevant government authorities. Our timber harvesting operations are carried out by independent contractors under the supervision of our woodlands staff.

While we have provincially granted timber tenures or licences granting the right to harvest timber up to a specified quantity of timber each year, our ability to access such timber or the availability of such timber can be affected by federal or provincial legislative changes, policies or other governmental actions and also by natural events such as infestations and wildfires. The Government of B.C. has recently adopted amendments to the *Forest Act* and the *Forest and Range Practices Act (British Columbia)* that may result in actions by the Government of B.C. that reallocate timber harvesting rights to Indigenous Nations and/or local communities or require the development of forest landscape plans by the Chief Forester of B.C. in consultation with affected Indigenous Nations. These actions could potentially impact both the area covered by our forest licences in B.C. and the amount of timber that we are able to harvest from these licences. The Government of B.C. also announced its intention to defer logging in 2.6 million hectares of forests described as “old growth”, subject to the approval of Indigenous Nations, which proposals have yet to be finalized or implemented. Our preliminary estimate of the impact on the B.C. AAC is a reduction of up to 15%. The specific impact to us at this time is not determinable given ongoing negotiations with multiple stakeholders.

Also in B.C., the provincial and federal governments have entered into a conservation agreement for all Southern Mountain Caribou ranges in the Province that includes a partnership agreement with Indigenous communities and identify specific zones and harvest deferral areas to manage caribou recovery, which will impact our access to timber supply (although the full extent is yet to be determined). In 2020, the Government of Alberta signed an agreement with the Government of Canada consistent with Section 11 of the *Species at Risk Act* that commits the Government of Alberta to prepare and implement caribou recovery plans for at risk populations and has established a Regional Task Force to build plans and identify socio-economic impacts. We have been working with the Provinces of B.C. and Alberta to develop strategies that support caribou recovery while maintaining our access to the forest resource. The AAC impact from federal and provincial recovery plans will become evident when the final location of the conservation areas and the forest management regimes are identified and implemented.

The mountain pine beetle infestation has impacted the timber supply in B.C. and Alberta. In the B.C. interior the infestation reached a peak more than 15 years ago and the non-recoverable timber losses to the mature pine forests within our operating areas are significant. The Province of B.C. previously increased the AAC on dead pine stands and limited the harvest of non-pine species until the salvage of dead pine stands came to a conclusion with the intent that the AAC will be reduced to reflect lower mature inventories as dead pine stands are harvested or when they are no longer economic to harvest. The Province has substantially reduced the AAC in B.C.’s central interior in the past five years and we expect this process to continue for up to another five years as the province transitions AACs by incrementally reducing mountain pine beetle uplifts, reapportioning volume to Indigenous Nations and deferring harvest in defined old growth areas.

In Alberta, the Minister and the forest industry continue to implement aggressive programs for mountain pine beetle detection, single tree control and focused harvesting activity. The mountain pine beetle infestation significantly expanded from Jasper National Park into our Hinton forest management area (“FMA”) in recent years. The mountain pine beetle has also spread into the Edson FMA management area and, to a lesser extent the Sundre FMA management area. We continue to work aggressively to reduce the number of susceptible pine stands and conduct spread control activities across the region in concert with other forest industry participants and the Alberta government.

Over the past five years wildfires in B.C. burned over two and a half million hectares of forest land. Our Cariboo region operating areas were significantly impacted. Salvage of fire damaged trees is on-going, and non-recoverable

timber losses are significant in these burned forests due to a combination of burn intensity and relatively quick onset of subsequent decay resulting in timber being unusable for primary wood products.

As the timing of future AAC reductions and the effect on our AACs will depend on a variety of factors, including the impact of wildfires, the amount of non-pine species available for harvest, and the removal of land from the timber harvesting land-base due to old growth deferrals, the full effect on our operations cannot reasonably be determined at this time.

Residual Fibre Supply

In Canada, substantially all our requirements for wood chips, shavings, sawdust and hog fuel are supplied from our own operations, either directly or indirectly through trades. This reduces our exposure to risks associated with price fluctuations and supply shortages of these products and minimizes logistics costs.

Our B.C. sawmills and plywood plants produce substantially all of the fibre requirements of our B.C. pulp operations and MDF plant. The Alberta MDF plant obtains its fibre from the adjacent Blue Ridge sawmill and other sawmills in the area. The Hinton pulp mill obtains its fibre from the adjacent Hinton sawmill and other sawmills in the area owned by us. At times we produce whole log chips to supplement the supply of residual chips from our various sawmills. The fibre requirements of our 50%-owned newsprint mill are obtained from local sawmills, including our sawmill in Blue Ridge and the Slave Lake veneer operation, through chip purchase agreements and log for chip trades using logs harvested from the newsprint mill's tenures. The Slave Lake deciduous FMA provides most of the fibre requirements of the Slave Lake pulp mill, with the balance being obtained from logs purchased from local suppliers.

The majority of the wood chips produced by our U.S. sawmill operations are sold to pulp mills at market prices pursuant to long-term contracts. Our European particleboard facilities source recycled fibre from third party suppliers and our European MDF facilities source wood chips from third party sawmillers in the U.K.

4.4 Fibre Consumption

Our Canadian sawmills, plywood facilities and LVL plant, if operating at the capacities described herein, would consume approximately 12 million m^3 of softwood logs (coniferous) per year. We access the majority of these requirements from quota-based tenures and the balance is typically acquired from third parties holding short or long-term timber harvesting rights, including independent logging contractors, Indigenous groups, communities and woodlot owners. We do not necessarily consume the maximum permitted volume of logs that may be harvested from our tenures annually but will adjust between tenure and purchase logs depending on circumstances including the availability of purchase logs and our ability to secure approvals to harvest in economically viable stands.

Our Canadian OSB operations, if operating at the capacities described herein, would consume approximately 5 million m^3 of hardwood logs (deciduous) per year. Our volume requirements are largely filled within our quota-based tenures or wood guarantees with the balance purchased on a competitive market-based system.

Our U.S. operations, which produce both SYP lumber and OSB, if operating at the capacities described herein, would consume approximately 22.1 million tonnes of softwood logs per year. The majority of our volume requirements are purchased on the open market, with the balance under long-term supply contracts and/or timber deeds. Open market purchases come from timber real estate investment trusts, timberland investment management organizations, and private landowners.

Our European operations, which produce OSB, particleboard, MDF and related value-added products, if operating at the capacities described herein, would consume approximately 2.7 million m^3 of fibre per year, consisting of softwood and hardwood logs, sawmill chips and recycled fibre.

4.5 Forestry Certification

West Fraser holds third party verified sustainable forest management and fibre sourcing certification from the Sustainable Forestry Initiative (SFI®) program, and chain-of-custody certificates from SFI®, the Forest Stewardship Council® (FSC) and the Programme for the Endorsement of Forest Certification (PEFC).

4.6 Resin and Wax

The manufacturing inputs for OSB, plywood, MDF, LVL and particleboard include resin and/or wax which are sourced through tolling-like arrangements with outside suppliers with prices for the underlying feedstocks based on global indices. These feedstocks are widely-used industrial chemicals derived from oil and gas, such as benzene, phenol and methanol. Feedstock prices are influenced by global supply and demand conditions, and have exhibited significant volatility over time.

4.7 Seasonality and Cyclicality of Business

Our operating results are subject to seasonal fluctuations that may impact quarter-to-quarter comparisons. Consequently, interim operating results may not proportionately reflect operating results for a full year.

Market demand varies seasonally, as homebuilding activity and repair-and-remodelling work are generally stronger in the spring and summer months. Extreme weather conditions, including wildfires or flooding in Western Canada and hurricanes in the U.S. South, may periodically affect operations, including logging, manufacturing and transportation. Log inventory is typically built up in the Northern regions of North America and Europe during the winter to sustain our lumber and EWP production during the second quarter when logging is curtailed due to wet and inaccessible land conditions. This inventory is generally consumed in the spring and summer months.

4.8 Indigenous Relations

West Fraser has an Indigenous Peoples Policy in addition to our 2021 commitment to Progressive Aboriginal Relations (PAR) through the Canadian Council of Aboriginal Business (CCAB), to ensure our relations are focused on mutual respect and understanding of each other's interests, values, and goals. This policy is available on our website. Our voluntary forest certification standards include respect for Indigenous Peoples' property, tenure and rights. This is specifically addressed in the SFI 2015-2019 Standards and Rules, which recognizes the principles outlined in the United Nations Declaration for the Rights of Indigenous Peoples. As a program participant, West Fraser communicates and collaborates with local Indigenous Peoples and communities to better understand their traditional practices with respect to forest management. West Fraser is and will continue to be proactive in its efforts to engage and partner with Indigenous Peoples and communities to seek positive and beneficial working relationships and maintain access to the timber harvesting land base.

Notwithstanding these efforts, our continued access to the forest resource in Canada could be impacted by Indigenous rights and title claims, treaties, non-treaty agreements, legislation related to Indigenous rights and other governmental policy changes relating to Indigenous groups. These, and related duties of government to consult and engage Indigenous groups in respect of statutory decision-making could affect the issuance, validity, renewal and exercise and terms and conditions of Crown timber rights and authorizations to harvest, or the timeliness of obtaining such rights.

Included in the above are actions that governments may take pursuant to the B.C. *Declaration on the Rights of Indigenous Peoples Act* , brought into force in November 2019 and the federal *United Nations Declaration on the Rights of Indigenous Peoples Act* , brought into force in December 2020.

The Government of British Columbia may take actions concerning its relationships with Indigenous groups under the recent amendments to the *Forest Act* (British Columbia) and the *Forest and Range Practices Act* (British Columbia) and its plan to defer logging in “old growth” forest areas, and these actions may ultimately reduce the available timber supply from our British Columbia forest licences.

As the jurisprudence, legislation and government policies respecting Aboriginal title and rights and the consultation process continue to evolve, we cannot predict whether Aboriginal claims will have a material adverse effect on our timber harvesting rights or on our ability to exercise, renew or transfer them, or secure other timber harvesting rights.

4.9 Human Resources and Safety

As of December 31, 2021, we employed approximately 11,000 individuals, including our proportionate share of those in 50%-owned operations. Of these, approximately 5,800 are employed in our lumber segment, 3,100 in our NA EWP segment, 800 in our Europe EWP segment, 900 in our pulp & paper segment and 400 in our corporate & other segment. Approximately 35% of our employees are covered by collective agreements. There are two expired collective agreements remaining as of December 31, 2021. Collective agreements representing 9% and 30% of our employees expire in 2022 and 2023, respectively.

West Fraser believes inclusive, diverse teams build a more vibrant workforce, safer operations and a stronger company overall. At the end of 2021, approximately 15% of our workforce were women and a further approximately 22% were under-represented minorities. Plans have been developed to make measurable progress in 2022 in our ongoing journey of diversity and inclusion.

The safety of our employees is a core value and business priority and our safety goal is to eliminate serious incidents and injuries. We have achieved a 49% reduction in our medical recordable incident rate since 2016. We provide ongoing safety training for our employees to minimize potential risks inherent in forestry-related manufacturing industries. See Governance and Oversight section. Most employees in the North American OSB and European EWP mills participate in profit sharing programs whereby a percentage of each mill's operating income is shared equally across all employees at that mill.

4.10 Environmental Performance

West Fraser's operations are subject to a range of general and industry-specific environmental laws and regulations relating to air emissions, wastewater discharges, solid and hazardous waste management, plant and wildlife protection and site remediation.

Regulatory Requirements

Our manufacturing operations are subject to environmental protection laws and regulations. We have developed and apply internal environmental management programs and policies to help ensure that our operations are in compliance with applicable laws and standards and to address any instances of non-compliance. We have incurred, and will continue to incur, capital expenditures and operating costs to comply with environmental laws and regulations. We are required to carry out remediation activities, including site decommissioning, under applicable environmental protection laws and regulations. In addition, we are required to carry out reforestation activities under our various timber licences. We maintain accruals in our financial statements for certain environmental, reforestation and decommissioning obligations.

Environmental Attributes of Wood Products and Minimization of Waste

Wood products have three beneficial roles in the carbon cycle and to mitigate climate change effects: as a store of carbon, as an alternative to fossil fuel-based materials, and for generating carbon-neutral energy.

West Fraser's 2021 production of harvested wood products sequestered 15.79 million metric tonnes of carbon dioxide equivalent (CO_2e). The biogenic carbon sequestration of our annual production was calculated using The National Council for Air and Stream Improvement, Inc.'s ("NCASI") Tool to Calculate Carbon Stored in Forest Products, based on data developed by the U.S. Forest Service. It estimates the metric tonnes of biogenic carbon stored in products in use and retained in landfills, both as the annual average over a 100-year period and as the

quantity remaining 100 years after production. NCASI's Carbon Storage tool was developed to assist members in undertaking these types of calculations, whether for regulatory or voluntary reporting purposes.

West Fraser actively participates in numerous forestry sector and local associations. We support climate-smart and green building initiatives through our membership in the Softwood Lumber Board ("SLB") to increase market demand for wood products. The SLB, through programs such as WoodWorks and ThinkWood, supports initiatives that promote the benefits and encourage the uses of softwood lumber products in outdoor, residential and non-residential construction.

Our lumber, OSB, particleboard, plywood, MDF and LVL products are backed by Life Cycle Assessments (LCA)'s, environmental product declarations ("EPD") and EPD transparency briefs that support its increased use in lower carbon, environmentally-conscious building construction. West Fraser's certified wood products are eligible for points in one of the most widely used green building rating systems globally, LEED (Leadership in Energy and Environmental Design), sponsored by the United States Green Building Council (USGBC).

Our high-efficiency primary manufacturing recovers raw materials for a range of valuable secondary products. We have reduced the waste and material sent to landfill through innovations to our production process to use more of wood residuals, recovering them for value-added products and renewable energy generation. Approximately, ninety-nine percent of a log will be utilized: (i) sawdust and shavings are used in our MDF plants or are transformed into fuel and energy to run mill operations; (ii) wood chips and the wood cores from our plywood and veneer operations are used in pulping operations; and (iii) heat, steam, gases and biomass liquids (such as black liquor) that develop during our manufacturing processes are captured to generate bioenergy in our mills or used to create innovative bioproducts; and (iv) bark is used as fuel in our energy systems. Half of the weight of sustainably sourced wood products is stored as carbon for the life of the product, making it a valuable building and construction material relative to conventional products such as steel and concrete.

4.11 Responsible Resource Efficiency

Our goal is to have a sustainable and resilient business. We are committed to consciously managing our air and water emissions, working towards efficiency, reducing consumption and developing sustainable energy solutions.

We are focused on replacing fossil fuel energy sources where feasible with renewable and carbon-neutral energy sources. Renewable sources now supply over half of our operations' energy needs. We use manufacturing by-products such as wood waste and pulp mill effluent to generate bioenergy and invest capital to improve manufacturing processes' energy efficiency.

In the fall of 2016, the Paris Agreement (Agreement) resulting from the United Nations Framework Convention on Climate Change entered into force. At present, Canada, the European Union and the U.K. have all ratified the agreement. The Canadian federal government and the four provinces in which West Fraser currently operates have enacted regulations to meet GHG reduction obligations through carbon taxes or cap-and-trade initiatives. There are currently no GHG regulatory initiatives that are expected to negatively impact West Fraser's U.S. operations.

All of West Fraser's U.K. operations entered into Kyoto climate change energy efficiency agreements in 2001, which have resulted in significant tax and energy efficiency cost savings. A cap-and-trade carbon trading program has been in place in Europe since 2005. Biomass heat energy generating units have enabled our European mills to comply with energy efficiency targets and have resulted in a surplus of carbon credits and renewable heat incentives ("RHI") across our European business.

4.12 Community and Stakeholder Engagement

Stakeholder engagement and consultation is a crucial part of our success as a business. Stakeholder engagement and consultation is embedded in our forest management planning process through our sustainable forest management and fibre sourcing certifications. Identification and consultation with stakeholders is also required by Canadian law to

meet the standards and provincial regulations governing the permitting and approval of harvesting and forest management planning on public lands.

4.13 Governance and Oversight

Our Board of Directors, particularly the Health, Safety & Environment Committee, together with our executive and our senior leadership teams, set the policy and practice of our environmental, social and governance activities within our business and are responsible for monitoring our safety and environmental performance, including identifying and managing environmental risks.

We have adopted and implemented social and environmental policies and practices that are essential to our operations. Our social, environmental and safety practices are governed by the principles set out in our Code of Conduct, our Environmental Policy and our Health and Safety Policy.

Our Code of Conduct emphasizes our overall commitment to sustainability and sets out specific requirements in areas related to: (i) legal and ethical business conduct; (ii) promotion of safe and healthy work practices; (iii) commitment to operating in an environmentally sustainable manner; (iv) the commitment to human rights and a harassment, discrimination and violence-free workplace; and (v) maintaining a confidential feedback mechanism and conducting regular audits to ensure adherence to the Code.

Our Environmental Policy sets out our commitment to do business in an environmentally, socially, and economically responsible manner. This commitment includes: (i) responsible stewardship of the environment; (ii) sustainable forest management; and (iii) protection of the health and safety of our employees, customers, and the public. Our operating philosophy involves continually improving our forest practices and manufacturing procedures, optimizing the use of resources, and minimizing or eliminating the impact of our operations on the environment.

Environmental excellence is an integral aspect of our long-term business success. We are committed to: (i) complying with all applicable environmental laws and regulations and striving to maintain biodiversity and to protect wildlife habitat and ecosystems; (ii) developing and implementing best practices to continuously improve our environmental performance; (iii) preventing pollution and continuing to improve our environmental performance by setting and reviewing environmental objectives and targets; (iv) conserving, reducing, reusing and recycling wherever practical the resources and materials that we use and ensuring that all waste is safely and responsibly handled and disposed of; (v) employing and encouraging the development and use of environmentally friendly practices and technology; (vi) conducting periodic environmental audits; (vii) providing training for employees and contractors to ensure environmentally responsible work practices; and (viii) communicating our sustainable forest management and environmental performance openly and transparently to our Board of Directors, employees, customers, shareholders, local communities and other stakeholders.

In addition, we have also adopted a Health and Safety Policy. Safety is a core value and a business priority, and we are committed to maintaining a safe workplace and strive to be an industry leader by managing an effective safety program, complying with all laws and regulations, and continuously improving our performance. Within our safety program, we have identified key responsibilities for executive management, operating site management, employees and contractors, as detailed in our safety policy. The Health and Safety Policy requires management to develop and maintain company-wide and site-specific occupational health and safety programs, that include core guidelines and systems to measure ongoing effectiveness. Our employees are also responsible for following established safe work procedures as outlined in their job duties and company safety guidelines, including reporting unsafe conditions, acts, and practices.

4.14 Research and Development

Our research and development center in Ville Saint Laurent, Quebec operates a central research and development laboratory where it carries out research, customer driven product development and technology transfer. This work is aimed at identifying new processes to reduce manufacturing costs, enhance product attributes and develop products that are new to our industry while minimizing the environmental impact of our operations.

We also support industry research and development organizations (e.g. FP Innovations, Alberta Innovates), partner with local universities and conduct research and development at certain operations to improve processes, maximize resource utilization and develop new products and environmental applications. In addition, in the previous five years we have focused on bioenergy generation projects and bioproducts. Such bioproducts include cellulose-based composites utilizing our pulp and combining it with polymers for new applications and extracting lignin from our pulping recovery process for producing new sustainable, green alternative products.

4.15 Capital Expenditures and Acquisitions

We regularly invest in upgrading and expanding our facilities and operations. However, during periods when earnings are weak, we may reduce capital and other expenditures in order to preserve liquidity. The following table shows the capital expenditures and acquisitions during the past three years.

Capital Expenditures and Acquisitions
($ millions and for the year ended)

	2021		2020	2019
Lumber	146		149	256
NA EWP	424	[2]	10	17
Pulp & Paper	35		19	29
EU EWP	28		—	—
Corporate & Other	2		2	7
Total capital expenditures	635		180	309
Cash Acquisitions	302	[3]	—	—
Share Acquisitions	3,482	[4]	—	—

1. Includes capital expenditures of Norbord since the acquisition date of February 1, 2021 and capital expenditures of Angelina since the acquisition date of December 1, 2021.
2. North America EWP capital expenditures includes $276 million relating to the acquisition of the idled OSB mill near Allendale, South Carolina and capital expenditures since the acquisition.
3. Represents the Angelina Acquisition, net of cash acquired.
4. Represents the Norbord Acquisition share exchange.

4.16 Lumber

Sales

Lumber produced at our Canadian sawmills and sold to North American customers is marketed and sold from our sales office in Quesnel, B.C. while sales to offshore markets are made from our export sales office in Vancouver, B.C. Offshore sales activities are complemented by a customer service office in Japan. Lumber produced at our U.S. sawmills is marketed by our sales group in Memphis, Tennessee and St. Marys, Georgia. From time to time, we purchase lumber for resale in order to meet requirements of customers.

In 2021, sales of lumber were made to customers in the U.S. and Canada and to customers offshore, predominantly in China and Japan. Most lumber shipments to North American customers by our Canadian operations were made by rail and the balance by truck. Lumber sales to North American customers by our U.S. operations were either customer pick up or delivered by truck and the balance by rail. Offshore shipments from both Canada and the U.S. were made through various public terminals in bulk or container vessels.

Shipments and sales of our lumber products can be impacted by seasonal influences. Shipments from our Western Canadian mills can be affected by winter weather that affects rail and other transportation services. In the summer months, during fire season, logging, manufacturing and transportation can all be affected by wildfire activity or by evacuation alerts or orders in regions where we operate. Operations in our U.S. South can be affected by hurricanes and other extreme weather conditions. Home construction activity which significantly influences the demand for our products has historically been higher in the first half of the year and experiences a seasonal slowdown in the third

quarter. A significant portion of our SYP products are used in treated wood applications and demand for these products is often highest in anticipation of spring and summer construction activity.

Softwood Lumber Dispute

The Canada - U.S. Softwood Lumber Agreement expired in October 2015 and on the expiry of that agreement a one-year moratorium on trade sanctions by the U.S. came into place. The Government of Canada and the U.S. Trade Representative have been unable to reach agreement on a new managed trade agreement.

In November of 2016 a coalition of U.S. lumber producers petitioned the USDOC and the USITC to investigate alleged subsidies to Canadian producers and levy CVD and ADD duties against Canadian imports.

The CVD and ADD details are fully described in Note 25 to the 2021 annual audited consolidated financial statements and under “Discussions & Analysis of Annual Results by Product Segment - Lumber Segment - Softwood Lumber Dispute” in the 2021 Management’s Discussion & Analysis.

Operations

We operate 34 sawmills and a wood treating facility at the Sundre, Alberta sawmill. Our Canadian sawmills, of which six are in B.C. and another six are in Alberta, produce spruce, pine, fir (“SPF”) lumber of various grades and dimensions. Our 22 U.S. sawmills produce southern yellow pine (“SYP”) lumber of various grades and dimensions.

Capacity and Production
(MMfbm)

	2021	2020	2019
Capacity (year-end)			
B.C.	1,700	1,835	1,835
Alberta	1,700	1,700	1,700
U.S. South	3,600	3,200	3,200
	7,000	6,735	6,735
Production			
B.C.	1,566	1,558	1,682
Alberta	1,616	1,599	1,529
U.S. South	2,675	2,801	2,703
	5,857	5,958	5,914

Lumber production capacity is generally based on our sawmills running on a five-day, two-shift basis with certain exceptions where logs may be available to run a third shift. The capacity figures above for year-end 2021 give effect to permanent shift reductions at our B.C. sawmills as well as the new lumber manufacturing complex in Dudley, Georgia and Angelina mill acquisition in Lufkin, Texas.

4.17 North America Engineered Wood Products

Sales

Our NA EWP segment includes our North American OSB and Canadian plywood, LVL and MDF products. OSB is marketed from our sales office in Toronto, Ontario, while our plywood, LVL and MDF products are marketed from our sales office in Quesnel, B.C.

In 2021 most of our North American OSB was sold to customers in the U.S., with the remaining production sold to Canadian customers and exported to Japan and China. Most of our plywood was sold to customers in Canada and our MDF and LVL was sold to customers in both the U.S. and Canada. Shipments from our Canadian mills are made primarily by rail and from our U.S. OSB mills primarily by truck. Products are primarily sold to major retail chains and contractor supply yards. Some mill products are sold to industrial customers, remanufacturers and treating businesses for further processing or as components for other products.

Our OSB products are used primarily for sheathing, flooring and roofing in the construction of new homes or the renovation and repair of existing structures. NA OSB products are marketed under the following brand names: Durastrand® pointSIX®, Pinnacle® and Stabledge® (premium flooring), TruFlor® pointSIX® and TruFlor® (commodity flooring), Rimboard™, SteadiTred® (industrial), QuakeZone®, Windstorm™, TallWall® and Trubord™ (wall sheathing) and SolarBord ™ (radiant barrier sheathing), Trubord™ (roof sheathing), TruDeck® (flat roof sheathing for large industrial/commercial buildings) and StableDeck® (utility trailer floors).

Canadian MDF products are marketed under the brand names Ranger ™, WestPine™, and EcoGold™ both from our sales office and through distributors. (Use of ® or ™ indicates Canadian trademark status. Trademark status may vary in other jurisdictions).

Operations

Our NA EWP operations include 10 multi-opening press OSB mills and 3 continuous press OSB mills. Continuous press technology allows for the production of OSB in non-standard sizes and with specialized performance characteristics.

Our NA EWP operations also include three plywood mills that primarily produce standard softwood sheathing plywood, two MDF mills, each with the flexibility to manufacture varying thicknesses and sizes, an LVL mill, and a veneer mill that produces veneer for use in our Edmonton plywood mill.

Capacity and Production

	2021	2020	2019
OSB (MMsf 3/8" basis)			
Capacity (year-end) [1]	7,360	—	—
Production[2]	5,654	—	—
Plywood (MMsf 3/8" basis)			
Capacity (year-end)	860	860	860
Production	763	762	818
MDF (MMsf 3/4" basis)			
Capacity (year-end)	250	250	250
Production	227	209	221
LVL (Mcf)			
Capacity (year-end)	3,000	2,600	2,600
Production	2,439	1,948	2,034

1. Excludes the Allendale mill acquired in December 2021, which is currently idled until our $70 million capital upgrade is completed and a restart decision is made.
2. Represents production from the date of the Norbord Acquisition of February 1, 2021 to December 31, 2021.

4.18 Pulp & Paper

Sales

Pulp is marketed out of our sales office in Vancouver, B.C. Most of our sales for NBSK and BCTMP were to customers in Asia (predominantly China) with some products shipped to the U.S. and other offshore customers. Shipments

within North America were primarily by rail and those to offshore customers were by rail and truck to Vancouver, B.C. and then by bulk or container vessels.

Operations

BCTMP is produced at our Slave Lake pulp mill, primarily from hardwood aspen, and is also produced at our Quesnel River pulp mill, primarily from softwood species. These pulps are used by paper manufacturers to produce paperboard products, printing and writing papers and a variety of other paper grades. NBSK is produced at our Hinton and Cariboo pulp mills and is used by paper manufacturers to produce a variety of paper products, including tissues and printing and writing papers.

Newsprint is sold to various publishers and printers in North America and delivered by rail and truck.

Capacity and Production
(Mtonnes)

	2021	2020	2019
BCTMP			
Capacity (year-end)	690	690	690
Production	623	662	677
NBSK			
Capacity (year-end)	520	570	570
Production[1]	428	462	460
Newsprint			
Capacity (year-end)	135	135	135
Production[1]	113	105	114

1. Reflects West Fraser's 50% ownership.

4.19 Europe Engineered Wood Products

Sales

Our Europe EWP segment includes OSB, particleboard, MDF and related value-added products that are marketed from our sales office in Cowie, Scotland. Our OSB is sold primarily to customers in the U.K., Germany, BeNeLux and Scandinavia while our particleboard, MDF and related value-added products are sold primarily to customers in the U.K. Our products sold within the U.K. and within continental Europe are shipped by truck and rail while our products sold to Scandinavia are shipped by vessel.

Our OSB and particleboard are used primarily in sheathing, flooring and other construction applications. MDF applications include cabinet doors, mouldings and interior wall paneling. Our European panel products are sold under the trademarks SterlingOSB Zero® (OSB), CaberFloor® (particleboard), Conti ® (particleboard) and CaberWood® (MDF).

Operations

Our EWP mills in Scotland and Belgium utilize continuous press technology. Our South Molton, England particleboard mill employs single-opening press technology and is integrated with laminating operations and a flat-pack furniture manufacturing facility.

Capacity and Production[1]

	2021	2020	2019
OSB (MMsf 3/8" basis)			
Capacity (year-end) [2]	1,505	—	—
Production	1,035	—	—
MDF (MMsf 3/8" basis)			
Capacity (year-end)	380	—	—
Production	299	—	—
Particleboard (MMsf 3/8" basis)			
Capacity (year-end)	565	—	—
Production	494	—	—

1. Represents production from the date of the Norbord Acquisition of February 1, 2021 to December 31, 2021.
2. Genk, Belgium OSB mill capacity increased from 450 to 560 MMsf (3/8" basis) effective December 31, 2021, based on recent capital investments and improved efficiency.

4.20 Risks and Uncertainties

A detailed discussion of risk factors is included under the heading "Risks and Uncertainties" in Management's Discussion & Analysis for the year ended December 31, 2021, which is incorporated herein by reference. Our Management's Discussion & Analysis is available on the System for Electronic Document Analysis and Retrieval ("SEDAR") at www.sedar.com and on the Electronic Document Analysis and Retrieval ("EDGAR") at www.sec.gov/edgar.shtml.

ITEM 5 - CAPITAL STRUCTURE

Share Capital

Our authorized share capital consists of 430,000,000 shares divided into:

(a) 400,000,000 Common shares,

(b) 20,000,000 Class B Common shares, and

(c) 10,000,000 Preferred shares, issuable in series.

The Common shares and Class B Common shares are equal in all respects, including the right to dividends, rights upon dissolution or winding up and the right to vote, except that each Class B Common share may at any time be exchanged for one Common share. The Common shares are listed and traded on the TSX & NYSE under the symbol WFG while our Class B Common shares are not. Certain circumstances or corporate transactions may require the approval of the holders of our Common shares and Class B Common shares on a separate class by class basis.

As at December 31, 2021, the issued share capital consisted of 103,647,256 Common shares and 2,281,478 Class B Common shares for a total of 105,928,734 shares (as at December 31, 2020 - 68,678,622 shares). On February 1, 2021, pursuant to the closing of the Norbord Acquisition, 54,484,188 Common shares were issued. Immediately after the completion of the transaction, there were 123,163,635 Common shares and Class B common shares outstanding, including a January 2021 issuance of West Fraser shares under our employee share purchase plan. On February 1, 2021, West Fraser's Common shares were listed on the NYSE and began trading under the symbol WFG. At the same time, the symbol on the TSX was also changed to WFG.

Share Repurchases

See Share Repurchases on page 3 for a description of share repurchases completed by the Company over the past three years pursuant to the NCIB and for purchases completed by the Company in 2021 pursuant to the substantial issuer bid.

Description of Debt Securities

In October 2014, we issued $300 million of fixed-rate senior unsecured notes. The notes bear interest at the rate of 4.35% per annum and mature in October 2024. The notes are redeemable, in whole or in part, at our option at any time.

Credit Ratings

As shown in the table below, West Fraser is rated by three rating agencies. West Fraser pays annual fees to maintain its debt and corporate ratings. The ratings are assigned both on a corporate level and specifically to our US$300 million notes maturing October 2024. The ratings are not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time by each rating agency.

Agency	Rating	Outlook
DBRS[1]	BBB	Stable
Moody's[2]	Baa3	Stable
Standard & Poor's[3]	BBB-	Stable

1. DBRS credit ratings for long-term obligations range from AAA to D. A rating of BBB is described by DBRS as "adequate credit quality. The capacity for the payment of financial obligations is considered acceptable. May be vulnerable to future events". Additional information on the rating is available on DBRS's website. On December 15, 2021, DBRS upgraded our rating from BBB(low) to BBB.
2. Moody's credit ratings for long-term obligations range from Aaa to C. Moody's describes obligations rated Baa as "subject to moderate credit risk. They are considered medium grade and as such may possess certain speculative characteristics". Additional information on the rating is available on Moody's website. On February 1, 2021, Moody's revised our outlook from negative to stable.
3. S&P credit ratings for long-term obligations range from AAA to D. A rating of BBB- is described by S&P as "considered lowest investment grade by market participants". Additional information on the rating is available on S&P's website.

Market For Securities

The following table sets forth adjusted market prices and trading volumes of our Common shares on the TSX and NYSE for each month of 2021.

TSX Trading Data (CAD)

2021 Month	High ($)	Low ($)	Close ($)	Volume (000's)
January	86.98	73.30	81.94	12,599
February[1]	99.88	79.00	87.00	20,948
March	91.00	77.32	90.41	29,459
April	109.25	89.13	94.90	16,252
May	110.81	85.72	93.42	15,975
June	94.57	82.09	88.99	16,309
July	94.86	82.66	89.49	15,834
August	100.56	85.15	97.42	14,819
September	108.95	93.00	106.68	11,233
October	114.37	97.52	99.09	9,218
November	112.45	97.43	105.04	11,126
December	124.74	105.40	120.68	8,950
Total				182,722

Source : http://tradingdata.tsx.com –
1. On February 1, 2021 our Common shares began trading on the TSX under the Symbol WFG. Prior thereto they traded on the TSX under the symbol WFT.

NYSE Trading Data (USD)

2021 Month	High ($)	Low ($)	Close ($)	Volume (000's)
January	—	—	—	—
February[1]	78.83	62.00	68.31	2,087
March	72.46	61.36	72.04	4,432
April	88.48	70.83	77.33	7,149
May	91.53	70.62	77.01	9,756
June	78.70	67.08	71.68	9,243
July	75.83	64.72	71.67	8,029
August	79.71	66.24	77.14	7,046
September	85.44	73.77	84.23	6,316
October	92.46	78.78	80.04	6,015
November	88.66	78.49	81.95	4,492
December	97.59	82.57	95.36	4,975
Total				69,540

Source : NYSE –
1. On February 1, 2021, our Common shares began trading on the NYSE under the Symbol WFG.

Cash dividends

The declaration and payment of cash dividends is within the discretion of our Board of Directors. Historically, cash dividends have been declared on a quarterly basis payable after the end of each quarter. Dividends of CAD$0.70 and

US$0.20 were declared in the first three quarters and fourth quarter respectively in 2021. Dividends of CAD $0.80 per share were declared in 2020 and 2019 on an annual basis. There can be no assurance that dividends will continue to be declared and paid by us in the future, as the discretion of the Board of Directors will be exercised from time to time taking into account our current circumstances.

ITEM 6 - TRANSFER AGENT

Our transfer agent and registrar is Computershare Investor Services Inc. The contact information is:

- **Phone**: 1-800-564-6253 (toll free in Canada and the United States) between 9:00 am and 6:00 pm Eastern Time or 514-982-7555 (international direct dial).
- **Fax**: 1-888-453-0330
- **Online**: www.computershare.com/service
- **Mail**: Computershare Investor Services, 100 University Ave., 8 th Floor, North Tower, Toronto, Ontario, M5J 2Y1 Canada

ITEM 7 - INTEREST OF EXPERTS

Our auditors are PricewaterhouseCoopers LLP ("PwC"), who prepared the Report of the Independent Registered Public Accounting Firm included with our audited consolidated financial statements as at December 31, 2021 and 2020 and January 1, 2020, and for the years ended December 31, 2021 and 2020. PwC has confirmed that they are independent with respect to us, in accordance with the Chartered Professional Accountants of British Columbia Code of Professional Conduct and the rules and regulations of the U.S. Securities and Exchange Commission ("SEC") and the Public Company Accounting Oversight Board (United States) ("PCAOB").

ITEM 8 - DIRECTORS AND EXECUTIVE OFFICERS

8.1 Directors

The names and municipalities of residence of the Directors of the Company as of February 15, 2022, their principal occupations during the past five years and the periods during which they have been Directors of the Company are as follows:

Name and Municipality of Residence	Principal Occupation	Director Since
Henry H. Ketcham Vancouver, B.C.	Chairman of the Board	September 16, 1985
Reid E. Carter[1 & 4] West Vancouver, B.C.	Corporate Director	April 19, 2016
Raymond W. Ferris Vancouver, B.C.	President and Chief Executive Officer	April 23, 2019
John N. Floren[2, 3 & 4] Eastham, Massachusetts	President and Chief Executive Officer, Methanex Corporation	April 19, 2016
Brian G. Kenning[2 & 4] Vancouver, B.C.	Corporate Director	April 19, 2017
Ellis Ketcham Johnson[3] Greenwich, Connecticut	President, Private Philanthropic Foundation	April 20, 2021
Marian Lawson[2 & 3] Toronto, Ontario	Corporate Director	February 1, 2021
Colleen M. McMorrow[1 & 3] Oakville, Ontario	Corporate Director	February 1, 2021

Name and Municipality of Residence	Principal Occupation	Director Since
Gerald J. Miller[1 & 3] Kelowna, B.C.	Corporate Director	April 19, 2012
Robert L. Phillips[2, 4 & 5] Anmore, B.C.	Corporate Director	April 28, 2005
Janice G. Rennie[1, 2 & 4] Edmonton, Alberta	Corporate Director	April 28, 2004
Gillian D. Winckler[1 & 3] Vancouver, B.C.	Corporate Director	April 19, 2017

1. Member of the Audit Committee.
2. Member of the Human Resources & Compensation Committee.
3. Member of the Health, Safety & Environment Committee.
4. Member of the Governance & Nominating Committee.
5. Lead Director.

All of our Directors have held the same or a similar principal occupation with the organization indicated or a predecessor thereof for the last five years except for:

Reid Carter who before December 31, 2018 was President, Brookfield Timberlands Management LP;

Raymond Ferris who before July 1, 2019 was our President and Chief Operating Officer;

Marian Lawson who before 2018 was Executive Vice-President, Global Head, Financial Institutions and Transaction Banking, Scotiabank.

The term of office of each Director will expire at the conclusion of the Company's next annual general meeting.

For additional information about our Directors, please see our 2022 Management Proxy Circular, which, when published, will be posted on our website at www.westfraser.com, on SEDAR at www.sedar.com and on EDGAR at www.sec.gov/edgar.shtml.

8.2 Senior Executive Officers

The names and titles of the senior executive officers of the Company on December 31, 2021 are as follows:

Name and Municipality of Residence	Office Held
Raymond W. Ferris Vancouver, B.C.	President and Chief Executive Officer
Christopher A. Virostek North Vancouver, B.C.	Vice-President, Finance and Chief Financial Officer
Sean P. McLaren Collierville, Tennessee	Chief Operating Officer
Kevin J. Burke Greenville, South Carolina	Senior Vice-President, Wood Products
Keith D. Carter Quesnel, B.C.	Senior Vice-President, Western Canada
Robin A. Lampard Toronto, Ontario	Senior Vice-President, Finance
Christopher D. McIver North Vancouver, B.C.	Senior Vice-President, Marketing and Corporate Development
Alan G. McMeekin Milngavie, Scotland	Senior Vice-President, Europe
James W. Gorman Victoria, B.C.	Vice-President, Corporate and Government Relations

Each officer has held the same or a similar office with the organization indicated or a predecessor thereof for the last five years except for:

Raymond Ferris who before July 1, 2019 was our President and Chief Operating Officer;

Christopher Virostek, who before April 1, 2017 was the Senior Vice-President of Strategy and Corporate Development of Masonite International Corporation;

Sean McLaren, who prior to December 7, 2021 was President, Solid Wood and before February 1, 2021 was our Vice-President, U.S. Lumber;

Kevin Burke, who before December 7, 2021, was Vice-President, North American Engineered Wood Products and Renewable Energy, before July 23, 2021 was our Vice-President, North American Engineered Wood Products, before February 1, 2021 was the Senior Vice-President, North American Operations of Norbord and before 2018 was the Vice-President – Operations, South of Norbord;

Keith Carter, who before December 7, 2021 was Vice-President, Western Canada Operations and before July 23, 2021 was our Vice-President, Pulp and Energy Operations;

Robin Lampard, who before February 1, 2021 was the Senior Vice-President and Chief Financial Officer of Norbord;

Christopher McIver, who before February 1, 2021 was our Vice-President, Sales and Marketing; and

Alan McMeekin, who before December 7, 2021 was Vice-President, European Engineered Wood Products, before February 1, 2021 was the Senior Vice-President, Europe of Norbord and before 2018 was the Vice-President, Finance and Operations Europe of Norbord.

8.3 Shareholdings of Directors and Senior Executive Officers

The Directors and senior executive officers of the Company as a group, beneficially owned or controlled or directed, directly or indirectly, the following shares of the Company:

	December 31, 2021
Common shares	1,450,759
% of total Common shares	1%
Class B Common shares	78,728
% of total Class B Common shares	3%
% of all shares outstanding	1%

8.4 Cease Trade Orders, Bankruptcies, Penalties or Sanctions

Christopher Virostek, our Vice-President, Finance and Chief Financial Officer, was a director of Masonite (Africa) Limited ("MAL"), a majority owned subsidiary of Masonite International Corporation ("Masonite"), when MAL commenced voluntary business rescue proceedings in South Africa in December 2015. Mr. Virostek served as a director of MAL in connection with his duties as an employee of Masonite. The business rescue plan of MAL was substantially implemented as provided under its terms and the business rescue proceedings ended in August 2016, at which time Mr. Virostek resigned as a director.

8.5 Legal Proceedings and Regulatory Actions

There are no legal or regulatory proceedings to which we are or were a party, or to which any of our property is or was the subject of, during our financial year ended December 31, 2021, which involve claims that exceed 10% of our current assets. In addition, there are no penalties or sanctions imposed against us by a court relating to Canadian securities legislation or by a securities regulatory authority during our financial year ended December 31, 2021 or any other penalties or sanctions imposed by a court or regulatory body against us which would likely be considered important to a reasonable investor in making an investment decision, and we have not entered into any settlement agreements with a court relating to Canadian securities legislation or by a securities regulatory authority during our financial year ended December 31, 2021. However, please refer to the "Discussion & Analysis of Annual Results by Product Segment – Lumber – Softwood Lumber Dispute" in our 2021 annual Management's Discussion & Analysis for a description of developments related to the softwood lumber dispute.

8.6 Governance

Corporate governance is guided by our Corporate Governance Policy, a copy of which may be viewed on our website: www.westfraser.com. The Board of Directors has established a Governance & Nominating Committee comprised of Robert Phillips (Chair), Reid Carter, John Floren, Brian Kenning and Janice Rennie, all of whom are independent directors. The committee provides support for the stewardship and governance role of the Board in reviewing and making recommendations on the composition of the Board, the functioning of the Board and its committees and all other corporate governance matters and practices. On the occasion of each regularly scheduled meeting of the Committee in 2021, the committee met without management representatives present and reviewed these and other issues.

The Corporate Governance Policy includes a Code of Conduct which sets out our policies and requirements relating to, among other categories, legal compliance, safety, environmental stewardship, human rights, anti-corruption and whistleblowing. Additional information is available on our website www.westfraser.com under Corporate Governance.

8.7 Audit Committee

The Audit Committee of our Board of Directors assists the Board in fulfilling its responsibility to oversee our financial reporting and audit process. The full text of the Audit Committee's Charter is attached as Schedule 1.

Members

The following identifies each current member of the Audit Committee, and the education and experience of each member that is relevant to the performance of the member's responsibilities as an Audit Committee member. All members of the Audit Committee are considered "independent" and "financially literate" within the meaning of NI 52-110.

Reid E. Carter

Mr. Carter holds a combined undergraduate degree in Forestry and Biology and a master's degree in Forest Soils. He was president of a large timberlands investment firm and was involved with that firm and related firms in various senior roles for the last 15 years. Prior to that he served as National Bank Financials' Paper and Forest Products Analyst.

Colleen M. McMorrow

Ms. McMorrow was appointed a member of our Audit Committee on February 11, 2021. Ms. McMorrow, who holds a Bachelor of Commerce, is a Chartered Professional Accountant, Chartered Accountant and was a senior client assurance partner with Ernst & Young LLP until her retirement in 2016. She was elected as a Fellow of the Chartered Accountants in 2000. Ms. McMorrow has chaired or been a member of several audit committees of public and private companies in the past and is currently the chair of the audit committees of Exco Technologies Limited and Ether Capital Corporation.

Gerald J. Miller

Mr. Miller, who holds a Bachelor of Commerce, is a Chartered Professional Accountant, Chartered Accountant. He spent 25 years in various roles at West Fraser until his retirement in 2011. While at West Fraser he served in a number of executive positions including Vice-President, Finance and Chief Financial Officer. Mr. Miller is currently the Chair of the audit committee of Granite Real Estate Investment Trust.

Janice G. Rennie

Ms. Rennie, who holds a Bachelor of Commerce, is a Chartered Professional Accountant, Chartered Accountant. She was elected as a Fellow of the Chartered Accountants in 1998. Ms. Rennie has chaired or been a member of several audit committees of public companies in the past and currently is chair of the audit committee of Major Drilling Group International Inc.

Gillian D. Winckler

Ms. Winckler, who holds a Bachelor of Science and Bachelor of Commerce (Honours) obtained in South Africa, is a Chartered Accountant (South Africa). Ms. Winckler worked in the audit profession for five years, in corporate finance for five years, and in a number of executive positions with Coalspur Limited and BHP Billiton. Ms. Winckler is currently a member of the audit committee of FLSmidth & Co. A/S .

Pre-Approval Policies and Procedures

The Audit Committee has adopted a policy that sets out the pre-approval requirements related to services to be performed by our independent auditors. The policy provides that the Audit Committee will annually review proposed

audit, audit related, tax and other services (to be submitted by the Chief Financial Officer and the independent auditor), and will provide general approval of described services, usually including specific maximum fee amounts.

Unless a service has received general pre-approval, it will require specific pre-approval by the Audit Committee. The Committee is permitted to delegate pre-approval authority to any of its members. The Audit Committee reports on the pre-approval process to the full Board of Directors from time to time.

Fees Paid to Independent Registered Public Accounting Firm[1]
($ thousands)

	2021	2020
Audit Fees	1,734	763
Audit-Related Fees	249	11
Tax Fees	250	212
All Other Fees	36	—

1. Amounts represent actual and estimated fees related to the respective fiscal years noted. Amounts are billed and paid in CAD and have been translated to USD, using the average exchange rate for the respective years noted. Certain amounts related to 2020 have been reclassified to conform to current year presentation.

Audit Fees

Audit fees relate to the audit of our annual consolidated financial statements, reviews of interim consolidated financial statements, and statutory audits of the financial statements of our subsidiaries.

Audit-Related Fees

Audit–Related Fees include employee benefit audits, services associated with registration statements, prospectuses, and other documents filed with securities regulators, and due diligence assistance.

Tax Fees

Tax fees relate to tax compliance, tax advice, and tax planning services.

All Other Fees

All other fees relate to fees in connection with translation services.

ITEM 9 - MATERIAL CONTRACTS

1. On October 15, 2014, we issued $300 million of fixed rate senior unsecured notes due October 15, 2024 pursuant to a private placement in the U.S. The notes bear interest of 4.35% with semi-annual payments commencing on April 15, 2015 and are redeemable, in whole or in part, at our option at any time. In the event of a change in control in respect of the Company which is followed within 60 days by ratings downgrades to below investment grade in certain circumstances, unless we have exercised the right to redeem all of the notes, each holder will have the right to require us to repurchase all or any part of such holder's notes at a purchase price in cash equal to 101% of the principal amount of the notes plus any accrued and unpaid interest.

2. On April 8, 2020 we obtained from a syndicate of lenders an additional CAD$150 million committed revolving credit facility. This committed facility had a term of two years and is made available on substantially the same terms and conditions as the Company's existing syndicated revolving credit facility from certain lenders that are part of that syndicate. On February 1, 2021, concurrent with the closing of the Norbord Acquisition, we amended the terms of our CAD$150 million committed revolving credit facility due 2022 and replaced the CAD$150 million

committed revolving credit facility with a $450 million committed revolving credit facility due 2024 on substantially the same terms.

3. On July 18, 2019, we completed an amendment to our revolving lines of credit to extend the maturity date to August 28, 2024, and to increase the size of our Canadian and U.S. syndicated committed revolving credit facilities from CAD$500 million to CAD$850 million. At the same time, we also amended the terms of the $200 million term loan to extend the maturity date from August 25, 2022 to August 28, 2024. All other material terms of the revolving lines of credit and the term loan remained unchanged. On February 1, 2021, concurrent with the closing of the Norbord Acquisition, we completed various administrative amendments to our CAD$850 million committed revolving credit facility and our $200 million term loan to facilitate the Norbord Acquisition.

4. On July 28, 2021, we completed an amendment to our revolving credit facilities, combining our CAD$850 million and $450 million revolving facilities into a single $1 billion committed revolving facility with a five-year term. The $200 million term loan remains outstanding and there were no other significant changes to the terms or conditions of the credit facilities.

ITEM 10 - ADDITIONAL INFORMATION

Additional information, including directors' and officers' remuneration and indebtedness, principal holders of our securities and securities authorized for issuance under equity compensation plans, will be contained in the Management Information Circular for the annual general meeting of the Company to be held on April 20, 2022. Additional financial information is provided in our annual consolidated financial statements and Management's Discussion & Analysis for the year ended December 31, 2021.

Copies of our Annual Report, and the documents incorporated by reference herein, our annual audited consolidated financial statements (including the report of our Independent Registered Public Accounting Firm) for the year ended December 31, 2021 and our Management Information Circular may be obtained at any time upon request from us once these documents have been published, but we may require the payment of a reasonable charge if the request is made by a person who is not a security holder of the Company.

This AIF, our Annual Report (once published) and additional information concerning the Company may also be obtained on our website at www.westfraser.com, on SEDAR at www.sedar.com and on EDGAR at www.sec.gov/edgar.shtml.

Forward-looking Statements

This AIF contains information that constitutes "forward-looking information" within the meaning of Canadian securities laws and "forward-looking statements" within the meaning of United States securities laws (collectively, "forward-looking statements"). Forward-looking statements include statements that are forward-looking or predictive in nature and are dependent upon or refer to future events or conditions. We use words such as "expects," "anticipates," "plans," "believes," "estimates," "seeks," "intends," "targets," "projects," "forecasts" or negative versions thereof and other similar expressions, or future or conditional verbs such as "may," "will," "should," "would" and "could" to identify these forward-looking statements. These forward-looking statements generally include statements which reflect management's expectations regarding the operations, business, financial condition, expected financial results, performance, prospects, opportunities, priorities, targets, goals, ongoing objectives, strategies and outlook of West Fraser and its subsidiaries, as well as the outlook for North American and international economies for the current fiscal year and subsequent periods.

Forward-looking statements included in this AIF include references to:

Discussion	Forward-Looking Statements
Corporate Strategy	our corporate strategy and objectives to maintain a strong balance sheet and liquidity profile, to maintain a leading cost position and to return capital to shareholders
General Development of the Business	ramp-ups of the Dudley lumber mill, Chambord OSB mill and Angelina lumber mill to full production capacity; anticipated investment to upgrade and optimize Allendale OSB mill
Fibre Supply	our ability to maintain adequate timber and fibre supply for our operations, including our expectations regarding (i) re-forestation, (ii) the impacts of mountain pine beetle, caribou recovery planning and forest fires on our timber supply and AAC, and (iii) the impacts of recent amendment to British Columbia forest legislation and “old-growth” forest logging deferrals
Indigenous Relations	the potential impact to our operations and timber supply of Aboriginal title or rights and the actions of Canadian governments in relation to their relationships with Indigenous groups
Responsible Resource Efficiency	our goals to have a sustainable and resilient business, to manage our emissions and develop sustainable energy solutions
Capital Expenditures and Acquisitions	our plans relating to capital expenditures and acquisitions
Our Products	the capacities of our lumber, OSB and pulp and paper operations, and the seasonality of these operations
Capital Structure - Cash dividends	future declarations and payment of dividends

By their nature, these forward-looking statements involve numerous assumptions, inherent risks and uncertainties, both general and specific, which contribute to the possibility that the predictions, forecasts, and other forward-looking statements will not occur. Factors that could cause actual results to differ materially from those contemplated or implied by forward-looking statements include, but are not limited to:

- assumptions in connection with the economic and financial conditions in the U.S., Canada, U.K., Europe and globally and consequential demand for our products;
- risks inherent to product concentration and cyclicality;
- effects of competition and product pricing pressures, including reductions or deferral of demand in response to lumber and/or OSB price increases;
- effects of variations in the price and availability of manufacturing inputs, including continued access to log supply and fibre resources at competitive prices and the impact of third-party certification standards;
- availability of transportation services, including truck and rail services, and port facilities, and impacts on transportation services from wildfires and severe weather events;
- various events that could disrupt operations, including natural, man-made or catastrophic events including wildfires and any state of emergency and/or evacuation orders issued by governments, and ongoing relations with employees;
- risks inherent to customer dependence;
- impact of future cross border trade rulings or agreements;
- implementation of important strategic initiatives and identification, completion and integration of acquisitions;
- impact of changes to, or non-compliance with, environmental or other regulations;
- the impact of the COVID-19 pandemic on our operations and on customer demand, supply and distribution and other factors;
- government restrictions, standards or regulations intended to reduce greenhouse gas emissions;
- changes in government policy and regulation, including against taken by the Government of British Columbia pursuant to recent amendments to forestry legislation and initiatives to defer logging of forests deemed “old growth” and the impact of these actions on our timber supply;
- impact of weather and climate change on our operations or the operations or demand of its suppliers and customers;

- ability to implement new or upgraded information technology infrastructure;
- impact of information technology service disruptions or failures;
- impact of any product liability claims in excess of insurance coverage;
- risks inherent to a capital intensive industry;
- impact of future outcomes of tax exposures;
- potential future changes in tax laws, including tax rates;
- effects of currency exposures and exchange rate fluctuations;
- future operating costs;
- availability of financing, bank lines, securitization programs and/or other means of liquidity;
- continued integration of the Norbord business;
- continued access to timber supply in the traditional territories of Indigenous Nations;
- the risks and uncertainties described in our 2021 MD&A; and
- other risks detailed from time-to-time in our annual information forms, annual reports, MD&A, quarterly reports and material change reports filed with and furnished to securities regulators.

In addition, actual outcomes and results of these statements will depend on a number of factors, including those matters described under “Risks and Uncertainties” in our 2021 MD&A, and may differ materially from those anticipated or projected. This list of important factors affecting forward-looking statements is not exhaustive, and reference should be made to the other factors discussed in public filings with securities regulatory authorities. Accordingly, readers should exercise caution in relying upon forward-looking statements, and we undertake no obligation to publicly update or revise any forward-looking statements, whether written or oral, to reflect subsequent events or circumstances except as required by applicable securities laws.

ITEM 11 - GLOSSARY

2023 Notes
Norbord's 6.25% senior notes due April 2023

2027 Notes
Norbord's 5.75% senior notes due July 2027

AAC Annual Allowable Cut: The volume of timber that may be harvested annually from a specific timber tenure

ADD
Antidumping duties

AR
Administrative Review by the USDOC

BCTMP
Bleached Chemithermomechanical Pulp

CAD
Canadian Dollars

CVD
Countervailing duties

Dimension Lumber
Standard commodity lumber ranging in sizes from 1 x 3's to 4 x 12's, in various lengths

EU
Europe

EU EWP
Europe engineered wood products

EWP
Engineered wood products

LVL
Laminated Veneer Lumber. Large sheets of veneer bonded together with resin then cut to lumber equivalent sizes

m^3
A solid cubic metre. A unit of measure for timber, equal to approximately 35 cubic feet

Mcf
One thousand cubic feet. A unit of measure for laminated veneer lumber

MDF
Medium Density Fibreboard. A panelboard produced by chemically bonding highly refined wood fibres of uniform size under heat and pressure

Mfbm
One thousand board feet (equivalent to one thousand square feet of lumber, one inch thick)

MMfbm
One million board feet (equivalent to one million square feet of lumber, one inch thick)

MMBTU
Million British Thermal Units

Msf
One thousand square feet. A unit of measure for Panel products (such as OSB, MDF and plywood) equal to one thousand square feet on a 3/4 inch basis for MDF, on a 3/8 inch basis for plywood and on either a 3/8-inch or 7/16-inch thick basis for OSB

MMsf
One million square feet

Mtonne
Means one thousand tonnes

NA
North America

NA EWP
North America engineered wood products

NBSK
Northern Bleached Softwood Kraft Pulp

NCIB
Normal course issuer bid

Norbord
Norbord Inc.

Norbord Acquisition
Acquisition of Norbord completed February 1, 2021

NYSE
New York Stock Exchange

OSB
Oriented Strand Board. An engineered structural wood panel produced by chemically bonding wood strands in a uniform direction under heat and pressure

Panelboard
Oriented strand board, particleboard, medium density fibreboard and plywood

Particleboard
A panelboard produced by chemically bonding clean sawdust, small wood particles and recycled wood fibre under heat and pressure

Plywood
A panelboard produced by chemically bonding thin layers of solid wood veneers

SPF Dimension
Lumber produced from spruce/pine/balsam fir species

SYP Dimension
Lumber produced from southern yellow pine species

Ton
A unit of weight equal to 2,000 pounds, generally known as a U.S. ton

Tonne
A unit of weight in the metric system equal to one thousand kilograms or approximately 2,204 pounds

TSX
Toronto Stock Exchange

U.K.
United Kingdom

U.S.
United States

USD
United States Dollars or $

USDOC
United States Department of Commerce

USITC
United States International Trade Commission

SCHEDULE 1 – AUDIT COMMITTEE CHARTER

The Audit Committee Charter, which is set out below, was approved by the Board on April 20, 2021

General Mandate

The Audit Committee (the "Committee") will assist the Board in fulfilling its responsibility to oversee the Company's financial reporting and audit processes, its system of internal controls and its process for monitoring compliance with applicable financial reporting and disclosure laws, and its own policies.

The Committee will have oversight responsibility over:

- the integrity of the Company's financial statements;
- the Company's compliance with legal and regulatory requirements;
- the external auditors' appointment, qualifications, independence and performance; and
- the performance of the Company's internal audit function ("Internal Audit").

The Committee's role is one of oversight. The Company's management is responsible for preparing the Company's financial statements and providing all required certifications relating to those financial statements, and the external auditor is responsible for auditing those financial statements. In carrying out its oversight role, the Committee will be entitled to rely on information provided by management of the Company ("Management") and the external auditor. The Committee is not responsible for providing any expert or special assurance or any guarantee as to the accuracy or completeness of the Company's financial statements or its public disclosure.

The Committee will also be responsible for those other matters as set out in this Charter and/or as may be delegated to it by the Board from time to time.

Responsibilities

The Committee will carry out the following responsibilities:

Financial Statements

- Review with Management and the external auditors the significant accounting and financial reporting matters relating to the Company's financial statements, including:

  (i) significant matters regarding accounting principles and financial statement presentations, including any significant changes in the Company's selection or application of International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS");

  (ii) critical accounting policies and practices to be used by the Company in preparing its financial statements;

  (iii) significant judgments and critical accounting estimates made in connection with the preparation of the financial statements, including (i) any analysis prepared by Management and/or the external auditors in support of significant financial reporting issues and judgments, and (ii) any analysis of the effects of alternative accounting principles in accordance with IFRS;

  (iv) complex or unusual transactions, including any off-balance sheet transactions and any contingencies, and their impact on the Company's financial statements;

(v) all material alternative treatments of financial information in accordance with IFRS that have been discussed between the external auditor and Management, ramifications of the use of these alternative treatments, and the treatment recommended or preferred by the external auditors where either (i) the external auditor does not agree with the treatment proposed by Management, or (ii) the external auditor recommends an alternate treatment to that proposed by Management;

(vi) the effect of significant regulatory and accounting initiatives and pronouncements on the financial statements of the Company; and

(vii) any material issues as to the adequacy of the Company's internal controls and any special audit steps adopted in light of material control deficiencies.

- Meet and review with Management and the external auditors prior to public disclosure:

  (i) the annual and interim financial statements of the Company;

  (ii) the related annual or interim management's discussion and analysis of financial condition and results of operations ("MD&A"); and

  (iii) each related news release.

  In completing its review, the Committee will:

  (i) consider whether the financial statements, MD&A and news release are complete, are consistent with information known to Committee members, and reflect appropriate accounting principles;

  (ii) obtain reasonable assurance that (i) the financial statements are presented fairly in accordance with IFRS, and (ii) the MD&A is in compliance with appropriate regulatory requirements; and

  (iii) provide a recommendation to the Board with respect to the approval of, or, if authority has been delegated by the Board, approve the financial statements, MD&A and news release and their filing with securities regulators in accordance with applicable securities laws.

  In meeting, the Committee may meet in person, via telephone, via video-conference or by the use of any other equivalent communications platform that enables each participant to communicate with each other participant.

- Review and discuss with Management and the external auditors prior to public disclosure all earnings news releases and other press releases that contain "first-time disclosure" of significant financial information respecting the Company or contains estimates or information regarding the Company's future financial performance or prospect, which will include review and discussions as to:

  (i) "first-time disclosure" financial information and earnings guidance provided to analysts and, if applicable, ratings agencies; and

  (ii) the type and presentation of information to be included in such press releases (in particular the use of "pro forma" or "adjusted" information that is not in accordance with IFRS).

- Review and discuss with Management and the external auditors, and recommend to the Board for approval prior to public disclosure:

  (i) the portions of the Annual Information Form containing significant financial information derived from the Company's financial statements and within the Committee's mandate;

(ii) the portions of any Company's annual or special management proxy circular that (i) contain significant financial information derived from the Company's financial statements and within the Committee's mandate, or (ii) relate to the Committee's composition and responsibilities;

(iii) all prospectuses, registration statements and other offering or tender documents, including any prospectus supplement filed pursuant to a base shelf prospectus to the extent that any of these documents include significant financial information derived from the Company's financial statements and within the Committee's mandate that has not previously been reviewed and approved by the Committee or the Board; and

(iv) significant financial information, including "pro forma" or "adjusted" non-IFRS information, respecting the Company contained in a publicly disclosed document (other than routine investor relations or similar materials or communications that contain extracts of previously disclosed financial information) that has not previously been reviewed and approved by the Committee or the Board.

- Review with Management and the external auditors and, if necessary, legal counsel, any litigation, claim or contingency, including tax assessments, or material reports or inquiries from regulators or governmental agencies, that could have a material effect upon the financial position of the Company, and the manner in which these matters have been disclosed in the financial statements.

Internal Control

- Oversee Management's design and assessment of internal control procedures over financial reporting.

- Review and discuss Management's assessment of the effectiveness of the Company's internal controls over financial reporting on an annual basis or as more frequently required to ensure effectiveness of these internal control systems, including any identified significant deficiencies or material weaknesses in the design or operation of internal controls or any fraud that involves Management or other employees who have a significant role in the Company's internal controls.

- Review reports received from Management and/or the external auditors that include recommendations for improvement of such internal controls and processes and remediation of any identified significant deficiencies or material weaknesses on an annual basis or as more frequently required to ensure effectiveness of these internal controls.

- In connection with the Board's overall enterprise risk management responsibility, assist the Board with its responsibility to, with the advice of Management, identify the principal financial and audit risks of the Company and establish systems and procedures to ensure these principal financial and audit risks are monitored, and to make recommendations to the Board, which will include discussions with Management relating to:

  (i) Identification of key risks, including, without limitation:

    a. significant financial risk exposures;

    b. significant audit risks; and

    c. the principal information technology risks, including cyber security, data protection, information security and information systems risks;

  (ii) the establishment of systems and procedures to ensure these risks are monitored;

  (iii) the steps Management has taken to assess, monitor and control, manage or mitigate the Company's exposures to these risks;

(iv) the adoption of controls to prevent and detect fraud or improper or illegal transactions or payments and to ensure compliance with anti-fraud and anti-bribery laws;

(v) implementing guidelines and policies to govern the process by which risk assessment and management is undertaken; and

(vi) monitoring and reviewing, at least annually and more frequently as may be required, the processes and controls designed to identify, assess, monitor and manage the risks referred to above.

- Annually review the Company's disclosure controls and procedures, including any significant deficiencies in or material non-compliance with such controls and procedures.

- Commencing with the audit of the Company's financial statements for the year ending December 31, 2022, review the scope of the external auditors' assessment of internal control over financial reporting, and obtain and review reports on significant findings and recommendations, including those in respect of the Company's accounting principles or changes to such principles or their application and the treatment of financial information discussed with Management, together with Management's responses.

External Audit

- Recommend to the Board the appointment or removal of the external auditor to be appointed for the purpose of preparing or issuing any audit report or performing any other audit, review or attestation services for the Company, with any such appointment or removal to be confirmed by the shareholders of the Company at each annual general meeting in accordance with the requirements of the British Columbia *Business Corporations Act*.

- Be directly responsible for the compensation of the external auditors to be paid by the Company in connection with (i) preparing and issuing the audit report on the Company's financial statements, and (ii) performing other audit, review or attestation services.

- Be directly responsible for the oversight of the services of the external auditors for the purpose of preparing or issuing an audit report or performing other audit, review or attestation services for the Company (with the external auditors reporting directly to, and being accountable to, the Committee).

- Exercise sole authority to pre-approve all audit services and all permitted non-audit services to the Company, provided that the Committee need not approve in advance non-audit services where:

  (i) the aggregate amount of all such non-audit services provided to the Company constitutes not more than 5% of the total amount of fees paid by the Company to the external auditors during the fiscal year in which the non-audit services are provided; and

  (ii) such services were not recognized by the Company at the time of the engagement to be non-audit services; and

  (iii) such services are promptly brought to the attention of the Committee and approved prior to the completion of the audit by the Committee.

  The Committee shall have the sole authority to delegate to one or more designated members of the Committee the authority to grant pre-approvals required by this section, provided that the decision of any member to whom authority is delegated to pre-approve a service shall be presented to the Committee at its next scheduled meeting. If the Committee approves an audit service within the scope of the engagement of the external auditors, such audit service shall be deemed to have been pre-approved for purposes of this section.

- Meet with the external auditors prior to the annual audit to review and approve the external auditors' proposed annual audit plan, scope, approach, staffing and fee schedule.

- Annually receive from the external auditors, and review, a report on items required to be communicated to the Committee by applicable rules and regulations.

- Review the external auditors' report to the shareholders on the Company's annual financial statements.

- Review with Management and the external auditors all matters required to be communicated to the Committee under generally accepted auditing standards and other applicable regulatory requirements arising from the annual audit and quarterly review engagements.

- Review with the external auditors any audit problems or difficulties encountered in the course of the audit of the Company's financial statements, including any restrictions on the scope of the external auditors' activities or on access to any requested information, and any significant disagreements with Management, Management's response to such disagreements and the resolution of such disagreements.

- Annually review the independence of the external auditors, including their formal written statement of independence delineating all relationships between the external auditors and the Company, review all such relationships, and consider applicable auditor independence standards and take any decisions and actions that are necessary and appropriate where the Committee becomes aware of the potential for a conflict (or the reasonable perception of a conflict) between the interests of the external auditors and the interests of the Company.

- Ensure that the external auditors are in good standing with the Canadian Public Accountability Board and, if applicable, the United States Public Company Accounting Oversight Board by receiving, at least annually, a report by the external auditors on their internal quality control processes and procedures, such report to include any material issues raised by the most recent internal quality control review, or peer review, of the external auditors, or any governmental or professional authorities of the external auditors within the preceding five years, and any steps taken to deal with such issues.

- Ensure that the external auditors meet the rotation requirements for lead audit partner assigned to the Company's annual audit by receiving a report annually from the external auditors setting out the status of the lead audit partner with respect to the appropriate regulatory rotation requirements and plans to transition a new lead audit partner onto the audit engagement.

- Annually evaluate, taking into account the opinions of Management and the head of Internal Audit, the performance of the external auditors, including the lead audit partner, and report to the Board on its conclusions regarding the external auditors and recommendation to shareholders for appointment of the external auditors.

- Periodically review and approve the Company's hiring policies with respect to partners or employees (or former partners or employees) of either former or present external auditors of the Company.

Internal Audit

- The Committee will be responsible for reviewing and overseeing:

  (i) the activities, organization structure and qualifications of the Internal Audit function;

  (ii) the adoption of a charter for the Internal Audit function (the "Internal Audit Charter"), and the approval of any amendments to the Internal Audit Charter from time-to-time to ensure the proper functioning of the Internal Audit function;

  (iii) during any period of transitional relief provided to the Company in implementing the Internal Audit function, the Committee will oversee Management's plans for implementation of the Internal Audit

function and meet periodically with the Company personnel primarily responsible for the design and implementation of the Internal Audit function;

(iv) the planned activities of the Internal Audit function;

(v) the Internal Audit findings and the implementation of any accepted recommendations and Management's response thereto;

(vi) ensure that appropriate steps have been taken to ensure that there are no unjustified or inappropriate restrictions or limitations on the functioning of the Internal Audit function or on access to requested information;

(vii) the budget, staffing and resources allocated to the Internal Audit function in order to ensure the effectiveness, objectivity and independence of the Internal Audit function; and

(viii) the adequacy of the line of communication between Internal Audit and the Committee, ensuring that is maintained.

Compliance

- Establish procedures for: (a) the receipt, retention and treatment of complaints received regarding non-compliance with the Company's Code of Conduct, violations of laws or regulations, or concerns regarding accounting, internal accounting controls or auditing matters; and (b) the confidential, anonymous submission by officers or employees of the Company or by other persons of concerns regarding questionable accounting, auditing or financial reporting and disclosure matters or non-compliance with the Company's Code of Conduct or other matters that are of a sensitive or "whistleblower" nature.

- Obtain and review regular reports from Management and others (including, without limitation, the external auditors and legal counsel) with respect to the Company's compliance with laws and regulations having a material impact on the financial statements including: (i) tax and financial reporting laws and regulations; (ii) legal withholding requirements; (iii) environmental protection laws and regulations; and (iv) other laws and regulations which expose directors to liability.

- Review and discuss with Management and with the Company's legal counsel, if necessary, any legal matters or reports or inquiries received from regulators or governmental agencies that could have a material effect upon the financial position of the Company and that are not subject to the oversight of another committee of the Board.

Reporting Requirements

- Regularly report, at least quarterly, to the Board about Committee activities, issues and related recommendations.

- Review any reports the Company issues that relate to Committee responsibilities.

Other Responsibilities

- Meet separately with Management of the Company, the head of Internal Audit and the external auditors of the Company as frequently as the Committee determines to be necessary and appropriate for the Committee to discharge its oversight duties.

- Annually review and, if requested by the Human Resources & Compensation Committee, approve the calculation provided by Management to the Human Resources & Compensation Committee of any performance metrics

that may be required to be calculated under any executive incentive plans or equity based compensation plans used to determine executive bonuses or cash award payouts.

- Perform other activities related to this Charter as requested by the Board.

- Confirm annually to the Board that all responsibilities outlined in this Charter have been carried out, with the annual confirmation to follow the completion of the audit of the Company's financial statements for each year and to be targeted for to the Board by no later than the meeting of the Board to follow each annual meeting of the shareholders of the Company.

- Consider and, if deemed appropriate, approve in advance any "related party transactions" to which the Company may propose to become a party to.

Qualifications and Procedures

- The Committee will be comprised of at least three directors, each of whom will be "independent" as determined in accordance with the securities laws, rules, regulations and guidelines of all applicable securities regulatory authorities (collectively, "Securities Laws"), including without limitation the securities commissions in each of the provinces and territories of Canada and the United States Securities and Exchange Commission, and the stock exchanges on which the Company's securities are listed, including without limitation the Toronto Stock Exchange and the New York Stock Exchange ("NYSE").

- In addition to the foregoing requirements, the composition of the Committee will comply with all Securities Laws to which the Company is subject, including requirements for independence, financial literacy, audit committee financial experts and audit experience.

- The Chair of the Committee will be designated by the Board.

- The Committee will meet at least four times annually, and more frequently as circumstances dictate, and the Chief Financial Officer and the head of Internal Audit and the external auditors, as required by the Committee, should be available on request to attend all meetings.

- A quorum at meetings of the Committee shall be a majority of members present in person or by telephone, video communication or other telecommunication device that permits all persons participating in the meeting to speak and hear one another.

- The Committee should meet privately and separately in *in camera* sessions with representatives of each of Management, the head of Internal Audit and of the external auditors to discuss any matters of concern to the Committee or such members, including any post-audit management letter. In addition, the Committee will meet with the external auditors, upon the receipt of a request from the external auditors, to discuss any matter that the external auditors believe should be brought to the attention of the directors or the shareholders of the Company.

- The Committee will have the authority to engage and retain independent legal counsel and any outside professional advisor that it determines necessary to carry out its duties, at the expense of the Company, without the Board's approval, at any time and has the authority to determine any such advisor's fees and other retention terms.

- The Company will provide appropriate funding, as determined by the Committee, for payment of ordinary administrative expenses of the Committee that are necessary or appropriate in carrying out its duties, including compensation paid to the Company's external auditor and to legal and other professional advisers retained by the Committee.

- The Committee shall fix its own procedures for meeting and keep records of its proceedings. Minutes of each meeting should be prepared, approved by the Committee and circulated to the full Board. Copies of meeting records will be made available to the external auditors as requested.

Annual Performance Evaluation and Charter Assessment

- On an annual basis, the Board will conduct an annual performance evaluation of the Committee, taking into account this Charter, to determine the effectiveness of the Committee.

- The Committee will annually review and assess the adequacy of this Charter and will as required request Board approval for proposed changes, taking into account all applicable legislative and regulatory requirements as well as consideration of any best practice guidelines recommended by regulators or stock exchanges with whom the Company has a reporting relationship.

Exhibit 99.2

West Fraser Timber Co. Ltd.

Consolidated Financial Statements
December 31, 2021 and 2020

RESPONSIBILITY OF MANAGEMENT

The management of West Fraser Timber Co. Ltd. (“West Fraser”, “we”, “us” or “our”) is responsible for the preparation, integrity, objectivity and reliability of the consolidated financial statements. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board and necessarily include amounts that represent the best estimates and judgments of management.

We maintain a system of internal controls over financial reporting that encompasses policies, procedures and controls to provide reasonable assurance that assets are safeguarded against loss or unauthorized use, transactions are executed and recorded with appropriate authorization and financial records are accurate and reliable.

Our independent auditor, which is appointed by the shareholders upon the recommendation of the Audit Committee and the Board of Directors, has completed its audit of the consolidated financial statements in accordance with the standards of the Public Company Accounting Oversight Board (United States) and its report follows.

The Board of Directors provides oversight to the financial reporting process through its Audit Committee, which is comprised of five Directors, none of whom is an officer or employee of West Fraser. The Audit Committee meets regularly with representatives of management and of the auditor to review the consolidated financial statements and matters relating to the audit. The auditor has full and free access to the Audit Committee. The Audit Committee reports its findings to the Board of Directors for consideration in approving the consolidated financial statements for issuance to the shareholders.

/s/ Raymond Ferris
Raymond Ferris
President and Chief Executive Officer
February 15, 2022

/s/ Chris Virostek
Chris Virostek
Vice-President, Finance and Chief Financial Officer

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of West Fraser Timber Co. Ltd.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of West Fraser Timber Co. Ltd. and its subsidiaries (together, the Company) as of December 31, 2021 and 2020 and January 1, 2020, and the related consolidated statements of earnings and comprehensive earnings, changes in shareholders' equity and cash flows for the years ended December 31, 2021 and 2020, including the related notes (collectively referred to as the consolidated financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2021 and 2020 and January 1, 2020, and its financial performance and its cash flows for the years ended December 31, 2021 and 2020 in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Change in Accounting Principle

As discussed in Note 2 of the consolidated financial statements, during 2021, the Company changed its presentation currency from Canadian dollars to United States dollars.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits of these consolidated financial statements in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matters

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that (i) relates to accounts or disclosures that are material to the consolidated financial statements and (ii) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Valuation of acquired customer relationship intangible and property, plant and equipment as a result of the acquisition of Norbord Inc.

As described in Note 3 to the consolidated financial statements, the Company acquired all the outstanding shares of Norbord Inc. ("Norbord") for total consideration of $3.5 billion on February 1, 2021. Management accounted for the acquisition as a business combination using the acquisition method. Under this method, identifiable assets acquired and liabilities assumed are recorded at their respective fair values at the date of acquisition. As a result, management recorded $470 million and $2.1 billion related to the fair values of the acquired customer relationship intangible and property, plant and equipment, respectively. To determine the fair values, management used the multi-period excess

earnings method for the customer relationship intangible and a combination of the market comparison and cost techniques for the property, plant and equipment. Management applied significant judgment in estimating the fair value of the customer relationship intangible when applying the multi-period excess earnings method, which involved the use of key assumptions with respect to forecasted revenues, customer attrition rates, operating margins, and the discount rate. Management also applied significant judgment in estimating the fair value of property, plant and equipment when applying the cost technique, which involved the use of key assumptions with respect to the property, plant and equipment's estimated useful lives and their replacement cost, which includes adjustments for physical deterioration and functional and economic obsolescence at the date of acquisition.

The principal considerations for our determination that performing procedures relating to the valuation of the customer relationship intangible and property, plant and equipment as a result of the acquisition of Norbord is a critical audit matter are (i) a high degree of auditor judgment and subjectivity in performing procedures relating to the fair value measurement of the customer relationship intangible and property, plant and equipment acquired due to the significant judgment required by management when developing these estimates; (ii) the significant audit effort in evaluating the key assumptions related to forecasted revenues, customer attrition rates, operating margins and the discount rate in relation to the customer relationship intangible, as well as the property, plant and equipment's estimated useful lives and their replacement cost, which includes adjustments for physical deterioration and functional and economic obsolescence at the date of acquisition; and (iii) the audit effort involved the use of professionals with specialized skill and knowledge.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included, among others (i) reading the purchase agreement and (ii) testing management's processes for estimating the fair values of the customer relationship intangible and property, plant and equipment. Testing management's processes included evaluating the appropriateness of the valuation methods, testing the completeness and accuracy of data used in the models and evaluating the reasonableness of the key assumptions used by management in determining these fair values. Evaluating the reasonableness of forecasted revenues, customer attrition rates and operating margins involved considering the past performance of Norbord, as well as economic and industry forecasts. Professionals with specialized skill and knowledge were also used to assist in the evaluation of management's use of the multi-period excess earnings method and certain key assumptions, including customer attrition rates and the discount rate in relation to the customer relationship intangible. We also used professionals with specialized skill and knowledge to assist in the evaluation of management's use of the market comparison and cost techniques and certain key assumptions including the property, plant and equipment's estimated useful lives and their replacement cost including the adjustments for physical deterioration and functional and economic obsolescence used by management when applying the cost technique.

/s/PricewaterhouseCoopers LLP

Chartered Professional Accountants

Vancouver, British Columbia, Canada
February 15, 2022

We have served as the Company's auditor since 1973.

West Fraser Timber Co. Ltd.
Consolidated Balance Sheets
As at December 31, 2021 and 2020 and January 1, 2020
(in millions of United States dollars, except where indicated)

	2021	*Currency remeasurement* 2020	*Currency remeasurement* January 1, 2020
Assets			
Current assets			
Cash and short-term investments (note 4)	$ 1,568	$ 461	$ 12
Receivables (note 22)	508	277	199
Income taxes receivable	42	8	104
Inventories (note 5)	1,061	578	561
Prepaid expenses	38	12	7
	3,217	1,336	883
Property, plant and equipment (note 6)	4,100	1,657	1,648
Timber licences (note 7)	368	372	380
Goodwill and other intangible assets (note 8)	2,440	591	594
Export duty deposits (note 25)	242	178	61
Other assets (note 9)	58	35	20
Deferred income tax assets (note 18)	8	9	8
	$ 10,433	$ 4,178	$ 3,594
Liabilities			
Current liabilities			
Cheques issued in excess of funds on deposit	$ —	$ —	$ 12
Operating loans (note 12)	—	—	288
Payables and accrued liabilities (note 10)	848	389	305
Current portion of long-term debt (note 12)	—	7	7
Current portion of reforestation and decommissioning obligations (note 11)	46	34	32
Income taxes payable	312	98	—
	1,206	528	644
Long-term debt (note 12)	499	500	500
Other liabilities (note 11)	360	408	350
Deferred income tax liabilities (note 18)	712	264	195
	2,777	1,700	1,689
Shareholders' Equity			
Share capital (note 14)	3,402	481	480
Retained earnings	4,503	2,237	1,697
Accumulated other comprehensive earnings	(249)	(240)	(272)
	7,656	2,478	1,905
	$ 10,433	$ 4,178	$ 3,594

Approved by the Board of Directors

/s/ Reid Carter
Reid Carter
Director

/s/ Robert L. Phillips
Robert L. Phillips
Lead Director

West Fraser Timber Co. Ltd.
Consolidated Statements of Earnings and Comprehensive Earnings
For the years ended December 31, 2021 and 2020
(in millions of United States dollars, except where indicated)

				Currency remeasurement
		2021		**2020**
Sales	$	10,518	$	4,373
Costs and expenses				
Cost of products sold		4,645		2,559
Freight and other distribution costs		846		529
Export duties, net (note 25)		146		57
Amortization		584		203
Selling, general and administration		312		185
Equity-based compensation (note 15)		40		9
		6,573		3,542
Operating earnings		3,945		831
Finance expense, net (note 16)		(45)		(27)
Other (note 17)		(2)		(14)
Earnings before tax		3,898		790
Tax provision (note 18)		(951)		(202)
Earnings	$	2,947	$	588
Earnings per share (dollars) (note 20)				
Basic	$	27.03	$	8.56
Diluted	$	27.03	$	8.56
Comprehensive earnings				
Earnings	$	2,947	$	588
Other comprehensive earnings				
Items that may be reclassified to earnings				
Translation loss on operations with different functional currency		(9)		—
Items that will not be reclassified to earnings				
Translation effect on change in reporting currency		—		32
Actuarial gain (loss) on retirement benefits, net of tax (note 13)		153		(7)
		144		25
Comprehensive earnings	$	3,091	$	613

West Fraser Timber Co. Ltd.
Consolidated Statements of Changes in Shareholders' Equity
For the years ended December 31, 2021 and 2020
(in millions of United States dollars, except where indicated)

	Share Capital					
	Number of shares	Amount	Contributed Surplus	Retained Earnings	Accumulated Other Comprehensive Earnings	Total Equity
Balance at January 1, 2020 (currency remeasurement)	68,662,767	$ 480	$ —	$ 1,697	$ (272)	$ 1,905
Earnings for the year	—	—	—	588	—	588
Other comprehensive earnings:						
Translation effect on change in reporting currency	—	—	—	—	32	32
Actuarial loss on retirement benefits, net of tax	—	—	—	(7)	—	(7)
Issuance of Common shares (note 14)	15,855	1	—	—	—	1
Dividends declared[1]	—	—	—	(41)	—	(41)
Balance at December 31, 2020 (currency remeasurement)	68,678,622	$ 481	$ —	$ 2,237	$ (240)	$ 2,478
Earnings for the year	—	—	—	2,947	—	2,947
Other comprehensive earnings:						
Translation loss on operations with different functional currency	—	—	—	—	(9)	(9)
Actuarial gain on retirement benefits, net of tax	—	—	—	153	—	153
Acquired equity-settled share option plan (note 15)	—	—	14	—	—	14
Equity-settled share option expense	—	—	1	—	—	1
Conversion of equity-settled share option plan to cash-settled (note 15)	—	—	(15)	—	—	(15)
Issuance of Common shares (note 14)	54,618,586	3,491	—	—	—	3,491
Repurchase of Common shares for cancellation	(17,368,474)	(570)	—	(749)	—	(1,319)
Dividends declared[1]	—	—	—	(85)	—	(85)
Balance at December 31, 2021	105,928,734	$ 3,402	$ —	$ 4,503	$ (249)	$ 7,656

1. Represents cash dividends declared of CAD$0.80 per share during the year ended December 31, 2020. Cash dividends declared during the year ended December 31, 2021 comprised of CAD$0.70 per share in aggregate for the first three quarters and USD$0.20 per share for the fourth quarter.

West Fraser Timber Co. Ltd.
Consolidated Statements of Cash Flows
For the years ended December 31, 2021 and 2020
(in millions of United States dollars, except where indicated)

	2021	*Currency remeasurement* 2020
Cash provided by operations		
Earnings	$ 2,947	$ 588
Adjustments		
Amortization	584	203
Finance expense	45	27
Export duty deposits (note 25)	(55)	(104)
Export duty payable (note 25)	69	—
Retirement benefit expense	111	74
Contributions to retirement benefit plans	(77)	(49)
Tax provision	951	202
Income taxes (paid) received	(946)	41
Other	(8)	4
Changes in non-cash working capital		
Receivables	5	(78)
Inventories	(139)	(14)
Prepaid expenses	(14)	(5)
Payables and accrued liabilities	79	79
	3,552	968
Cash used for financing		
Repayment of long-term debt (note 12)	(667)	—
Repayment of operating loans	—	(280)
Finance expense paid	(37)	(30)
Make-whole premium paid (note 12)	(60)	—
Financing fees paid	(4)	—
Repurchase of Common shares for cancellation (note 14)	(1,319)	—
Issuance of Common shares (note 14)	7	—
Dividends paid	(75)	(41)
Other	(9)	(2)
	(2,164)	(353)
Cash used for investing		
Acquired cash and short-term investments from Norbord Acquisition [1]	642	—
Angelina Acquisition, net of cash acquired (note 3)	(302)	—
Additions to capital assets [2]	(635)	(180)
Other	9	14
	(286)	(166)
Change in cash	1,102	449
Foreign exchange effect on cash	5	12
Cash - beginning of year	461	—
Cash - end of year	$ 1,568	$ 461

1. The Norbord Acquisition (note 3) was a non-cash share consideration transaction, and therefore, only the acquired cash is included in the above cash flow. Changes in Norbord's cash position incurred subsequent to February 1, 2021 are incorporated into our cash flow results.
2. Capital assets are comprised of property, plant and equipment, timber licenses, and intangible assets. Additions to capital assets include $276 million relating to the asset acquisition of the idled OSB mill near Allendale, South Carolina.

West Fraser Timber Co. Ltd.
Notes to Consolidated Financial Statements
For the years ended December 31, 2021 and 2020
(figures are in millions of United States dollars, except where indicated)

1. Nature of operations

West Fraser Timber Co. Ltd. ("West Fraser", the "Company", "we", "us" or "our") is a diversified wood products company with more than 60 facilities in Canada, the United States ("U.S."), the United Kingdom ("U.K."), and Europe. From responsibly sourced and sustainably managed forest resources, the Company produces lumber, engineered wood products (OSB, LVL, MDF, plywood, and particleboard), pulp, newsprint, wood chips, other residuals and renewable energy. West Fraser's products are used in home construction, repair and remodelling, industrial applications, papers, tissue, and box materials. Our executive office is located at 858 Beatty Street, Suite 501, Vancouver, British Columbia. West Fraser was formed by articles of amalgamation under the *Business Corporations Act* (British Columbia) and is registered in British Columbia, Canada. Our Common shares are listed for trading on the Toronto Stock Exchange ("TSX") and on the New York Stock Exchange ("NYSE") under the symbol WFG.

2. Basis of presentation

These consolidated financial statements are prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS") and were approved by our Board of Directors on February 15, 2022.

Our consolidated financial statements have been prepared under the historical cost basis, except for certain items as discussed in the applicable accounting policies.

Change in functional and reporting currency

Determination of functional currency may involve certain judgments to determine the primary economic environment. We reconsider the functional currency of our entities if there is a change in events and conditions which determine the primary economic environment. We have determined that, as a result of the acquisition of Norbord Inc. (the "Norbord Acquisition"), the functional currency of our Canadian operations has changed from Canadian dollars ("CAD" or "CAD$") to United States dollars ("USD" or "US$"). We considered a variety of factors when making this decision, the most significant being an increase in the level of sales made in USD, a portion of operating expenses being incurred in USD, and increased levels of USD financing.

Concurrent with the change in functional currency, we also changed our reporting currency from CAD to USD. This change in reporting currency is to better reflect our business activities, following the increased presence in the U.S. as a result of the Norbord Acquisition and in connection with the listing of West Fraser's common shares on the NYSE on February 1, 2021.

A change in functional currency is applied prospectively and must be based on a change in economic facts, events and conditions. In contrast, a change in reporting currency requires retroactive restatement. Both changes have specific transition rules under IAS 21, *The Effects of Changes in Foreign Exchange Rates* ("IAS 21").

As at and for the year ended December 31, 2020 and all prior periods, our functional and reporting currency was CAD as described in our audited annual consolidated financial statements. The currency remeasurement of our results applied the IAS 21 transitional rules.

To prepare our December 31, 2020 and January 1, 2020 consolidated balance sheets, all assets and liabilities were translated into USD at the closing exchange rate on December 31, 2020 and December 31, 2019 respectively, as listed below. Equity items were retroactively restated at historical exchange rates to give effect to the change in reporting currency. The accounting policy used to translate the equity items prior to 2020 was to use the annual average exchange rate for each equity transaction that occurred in the year. For 2020, equity items were translated quarterly using the average exchange rate for each quarter.

To prepare our 2020 consolidated statement of earnings, all revenues and expenses were translated into USD at the average exchange rate for each quarter, with no adjustments to the measurement of or accounting for previously reported results. To prepare our 2020 consolidated statement of cash flow, all items were translated into USD at the average exchange rate for each quarter, with no adjustments to the measurement of or accounting for previously reported results.

The exchange rates used to reflect the change in reporting currency were as follows:

CAD - USD exchange rate	Q1-20	Q2-20	Q3-20	Q4-20	Q4-19
Closing rate	0.7049	0.7338	0.7497	0.7854	0.7699
Average rate	0.7443	0.7221	0.7508	0.7676	n/a

Accounting policies

Accounting policies that relate to the consolidated financial statements as a whole are incorporated in this note. Where an accounting policy is applicable to a specific note disclosure, the policy is described within the respective note.

Basis of consolidation

These consolidated financial statements include the accounts of West Fraser and its wholly-owned subsidiaries after the elimination of intercompany transactions and balances.

Our material subsidiaries are West Fraser Mills Ltd. and Norbord Inc. Our 50%-owned joint operations, Alberta Newsprint Company and Cariboo Pulp & Paper Company, are accounted for by recognizing our share of the assets, liabilities, revenues, and expenses related to these joint operations.

Use of estimates and judgments

The preparation of these consolidated financial statements requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual amounts could differ materially from these and other estimates, the impact of which would be recorded in future periods. Management is also required to exercise judgment in the process of applying accounting policies. Information about the significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements is included in the following notes:

- Note 2 – Determination of functional currency
- Note 3 – Fair value of PPE and intangible assets acquired in business combinations
- Note 5 – Valuation of inventories
- Note 6 – Recoverability of PPE
- Note 6 – Estimated useful lives of PPE
- Note 8 – Recoverability of goodwill
- Note 11 – Reforestation and decommissioning obligations
- Note 13 – Defined benefit pension plans
- Note 15 – Equity-based compensation
- Note 18 – Income taxes
- Note 25 – CVD and ADD duty dispute

Revenue recognition

Revenue is derived primarily from product sales and is recognized when a customer obtains control over the goods. The timing of transfer of control to customers varies depending on individual terms of the sales contract. For most of our sales, control is obtained by the customer when the product is loaded on a common carrier at our mill. Some of our revenue is recognized when the product is delivered to the customer or when it is loaded on an ocean carrier. The amount of revenue recognized is net of our estimate for early payment discounts and volume rebates.

Revenue includes charges for freight and handling. The costs related to these revenues are recorded in freight and other distribution costs.

Foreign currency translation effective from February 1, 2021

The consolidated financial statements are presented in USD, which was determined to be the functional currency of our U.S. operations, and the majority of our Canadian operations.

For these entities, all transactions not denominated in our U.S. functional currency are considered to be foreign currency transactions. Foreign currency-denominated monetary assets and liabilities are translated using the rate of exchange prevailing at the reporting date. Gains or losses on translation of these items are included in earnings and reported as

Other. Foreign currency denominated non-monetary assets and liabilities, measured at historic cost, are translated at the rate of exchange at the transaction date.

Our European operations have British pound sterling and Euro functional currencies and our Canadian newsprint operation has a Canadian dollar functional currency. Assets and liabilities of these entities are translated at the rate of exchange prevailing at the reporting date, and revenues and expenses at average rates during the period. Gains or losses on translation are included as a component of shareholders' equity in accumulated other comprehensive earnings.

Impairment of capital assets

We assess property, plant and equipment, timber licences, and other definite-lived intangibles for indicators of impairment at each reporting date and whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

Impairment testing is applied to individual assets or cash generating units ("CGUs"), the smallest group of assets that generates cash inflows that are largely independent of the cash inflows of other assets or groups of assets. We have identified each of our mills as a CGU for impairment testing unless there is economic interdependence of CGUs, in which case they are grouped for impairment testing.

When a triggering event is identified, recoverability of long-lived assets is assessed by comparing the carrying amount of the asset or CGU to the estimated recoverable amount, which is the higher of its estimated fair value less costs of disposal or its value in use.

Fair value less costs of disposal is determined by ascertaining the price that would be received to sell an asset in an orderly transaction between market participants under current market conditions, less incremental costs directly attributable to the disposal. Value in use is determined by measuring the pre-tax cash flows expected to be generated from the asset over its estimated useful life discounted by a pre-tax discount rate.

Where an impairment loss for long-lived assets subsequently reverses, the carrying amount of the asset or CGU is increased to the lesser of the revised estimate of its recoverable amount and the carrying amount that would have been recorded had no impairment loss been previously recognized.

Fair value measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. Fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurement are observable and the significance of the inputs. Our fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value.

The three levels of the fair value hierarchy are:

Level 1
Values based on unadjusted quoted prices in active markets that are accessible at the measurement date for identical assets or liabilities.

Level 2
Values based on inputs other than quoted prices that are observable for the asset or liability, directly or indirectly.

Level 3
Values based on valuation techniques that require inputs which are both unobservable and significant to the overall fair value measurement.

Accounting standards, amendments and interpretations issued but not yet applied

There are no standards or amendments or interpretations to existing standards issued but not yet effective which are expected to have a material impact on our consolidated financial statements.

3. Business acquisitions

Accounting policies

Business combinations are accounted for using the acquisition method. We measure goodwill at the acquisition date as the fair value of the consideration transferred less the fair value of the identifiable assets acquired and liabilities assumed. The determination of the fair value of the assets acquired and liabilities assumed requires management to use estimates that contain uncertainty and critical judgments. Transaction costs in connection with business combinations are expensed as incurred.

Valuation techniques utilized

We engaged a valuations expert to assist with the determination of estimated fair value for acquired working capital, property, plant and equipment, and intangible assets.

We applied the market comparison technique and cost technique in determining the fair value of acquired property, plant, and equipment. We considered market prices for similar assets when they were available, and depreciated replacement cost in other circumstances. Depreciated replacement cost reflects adjustments for physical deterioration as well as functional and economic obsolescence. The key assumptions used in the estimation of depreciated replacement cost are the asset's estimated replacement cost at the time of acquisition and estimated useful life.

We applied the multi-period excess earnings method in determining the fair value of the customer relationship intangible recognized in the Norbord Acquisition. The multi-period excess earnings method considers the present value of incremental after-tax cash flows expected to be generated by the customer relationship after deducting contributory asset charges. The key assumptions used in applying the valuation technique include: the forecasted revenues relating to Norbord's existing customers at the time of acquisition, the forecasted attrition rates relating to these customers, forecasted operating margins, and the discount rate.

Supporting Information

Norbord acquisition

On February 1, 2021, we acquired all of the outstanding shares of Norbord Inc. ("Norbord"). According to the terms of the Norbord Acquisition, Norbord shareholders received 0.675 of a West Fraser share for each Norbord share held. The result was the issuance of 54,484,188 Common shares of West Fraser at a price of US$63.90 per share (CAD$81.94 per share) for $3,482 million. The price per share was based on the West Fraser Common shares' closing price as listed on the TSX on January 29, 2021, and a CAD-USD exchange rate of 0.7798.

Included in the Norbord Acquisition are five OSB mills in Canada, seven OSB mills in the U.S., one OSB mill, one MDF plant and two particleboard plants in the U.K., one OSB mill in Belgium, and their related corporate offices.

We have incorporated the North American operations of Norbord into our Panels segment and renamed that segment North America ("NA") Engineered Wood Products ("EWP"). This segment includes the results from North American operations for OSB, plywood, MDF, and LVL. In addition, we have identified a Europe EWP segment, which includes the results from the U.K. and Belgium operations for OSB, MDF and particleboard. The EWP segments have been separated due to differences in the operating region, customer base, profit margins and sales volumes.

The Norbord Acquisition has been accounted for as an acquisition of a business in accordance with IFRS 3, *Business Combinations.* We have allocated the purchase price based on our estimated fair value of the assets acquired and the liabilities assumed as follows:

West Fraser purchase consideration:		
Fair value of West Fraser shares issued	$	3,482
Fair value of equity-based compensation instruments		24
	$	3,506

Fair value of net assets acquired:		
Cash and short-term investments	$	642
Accounts receivable		232
Inventories		334
Prepaid expenses		12
Property, plant and equipment		2,088
Timber licenses		10
Other non-current assets		6
Other intangibles		17
Customer relationship intangible		470
Goodwill		1,339
Payables and accrued liabilities		(301)
Income tax payable		(155)
Current portion of reforestation and decommissioning obligations		(2)
Long-term debt		(720)
Other non-current liabilities		(36)
Deferred income tax liabilities		(430)
	$	3,506

Balances that required significant fair value adjustments for purchase price accounting included inventory, property, plant and equipment, and customer relationship intangibles. The resulting goodwill and deferred income tax liabilities were also significant.

Factors contributing to goodwill include the Norbord workforce and assets that are geographically complementary to our existing facilities and offer close access to large markets and timber baskets. The Norbord Acquisition also provides increased scale and geographic diversification of manufacturing and markets. The goodwill of $1,339 million is not deductible for tax purposes.

Acquisition costs of $17 million have been expensed in selling, general and administration.

Angelina Forest Products acquisition

On December 1, 2021, we acquired the Angelina Forest Products (“Angelina Acquisition” or “Angelina”) lumber mill located in Lufkin, Texas for preliminary cash consideration of $310 million. This acquisition has been accounted for as an

acquisition of a business in accordance with IFRS 3, *Business Combinations*. We have allocated the purchase price based on our preliminary estimated fair value of the assets acquired and the liabilities assumed as follows:

West Fraser purchase consideration:		
Cash consideration[1]	$	310
Preliminary fair value of net assets acquired:		
Cash	$	8
Accounts receivable		7
Inventories		11
Property, plant and equipment		213
Goodwill		78
Payables and accrued liabilities		(7)
	$	310

1. A net outflow comprising the cash consideration of $310 million net of cash acquired of $8 million is presented in the consolidated statements of cash flows.

Purchase consideration is preliminary as at December 31, 2021, subject to finalization of certain post-close working capital adjustments. Our valuation of property, plant and equipment and intangibles remains preliminary as at December 31, 2021.

Factors contributing to goodwill include the Angelina workforce and assets that are geographically complementary to our existing facilities and offer close access to large markets and timber baskets. The goodwill of $78 million is deductible for tax purposes.

We have incorporated the mill into our Lumber segment. Acquisition costs were nominal and have been expensed in selling, general, and administration.

Financial Results

The following tables represent the actual results of Norbord and Angelina included in our statement of earnings and the proforma results of operations for the year ended December 31, 2021. The proforma results assume the Norbord Acquisition and the Angelina Acquisition occurred on January 1, 2021, and that the fair value adjustments that arose on the date of acquisition would have been the same if the acquisition occurred on January 1, 2021.

Results Attributable to Acquired Businesses ($ millions)	**Norbord Results for February 1 to December 31, 2021**[1,3]	**Angelina Results for December 1 to December 31, 2021**[2,3]	**Total**
Sales	$ 4,175	$ 15	$ 4,190
Operating earnings	1,915	1	1,916
Earnings	1,427	1	1,428

1. Represents the results of the Norbord operations since the acquisition date that are included in our results.
2. Represents the results of the Angelina operations since the acquisition date that are included in our results.
3. Operating earnings and earnings Include purchase price accounting impacts of $93 million expense and $2 million expense for the one-time inventory adjustments in cost of products sold relating to the Norbord Acquisition and Angelina Acquisition, respectively.

Proforma 2021 Results ($ millions)	**West Fraser Actual Results**[2] **2021**	**Norbord Proforma Results**[1] **Jan-21**	**Angelina Proforma Results**[1] **Jan-21 to Nov-21**	**West Fraser Proforma Results**[1,2] **2021**
Sales	$ 10,518	$ 277	$ 163	$ 10,958
Operating earnings	3,945	115	61	4,121
Earnings	2,947	86	57	3,090

1. These unaudited proforma results have been provided as required per IFRS 3 - *Business Combinations*. West Fraser proforma YTD-21 presents West Fraser's results as if the Norbord Acquisition and Angelina Acquisition were completed on January 1, 2021.
2. Operating earnings and earnings include purchase price accounting impacts of $93 million expense and $2 million expense for the one-time inventory adjustments in cost of products sold relating to the Norbord Acquisition and Angelina Acquisition, respectively.

4. Cash and short-term investments

Accounting policies

Cash and short-term investments consist of cash on deposit and short-term interest-bearing securities maturing within three months of the date of purchase.

Supporting information

	2021	*Currency remeasurement* 2020	*Currency remeasurement* January 1, 2020
Cash	$ 847	$ 434	$ 10
Short-term investments	721	27	2
	$ 1,568	$ 461	$ 12

5. Inventories

Accounting policies

Inventories are valued at the lower of cost and net realizable value, with cost determined on an average cost basis. The cost of finished goods inventories includes direct material, direct labour, and an allocation of overhead.

Supporting information

	2021	*Currency remeasurement* 2020	*Currency remeasurement* January 1, 2020
Manufactured products	$ 448	$ 270	$ 263
Logs and other raw materials	403	189	173
Processing materials and supplies	210	119	125
	$ 1,061	$ 578	$ 561

Inventories at December 31, 2021 were subject to a valuation reserve of $ 6 million (December 31, 2020 - $2 million; January 1, 2020 - $30 million) to reflect net realizable value being lower than cost.

The carrying amount of inventory recorded at net realizable value was $ 42 million at December 31, 2021 (December 31, 2020 - $ 21 million; January 1, 2020 - $140 million), with the remaining inventory recorded at cost.

6. Property, plant and equipment

Accounting policies

Property, plant and equipment are recorded at historical cost, less accumulated amortization and impairment losses. Expenditures for additions and improvements are capitalized. Borrowing costs are capitalized when the asset construction period exceeds 12 months and the borrowing costs are directly attributable to the asset. Expenditures for maintenance and repairs are charged to earnings. Upon retirement, disposal, or destruction of an asset, the cost and related amortization are derecognized and any resulting gain or loss is included in earnings.

Property, plant and equipment are amortized on a straight-line basis over their estimated useful lives as follows:

Buildings	10 - 30 years
Manufacturing plant, equipment and machinery	6 - 25 years
Fixtures, mobile and other equipment	2 - 10 years
Roads and bridges	Not exceeding 40 years
Major maintenance shutdowns	1 - 2 years

Construction-in-progress includes the purchase price and any costs directly attributable to bringing the asset to the location and condition necessary for its intended use. Construction-in-progress is not depreciated. Once the asset is complete and available for use, the construction-in-progress balance is transferred to the appropriate category of property, plant and equipment, and depreciation commences.

Supporting Information

	Manufacturing plant, equipment and machinery	Construction-in-progress	Roads and bridges	Other	Total
As at January 1, 2020 (currency remeasurement)	$ 1,435	$ 141	$ 39	$ 33	$ 1,648
Additions	117	47	10	—	174
Amortization[1]	(165)	—	(13)	—	(178)
Foreign exchange	13	—	1	—	14
Disposals	(1)	—	—	—	(1)
Transfers	50	(50)	—	—	—
As at December 31, 2020 (currency remeasurement)	$ 1,449	$ 138	$ 37	$ 33	$ 1,657
As at December 31, 2020 (currency remeasurement)					
Cost	$ 3,738	$ 138	$ 132	$ 39	$ 4,047
Accumulated amortization	(2,289)	—	(95)	(6)	(2,390)
Net	$ 1,449	$ 138	$ 37	$ 33	$ 1,657
As at December 31, 2020 (currency remeasurement)	$ 1,449	$ 138	$ 37	$ 33	$ 1,657
Acquisitions (note 3)	2,163	118	—	20	2,301
Additions[2]	472	173	17	3	665
Amortization[1]	(497)	—	(13)	—	(510)
Foreign exchange	(8)	(1)	—	—	(9)
Disposals	(4)	—	—	—	(4)
Transfers	176	(176)	—	—	—
As at December 31, 2021	$ 3,751	$ 252	$ 41	$ 56	$ 4,100
As at December 31, 2021					
Cost	$ 6,500	$ 252	$ 140	$ 62	$ 6,954
Accumulated amortization	(2,749)	—	(99)	(6)	(2,854)
Net	$ 3,751	$ 252	$ 41	$ 56	$ 4,100

1. Amortization of $506 million relates to cost of products sold and $4 million relates to selling, general and administration expense (2020 - $175 million and $3 million, respectively).
2. Manufacturing plant, equipment and machinery includes $276 million relating to the acquisition of the idled OSB mill near Allendale, South Carolina.

7. Timber licences

Accounting policies

Timber licences, which are renewable or replaceable, are recorded at historical cost, less accumulated amortization and impairment losses. Timber licenses are amortized on a straight-line basis over their estimated useful lives of 40 years.

Supporting information

		Timber licences
As at January 1, 2020 (currency remeasurement)	$	380
Amortization[1]		(15)
Foreign exchange		7
As at December 31, 2020 (currency remeasurement)	$	372
As at December 31, 2020 (currency remeasurement)		
Cost	$	629
Accumulated amortization		(257)
Net	$	372
As at December 31, 2020 (currency remeasurement)	$	372
Acquisitions (note 3)		10
Additions		2
Amortization[1]		(16)
As at December 31, 2021	$	368
As at December 31, 2021		
Cost	$	641
Accumulated amortization		(273)
Net	$	368

1. Amortization relates to cost of products sold.

8. Goodwill and other intangibles

Accounting policies

Goodwill represents the excess purchase price paid for a business acquisition over the fair value of the net assets acquired. Goodwill is tested annually for impairment, or more frequently if an indicator of impairment is identified.

The customer relationship intangible asset relates to the Norbord Acquisition and is amortized straight-line over 10 years.
Other intangibles are recorded at historical cost less accumulated amortization and impairments. Other intangibles include software which is amortized over periods of up to five years and non-replaceable finite term timber rights which are amortized as the related timber volumes are logged.

Goodwill is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the business combination from which it arose. The allocation is based on the lowest level at which goodwill is monitored internally.

Recoverability of goodwill is assessed by comparing the carrying value of the CGU or group of CGUs associated with the goodwill balance to its estimated recoverable amount, which is the higher of its estimated fair value less costs of disposal or its value in use.

An impairment write down is recorded if the carrying value exceeds the estimated recoverable amount. Goodwill impairment losses cannot be reversed.

Supporting information

	Goodwill	Customer Relationship Intangible	Other	Total
As at January 1, 2020 (currency remeasurement)	$ 554	$ —	$ 40	$ 594
Additions	—	—	2	2
Amortization[1]	—	—	(10)	(10)
Foreign exchange	5	—	—	5
As at December 31, 2020 (currency remeasurement)	$ 559	$ —	$ 32	$ 591
As at December 31, 2020 (currency remeasurement)				
Cost	$ 559	$ —	$ 62	$ 621
Accumulated amortization	—	—	(30)	(30)
Net	$ 559	$ —	$ 32	$ 591
As at December 31, 2020 (currency remeasurement)	$ 559	$ —	$ 32	$ 591
Acquisitions (note 3)	1,417	470	17	1,904
Additions	—	—	7	7
Amortization[1]	—	(43)	(15)	(58)
Foreign exchange	(1)	(1)	—	(2)
Disposals	—	—	(2)	(2)
As at December 31, 2021	$ 1,975	$ 426	$ 39	$ 2,440
As at December 31, 2021				
Cost	$ 1,975	$ 469	$ 79	$ 2,523
Accumulated amortization	—	(43)	(40)	(83)
Net	$ 1,975	$ 426	$ 39	$ 2,440

1. Amortization of $1 million relates to cost of products sold and $57 million relates to selling, general and administration expense (2020 - $2 million and $8 million, respectively).

Goodwill

For the purposes of impairment testing, goodwill has been allocated to the following CGU groups:

	2021	*Currency remeasurement* 2020	*Currency remeasurement* January 1, 2020
Canadian lumber	$ 171	$ 171	$ 167
US lumber	429	352	352
North America EWP [1]	1,280	36	35
Europe EWP	95	—	—
Total	$ 1,975	$ 559	$ 554

1. Prior to the Norbord Acquisition, the goodwill balances related to a CGU group comprised of our plywood and LVL operations.

The recoverable amounts of the above CGU groups were determined based on their value in use. Cash flow forecasts were based on internal estimates for 2022 and estimated mid-cycle earnings for subsequent years. Key assumptions include production volume, product pricing, raw material input cost, production cost, and discount rate. Key assumptions were determined using external sources and historical data from internal sources. Specifically, product pricing has been estimated by reference to average historical prices as well as third-party analyst projections of long-term product pricing. Pre-tax discount rates used ranged from 11.3% to 13.1%.

The estimated recoverable amounts of the CGU groups exceeded their respective carrying amounts and as such, no impairment losses were recognized for the year ended December 31, 2021 (2020 - nil).

9. Other assets

	2021	Currency remeasurement 2020	Currency remeasurement January 1, 2020
Retirement assets (note 13)	$ 27	$ 5	$ 4
Other	31	30	16
	$ 58	$ 35	$ 20

10. Payables and accrued liabilities

	2021	Currency remeasurement 2020	Currency remeasurement January 1, 2020
Trade accounts	$ 411	$ 198	$ 160
Accruals on capital spending	52	15	19
Customer rebates accruals	51	3	5
Equity-based compensation (note 15)	69	52	25
Compensation	172	61	42
Export duties (note 25)	11	13	14
Dividends	21	11	11
Interest	4	4	4
Lease obligation - current portion	11	2	—
Accrued sales and city taxes	26	10	8
Other	20	20	17
	$ 848	$ 389	$ 305

11. Other liabilities

	2021	Currency remeasurement 2020	Currency remeasurement January 1, 2020
Retirement liabilities (note 13)	$ 168	$ 295	$ 242
Long-term portion of reforestation	59	58	57
Long-term portion of decommissioning	25	24	24
Export duties (note 25)	69	—	—
Interest swap contracts (note 12)	1	6	2
Other	38	25	25
	$ 360	$ 408	$ 350

Reforestation and decommissioning obligations

Reforestation and decommissioning obligations relate to our responsibility for reforestation under various timber licences and our obligations related to landfill closure and other site remediation costs.

Accounting policies

Reforestation obligations are measured at the present value of the expenditures expected to be required to settle the obligations and are accrued and charged to earnings when timber is harvested. The reforestation obligation is accreted over time through charges to finance expense and reduced by silviculture expenditures. The reforestation obligation is reviewed at least annually, and changes to estimates are credited or charged to earnings.

We record a liability for decommissioning obligations, such as landfill closures, in the period a reasonable estimate can be made. The liability is determined using estimated closure costs and discounted using an appropriate discount rate. On initial recognition, the carrying value of the liability is added to the carrying amount of the associated asset and amortized over its useful life or expensed when there is no related asset. The liability is accreted over time through charges to finance expense and reduced by actual costs of settlement. Decommissioning obligations are reviewed annually and changes to estimates result in an adjustment of the carrying amount of the associated asset or, where there is no asset, they are credited or charged to earnings.

Reforestation and decommissioning obligations are discounted at the risk-free rate at the balance sheet date and accreted over time through periodic charges to earnings. The liabilities are reduced by actual costs of settlement.

Supporting information

	Reforestation		Decommissioning	
		Currency remeasurement		*Currency remeasurement*
	2021	**2020**	**2021**	**2020**
Beginning of year	$ 88	$ 88	$ 28	$ 24
Norbord Acquisition (note 3)	5	—	—	—
Liabilities recognized	39	40	—	2
Liabilities settled	(49)	(43)	(1)	(2)
Change in estimates	14	1	5	4
Foreign exchange	—	2	1	—
End of year	97	88	33	28
Less: current portion	(38)	(30)	(8)	(4)
	$ 59	$ 58	$ 25	$ 24

The total undiscounted amount of the estimated cash flows required to satisfy these obligations is $ 133 million (December 31, 2020 - $119 million; January 1, 2020 - $122 million). The cash flows have been discounted using interest rates ranging from 0.95% to 1.25% (2020 - 0.20% to 0.39%).

The timing of the reforestation payments is based on the estimated period required to attain free to grow status in a given area, which is generally between 12 to 15 years. Payments relating to landfill closures and site remediation are expected to occur over periods ranging up to 50 years.

12. Operating loans and long-term debt

Accounting policies

Transaction costs related to debt financing or refinancing are deferred and amortized over the life of the associated debt. When our operating loan is undrawn, the related deferred financing costs are recorded in other assets.

Supporting information

Operating loans

On February 1, 2021, concurrent with the closing of the Norbord Acquisition, we completed various administrative amendments to our CAD$ 850 million committed revolving credit facility and our US$200 million term loan. The CAD$150 million committed revolving credit facility was also replaced with a US$450 million committed revolving credit facility due April 2024 on substantially the same terms.

On July 28, 2021, we completed an amendment to our revolving credit facilities. Our CAD$ 850 million and US$450 million revolving credit facilities were combined into a single US$1 billion committed revolving credit facility with a five-year term. There were no other significant changes to the terms or conditions of the credit facilities.

As at December 31, 2021, our credit facilities consisted of a $ 1 billion committed revolving credit facility which matures July 2026, a $ 25 million demand line of credit dedicated to our U.S. operations and a $6 million (CAD$8 million) demand line of credit dedicated to our jointly-owned newsprint operation.

As at December 31, 2021, our revolving credit facilities were undrawn (December 31, 2020 - undrawn) and the associated deferred financing costs of $1 million (December 31, 2020 - $2 million) were recorded in other assets. Interest on the facilities is payable at floating rates based on Prime, Base Rate Advances, Bankers' Acceptances, or London Inter-Bank Offered Rate ("LIBOR") Advances at our option. At January 1, 2020, $288 million (net of deferred financing costs of $ 2 million) was drawn under our revolving credit facilities.

In addition, we have credit facilities totalling $ 137 million (December 31, 2020 - $ 101 million; January 1, 2020 - $ 69 million) dedicated to letters of credit. Letters of credit in the amount of $65 million (December 31, 2020 - $50 million; January 1, 2020 - $ 47 million) were supported by these facilities.

All debt is unsecured except the $6 million (CAD$8 million) jointly-owned newsprint operation demand line of credit, which is secured by that joint operation's current assets.

As at December 31, 2021, we were in compliance with the requirements of our credit facilities.

Long-term debt

		2021	Currency remeasurement 2020	Currency remeasurement January 1, 2020
Senior notes due October 2024; interest at 4.35%	$	300	$ 300	$ 300
Term loan due August 2024; floating interest rate		200	200	200
Note payable due March 2021; interest at 2%		—	7	7
Notes payable		1	2	3
		501	509	510
Less: deferred financing costs		(2)	(2)	(3)
Less: current portion		—	(7)	(7)
	$	499	$ 500	$ 500

As part of the Norbord Acquisition, we assumed Norbord's $ 315 million senior notes due April 2023 (the "2023 Notes"), bearing interest at 6.25% and $350 million senior notes due July 2027 (the "2027 Notes"), bearing interest at 5.75%. The purchase price fair value adjustment resulted in an increase of $55 million for these notes. On March 2, 2021, we made a mandatory change of control offer for 2023 Notes and 2027 Notes, which expired on April 1, 2021. As a result of the change of control offer, $1 million of the 2023 Notes and $ 1 million of the 2027 Notes were redeemed and were repaid in the second quarter of 2021. On April 6, 2021, we elected to redeem the remaining 2027 Notes, which redemption occurred on May 6, 2021. On May 6, 2021, we elected to redeem the remaining 2023 Notes, which redemption occurred on June 7, 2021. After the completion of the redemptions of the 2023 Notes and the 2027 Notes, the principal value of long-term debt was reduced by $665 million from the date of the Norbord Acquisition. An additional make-whole premium of $60 million was paid on redemption resulting in a $ 5 million loss on settlement of the debt recorded within finance expense as the carrying value of $720 million was derecognized.

Required principal repayments are disclosed in note 22.

Interest rate swap contracts

At December 31, 2021, we had interest rate swap contracts to pay fixed interest rates (weighted average interest rate of 1.14%) and receive variable interest rates equal to 3-month LIBOR on $200 million notional principal amount of indebtedness. These interest rate swap agreements fix the interest rate on the $200 million term loan floating rate debt disclosed in the long-term debt table above. These agreements terminate in August 2024.

The interest rate swap contracts are accounted for as a derivative, with the related changes in the fair value included in Other. The fair value of the interest rate swap contracts at December 31, 2021 was a liability of $1 million (December 31,

2020 - liability of $6 million; January 1, 2020 - liability of $ 2 million). The 2021 impact of the change in fair value of these contracts was a $6 million gain (2020 - $4 million loss).

13. Retirement benefits

We maintain defined benefit and defined contribution pension plans covering most of our employees. The defined benefit plans generally do not require employee contributions and provide a guaranteed level of pension payable for life based either on length of service or on earnings and length of service, and in most cases do not increase after commencement of retirement. We also provide group life insurance, medical and extended health benefits to certain employee groups.

The defined benefit pension plans are operated in Canada, the U.S., and Europe under broadly similar regulatory frameworks. The majority are funded arrangements where benefit payments are made from plan assets that are held in trust. Responsibility for the governance of the plans, including investment and contribution decisions, resides with our Retirement Committees which report to the Human Resources & Compensation Committee of the Board of Directors. For the registered defined benefit pension plans, regulations set minimum requirements for contributions for benefit accruals and the funding of deficits.

Starting January 1, 2022, defined benefit pension plans for certain employee groups were closed to new entrants and were replaced by a defined contribution scheme.

Accounting policies

We record a retirement asset or liability for our employee defined benefit pension and other retirement benefit plans by netting our plan assets with our plan obligations, on a plan-by-plan basis.

The cost of defined benefit pensions and other retirement benefits earned by employees is actuarially determined using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using market yields from high quality corporate bonds with cash flows that approximate expected benefit payments at the balance sheet date. Plan assets are valued at fair value at each balance sheet date.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity through other comprehensive earnings in the period in which they arise.

Past service costs arising from plan amendments are recognized immediately. The finance amount on net retirement balances is classified as finance expense.

A gain or loss on settlement is recognized in earnings, calculated as the difference between the present value of the defined benefit obligation being settled, as determined on the date of settlement, and the settlement amount.

For defined contribution plans, pension expense is the amount of contributions we are required to make in respect of services rendered by employees.

Supporting information

The actual return on plan assets for 2021 was a gain of $ 132 million (2020 - $69 million). The total pension expense for the defined benefit pension plans was $89 million (2020 - $68 million). In 2021, we made contributions to our defined benefit pension plans of $ 46 million (2020 - $35 million). We expect to make cash contributions of approximately $ 47 million to our defined benefit pension plans during 2022 based on the most recent valuation report for each pension plan. We also provide group life insurance, medical and extended health benefits to certain employee groups, for which we contributed $1 million in 2021 (2020 - $1 million).

In 2021, we entered into annuity purchase agreements to settle $ 215 million of our defined benefit obligations by purchasing annuities using our plan assets. These agreements transferred the pension obligations of retired employees under certain pension plans to financial institutions. The difference between the cost of the annuity purchase and the liabilities held for these pension plans was reflected as a settlement cost in Other.

The status of the defined benefit pension plans and other retirement benefit plans, in aggregate, is as follows:

	Defined benefit pension plans		Other retirement benefit plans	
		Currency remeasurement		*Currency remeasurement*
	2021	**2020**	**2021**	**2020**
Accrued benefit obligations				
Benefit obligations - opening	$ 1,443	$ 1,277	$ 28	$ 27
Norbord Acquisition (note 3)	165	—	1	—
Service cost	68	59	—	—
Finance cost on obligation	43	38	1	1
Benefits paid	(54)	(38)	(1)	(1)
Actuarial (gain) loss due to change in financial assumptions	(101)	47	(2)	1
Actuarial (gain) loss due to demography/experience	(2)	(1)	(4)	—
Settlement	(215)	1	—	—
Foreign exchange[1]	8	60	—	—
Benefit obligations - ending	$ 1,355	$ 1,443	$ 23	$ 28
Plan assets				
Plan assets - opening	$ 1,181	$ 1,067	$ —	$ —
Norbord Acquisition (note 3)	155	—	—	—
Finance income on plan assets	36	31	—	—
Actual return on plan assets, net of finance income	96	38	—	—
Employer contributions	46	35	1	1
Benefits paid	(54)	(38)	(1)	(1)
Settlement	(227)	—	—	—
Other	(3)	—	—	—
Foreign exchange[1]	9	48	—	—
Plan assets - ending	$ 1,239	$ 1,181	$ —	$ —
Funded status[2]				
Retirement assets	$ 29	$ 5	$ —	$ —
Impact of minimum funding requirement[3]	(2)	—	—	—
Retirement assets (note 9)	$ 27	$ 5	$ —	$ —
Retirement liabilities (note 11)	(145)	(267)	(23)	(28)
	$ (118)	$ (262)	$ (23)	$ (28)

1. Foreign currency translation relates to the foreign exchange impact of translating assets and liabilities of certain plans from their functional currencies to U.S. dollars.
2. Plans in a surplus position are presented as assets and plans in a deficit position are presented as liabilities on the consolidated balance sheets. Other retirement benefit plans continue to be unfunded.
3. Certain of our plans have a surplus that is not recognized on the basis that future economic benefits may not be available to us in the form of a reduction in future contributions or a cash refund.

	Defined benefit pension plans		Other retirement benefit plans	
		Currency remeasurement		*Currency remeasurement*
	2021	**2020**	**2021**	**2020**
Expense				
Service cost	$ 68	$ 59	$ —	$ —
Administration fees	2	1	—	—
Settlement	12	1	—	—
Net finance expense	7	7	1	1
	$ 89	$ 68	$ 1	$ 1

Assumptions and sensitivities

At December 31, 2021, the weighted average duration of the defined benefit pension obligations is 20 years (December 31, 2020 - 19 years). The projected future benefit payments for the defined benefit pension plans at December 31, 2021 are as follows:

	2022	**2023**	**2024 to 2026**	**Thereafter**	**Total**
Defined benefit pension plans	$ 40	$ 39	$ 130	$ 2,159	$ 2,368

Key assumptions used in determining defined benefit pension and other retirement pension benefit obligations include assumed rates of increase for future employee compensation and discount rates. These estimates are determined with the assistance of independent actuarial specialists.

The significant actuarial assumptions used to determine our balance sheet date retirement assets and liabilities and our retirement benefit plan expenses are as follows:

	Defined benefit pension plans		Other retirement benefit plans	
	2021	**2020**	**2021**	**2020**
Benefit obligations:				
Discount rate	3.03%	2.69%	3.08%	2.70%
Future compensation rate increase	3.60%	3.65%	n/a	n/a
Benefit expense:				
Discount rate - beginning of year	2.69%	3.00%	2.70%	3.00%
Future compensation rate increase	3.65%	3.50%	n/a	n/a

Health-care benefit costs, shown under other retirement benefit plans, are funded on a pay-as-you-go basis. The actuarial assumptions for extended health-care costs are estimated to increase 6.25% in year one, grading down by 0.25% per year for years two to seven, to 4.50% per year thereafter.

The impact of a change in these assumptions on our retirement obligations as at December 31, 2021 is as follows:

	Increase	**Decrease**
Discount rate - 0.50% change	$ (123)	$ 140
Compensation rate - 0.50% change	$ 27	$ (22)

The sensitivities have been calculated on the basis that all other variables remain constant. When calculating the sensitivity of the defined benefit obligation, the same methodology is applied as was used to determine the retirement assets and liabilities.

Plan Assets

The assets of the defined benefit pension plans are invested predominantly in a diversified range of equities, pooled funds and bonds. The weighted average asset allocations of the defined benefit plans at December 31, by asset category, are as follows:

	Target range	2021	2020
Canadian equities	2% - 30%	16%	22%
Foreign equities	15% - 57%	39%	38%
Fixed income investments	20% - 55%	33%	33%
Other investments	0% - 34%	12%	7%
		100%	100%

Risk management practices

We are exposed to various risks related to our defined benefit pension and other retirement benefit plans:

- Uncertainty in benefit payments: The value of the liability for retirement benefits will ultimately depend on the amount of benefits paid and this in turn will depend on the level of future compensation increase and life expectancy.
- Volatility in asset value: We are exposed to changes in the market value of pension plan investments which are required to fund future benefit payments.
- Uncertainty in cash funding: Movement in the value of the assets and obligations may result in increased levels of cash funding, although changes in the level of cash funding required can be spread over several years. We are also exposed to changes in pension regulation and legislation.

Our Retirement Committees manage these risks in accordance with a Statement of Investment Policies and Procedures for each pension plan or group of plans administered under master trust agreements. The following are some specific risk management practices employed:

- Retaining and monitoring professional advisors including an outsourced chief investment officer (“OCIO”).
- Monitoring our OCIO’s adherence to asset allocation guidelines and permitted categories of investments.
- Monitoring investment decisions and performance of the OCIO and asset performance against benchmarks.

Defined contribution plans

The total pension expense and funding contributions for the defined contribution pension plans for 2021 was $ 29 million (2020 - $13 million).

14. Share capital

Authorized

400,000,000 Common shares, without par value
20,000,000 Class B Common shares, without par value
10,000,000 Preferred shares, issuable in series, without par value

Issued

	2021		2020		January 1, 2020	
				Currency remeasurement		*Currency remeasurement*
	Number	**Amount**	**Number**	**Amount**	**Number**	**Amount**
Common	103,647,256	$ 3,402	66,397,144	$ 481	66,381,289	$ 480
Class B Common	2,281,478	—	2,281,478	—	2,281,478	—
Total Common	105,928,734	$ 3,402	68,678,622	$ 481	68,662,767	$ 480

As part of the Norbord Acquisition, we issued 54,484,188 Common shares of West Fraser at a price of US$ 63.90 per share (CAD$81.94 per share) for $3,482 million. The price per share was based on the West Fraser Common shares' closing price as listed on the TSX on January 29, 2021, and a CAD-USD exchange rate of 0.7798.

For the year ended December 31, 2021, we issued 131,452 Common shares under our share option plans (2020 - 1,000 Common shares) and 2,946 Common shares under our employee share purchase plan (2020 - 14,855 Common shares).

Rights and restrictions of Common shares

Our Class B Common shares are equal in all respects to our Common shares, including the right to dividends and the right to vote, and are exchangeable on a one-for-one basis for Common shares. Our Common shares are listed for trading on the TSX and NYSE, while our Class B Common shares are not. Certain circumstances or corporate transactions may require the approval of the holders of our Common shares and Class B Common shares on a separate class by class basis.

On February 1, 2021, West Fraser listed its Common shares on the NYSE and began trading under the symbol WFG. At the same time, the symbol on the TSX was also changed to WFG.

Share repurchases

On February 17, 2021, we renewed our normal course issuer bid ("NCIB") allowing us to acquire an additional 6,044,000 Common shares for cancellation until the expiry of the bid on February 16, 2022. On June 11, 2021, we amended our NCIB, allowing us to acquire an additional 3,538,470 Common shares for an aggregate of 9,582,470 Common shares. For the year ended December 31, 2021, we repurchased 7,059,196 Common shares at an average price of US$74.60 (CAD$92.79) per share under this NCIB.

On August 20, 2021, we completed a substantial issuer bid pursuant to which we purchased for cancellation a total of 10,309,278 common shares at a price of CAD$97.00 (US$76.84) per Common share for an aggregate purchase price of CAD$ 1.0 billion.

15. Equity-based compensation

We have share option, phantom share unit ("PSU") and directors' deferred share unit ("DSU") plans. We have partially hedged our exposure under these plans with an equity derivative contract. The equity derivative contract matured in December 2021 and was closed out. The equity-based compensation expense included in the consolidated statement of earnings for the year ended December 31, 2021 was $40 million (2020 - $9 million).

Accounting policies

We estimate the fair value of outstanding share options using the Black-Scholes valuation model and the fair value of our PSU plan and directors' DSU plan using an intrinsic valuation model at each balance sheet date. We record the resulting expense or recovery, over the related vesting period, through a charge or recovery to earnings.

From time to time, we enter into equity derivative contracts to provide a partial offset to our exposure to fluctuations in equity-based compensation from our stock option, PSU and DSU plans. These derivatives are fair valued at each balance sheet date using an intrinsic valuation model and the resulting expense or recovery is offset against the related equity-based compensation. If a share option holder elects to acquire Common shares, both the exercise price and the accrued liability are credited to shareholders' equity.

Supporting information

Share option plan

Under our share option plan, officers and employees may be granted options to purchase up to 8,295,940 Common shares, of which 1,025,337 remain available for issuance. This includes the 1,000,000 increase in Common shares that may be issued on the exercise of options that was approved by our shareholders on January 19, 2021.

Our share option plans include equity-based plans assumed from Norbord as part of the Norbord Acquisition. The assumed Norbord share purchase option plans ("Assumed Option Plans") were fair valued at the Norbord Acquisition date. From February 1 to April 20, 2021, the Assumed Option Plans were accounted for as equity-settled plans. On April 20, 2021, our board of directors approved a change to allow the Assumed Option Plans holders the right to elect to receive a cash payment in lieu of exercising an option to purchase Common shares. The change required us to fair value the Assumed Option Plan on April 20, 2021 and convert from equity-based accounting to cash-settled accounting for the Assumed Option Plans. Cash-settled accounting is consistent with the West Fraser option plan. Any changes in fair value from April 20, 2021 onwards resulted in an expense or recovery over the vesting period in the same manner as the rest of our option plans. This change to the Assumed Option Plans did not in any way affect the value of the instruments to the holders. No additional options may be offered under the Assumed Option Plans.

The exercise price of a share option is the closing price of a Common share on the trading day immediately preceding the grant date. Our share option plans give the share option holders the right to elect to receive a cash payment in lieu of exercising an option to purchase Common shares. Options vest at the earlier of the date of retirement or death and 20% per year from the grant date and expire after 10 years. The Assumed Option Plans are similar except the options do not vest upon retirement and instead continue to vest at 20% per year.

In 2021, we have recorded an expense of $47 million (2020 – expense of $20 million) related to the share option plans. The liability associated with the share option plan is tracked in Canadian dollars and is based on prices published by the TSX. A summary of the activity in the share option plans based on Canadian dollar prices is presented below:

	2021		2020	
	Number	Weighted average price (CAD$)	Number	Weighted average price (CAD$)
Outstanding - beginning of year	1,316,994	$ 53.64	1,211,137	$ 51.78
Assumed in Norbord Acquisition (note 3)	887,961	51.85	—	—
Granted	171,975	92.79	160,410	64.53
Exercised	(1,284,284)	46.43	(49,689)	43.45
Expired / Cancelled	(14,806)	92.79	(4,864)	55.74
Outstanding - end of year	1,077,840	$ 66.64	1,316,994	$ 53.64
Exercisable - end of year	563,102	$ 61.50	991,119	$ 49.58

The following table summarizes information about the share options outstanding and exercisable at December 31, 2021 in Canadian dollars:

Exercise price range (CAD$)	Number of outstanding options (number)	Weighted average remaining contractual life (years)	Weighted average exercise price (CAD$)	Number of exercisable options (number)	Weighted average exercise price (CAD$)
$32.00 - $45.00	105,391	3.7	$ 40.86	105,391	$ 40.86
$46.00 - $60.00	344,640	6.0	54.18	200,703	53.90
$61.00 - $75.00	373,454	6.6	68.97	173,956	70.99
$76.00 - $93.00	254,355	8.0	89.97	83,052	86.21
	1,077,840	6.4	$ 66.64	563,102	$ 61.50

The weighted average share price at the date of exercise for share options exercised during the year was CAD$ 100.85 per share (2020 - CAD$69.73 per share).

The accrued liability related to the share option plan based on a Black-Scholes valuation model was $ 44 million at December 31, 2021 (December 31, 2020 - $37 million; January 1, 2020 - $17 million). The weighted average fair value of the options used in the calculation was CAD$52.29 per option at December 31, 2021 (December 31, 2020 - CAD$ 35.74 per option).

The inputs to the option model are as follows:

	2021	2020
Share price on balance sheet date	CAD$120.68	CAD$81.72
Weighted average exercise price	CAD$66.64	CAD$53.64
Expected dividend	CAD$1.01	CAD$0.80
Expected volatility	42.94 %	44.52 %
Weighted average interest rate	1.11 %	0.26 %
Weighted average expected remaining life in years	6.44	2.81

The expected dividend on our shares was based on the annualized dividend rate at each period end. Expected volatility was based on five years of historical data. The interest rate for the life of the options was based on the implied yield available on government bonds with an equivalent remaining term at each period-end. Historical data was used to estimate the expected life of the options and forfeiture rates.

The intrinsic value of options issued under the share option plan at December 31, 2021 was CAD$ 33 million (December 31, 2020 - CAD$37 million; January 1, 2020 - CAD$14 million). The intrinsic value is determined based on the difference between the period end share price and the exercise price, multiplied by the sum of the related vested options.

Phantom share unit plan

Our PSU plan is intended to supplement, in whole or in part, or replace the granting of share options as long-term incentives for officers and employees. The plan provides for two types of units which vest on the third anniversary of the grant date. A restricted share unit pays out based on the Common share price over the 20 trading days immediately preceding its vesting date (the “vesting date value”). A performance share unit pays out at a value between 0% and 200% of its vesting date value contingent upon our performance relative to a peer group of companies over the three-year performance period. Officers and employees granted units under the plan are also entitled to additional units to reflect cash dividends paid on Common shares from the applicable grant date until payout.

We have recorded an expense of $11 million (2020 - $5 million) related to the PSU plan. The number of units outstanding as at December 31, 2021 was 169,385 (December 31, 2020 – 111,262), including performance share units totalling 90,813 (December 31, 2020 – 81,825).

Directors’ deferred share unit plan

We have a DSU plan which provides a structure for directors, who are not employees of the Company, to accumulate an equity-like holding in West Fraser. The DSU plan allows directors to participate in the growth of West Fraser by providing a deferred payment based on the five-day weighted average Common share price at the time of redemption. Each director receives deferred share units in payment of an annual equity retainer until a minimum equity holding is reached and may elect to receive units in payment of up to 100% of other fees earned. After a minimum equity holding is reached, directors may elect to receive the equity retainer in units or cash. The units are issued based on our five-day weighted average Common share price at the time of issue. Additional units are issued to take into account the value of dividends paid on Common shares from the date of issue to the date of redemption. Units are redeemable only after a director retires, resigns or otherwise leaves the board. The redemption value is equal to the five-day weighted average Common share price at the date of redemption. A holder of units may elect to redeem units in cash or receive Common shares having an equivalent value.

We have recorded an expense of $5 million (2020 - $2 million) related to the DSU plan. The number of units outstanding as at December 31, 2021 was 92,120 (December 31, 2020 - 87,294).

Equity-based compensation hedge

Our equity derivative contract provided an offset for 1,000,000 Common share equivalents against our exposure to fluctuations in equity-based compensation expense from our stock option, PSU and DSU plans. A recovery of $23 million (2020 – recovery of $ 18 million) is included in equity-based compensation expense related to our equity derivative contract. The equity derivative contract matured in December 2021 and was closed out.

16. Finance expense, net

		2021		***Currency remeasurement*** **2020**
Interest expense	$	(48)	$	(32)
Interest income on short-term investments (note 4)		2		1
Interest income on duty deposits receivable (note 25)		9		13
Finance expense on employee future benefits		(8)		(9)
	$	(45)	$	(27)

17. Other

		2021		***Currency remeasurement*** **2020**
Foreign exchange loss	$	(5)	$	(4)
Settlement loss on defined benefit pension plan annuity purchase (note 13)		(12)		—
Gain (loss) on interest rate swap contracts (note 12)		6		(4)
Other		9		(6)
	$	(2)	$	(14)

18. Tax provision

Accounting policies

Tax expense for the period is comprised of current and deferred tax. Tax expense is recognized in the consolidated statement of earnings, except to the extent that it relates to items recognized in other comprehensive earnings in which case it is recognized in other comprehensive earnings.

Deferred taxes are provided for using the liability method. Under this method, deferred taxes are recognized for temporary differences between the tax and financial statement basis of assets, liabilities and certain carry-forward items.

Deferred tax assets are recognized only to the extent that it is probable that they will be realized. Deferred income tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of substantive enactment.

Supporting information

The major components of income tax included in comprehensive earnings are as follows:

		2021	*Currency remeasurement* 2020
Earnings:			
Current tax	$	(977)	$ (134)
Deferred tax		26	(68)
Tax provision on earnings	$	(951)	$ (202)
Other comprehensive earnings:			
Deferred tax (provision) recovery on retirement benefit actuarial gain (loss)	$	(52)	$ 2
Tax provision on comprehensive earnings	$	(1,003)	$ (200)

The tax provision differs from the amount that would have resulted from applying the B.C. statutory income tax rate to earnings before tax is as follows:

		2021	*Currency remeasurement* 2020
Income tax expense at statutory rate of 27%	$	(1,052)	$ (213)
Non-taxable amounts		(4)	(5)
Rate differentials between jurisdictions and on specified activities		116	21
Other		(11)	(5)
Tax provision	$	(951)	$ (202)

Deferred income tax liabilities (assets) are made up of the following components:

		2021	*Currency remeasurement* 2020	*Currency remeasurement* January 1, 2020
Property, plant, equipment and intangibles	$	781	$ 347	$ 309
Reforestation and decommissioning obligations		(30)	(28)	(26)
Employee benefits		(64)	(87)	(67)
Export duty deposits		44	46	15
Tax loss carry-forwards[1]		(10)	(14)	(41)
Other		(17)	(9)	(3)
	$	704	$ 255	$ 187
Represented by:				
Deferred income tax assets	$	(8)	$ (9)	$ (8)
Deferred income tax liabilities		712	264	195
	$	704	$ 255	$ 187

1. Includes $68 million for net operating loss carry-forwards in various jurisdictions and $409 million for U.S. state net operating loss carry-forwards. A portion of these losses expire over various periods starting in 2022. Deferred tax assets for net operating losses and other carry-forward attributes totaling $75 million have not be recognized as at December 31, 2021.

19. Employee compensation

Our employee compensation expense includes salaries and wages, employee future benefits, termination costs and bonuses. Total compensation expense is $1,070 million (2020 - $699 million).

Key management includes directors and officers, and their compensation expense and balance sheet date payables are as follows:

	2021	*Currency remeasurement* 2020
Expense		
Salary and short-term employee benefits	$ 17	$ 7
Retirement benefits	2	1
Equity-based compensation[1]	36	17
	$ 55	$ 25

1. Amounts do not necessarily represent the actual value which will ultimately be paid.

	2021	*Currency remeasurement* 2020	*Currency remeasurement* January 1, 2020
Payables and accrued liabilities			
Compensation	$ 7	$ 3	$ —
Equity-based compensation[1]	46	32	16
	$ 53	$ 35	$ 16

1. Amounts do not necessarily represent the actual value which will ultimately be paid.

20. Earnings per share

Basic earnings per share is calculated based on earnings available to Common shareholders, as set out below, using the weighted average number of Common shares and Class B Common shares outstanding.

Diluted earnings per share is calculated based on earnings available to Common shareholders adjusted to remove the actual share option expense (recovery) charged to earnings and after deducting a notional charge for share option expense assuming the use of the equity-settled method, as set out below. The diluted weighted average number of shares is calculated using the treasury stock method. When earnings available to Common shareholders for diluted earnings per share are greater than earnings available to Common shareholders for basic earnings per share, the calculation is anti-dilutive and diluted earnings per share are deemed to be the same as basic earnings per share.

	2021	*Currency remeasurement* 2020
Earnings		
Basic	$ 2,947	$ 588
Share option expense	47	20
Equity-settled share option adjustment	(5)	(2)
Diluted	$ 2,989	$ 606
Weighted average number of shares (thousands)		
Basic	109,021	68,672
Share options	539	191
Diluted	109,560	68,863
Earnings per share (dollars)		
Basic	$ 27.03	$ 8.56
Diluted	$ 27.03	$ 8.56

21. Government assistance

Accounting policies

Government assistance received that relates to the construction of manufacturing assets is applied to reduce the cost of those assets. Government assistance received that relates to operational expenses is applied to reduce the amount charged to earnings for the operating item. Government assistance is recognized when there is reasonable assurance that the amount will be collected and that all the conditions will be complied with.

Supporting information

Government assistance of $5 million (2020 - $3 million) was recorded as a reduction to property, plant and equipment.

Government assistance of $8 million (2020 - $5 million) was recorded as a reduction to cost of products sold and $ 7 million (2020 - nil) to Other. The government assistance related primarily to research and development, apprenticeship tax credits, renewable heat incentives and a U.S. federal new market tax credit.

22. Financial instruments

Accounting policies

All financial assets and liabilities, except for derivatives, are initially measured at fair value and subsequently measured at amortized cost using the effective interest rate method. Derivatives are measured at fair value through profit or loss ("FVTPL").

Supporting information

The following tables provide the carrying and fair values of our financial instruments by category, as well as the associated fair value hierarchy levels as defined in note 2 under "Fair value measurements". The carrying amount is a reasonable approximation of fair value for cash and short-term investments, receivables, and payables and accrued liabilities. The carrying values of long-term debt include any current portions and exclude deferred financing costs.

2021	Level	Financial assets at amortized cost	Financial assets or financial liabilities at FVTPL	Financial liabilities at amortized cost	Carrying value	Fair value
Financial assets						
Cash and short-term investments	2	$ 1,568	$ —	$ —	$ 1,568	$ 1,568
Receivables	3	508	—	—	508	508
		$ 2,076	$ —	$ —	$ 2,076	$ 2,076
Financial liabilities						
Payables and accrued liabilities	3	$ —	$ —	$ 848	$ 848	$ 848
Long-term debt (note 12)[1]	2	—	—	501	501	513
Interest rate swaps (note 11 & 12)[2]	2	—	1	—	1	1
		$ —	$ 1	$ 1,349	$ 1,350	$ 1,362

1. The fair value of long-term debt is based on rates available to us at December 31, 2021 for long-term debt with similar terms and remaining maturities.
2. The interest rate swap contracts are included in other liabilities in our consolidated balance sheets.

2020 (currency remeasurement)	Level	Financial assets at amortized cost	Financial assets or financial liabilities at FVTPL	Financial liabilities at amortized cost	Carrying value	Fair value
Financial assets						
Cash and short-term investments	2	$ 461	$ —	$ —	$ 461	$ 461
Receivables	3	277	—	—	277	277
		$ 738	$ —	$ —	$ 738	$ 738
Financial liabilities						
Payables and accrued liabilities[1]	3	$ —	$ 2	$ 387	$ 389	$ 389
Long-term debt (note 12)[2]	2	—	—	509	509	524
Interest rate swaps (note 11 & 12)[3]	2	—	6	—	6	6
		$ —	$ 8	$ 896	$ 904	$ 919

1. Payables and accrued liabilities include our equity derivative payable of $2 million
2. The fair value of long-term debt is based on rates available to us at December 31, 2020 for long-term debt with similar terms and remaining maturities.
3. The interest rate swap contracts are included in other liabilities in our consolidated balance sheets.

January 1, 2020 (currency remeasurement)	Level	Financial assets at amortized cost	Financial assets or financial liabilities at FVTPL	Financial liabilities at amortized cost	Carrying value	Fair value
Financial assets						
Cash and short-term investments	2	$ 12	$ —	$ —	$ 12	$ 12
Receivables[1]	3	197	2	—	199	199
		$ 209	$ 2	$ —	$ 211	$ 211
Financial liabilities						
Cheques issued in excess of funds on deposit	2	$ —	$ —	$ 12	$ 12	$ 12
Operating loans	2	—	—	290	290	290
Payables and accrued liabilities	3	—	—	305	305	305
Long-term debt (note 12)[2]	2	—	—	510	510	521
Interest rate swaps (note 11 & 12)[3]	2	—	2	—	2	2
		$ —	$ 2	$ 1,117	$ 1,119	$ 1,130

1. Receivables include our equity derivative receivable of $2 million.
2. The fair value of long-term debt is based on rates available to us at January 1, 2020 for long-term debt with similar terms and remaining maturities.
3. The interest rate swap contracts are included in other liabilities in our consolidated balance sheets.

Financial risk management

Our activities result in exposure to a variety of financial risks, and the main objectives of our risk management process are to ensure risks are properly identified and analyzed and establish appropriate risk limits and controls. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and our activities. We are exposed to credit risk, liquidity risk and market risk. A description of these risks and policies for managing these risks are summarized below.

The sensitivities provided in this section give the effect of possible changes in the relevant prices and rates on earnings. The sensitivities are hypothetical and should not be considered to be predictive of future performance or earnings. Changes in fair values or cash flows based on market variable fluctuations cannot be extrapolated since the relationship between the change in the market variable and the change in fair value or cash flows may not be linear.

Credit risk

Credit risk is the risk of financial loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations. We are exposed to credit risk with respect to cash and short-term investments and accounts receivable from our customers. The carrying amounts of these accounts represent the maximum credit exposure. We manage credit risk by holding cash and short-term investments with major banks of high creditworthiness. Credit risk for trade and other receivables is managed through established credit monitoring activities such as:

- Establishing and monitoring customer credit limits;
- Performing ongoing evaluations of key customer financial conditions; and
- In certain market areas, undertaking additional measures to reduce credit risk including credit insurance, letters of credit and prepayments. At December 31, 2021, approximately 35% of trade accounts receivable was covered by at least some of these additional measures. (December 31, 2020 - 24%, January 1, 2020 - 40%).

Given our credit monitoring activities, the low percentage of overdue accounts and our history of minimal customer defaults, we consider the credit quality of the trade accounts receivable at December 31, 2021 to be high and have recorded nominal expected credit losses on our trade accounts receivable. The aging analysis of trade accounts receivable is presented below:

	2021	*Currency remeasurement* 2020	*Currency remeasurement* January 1, 2020
Trade accounts receivable			
Current	$ 403	$ 220	$ 150
Past due 1 to 30 days	30	22	9
Past due 31 to 60 days	3	1	—
Past due over 60 days	5	1	—
Trade accounts receivable	$ 441	$ 244	$ 159
Insurance receivable	6	—	9
Government assistance	1	5	5
Sales taxes receivable	28	11	8
Other	32	17	18
Receivables	$ 508	$ 277	$ 199

Liquidity risk

Liquidity risk is the risk we will encounter difficulty in meeting obligations associated with financial liabilities. We manage liquidity risk by maintaining adequate cash and short-term investment balances and having lines of credit available. In addition, we regularly monitor forecasted and actual cash flows. Refinancing risks are managed by extending maturities through regular renewals and refinancing when market conditions are supportive.

The following table summarizes the maturity profile of our financial liabilities based on contractual undiscounted payments:

(at December 31, 2021, in $ millions)	Carrying value	Total	2022	2023	2024	2025	Thereafter
Long-term debt	$ 499	$ 501	$ —	$ —	$ 501	$ —	$ —
Interest on long-term debt[1]	—	52	19	19	14	—	—
Lease obligations	28	29	11	6	5	2	5
Payables and accrued liabilities	848	848	848	—	—	—	—
Total	$ 1,375	$ 1,430	$ 878	$ 25	$ 520	$ 2	$ 5

1. Assumes debt remains at December 31, 2021 levels and includes the impact of interest rate swaps terminating August 2024.

Market risk

Market risk is the risk of loss that might arise from changes in market factors such as interest rates, foreign exchange rates, and commodity prices. We aim to manage market risk acceptable parameters and may, from time to time, use derivatives to manage market risk. No energy related derivatives, lumber futures, or foreign exchange contracts were outstanding at December 31, 2021 or 2020.

Interest rates

Interest rate risk relates mainly to floating interest rate debt. By maintaining a mix of fixed and floating rate debt along with interest rate swap contracts, we mitigate the exposure to interest rate changes.

As at December 31, 2021, we had the following floating rate financial instruments:

Financial instrument		**Carrying value**
Term loan	$	199
Interest rate swap contracts	$	1

We maintain a five-year term $200 million term loan due August 2024 where the interest on the facilities is payable at floating rates based on Prime, Base Rate Advances, Bankers' Acceptances or LIBOR Advances at our option.

We also have interest rate swap agreements terminating August 2024 to pay fixed interest rates and receive variable interest rates equal to 3-month LIBOR on $200 million notional principal amount of indebtedness. These swap agreements fix the interest rate on the $ 200 million five-year term loan floating rate debt.

At December 31, 2021, the impact of a 100-basis point change in interest rate affecting our floating rate debt would not result in a change in annual interest expense.

We initially adopted *Interest Rate Benchmark Reform - Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)* ("The Phase 2 Amendments") effective January 1, 2021. The Phase 2 Amendments provide practical relief from certain requirements in IFRS Standards relating to the modification of financial instruments, lease contracts, or hedging relationships triggered by a replacement of a benchmark interest rate in a contract with a new alternative benchmark rate.

At December 31, 2021, these amendments did not affect our financial statements as we have not yet transitioned any agreements that are exposed to LIBOR or to an alternative benchmark interest rate.

The above financial instruments are based on LIBOR settings that are currently scheduled to cease publication after June 30, 2023. We are working with the lenders associated with the term loan and the counterparties associated with the interest rate swap to assess the potential alternatives to the use of LIBOR. We will continue to monitor developments on alternative benchmark interest rates and expect to transition to alternative rates as widespread market practice is established.

Currency risk

On February 1, 2021, West Fraser determined that as a result of the Norbord Acquisition, the functional currency of our Canadian operations had changed from CAD to USD.

We are exposed to foreign currency risk because our Canadian operations incur a portion of their operating expenses in Canadian dollars. Therefore, an increase in the value of the CAD relative to the USD increases the value of expenses in USD terms incurred by our Canadian operations, which reduces operating margin and the cash flow available to fund operations.

In addition, foreign currency exposure arises from our net investment in our European operations, which have British pound sterling and Euro functional currencies, and our Canadian newsprint operation, which has a Canadian dollar functional currency. The risk arises from the fluctuation in spot rates between these currencies and the U.S. dollar, which causes the amount of the net investment to vary with the resulting translation gains or losses being reported in other comprehensive earnings.

The following table summarizes quantitative data about our exposure to currency risk:

		2021
Net Canadian dollar monetary asset (liability)	CAD millions	$ (665)
Net investment in newsprint operations	CAD millions	46
Net investment in European operations	GBP millions	308
Net investment in European operations	EUR millions	45

A $0.01 strengthening (weakening) of the USD against the CAD would increase (decrease) the earnings by approximately $ 3 million. A $0.01 strengthening (weakening) of the USD against the CAD, British pound and Euro would result in an approximate $6 million translation loss (gain) on operations with different functional currency included in other comprehensive earnings. These sensitivities assume that all other variables remain constant and ignores any impact of forecast sales and purchases.

23. Capital disclosures

Our business is cyclical and is subject to significant changes in cash flow over the business cycle. In addition, financial performance can be materially influenced by changes in product prices and the relative values of the Canadian and U.S. dollars. Our objective in managing capital is to ensure adequate liquidity and financial flexibility at all times, particularly at the bottom of the business cycle.

Our main policy relating to capital management is to maintain a strong balance sheet and otherwise meet financial tests that rating agencies commonly apply for investment-grade issuers of public debt. Our debt is currently rated as investment-grade by three major rating agencies.

We monitor and assess our financial performance to ensure that debt levels are prudent, taking into account the anticipated direction of the business cycle. When financing acquisitions, we combine cash on hand, debt, and equity financing in a proportion that is intended to maintain an investment-grade rating for debt throughout the cycle. Debt repayments are arranged, where possible, on a staggered basis that takes into account the uneven nature of anticipated cash flows. We have established committed revolving lines of credit that provide liquidity and flexibility when capital markets are restricted.

A strong balance sheet and liquidity profile are key elements of our goal to maintain a balanced capital allocation strategy. Priorities within this strategy include reinvesting in our operations across all market cycles to strategically enhance productivity, product mix, and capacity; maintain a leading cost position; maintain financial flexibility to capitalize on growth opportunities, including the pursuit of acquisitions and larger-scale strategic growth initiatives; and return capital to shareholders through dividends and share repurchases.

Two key measurements used to monitor our capital position is total debt to total capital and net debt to total capital, calculated as follows at December 31:

	2021	*Currency remeasurement* 2020	*Currency remeasurement* January 1, 2020
Debt			
Operating loans, excluding deferred financing costs	$ —	$ —	$ 290
Current and long-term lease obligation	28	6	8
Long-term debt, excluding deferred financing costs	501	509	510
Interest rate swaps[1]	1	6	2
Open letters of credit[1]	65	50	47
Total debt	595	571	857
Shareholders' equity	7,656	2,478	1,905
Total capital	8,251	3,049	2,762
Total debt to total capital	7%	19%	31%
Total debt	595	571	857
Cash and short-term investments	(1,568)	(461)	(12)
Open letters of credit[1]	(65)	(50)	(47)
Interest rate swaps[1]	(1)	(6)	(2)
Cheques issued in excess of funds on deposit	—	—	12
Net debt	$ (1,039)	$ 54	$ 808
Shareholders' equity	$ 7,656	$ 2,478	$ 1,905
Total capital, net of cash	6,617	2,532	2,713
Net debt to total capital	(16%)	2%	30%

1. Letters of credit facilities and the fair value of interest rate swaps are part of our bank covenants' total debt calculation.

24. Segment and geographical information

The segmentation of manufacturing operations into lumber, NA EWP, pulp and paper and Europe EWP is based on a number of factors, including similarities in products, production processes and economic characteristics. The EWP segments have been separated due to differences in the operating region, customer base, profit margins and sales volumes. Transactions between segments are at market prices and on standard business terms. The segments follow the accounting policies described in these consolidated financial statement notes, where applicable, and earnings before tax has been identified as the measure of segment profit and loss.

January 1, 2021 to December 31, 2021	Lumber	NA EWP	Pulp & Paper	Europe EWP	Corporate & Other	Total
Sales						
To external customers	$ 4,804	$ 4,264	$ 727	$ 723	$ —	$ 10,518
To other segments	106	9	—	—	(115)	—
	$ 4,910	$ 4,273	$ 727	$ 723	$ (115)	$ 10,518
Cost of products sold	(2,241)	(1,521)	(541)	(457)	115	(4,645)
Freight and other distribution costs	(404)	(262)	(137)	(43)	—	(846)
Export duties, net	(146)	—	—	—	—	(146)
Amortization	(164)	(289)	(34)	(88)	(9)	(584)
Selling, general and administration	(146)	(76)	(34)	(22)	(34)	(312)
Equity-based compensation	—	—	—	—	(40)	(40)
Operating earnings	$ 1,809	$ 2,125	$ (19)	$ 113	$ (83)	$ 3,945
Finance expense, net	(17)	(3)	(5)	(1)	(19)	(45)
Other	2	(1)	2	—	(5)	(2)
Earnings before tax	$ 1,794	$ 2,121	$ (22)	$ 112	$ (107)	$ 3,898
Total assets	$ 3,557	$ 4,154	$ 448	$ 953	$ 1,321	$ 10,433
Total liabilities	$ 668	$ 552	$ 99	$ 223	$ 1,235	$ 2,777
Capital expenditures[1]	$ 146	$ 424	$ 35	$ 28	$ 2	$ 635

1. NA EWP capital expenditures includes $276 million relating to the asset acquisition of the idled OSB mill near Allendale, South Carolina.

January 1, 2020 to December 31, 2020 (currency remeasurement)	Lumber	NA EWP	Pulp & Paper	Europe EWP	Corporate & Other	Total
Sales						
To external customers	$ 3,258	$ 467	$ 648	$ —	$ —	$ 4,373
To other segments	98	7	—	—	(105)	—
	$ 3,356	$ 474	$ 648	$ —	$ (105)	$ 4,373
Cost of products sold	(1,871)	(303)	(490)	—	105	(2,559)
Freight and other distribution costs	(361)	(42)	(126)	—	—	(529)
Export duties, net	(57)	—	—	—	—	(57)
Amortization	(151)	(13)	(31)	—	(8)	(203)
Selling, general and administration	(128)	(22)	(33)	—	(2)	(185)
Equity-based compensation	—	—	—	—	(9)	(9)
Operating earnings	$ 788	$ 94	$ (32)	$ —	$ (19)	$ 831
Finance expense, net	(17)	(4)	(6)	—	—	(27)
Other	(2)	5	(8)	—	(9)	(14)
Earnings before tax	$ 769	$ 95	$ (46)	$ —	$ (28)	$ 790
Total assets	$ 3,138	$ 249	$ 432	$ —	$ 359	$ 4,178
Total liabilities	$ 520	$ 45	$ 130	$ —	$ 1,005	$ 1,700
Capital expenditures	$ 149	$ 10	$ 19	$ —	$ 2	$ 180

The geographic distribution of non-current assets and external sales is as follows:

	Non-current assets			Sales by geographic area[1]	
		Currency remeasurement	*Currency remeasurement*		*Currency remeasurement*
	2021	**2020**	**January 1, 2020**	**2021**	**2020**
Canada	$ 3,825	$ 1,654	$ 1,577	$ 1,682	$ 853
United States	2,838	1,188	1,134	7,286	2,860
China	—	—	—	465	467
Other Asia	—	—	—	341	174
Europe[2,3]	553	—	—	737	17
Other	—	—	—	7	2
	$ 7,216	$ 2,842	$ 2,711	$ 10,518	$ 4,373

1. Sales distribution is based on the location of product delivery.
2. 2021 non-current assets balance includes non-current assets located in the U.K. and Belgium.
3. Sales balances includes sales to the U.K.

25. Countervailing ("CVD") and antidumping ("ADD") duty dispute

On November 25, 2016, a coalition of U.S. lumber producers petitioned the U.S. Department of Commerce ("USDOC") and the U.S. International Trade Commission ("USITC") to investigate alleged subsidies to Canadian softwood lumber producers and levy CVD and ADD duties against Canadian softwood lumber imports. The USDOC chose us as a "mandatory respondent" to both the countervailing and antidumping investigations, and as a result, we have received unique company-specific rates.

Accounting policy

The CVD and ADD rates apply retroactively for each POI. We record CVD as export duty expense at the cash deposit rate until an AR finalizes a new applicable rate for each period of investigation ("POI"). We record ADD as export duty expense by estimating the rate to be applied for each POI by using our actual results and a similar calculation methodology as the USDOC and adjust when an AR finalizes a new applicable rate for each POI. The difference between the cash deposits and export duty expense is recorded on our balance sheet as export duty deposits receivable or other liabilities as applicable, along with any adjustments to finalized rates.

The difference between the cash deposit amount and the amount that would have been due based on the final AR rate will incur interest based on the U.S. federally published interest rate. We record interest income on our duty deposits receivable, net of any interest expense on our duty deposits payable, based on this rate.

Developments in CVD and ADD rates

We began paying CVD and ADD duties in 2017 based on the USDOC's determination of duties payable. The CVD and ADD cash deposit rates are updated based on the USDOC's AR for each POI, as summarized in the tables below. Following year-end, the USDOC amended the CVD cash deposit rate for ministerial errors from 5.06% to 5.08%, effective January 10, 2022.

The USDOC finalized the CVD and ADD duty expense rates for the AR1 and AR2 POIs in 2020 and 2021 respectively, as summarized in the tables below. Finalization of administrative reviews relating to active POIs are expected approximately two years after the POI in question.

AR3 (POI January 1 to December 31, 2020) commenced in April 2021, and the rates are expected to be finalized in August 2022. AR4 (POI January 1 to December 31, 2021) is expected to commence in 2022 with the results finalized in 2023. We have been selected as a mandatory respondent for AR3, which will result in West Fraser continuing to be subject to a company-specific rate.

On January 31, 2022, the USDOC released the preliminary results from AR3 POI covering the 2020 calendar year, which indicated a rate of 8.46% for CVD and 4.63% for ADD for West Fraser. The duty rates are subject to an appeal process, and we will record an adjustment once the rates are finalized. If the AR3 rates were to be confirmed, it would result in a U.S. dollar recovery of $43 million for the POI covered by AR3. This adjustment would be in addition to the amounts

already recorded on our balance sheet. If these rates are finalized, our combined cash deposit rate would be revised to 13.09%.

The respective Cash Deposit Rates, the AR POI Final Rate, and the West Fraser Estimated ADD Rate for each period are as follows:

Effective dates for CVD	Cash Deposit Rate	AR POI Final Rate
AR1 POI		
April 28, 2017 - August 24, 2017[1]	24.12 %	6.76 %[3]
August 25, 2017 - December 27, 2017[1]	—	—
December 28, 2017 - December 31, 2017[2]	17.99 %	6.76 %[3]
January 1, 2018 - December 31, 2018	17.99 %	7.57 %[3]
AR2 POI		
January 1, 2019 - December 31, 2019	17.99 %	5.08 %[5]
AR3 POI		
January 1, 2020 - November 30, 2020	17.99 %	n/a[6]
December 1, 2020 - December 31, 2020[4]	7.57 %	n/a[6]
AR4 POI		
January 1, 2021 - December 1, 2021	7.57 %	n/a[7]
December 2, 2021 - December 31, 2021[8]	5.06 %	n/a[7]

1. On April 24, 2017, the USDOC issued its preliminary rate in the CVD investigation. The requirement that we make cash deposits for CVD was suspended on August 24, 2017, until the USDOC published the Revised Rate.
2. On December 4, 2017, the USDOC revised our CVD Cash Deposit Rate effective December 28, 2017.
3. On February 3, 2020, the USDOC issued a preliminary CVD rate and, on November 24, 2020, a final CVD rate for the AR1 POI. This table only reflects the final rate.
4. On November 24, 2020, the USDOC revised our CVD Cash Deposit Rate effective December 1, 2020.
5. On May 20, 2021, the USDOC issued a preliminary CVD rate and, on November 24, 2021, a final CVD rate for the AR2 POI. Following year-end, the USDOC amended the final CVD rate for the AR2 POI from 5.06% to 5.08% for ministerial errors. This table only reflects the final rate.
6. The CVD rate for the AR3 POI will be adjusted when AR3 is complete, and the USDOC finalizes the rate, which is not expected until 2022.
7. The CVD rate for the AR4 POI will be adjusted when AR4 is complete, and the USDOC finalizes the rate, which is not expected until 2023.
8. On November 24, 2021, the USDOC revised our CVD Cash Deposit Rate effective December 2, 2021. Following year-end, the USDOC amended the CVD cash deposit rate for ministerial errors from 5.06% to 5.08%, effective January 10, 2022.

Effective dates for ADD	Cash Deposit Rate	AR POI Final Rate	West Fraser Estimated Rate
AR1 POI			
June 30, 2017 - December 3, 2017[1]	6.76 %	1.40 %[3]	1.46 %
December 4, 2017 - December 31, 2017[2]	5.57 %	1.40 %[3]	1.46 %
January 1, 2018 - December 31, 2018	5.57 %	1.40 %[3]	1.46 %
AR2 POI			
January 1, 2019 - December 31, 2019	5.57 %	6.06 %[5]	4.65 %
AR3 POI			
January 1, 2020 - November 29, 2020	5.57 %	n/a[6]	3.40 %
November 30, 2020 - December 31, 2020[4]	1.40 %	n/a[6]	3.40 %
AR4 POI			
January 1, 2021 - December 1, 2021	1.40 %	n/a[7]	6.80 %
December 2, 2021 - December 31, 2021[8]	6.06 %	n/a[7]	6.80 %

1. On June 26, 2017, the USDOC issued its preliminary rate in the ADD investigation effective June 30, 2017.
2. On December 4, 2017, the USDOC revised our ADD Cash Deposit Rate effective December 4, 2017.
3. On February 3, 2020, the USDOC issued a preliminary ADD Rate and, on November 24, 2020, a final ADD rate for the AR1 POI. This table only reflects the final rate.
4. On November 24, 2020, the USDOC revised our ADD Cash Deposit Rate effective November 30, 2020
5. On May 20, 2021, the USDOC issued a preliminary ADD rate and, on November 24, 2021, a final ADD rate for the AR2 POI. This table only reflects the final rate.
6. The ADD rate for the AR3 POI will be adjusted when AR3 is complete, and the USDOC finalizes the rate, which is not expected until 2022.
7. The ADD rate for the AR4 POI will be adjusted when AR4 is complete, and the USDOC finalizes the rate, which is not expected until 2023.
8. On November 24, 2021, the USDOC revised our ADD Cash Deposit Rate effective December 2, 2021.

Impact on results

The following table reconciles our cash deposits paid during the period to the amount recorded in our earnings statement:

($ millions)	2021	Currency remeasurement 2020
Cash deposits paid[1]	$ (132)	$ (161)
Adjust to West Fraser Estimated ADD rate[2]	(69)	9
Effective duty expense for period[3]	(201)	(152)
Duty recovery attributable to AR1[4]	—	95
Duty recovery attributable to AR2[5]	55	—
Duty expense	(146)	(57)
Interest income on duty deposits attributable to West Fraser Estimated rate adjustments	2	2
Interest income on the AR1 and AR2 duty deposits receivable	7	11
Interest income on duty deposits	$ 9	$ 13

1. Represents combined CVD and ADD cash deposit rate of 23.56% from January 1 to November 29, 2020, 19.39% on November 30, 2020, 8.97% from December 1, 2020 to December 1, 2021, and 11.12% from December 2 to December 31, 2021.
2. Represents adjustment to West Fraser Estimated ADD rate of 6.80% for 2021 and 3.40% for 2020.
3. The total represents the combined CVD cash deposit rate and West Fraser Estimated ADD rate of 21.39% from January 1 to November 30, 2020, 10.97% from December 1 to December 31, 2020, 14.37% for January 1 to December 1, 2021, and 11.86% for December 2 to December 31, 2021.
4. $95 million represents the duty recovery attributable to the finalization of AR1 duty rates for the 2017 and 2018 POI.
5. $55 million represents the duty recovery attributable to the finalization of AR2 duty rates for the 2019 POI.

As of December 31, 2021, export duties paid and payable on deposit with the USDOC were $ 662 million.

Impact on balance sheet

Each POI is subject to independent administrative review by the USDOC, and the results of each POI may not be offset.

Export duty deposits receivable is represented by:

Export duty deposits receivable	2021	Currency remeasurement 2020
Beginning of year	$ 178	$ 61
Export duties recognized as duty deposits receivable	55	104
Interest recognized on duty deposits receivable	9	13
End of year	$ 242	$ 178

For AR4, we have recorded a duty payable related to ADD for the difference between the Cash Deposit Rate and our West Fraser Estimated Rate of 6.80%.

Export duties payable is represented by:

Export duties payable	2021
Beginning of year	$ —
Export duties payable related to AR4	(69)
End of year	$ (69)

Appeals

On May 22, 2020, the North American Free Trade Agreement (“NAFTA”) panel issued its final decision on “Injury”. The NAFTA panel rejected the Canadian parties’ arguments and upheld the USITC remand determination in its entirety.

On August 28, 2020, the World Trade Organization’s (“WTO”) dispute-resolution panel ruled unanimously that U.S. countervailing duties against Canadian softwood lumber are inconsistent with the WTO obligations of the United States. The decision confirmed that Canada does not subsidize its softwood lumber industry. On September 28, 2020, the U.S. announced that it would appeal the WTO panel’s decision.

The softwood lumber case will continue to be subject to NAFTA or the new Canada-United States-Mexico Agreement (“CUSMA”) and WTO dispute resolution processes, and litigation in the U.S. In the past, long periods of litigation have led to negotiated settlements and duty deposit refunds. In the interim, duties remain subject to the USDOC AR process, which results in an annual adjustment of duty deposit rates.

Notwithstanding the deposit rates assigned under the investigations, our final liability for CVD and ADD will not be determined until each annual administrative review process is complete and related appeal processes are concluded.

Exhibit 99.3



MANAGEMENT'S DISCUSSION & ANALYSIS

INTRODUCTION

This discussion and analysis by management ("MD&A") of West Fraser Timber Co. Ltd.'s ("West Fraser", the "Company", "we", "us", or "our") financial performance for the year and three months ended December 31, 2021, should be read in conjunction with our annual audited consolidated financial statements and accompanying notes for the year ended December 31, 2021 (the "Annual Financial Statements").

Unless otherwise indicated, the financial information contained in this MD&A is derived from our Annual Financial Statements, which have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS"). This MD&A uses various Non-GAAP and other specified financial measures, including "Adjusted EBITDA", "Adjusted EBITDA by segment", "available liquidity", "total debt to capital ratio", "net debt to capital ratio", "expected capital expenditures", and "expected potential synergies from Norbord acquisition". An explanation with respect to the use of these Non-GAAP and other specified financial measures is set out in the section titled "Non-GAAP and Other Specified Financial Measures".

This MD&A includes statements and information that constitute "forward-looking information" within the meaning of Canadian securities laws and "forward-looking statements" within the meaning of United States securities laws (collectively, "forward-looking statements"). Please refer to the cautionary note entitled "Forward-Looking Statements" below for a discussion of these forward-looking statements and the risks that impact these forward-looking statements.

Dollar amounts are expressed in the United States ("U.S.") currency unless otherwise indicated and reflect the change in our functional and reporting currency from the Canadian dollar to the U.S. dollar effective February 1, 2021. Select unaudited historical financial information in U.S. dollars is available on our website at www.westfraser.com. This historical financial information presents selected financial information derived from our historical financial statements, which had been presented in Canadian dollars for financial periods through to our year ended December 31, 2020.

This MD&A uses capitalized terms, abbreviations and acronyms that are defined under "Glossary of Key Terms".

The information in this MD&A is as at February 15, 2022 unless otherwise indicated.

OUR BUSINESS AND STRATEGY

West Fraser is a diversified wood products company with facilities in Canada, the U.S., the U.K. and Europe, manufacturing, selling, marketing and distributing lumber, engineered wood products (OSB, LVL, MDF, plywood, particleboard), pulp, newsprint, wood chips and other residuals and renewable energy. As a result of the Norbord Acquisition, we are now a leading producer of OSB. In addition to OSB, Norbord manufactured particleboard, MDF and related value-added products. Our business is comprised of 34 lumber mills, 15 OSB facilities, six renewable energy facilities, five pulp and paper mills, three plywood facilities, three MDF facilities, two particleboard facilities, one LVL facility, one treated wood facility, and one veneer facility.

Our goal at West Fraser is to generate strong financial results through the business cycle, relying on our committed workforce, the quality of our assets and our well-established people and culture. This culture emphasizes cost control in all aspects of the business and operating in a responsible, sustainable, financially conservative and prudent manner.

The North American wood products industry is cyclical and periodically faces difficult market conditions and serious challenges. Our earnings are sensitive to changes in world economic conditions, primarily those in North America, Asia and Europe and particularly to the U.S. housing market for new construction and repair and renovation spending. Most of our revenues are from sales of commodities for which prices are sensitive to variations in supply and demand. As many of our costs are denominated in Canadian dollars, British pounds sterling and Euros, exchange rate fluctuations of the

Canadian dollar, British pound sterling and Euro against the United States dollar can and are anticipated to be a significant source of earnings volatility for us.

West Fraser strives to make sustainability a central principle upon which our people operate, and we believe the Company's sustainable, renewable building materials that sequester carbon are a truly natural solution in the fight against climate change. There are numerous government initiatives and proposals globally to address climate-related issues. Within the jurisdictions of West Fraser's operations, some of these initiatives would regulate, and do regulate, and/or tax the production of carbon dioxide and other greenhouse gases to facilitate the reduction of carbon emissions, providing incentives to produce and use cleaner energy.

We believe that maintaining a strong balance sheet and liquidity profile, along with our investment-grade debt rating, enables us to execute a balanced capital allocation strategy. Our goal is to reinvest in our operations across all market cycles to strategically enhance productivity, product mix, and capacity and to maintain a leading cost position. We believe that a strong balance sheet also provides the financial flexibility to capitalize on growth opportunities, including the pursuit of opportunistic acquisitions and larger-scale strategic growth initiatives, and is a key tool in managing our business over the long term including returning capital to shareholders.

ACQUISITIONS

Norbord Acquisition

On February 1, 2021, we acquired all of the outstanding shares of Norbord. According to the terms of the acquisition, Norbord shareholders received 0.675 of a West Fraser Common share for each Norbord Common share held (the "Exchange Ratio"). The result was the issuance of 54,484,188 Common shares of West Fraser at a price of US$63.90 per share (CAD$81.94 per share) for $3,482 million. The price per Common share was based on the West Fraser Common share's closing price as listed on the TSX on January 29, 2021, and a CAD-USD exchange rate of 0.7798.

The Norbord Acquisition included five OSB mills in Canada, seven OSB mills in the U.S., one OSB mill, one MDF plant, and two particleboard plants in the U.K., one OSB mill in Belgium, and their related corporate offices.

We have incorporated the North American operations of Norbord into our Panels segment and renamed that segment North America Engineered Wood Products ("NA EWP"). This segment includes the results from North American operations for OSB, plywood, MDF, and LVL. In addition, we have identified a Europe EWP segment, which includes the results from the U.K. and Belgium operations for the OSB, MDF and particleboard plants. The EWP segments have been separated due to differences in the operating region, customer base, profit margins and sales volumes. The EWP segments incorporate the operations and results of the Norbord operations from February 1, 2021.

The acquisition of Norbord by West Fraser has been accounted for as an acquisition of a business in accordance with IFRS 3, *Business Combinations*, with West Fraser as the acquirer. We have applied purchase price accounting to the acquisition resulting in a significant increase from the historical cost base of Norbord and $1,339 million of goodwill.

Factors contributing to goodwill include the Norbord workforce and assets that are geographically complementary to our existing facilities and offer close access to large markets and timber baskets. The Norbord Acquisition also provides increased scale and geographic diversification of manufacturing and markets. This was a rare opportunity to acquire an OSB producer with meaningful capacity, high-quality employees and facilities, and a complementary strategy and culture. Note 3 to our Annual Financial Statements provides details on the purchase price allocation.

The purchase price allocation has been finalized as at December 31, 2021. Purchase price accounting impacted the two EWP segments' annual results, as discussed in the relevant sections below.

Angelina Acquisition

On December 1, 2021, we acquired the Angelina Forest Products lumber mill located in Lufkin, Texas for $302 million, net of cash acquired of $8 million. This acquisition has been accounted for as an acquisition of a business in accordance with IFRS 3, *Business Combinations.* Note 3 to our Annual Financial Statements provides details on the preliminary purchase price allocation as at December 31, 2021, which attributed $78 million to goodwill.

Financial Results

The following tables represent the actual results of Norbord and Angelina Forest Products included in our statement of earnings and the proforma results of operations for the year ended December 31, 2021. The proforma results assume the Norbord Acquisition and Angelina Acquisition occurred on January 1, 2021, and include proforma purchase price accounting for the acquisitions.

Results Attributable to Acquired Businesses ($ millions)	**Norbord Results for February 1 to December 31, 2021**[1,3]	**Angelina Results for December 1 to December 31, 2021**[2,3]	**Total**
Sales	$ 4,175	$ 15	$ 4,190
Operating earnings	1,915	1	1,916
Earnings	1,427	1	1,428

1. Represents the results of the Norbord operations since the acquisition date that are included in our results.
2. Represents the results of the Angelina Forest Products operations since the acquisition date that are included in our results.
3. Operating earnings and earnings include purchase price accounting impacts of $93 million expense and $2 million expense for the one-time inventory adjustments in cost of products sold relating to the Norbord Acquisition and Angelina Acquisition, respectively.

Proforma 2021 Results ($ millions)	**West Fraser Actual Results**[2] **2021**	**Norbord Proforma Results**[1] **Jan-21**	**Angelina Proforma Results**[1] **Jan-21 to Nov-21**	**West Fraser Proforma Results**[1,2] **2021**
Sales	$ 10,518	$ 277	$ 163	$ 10,958
Operating earnings	3,945	115	61	4,121
Earnings	2,947	86	57	3,090

1. These unaudited proforma results have been provided as required per IFRS 3 - *Business Combinations*. West Fraser proforma YTD-21 presents West Fraser's results as if the Norbord Acquisition and Angelina Acquisition were completed on January 1, 2021.
2. Operating earnings and earnings include purchase price accounting impacts of $93 million expense and $2 million expense for the one-time inventory adjustment in cost of products sold relating to the Norbord Acquisition and Angelina Acquisition, respectively.

South Carolina OSB Asset Acquisition

On December 6, 2021, we completed the asset purchase of an idled OSB mill near Allendale, South Carolina for $280 million including working capital. We anticipate investing an additional estimated $70 million in capital during 2022 to upgrade and optimize the facility in preparation for a restart, subject to market conditions and hiring the requisite employees.

CHANGE IN FUNCTIONAL AND REPORTING CURRENCY

On February 1, 2021, West Fraser determined that as a result of the Norbord Acquisition, the functional currency of our Canadian operations had changed from CAD to USD. Management considered various factors when making this decision, the most significant being an increase in the levels of sales made in U.S. dollars, a portion of operating expenses incurred in U.S. dollars, and increased levels of U.S. dollar financing.

Concurrent with the change in functional currency, we also changed our reporting currency from Canadian dollars to U.S. dollars. This change in reporting currency is to better reflect the Company's business activities, following the increased presence in the U.S. as a result of the Norbord Acquisition and in connection with the listing of West Fraser's Common shares on the NYSE on February 1, 2021.

A change in functional currency is applied prospectively and must be based on a change in economic facts, events and conditions. In contrast, a change in reporting currency requires retroactive restatement. Both changes have specific transition rules under the International Accounting Standard ("IAS") 21, *The Effects of Changes in Foreign Exchange Rates* .

As at and for the year ended December 31, 2020, and for all prior periods, the functional and reporting currency of the Company was the CAD as described in our 2020 audited annual consolidated financial statements. The currency remeasurement of West Fraser results applied the IAS 21 transitional rules.

To prepare our December 31, 2020 and January 1, 2020 consolidated balance sheets, all assets and liabilities were translated into U.S. dollars at the closing exchange rate on December 31, 2020, and December 31, 2019, respectively. Equity items were retroactively restated at historical exchange rates to give effect to the change in reporting currency. The accounting policy used to translate the equity items prior to 2020, was to use the annual average exchange rate for each equity transaction that occurred in the year. For 2020, equity items were translated quarterly using the average exchange rate for each quarter.

To prepare our 2019 and 2020 consolidated statement of earnings, all revenues and expenses were translated into U.S. dollars at the average exchange rate for each quarter, with no adjustments to the measurement of or accounting for previously reported results. To prepare our 2020 consolidated statement of cash flow, all items were translated into U.S. dollars at the average exchange rate for each quarter, with no adjustments to the measurement of or accounting for previously reported results.

RECENT DEVELOPMENTS

Markets

In North America, changes in new home construction activity in the U.S. are a significant driver of lumber and OSB demand. In the fourth quarter, industry supply chains for many building products remained challenged. These supply constraints continued to make it difficult for home builders to convert housing starts to completions, impacting short-term demand for our lumber and panel products. According to the U.S. Census Bureau, the seasonally adjusted annualized rate of U.S. housing starts averaged 1.70 million units in December 2021, with permits issued averaging 1.87 million units. U.S. housing starts were 1.60 million units for the full year, up 16% from 1.38 million units in 2020. In comparison, U.S. housing completions were 1.34 million units in 2021, up just 4% from the prior year. We believe low mortgage rates, low availability of homes for sale and changes in home ownership trends stemming from the COVID-19 pandemic continue to provide a supportive backdrop for home construction activity.

Demand for our products used in repair and remodelling applications had begun to improve late in the third quarter after lumber and OSB prices retreated from record highs earlier in the year. That recovery continued through the fourth quarter.

Severe Weather and Flooding in B.C.

In the fourth quarter of 2021, B.C. was impacted by heavy rain and flooding caused by one of the most extreme natural weather disasters to hit the province in a generation. The multiple weather systems prompted a state of emergency in the province, with severe precipitation causing significant damage to transportation infrastructure, resulting in multiple highway closures, disruptions of rail links, and limited access to ports for overseas shipments. While West Fraser is utilizing alternative transportation routes and methods to the extent they are available to continue servicing customers, these weather events have had an adverse impact on shipments.

As a result of the road and rail closures caused by the severe weather, our Q4-21 western Canadian lumber and pulp shipment volumes declined by approximately 15 to 20% compared to the rates in the first nine months of the year. We reduced operating schedules at multiple western Canadian locations to manage inventory levels, raw material supplies and our integrated fibre supply chain.

At the current time, it is not possible to estimate when full transportation services will resume or when the backlogs resulting from the interruptions will be cleared.

Second Administrative Review (“AR2”) Duty Rates

On November 24, 2021, the USDOC, issued its final duty rates for the AR2 POI for January 1, 2019 to December 31, 2019. The details on the final rates and the impact on our earnings are under the section “Discussion & Analysis of Annual Results by Product Segment - Lumber Segment - Softwood Lumber Dispute”. The cash deposit rate for SPF lumber shipments from Canada to the U.S. on or after December 2, 2021 is a combined 11.12%, and on or after January 10, 2022 is a combined 11.14%. These are the cash deposit rates until the USDOC finalizes AR3 and AR4 for the POIs dated January 1, 2020 to December 31, 2020 and January 1, 2021 to December 31, 2021, respectively.

B.C. Old-Growth Deferrals

In November 2021, the government of British Columbia announced its intention to defer logging in 2.6 million hectares of what it described as "old growth" forests. The deferrals were based on recommendations provided by a Technical Advisor Panel that the B.C. government had appointed. B.C. Indigenous Nations were given 30 days to respond to the deferrals, during which time most indicated they would engage in further discussion with the government over the coming months before rendering their decision. This process will likely continue through 2022. The impact on West Fraser's timber supply is contingent on the outcomes of these discussions. Our preliminary estimate of the impact on the B.C. AAC is a reduction of up to 15%. The specific impact to us at this time is not determinable given ongoing negotiations with multiple stakeholders.

ANNUAL RESULTS

Summary Annual Results ($ millions, except as otherwise indicated)	**2021**	**2020**	**2019**
Earnings			
Sales	$ 10,518	$ 4,373	$ 3,673
Cost of products sold	(4,645)	(2,559)	(2,750)
Freight and other distribution costs	(846)	(529)	(538)
Export duties, net	(146)	(57)	(122)
Amortization	(584)	(203)	(195)
Selling, general and administration	(312)	(185)	(159)
Equity-based compensation	(40)	(9)	(4)
Restructuring and impairment charges	—	—	(25)
Operating earnings	3,945	831	(120)
Finance expense, net	(45)	(27)	(37)
Other	(2)	(14)	(8)
Tax (provision) recovery	(951)	(202)	52
Earnings	$ 2,947	$ 588	$ (113)
Adjusted EBITDA[1]	$ 4,569	$ 1,043	$ 104
Basic earnings per share ($)	27.03	8.56	(1.64)
Diluted earnings per share ($)	27.03	8.56	(1.76)
Cash dividends declared per share ($)[2]	$0.76	$0.59	$0.60
Total assets	10,433	4,178	3,594
Long-term debt, non-current	499	500	500
Long-term debt, total	499	507	507

1. This is a non-GAAP financial measure. Refer to the "Non-GAAP and Other Specified Financial Measures" section of this document for more information on this measure.
2. Cash dividends of CAD$0.80 per share were declared during the years ended December 31, 2020 and December 31, 2019. Cash dividends declared during the year ended December 31, 2021 were comprised of CAD$0.70 per share in aggregate for the first three quarters and USD$0.20 per share for the fourth quarter. The CAD amounts have been translated to USD for presentation purposes using the average exchange rate during the quarter that the dividends were declared.

Our 2021 annual results reflect the inclusion of the operations of Norbord from February 1, 2021. In 2021, our revenues increased to $10,518 million and we generated earnings of $2,947 million, or $27.03 per share. This compares with revenues of $4,373 million and earnings of $588 million, or $8.56 per share, in 2020, and revenues of $3,673 million and a loss of ($113) million, or ($1.64) per share in 2019. The increase in revenue and earnings over the three years relates primarily to increased pricing and demand for our products due to increased home construction and repair and remodelling activity in North America and the acquisition of Norbord on February 1, 2021. Western Canada log costs, particularly in B.C., increased significantly over the three years, offsetting some of the pricing gains.

Discussion & Analysis of Annual Results by Product Segment

Lumber Segment

($ millions unless otherwise indicated)

		2021		2020
Lumber Segment Earnings				
Sales				
Lumber	$	4,520	$	2,983
Wood chips and other residuals		289		273
Logs and other		101		100
		4,910		3,356
Cost of products sold		(2,241)		(1,871)
Freight and other distribution costs		(404)		(361)
Export duties, net		(146)		(57)
Amortization		(164)		(151)
Selling, general and administration		(146)		(128)
Operating earnings		1,809		788
Finance expense, net		(17)		(17)
Other		2		(2)
Earnings before tax	$	1,794	$	769
Adjusted EBITDA[1, 2]	$	1,973	$	939
Capital expenditures		146		149
SPF (MMfbm)				
Production		3,182		3,157
Shipments		3,176		3,214
SYP (MMfbm)				
Production		2,675		2,801
Shipments		2,649		2,861

1. This is a non-GAAP financial measure. Refer to the “Non-GAAP and Other Specified Financial Measures” section of this document for more information on this measure. Q4-21 Adjusted EBITDA was decreased by a one-time charge of $2 million related to inventory purchase price accounting on the Angelina Acquisition.
2. Effective January 1, 2021, and for all comparative periods, export duties are no longer excluded from the definition of Adjusted EBITDA.

Sales and Shipments

Lumber sales for 2021 increased compared to 2020 due to higher product pricing, offset in part by lower shipments.

2021 was another year of significant lumber price variability, with lumber market pricing hitting highs in the second quarter before dropping in the third quarter and recovering in the fourth quarter. We believe the higher lumber market pricing in 2021 resulted from low inventory volumes in the supply chain, improved new home construction levels, and strong demand from repair and remodelling activity. The price variance resulted in an increase in earnings before tax and Adjusted EBITDA of $1,715 million compared to 2020.

Shipment volumes were lower for SPF and SYP in 2021 than in 2020. SPF shipment volumes were lower in 2021 due primarily to disruptions to rail and truck services due to wildfires in B.C. in the third quarter and severe weather and flooding in B.C. in the fourth quarter. This decrease in shipment volume was offset in part by improvements in product demand compared to 2020, which was impacted by COVID-19 related market conditions. SYP shipment volumes were lower in 2021 due primarily to disruptions to supply chain activity due to extreme winter weather conditions in the U.S. South in the first quarter and reduced production discussed further in the section below. The volume variance resulted in a decrease in earnings before tax and Adjusted EBITDA of $100 million compared to the previous year.

SPF Sales by Destination

	2021		2020	
	MMfbm	%	MMfbm	%
U.S.	2,098	66	1,975	61
Canada	753	24	678	21
China	189	6	419	14
Other	136	4	142	4
Total	3,176		3,214	

We ship SPF to several export markets, while our SYP sales are almost entirely in the U.S. The proportion of shipments of SPF to China in 2021 was lower compared to 2020 due primarily to pricing differentials between the North America and overseas markets.

2021 wood chip and other residual sales were higher than 2020 due to higher pricing as the pricing formula follows the NBSK price, which increased in 2021, offset in part by decreases in SPF and SYP chip production. Chip production decreased in line with lumber production year over year.

Costs and Production

SPF production volumes were comparable between 2021 and 2020. 2021 production volumes were impacted by reductions in operating schedules at our B.C. SPF operations in response to disruptions to rail and truck services due to wildfires, flooding, and other severe weather, whereas 2020 production volumes were impacted by temporary production curtailments in response to COVID-19.

SYP production volumes decreased in 2021 compared to 2020 due to log shortages in certain operating areas in the second half of the year, market-related downtime in the third quarter, and the impact of extreme winter conditions in the U.S. South in the first quarter. These factors were partially offset by increases in production from removing temporary production curtailments in place in 2020 in response to COVID-19.

Costs of products sold were higher in 2021 compared to 2020 due to increased raw materials and manufacturing costs offset by decreases in shipment volumes.

SPF stumpage costs tied to the price of lumber increased significantly year over year. Most of our SPF log requirements are harvested from crown lands owned by the B.C. or Alberta provincial governments. B.C.'s stumpage system is tied to published lumber prices, with a time lag, and publicly auctioned timber harvesting rights. Alberta's stumpage system is correlated to published lumber prices with a shorter time lag. B.C. fibre shortages, which increased competition for logs available through the B.C. Timber Sales log market, also increased B.C. SPF purchase log costs. Lumber results were also adversely impacted by the strengthening of the Canadian dollar compared to 2020. This increased the U.S. dollar equivalent of our SPF manufacturing and input costs, which are primarily incurred in Canadian dollars.

SYP log costs increased in 2021, but to a lesser degree than SPF log costs. Log supply was impacted by wet weather and supply chain disruptions. Compared to 2020, our U.S. South SYP operations had higher costs due primarily to input cost inflation and increased employee costs, including costs associated with managing through COVID-19 impacts and temporary curtailments.

Freight and other distribution costs generally increased in 2021 compared to 2020 as the transportation network adjusted to the post-COVID-19 demand levels. Higher costs resulted from truck and driver shortages in the U.S., and costs were also adversely impacted by transportation issues related to the wildfires and flooding in B.C. These increases were offset in part by reduced shipment volumes, including lower shipments to Asia.

Export duties for 2021 were higher than 2020. Export duties for 2021 are net of a $55 million recovery related to the USDOC finalization of the AR2 duty rates. In contrast, export duties for 2020 are net of a $95 million recovery related to the USDOC finalization of the AR1 duty rates. The effective duty expense for the period, as disclosed in the section "Softwood Lumber Dispute" below, was $201 million compared to $152 million in 2020. The increase in effective export duty expense was due to a higher value and volume of sales to the U.S.

Amortization expense and finance expense for 2021 were comparable to the prior year.

Selling, general, and administration costs increased compared to 2020 due primarily to higher salaries and wages as a result of tightening labour markets. The strengthening of the Canadian dollar compared to 2020 also increased the U.S. dollar equivalent of salaries and wages and administration costs incurred in Canadian dollars.

Fluctuations in other income compared to 2020 were mostly due to foreign exchange revaluations on our Canadian operation's Canadian dollar monetary assets and liabilities.

Earnings before tax for the Lumber Segment increased by $1,025 million compared to 2020 due to the reasons explained above.

Adjusted EBITDA for the Lumber Segment increased by $1,034 million compared to 2020. The following table shows the Adjusted EBITDA variance for the period.

Adjusted EBITDA ($ millions)	**YTD-20 to YTD-21**
Adjusted EBITDA - comparative period	$ 939
Price	1,715
Volume	(100)
Changes in export duties	(89)
Changes in costs	(447)
Other	(45)
Adjusted EBITDA - current period	$ 1,973

Softwood Lumber Dispute

On November 25, 2016, a coalition of U.S. lumber producers petitioned the USDOC and the USITC to investigate alleged subsidies to Canadian softwood lumber producers and levy CVD and ADD duties against Canadian softwood lumber imports. The USDOC chose us as a "mandatory respondent" to both the countervailing and antidumping investigations, and as a result, we have received unique company-specific rates.

Developments in CVD and ADD rates

We began paying CVD and ADD duties in 2017 based on the USDOC's determination of duties payable. The CVD and ADD cash deposit rates are updated based on the USDOC's AR for each POI, as summarized in the tables below. Following year-end, the USDOC amended the CVD cash deposit rate for ministerial errors from 5.06% to 5.08%, effective January 10, 2022.

The USDOC finalized the CVD and ADD duty expense rates for the AR1 and AR2 POIs in 2020 and 2021 respectively, as summarized in the tables below. Finalization of administrative reviews relating to active POIs are expected approximately two years after the POI in question.

AR3 (POI January 1 to December 31, 2020) commenced in April 2021, and the rates are expected to be finalized in August 2022. AR4 (POI January 1 to December 31, 2021) is expected to commence in 2022 with the results finalized in 2023. We have been selected as a mandatory respondent for AR3, which will result in West Fraser continuing to be subject to a company-specific rate.

On January 31, 2022, the USDOC released the preliminary results from AR3 POI covering the 2020 calendar year, which indicated a rate of 8.46% for CVD and 4.63% for ADD for West Fraser. The duty rates are subject to an appeal process, and we will record an adjustment once the rates are finalized. If the AR3 rates were to be confirmed, it would result in a U.S. dollar recovery of $43 million for the POI covered by AR3. This adjustment would be in addition to the amounts already recorded on our balance sheet. If these rates are finalized, our combined cash deposit rate would be revised to 13.09%.

The respective Cash Deposit Rates, the AR POI Final Rate, and the West Fraser Estimated ADD Rate for each period are as follows:

Effective dates for CVD	Cash Deposit Rate	AR POI Final Rate
AR1 POI		
April 28, 2017 - August 24, 2017[1]	24.12 %	6.76 %[3]
August 25, 2017 - December 27, 2017[1]	—	—
December 28, 2017 - December 31, 2017[2]	17.99 %	6.76 %[3]
January 1, 2018 - December 31, 2018	17.99 %	7.57 %[3]
AR2 POI		
January 1, 2019 - December 31, 2019	17.99 %	5.08 %[5]
AR3 POI		
January 1, 2020 - November 30, 2020	17.99 %	n/a[6]
December 1, 2020 - December 31, 2020[4]	7.57 %	n/a[6]
AR4 POI		
January 1, 2021 - December 1, 2021	7.57 %	n/a[7]
December 2, 2021 - December 31, 2021[8]	5.06 %	n/a[7]

1. On April 24, 2017, the USDOC issued its preliminary rate in the CVD investigation. The requirement that we make cash deposits for CVD was suspended on August 24, 2017, until the USDOC published the Revised Rate.
2. On December 4, 2017, the USDOC revised our CVD Cash Deposit Rate effective December 28, 2017.
3. On February 3, 2020, the USDOC issued a preliminary CVD rate and, on November 24, 2020, a final CVD rate for the AR1 POI. This table only reflects the final rate.
4. On November 24, 2020, the USDOC revised our CVD Cash Deposit Rate effective December 1, 2020.
5. On May 20, 2021, the USDOC issued a preliminary CVD rate and, on November 24, 2021, a final CVD rate for the AR2 POI. Following year-end, the USDOC amended the final CVD rate for the AR2 POI from 5.06% to 5.08% for ministerial errors. This table only reflects the final rate.
6. The CVD rate for the AR3 POI will be adjusted when AR3 is complete, and the USDOC finalizes the rate, which is not expected until 2022.
7. The CVD rate for the AR4 POI will be adjusted when AR4 is complete, and the USDOC finalizes the rate, which is not expected until 2023.
8. On November 24, 2021, the USDOC revised our CVD Cash Deposit Rate effective December 2, 2021. Following year-end, the USDOC amended the CVD cash deposit rate for ministerial errors from 5.06% to 5.08%, effective January 10, 2022.

Effective dates for ADD	Cash Deposit Rate	AR POI Final Rate	West Fraser Estimated Rate
AR1 POI			
June 30, 2017 - December 3, 2017[1]	6.76 %	1.40 %[3]	1.46 %
December 4, 2017 - December 31, 2017[2]	5.57 %	1.40 %[3]	1.46 %
January 1, 2018 - December 31, 2018	5.57 %	1.40 %[3]	1.46 %
AR2 POI			
January 1, 2019 - December 31, 2019	5.57 %	6.06 %[5]	4.65 %
AR3 POI			
January 1, 2020 - November 29, 2020	5.57 %	n/a[6]	3.40 %
November 30, 2020 - December 31, 2020[4]	1.40 %	n/a[6]	3.40 %
AR4 POI			
January 1, 2021 - December 1, 2021	1.40 %	n/a[7]	6.80 %
December 2, 2021 - December 31, 2021[8]	6.06 %	n/a[7]	6.80 %

1. On June 26, 2017, the USDOC issued its preliminary rate in the ADD investigation effective June 30, 2017.
2. On December 4, 2017, the USDOC revised our ADD Cash Deposit Rate effective December 4, 2017.
3. On February 3, 2020, the USDOC issued a preliminary ADD Rate and, on November 24, 2020, a final ADD rate for the AR1 POI. This table only reflects the final rate.
4. On November 24, 2020, the USDOC revised our ADD Cash Deposit Rate effective November 30, 2020.
5. On May 20, 2021, the USDOC issued a preliminary ADD rate and, on November 24, 2021, a final ADD rate for the AR2 POI. This table only reflects the final rate.
6. The ADD rate for the AR3 POI will be adjusted when AR3 is complete, and the USDOC finalizes the rate, which is not expected until 2022.
7. The ADD rate for the AR4 POI will be adjusted when AR4 is complete, and the USDOC finalizes the rate, which is not expected until 2023.
8. On November 24, 2021, the USDOC revised our ADD Cash Deposit Rate effective December 2, 2021.

Accounting policy for duties

The CVD and ADD rates apply retroactively for each POI. We record CVD as export duty expense at the cash deposit rate until an AR finalizes a new applicable rate for each POI. We record ADD as export duty expense by estimating the rate to

be applied for each POI by using our actual results and the same calculation methodology as the USDOC and adjust when an AR finalizes a new applicable rate for each POI. The difference between the cash deposits and export duty expense is recorded on our balance sheet as export duty deposits receivable or other liabilities as applicable, along with any adjustments to finalized rates.

The difference between the cash deposit amount and the amount that would have been due based on the final AR rate will incur interest based on the U.S. federally published interest rate. We record interest income on our duty deposits receivable, net of any interest expense on our duty deposits payable, based on this rate.

Impact on results

The following table reconciles our cash deposits paid during the period to the amount recorded in our consolidated statement of earnings:

($ millions)

		2021		2020
Cash deposits paid[1]	$	(132)	$	(161)
Adjust to West Fraser Estimated ADD rate[2]		(69)		9
Effective duty expense for period[3]		(201)		(152)
Duty recovery attributable to AR1[4]		—		95
Duty recovery attributable to AR2[5]		55		—
Duty expense		(146)		(57)
Interest income on duty deposits attributable to West Fraser Estimated rate adjustments		2		2
Interest income on the AR1 and AR2 duty deposits receivable		7		11
Interest income on duty deposits	$	9	$	13

1. Represents combined CVD and ADD cash deposit rate of 23.56% from January 1, 2020 to November 29, 2020, 19.39% on November 30, 2020, 8.97% from December 1, 2020 to December 1, 2021, and 11.12% from December 2, 2021 to December 31, 2021.
2. Represents adjustment to West Fraser Estimated ADD rate of 6.80% for 2021 and 3.40% for 2020.
3. The total represents the combined CVD cash deposit rate and West Fraser Estimated ADD rate of 21.39% from January 1 to November 30, 2020, 10.97% from December 1 to December 31, 2020, 14.37% for January 1 to December 1, 2021, and 11.86% for December 2 to December 31, 2021.
4. $95 million represents the duty recovery attributable to the finalization of AR1 duty rates for the 2017 and 2018 POI.
5. $55 million represents the duty recovery attributable to the finalization of AR2 duty rates for the 2019 POI.

As at December 31, 2021, export duties paid and payable on deposit with the USDOC were $662 million.

Appeals

On May 22, 2020, the North American Free Trade Agreement (“NAFTA”) panel issued its final decision on “Injury”. The NAFTA panel rejected the Canadian parties’ arguments and upheld the USITC’s remand determination in its entirety.

On August 28, 2020, the World Trade Organization’s (“WTO”) dispute-resolution panel ruled unanimously that U.S. countervailing duties against Canadian softwood lumber are inconsistent with the WTO obligations of the United States. The decision confirmed that Canada does not subsidize its softwood lumber industry. On September 28, 2020, the U.S. announced that it would appeal the WTO panel’s decision.

The softwood lumber case will continue to be subject to NAFTA or the new Canada-United States-Mexico Agreement (“CUSMA”) and WTO dispute resolution processes, and litigation in the U.S. In the past, long periods of litigation have led to negotiated settlements and duty deposit refunds. In the interim, duties remain subject to the USDOC AR process, which results in an annual adjustment of duty deposit rates.

Notwithstanding the deposit rates assigned under the investigations, our final liability for CVD and ADD will not be determined until each annual administrative review process is complete and related appeal processes are concluded.

North America Engineered Wood Products Segment

($ millions unless otherwise indicated)

	2021	2020
NA EWP Segment Earnings		
Sales		
OSB	$ 3,450	$ —
Plywood, LVL and MDF	796	458
Wood chips, logs and other	27	16
	4,273	474
Cost of products sold	(1,521)	(303)
Freight and other distribution costs	(262)	(42)
Amortization	(289)	(13)
Selling, general and administration	(76)	(22)
Operating earnings	2,125	94
Finance expense	(3)	(4)
Other	(1)	5
Earnings before tax	$ 2,121	$ 95
Adjusted EBITDA[1]	$ 2,414	$ 107
Capital expenditures[2]	424	10
OSB (MMsf 3/8" basis)		
Production	5,654	—
Shipments	5,674	—
Plywood (MMsf 3/8" basis)		
Production	763	762
Shipments	756	761
MDF (MMsf 3/4" basis)		
Production	227	209
Shipments	228	206
LVL (Mcf)		
Production	2,439	1,948
Shipments	2,416	2,021

1. This is a non-GAAP financial measure. Refer to the "Non-GAAP and Other Specified Financial Measures" section of this document for more information on this measure. 2021 Adjusted EBITDA was decreased by a one-time charge of $86 million related to inventory purchase price accounting.
2. Includes $276 million relating to the acquisition of the idled OSB mill near Allendale, South Carolina.

Our NA EWP segment includes our North American OSB, plywood, MDF, and LVL operations. Our operations and financial results up to February 1, 2021 only reflect activities associated with West Fraser's Panels segment without incorporating the pre-February 1, 2021 North American operations and results of Norbord. Subsequent to February 1, 2021, our operations and financial results reflect the consolidated activities and operations of West Fraser and Norbord, including incorporating the North American operations of Norbord into our NA EWP segment.

Our Adjusted EBITDA analysis reports OSB as one line, and the variances reported only represent changes for plywood, MDF, and LVL.

Sales and Shipments

Sales increased in 2021 compared to 2020 due primarily to the addition of our OSB operations from the date of the Norbord Acquisition and higher pricing for plywood, MDF, and LVL products in the current year.

Our plywood production is sold primarily into Canada, and Canadian housing starts and the repair and remodelling market improved in the current year. Demand for MDF and LVL also recovered from COVID-19 related economic impacts in 2020. The price variance for plywood, MDF, and LVL products increased earnings before tax and adjusted EBITDA by $310 million compared to 2020.

Plywood shipment volumes were comparable to prior year. The 2020 volumes were impacted by temporary production curtailments from COVID-19 related market conditions in the spring of 2020 and the 2021 volumes were impacted by the weather-related railcar shortages. Substantially all of our plywood product is shipped eastward to Ontario and Quebec and southward to the U.S. As such, 2021 shipment volumes were not impacted materially by wildfires and severe weather and flooding in B.C., which primarily disrupted rail links and trucking between the B.C. interior and Lower Mainland.

Shipment volumes for our other panel products, in particular LVL, increased compared to the prior year as demand for these products increased due to improved demand from new home construction and repair and remodelling.

The shipment volume variance for plywood, MDF, and LVL products increased earnings before tax and adjusted EBITDA by $9 million compared to 2020.

Costs and Production

Production for plywood, MDF, and LVL products increased compared to 2020. Plywood production in 2020 was partially curtailed in the first half of 2020 in response to COVID-19 related market conditions. MDF and LVL production schedules were also reduced in 2020 to match demand. Production volumes increased as demand for these products recovered from COVID-19 related economic impacts in the prior year.

All of our operating expenses increased due to the addition of our OSB operations.

Purchase price accounting increased our OSB cost of products sold by $86 million and increased our amortization expense compared to pre-acquisition levels. Accounting standards require acquired inventory to be valued at fair value, which is represented by the estimated selling price, less the sum of (a) selling costs and (b) a reasonable profit allowance for the completing and selling effort, based on the profit for similar finished goods. Property, plant, and equipment assets were valued at depreciated replacement cost to represent fair value. The customer relationship intangible asset related to our North America operations will be amortized over 10 years and is based on a valuation model prepared by an independent valuation firm.

Plywood, MDF and LVL costs of products sold trended with shipment volume changes. Compared to 2020, their manufacturing costs were negatively impacted by increased wood costs in B.C. and Alberta, a stronger Canadian dollar relative to the U.S. dollar during the year, and higher additive and energy costs.

B.C. and Alberta stumpage costs increased due to higher fees tied to published product prices as discussed in the Lumber Segment, and B.C. purchased log costs increased due to fibre shortages.

A stronger Canadian dollar relative to the U.S. dollar during 2021 increased the U.S. dollar equivalent of our manufacturing and input costs at our Canadian locations, which are primarily incurred in Canadian dollars.

Freight and other distribution costs generally increased in 2021 compared to 2020 as the transportation network adjusted to the post-COVID demand levels. Higher costs also resulted from transportation issues related to the 2021 wildfires and flooding in B.C.

Selling, general, and administration costs increased compared to 2020 due primarily to the addition of OSB. The plywood, MDF, and LVL operations were also impacted by a stronger Canadian dollar relative to the U.S. dollar on administration costs incurred in Canadian dollars.

Finance expense and other income were comparable compared to 2020.

Earnings before tax for the NA EWP Segment increased by $2,026 million compared to 2020 primarily due to the addition of our OSB operations from the date of the Norbord Acquisition and the reasons explained above.

Adjusted EBITDA for the NA EWP Segment increased by $2,307 million compared to 2020. The following table shows the Adjusted EBITDA variance for the period. Our Adjusted EBITDA analysis reports OSB as one line, and the variances reported only represent changes for plywood, MDF, and LVL.

Adjusted EBITDA ($ millions)	**YTD-20 to YTD-21**
Adjusted EBITDA - comparative period	$ 107
Price	310
OSB Adjusted EBITDA since the date of the Norbord Acquisition [1]	2,089
Volume	9
Changes in costs	(99)
Other	(2)
Adjusted EBITDA - current period	$ 2,414

1. OSB Adjusted EBITDA since the date of the Norbord Acquisition is calculated as earnings determined for our North American OSB operations adding back: finance expense, tax provision or recovery, amortization, equity-based compensation, restructuring and impairment charges, and other.

Pulp & Paper Segment

($ millions unless otherwise indicated)

	2021	**2020**
Pulp & Paper Segment Earnings		
Sales	$ 727	$ 648
Cost of products sold	(541)	(490)
Freight and other distribution costs	(137)	(126)
Amortization	(34)	(31)
Selling, general and administration	(34)	(33)
Operating earnings	(19)	(32)
Finance expense	(5)	(6)
Other	2	(8)
Earnings before tax	$ (22)	$ (46)
Adjusted EBITDA[1]	$ 15	$ (1)
Capital expenditures	35	19
BCTMP (Mtonnes)		
Production	623	662
Shipments	614	667
NBSK (Mtonnes)		
Production	428	462
Shipments	419	465
Newsprint (Mtonnes)		
Production	113	105
Shipments	113	109

1. This is a non-GAAP financial measure. Refer to the “Non-GAAP and Other Specified Financial Measures” section of this document for more information on this measure.

The pulp & paper segment includes our NBSK, BCTMP and newsprint operations.

Sales and Shipments

Sales increased compared to 2020 due to higher BCTMP and NBSK pricing, offset in part by lower pulp shipment volumes. Despite a period of softer demand from China in the third quarter, overall demand for our pulp products increased in 2021, which positively affected pulp pricing.

2021 pulp shipments were lower than prior year as a result of reduced production and disruptions to rail and truck services due to wildfires and severe weather and flooding in B.C.

Newsprint pricing and shipment volumes remained comparable to prior year.

The price variance resulted in an increase in earnings before tax and adjusted EBITDA of $132 million compared to 2020, and the volume variance resulted in a decrease in earnings before tax and adjusted EBITDA of $12 million compared to 2020.

Costs and Production

BCTMP and NBSK production volumes decreased compared to 2020.

BCTMP and NBSK production volumes, which are mostly destined for Asian markets, were significantly reduced in the fourth quarter of 2021 in response to the inability to transport products to or from the Lower Mainland and congestion at the ports that resulted from severe weather and flooding in B.C. The flooding blocked three of B.C.'s major highways and multiple rail lines for several weeks and the resulting backlog at the port has continued to impact export shipments into 2022.

NBSK production volumes were also impacted by planned and unplanned maintenance for our Cariboo and Hinton NBSK mills during the year. 2020 production was adversely impacted, although not to the same extent, by the temporary shutdown of our Cariboo NBSK pulp mill in 2020 in response to low fibre availability and to complete planned maintenance.

Newsprint production volumes were comparable to 2020.

Costs of products sold increased compared to 2020 due primarily to higher fibre costs, as chips used in the production of NBSK are tied to NBSK pricing, higher maintenance cost spending, and increased energy costs. Partially offsetting this impact was the reduction in shipment volumes.

Freight and other distribution costs increased in 2021, despite lower shipment volumes, due to international supply chain challenges as the transportation network adjusted to post-COVID demand levels in addition to increased trucking costs as rail service was impacted by B.C. wildfires in the third quarter of 2021 and all transportation methods by the flooding in B.C. in the fourth quarter of 2021.

Amortization, selling, general, and administration costs, and finance expense were comparable to prior year. Other for 2020 was negatively impacted by an accrual for a power purchase dispute.

Earnings before tax for the Pulp & Paper Segment increased by $24 million compared to 2020 due to the reasons explained above.

Adjusted EBITDA for the Pulp & Paper Segment increased by $16 million compared to 2020. The following table shows the Adjusted EBITDA variance for the period.

Adjusted EBITDA ($ millions)	**YTD-20 to YTD-21**
Adjusted EBITDA - comparative period	$ (1)
Price	132
Volume	(12)
Changes in costs	(93)
Other	(11)
Adjusted EBITDA - current period	$ 15

Europe Engineered Wood Products Segment

($ millions unless otherwise indicated)

	2021	2020
Europe EWP Segment Earnings		
Sales	$ 723	$ —
Cost of products sold	(457)	—
Freight and other distribution costs	(43)	—
Amortization	(88)	—
Selling, general and administration	(22)	—
Operating earnings	113	—
Finance expense	(1)	—
Earnings before tax	$ 112	$ —
Adjusted EBITDA[1]	$ 201	$ —
Capital expenditures	28	—
OSB (MMsf 3/8" basis)		
Production	1,035	—
Shipments	1,010	—
MDF (MMsf 3/8" basis)		
Production	299	—
Shipments	306	—
Particleboard (MMsf 3/8" basis)		
Production	494	—
Shipments	464	—

1. This is a non-GAAP financial measure. Refer to the "Non-GAAP and Other Specified Financial Measures" section of this document for more information on this measure. 2021 Adjusted EBITDA was decreased by a one-time charge of $7 million related to inventory purchase price accounting.

Our Europe EWP segment includes our U.K. and Belgium OSB, MDF, and particleboard operations effective from the February 1, 2021, acquisition date. This segment is new to our company for 2021 so we do not have comparative data in our results for 2020.

Sales prices for the OSB, MDF and particleboard in the European operations tend to be more stable than those in the North American market due to longer-term customer contract pricing. As such, the price increase realized in 2021 was not as high as in North America but was significant to the Europe segment results. Resin costs continued to increase throughout 2021 for these products.

Purchase price accounting increased our Europe EWP cost of products sold by $7 million and increased amortization expense compared to pre-acquisition levels. These accounting standards require acquired inventory to be valued at fair value, which is represented by the estimated selling price, less the sum of (a) selling costs and (b) a reasonable profit allowance for the completing and selling effort, based on the profit for similar finished goods. Property, plant, and equipment assets were valued at depreciated replacement cost to represent fair value. The customer relationship intangible asset related to our European operations will be amortized over 10 years and is based on a valuation model prepared by an independent valuation firm.

Discussion & Analysis of Non-Operational Items

Selling, general and administration

Corporate & Other selling, general and administration expense increased compared to prior year due to acquisition costs associated with the Norbord Acquisition, higher salaries and wages, including costs relating to our OSB corporate team, higher professional fees, and additional costs relating to IT integration. Selling, general and administration expenses related to our operating segments are discussed under "Discussion & Analysis of Annual Results by Product Segment".

Equity-based compensation

Our equity-based compensation includes our share purchase option, phantom share unit, and deferred share unit plans (collectively, the "Plans"), all of which had been partially hedged by an equity derivative contract. The equity derivative matured in December 2021 and was closed out. Our Plans and our equity derivative contract are fair valued at each period-end, and the resulting expense or recovery is recorded over the vesting period.

The Plans include those equity-based plans assumed from Norbord as part of the Norbord Acquisition. The assumed Norbord share purchase option plans ("Assumed Option Plans") were fair valued at the Norbord Acquisition date. From February 1 to April 20, 2021, the Assumed Option Plans were accounted for as equity-settled plans. On April 20, 2021, our board of directors approved a change to allow the Assumed Option Plans holders the right to elect to receive a cash payment in lieu of exercising an option to purchase Common shares. The change required us to fair value the Assumed Option Plan on April 20, 2021 and convert from equity-based accounting to cash-settled accounting for the Assumed Option Plans. Cash-settled accounting is consistent with the West Fraser option plan. Any changes in fair value from April 20, 2021 onwards will result in an expense or recovery over the vesting period in the same manner as the rest of our Plans. This change to the Assumed Option Plans did not in any way affect the value of the instruments to the holders.

Our valuation models consider various factors, with the most significant being the change in the market value of our shares from the beginning to the end of the relevant period. The expense or recovery does not necessarily represent the value that the holders of options and units will ultimately receive.

Equity-based compensation expense increased compared to prior year due to the impacts of the Assumed Option Plans and the increase in our share price during 2021.

Finance expense

Finance expense for 2021 was net of $9 million of interest income (2020 - $13 million) related to duty deposits receivable. Additional information regarding the interest income on duty deposits receivable is disclosed under "Discussion & Analysis of Annual Results by Product Segment - Lumber Segment - Softwood Lumber Dispute". Finance expense excluding the interest income related to export duty deposits was $54 million, which was $14 million higher than in 2020. Finance expense was higher due to the additional interest incurred on the Norbord Notes for the two months between the Norbord Acquisition and redemption of the notes, the additional make-whole premium paid to redeem the Norbord Notes, and the write-off of deferred financing costs related to prior credit facilities that were extinguished upon the execution of our $1 billion revolving credit facility.

Other

Effective February 1, 2021, our Canadian operations functional currency changed from Canadian dollars to U.S. dollars. From that date forward, any change in the value of the USD relative to the value of the CAD results in the revaluation of our CAD-denominated monetary assets and liabilities. The currency revaluations are recorded in other.

At the same time, we retroactively changed our reporting currency from Canadian dollars to U.S. dollars. The change of reporting currency resulted in a currency remeasurement of prior period results. Revenues and expenses for the year ended December 31, 2020 were translated into U.S. dollars at the average exchange rate, with no adjustments to the measurement of or accounting for previously reported results. Additional details on West Fraser's conversion to U.S. dollars can be found under the title "Change in Functional and Reporting Currency."

Other expense of $5 million was recorded for our Corporate segment in 2021 compared to an expense of $9 million in 2020. In 2021, we entered into annuity purchase agreements to settle $215 million of our defined benefit obligations by purchasing annuities using our plan assets. These agreements transferred the pension obligations of retired employees under certain pension plans to financial institutions. The difference between the cost of the annuity purchase and the liabilities held for these pension plans is reflected as a settlement cost of $12 million recorded under Other. This was offset in part by mark-to-market gains on our interest rate swap contracts.

The other expense in 2020 related primarily to foreign exchange losses and mark-to-market losses on our interest rate swap contracts.

Other related to our operating segments are discussed under "Discussion & Analysis of Annual Results by Product Segment".

Income tax

We recorded an income tax expense in 2021 of $951 million compared to $202 million in 2020. The effective tax rate was 24% compared to 26% in 2020. Note 18 to the Annual Financial Statements provides a reconciliation of income taxes calculated at the statutory rate to the income tax expense.

Other comprehensive earnings – translation of foreign operations

As part of the Norbord Acquisition, we acquired operations in the U.K. and Belgium, so any change in the value of the British pound sterling or Euro relative to the value of the USD results in the revaluation of our European EWP operations assets and liabilities. The revaluation of our European operations into U.S. dollars is reported in other comprehensive earnings.

Other comprehensive earnings for 2020 included a $32 million gain relating to the translation effect due to change in reporting currency. Additional details on West Fraser's conversion to U.S. dollars can be found under the title "Change in Functional and Reporting Currency."

Other comprehensive earnings – actuarial gains/losses on retirement benefits

The funded position of our defined benefit pension plans and other retirement benefit plans is estimated at the end of each period. The funded position, as shown in Note 13 to our Annual Financial Statements, is determined by subtracting the value of the plan assets from the plan obligations.

In 2021, we recorded in other comprehensive earnings an after-tax actuarial gain of $153 million (2020 - loss of $7 million). The current year gain reflected an increase in the discount rate used to calculate plan liabilities and higher returns on plan assets.

FOURTH QUARTER RESULTS

Summary Fourth Quarter Results ($ millions)	**Q4-21**	**Q3-21**	**Q4-20**
Earnings			
Sales	$ 2,038	$ 2,358	$ 1,294
Cost of products sold	(1,158)	(1,213)	(686)
Freight and other distribution costs	(207)	(220)	(139)
Export duties, net	30	(66)	36
Amortization	(153)	(147)	(54)
Selling, general and administration	(88)	(73)	(52)
Equity-based compensation	(12)	(9)	(4)
Operating earnings	450	630	395
Finance expense, net	(1)	(11)	3
Other	(11)	5	(13)
Tax provision	(104)	(164)	(103)
Earnings	$ 334	$ 460	$ 282
Adjusted EBITDA[1]	$ 615	$ 786	$ 453

1. This is a non-GAAP financial measure. Refer to the “Non-GAAP and Other Specified Financial Measures” section of this document for more information on this measure.

Selected Quarterly Results

($ millions, except EPS amounts which are in $)

	Q4-21	**Q3-21**	**Q2-21**	**Q1-21**	**Q4-20**	**Q3-20**	**Q2-20**	**Q1-20**
Sales	$ 2,038	$ 2,358	$ 3,779	$ 2,343	$ 1,294	$ 1,268	$ 921	$ 890
Earnings	334	460	1,488	665	282	262	35	9
Basic EPS	3.13	4.20	12.32	6.96	4.09	3.82	0.51	0.13
Diluted EPS	3.13	4.20	12.32	6.96	4.09	3.82	0.51	(0.09)

Earnings generally trended up in 2020 primarily due to increased pricing for our products as demand recovered from the impacts of COVID-19 throughout the year. The Norbord Acquisition led to incorporation of additional sales and earnings from our North America and Europe OSB operations, which are reflected in our 2021 results from February 1, 2021 onwards. Pricing for our products reached record highs in Q2-21 before moderating in Q3-21. Although pricing partially recovered in Q4-21, our Q4-21 results were impacted by disruptions to shipments of our Canadian lumber and pulp products as a result of severe weather and flooding in B.C. Western Canada log costs, particularly in B.C., increased significantly over the two years, offsetting some of the pricing gains.

Discussion & Analysis of Fourth Quarter Results by Product Segment

Lumber Segment

($ millions unless otherwise indicated)

	Q4-21	Q3-21	Q4-20
Lumber segment earnings			
Sales			
Lumber	$ 796	$ 788	$ 915
Wood chips and other residuals	70	69	69
Logs and other	22	26	26
	888	883	1,010
Cost of products sold	(546)	(586)	(487)
Freight and other distribution costs	(93)	(102)	(97)
Export duties, net	30	(66)	36
Amortization	(45)	(41)	(40)
Selling, general and administration	(39)	(36)	(37)
Operating earnings	195	52	385
Finance expense, net	1	(8)	6
Other	(2)	7	(8)
Earnings before tax	$ 194	$ 51	$ 383
Adjusted EBITDA[1, 2]	$ 240	$ 93	$ 425
SPF (MMfbm)			
Production	720	758	810
Shipments	673	805	840
SYP (MMfbm)			
Production	659	643	692
Shipments	632	698	711

1. This is a non-GAAP financial measure. Refer to the “Non-GAAP and Other Specified Financial Measures” section of this document for more information on this measure. Q4 2021 Adjusted EBITDA was decreased by a one-time charge of $2 million related to inventory purchase price accounting.
2. Effective January 1, 2021, and for all comparative periods, export duties are no longer excluded from the definition of Adjusted EBITDA.

Sales and Shipments

Lumber sales for the fourth quarter were impacted by lower shipments and higher product pricing. Lumber sales were higher than the previous quarter as higher product pricing more than offset lower shipment volumes. Lumber sales were lower than Q4-20 as product pricing was modestly higher and did not offset lower shipment volumes.

Shipment volumes were lower for both SPF and SYP in Q4-21 compared to the comparative quarters. SPF shipment volumes were lower in Q4-21 as severe weather and flooding in B.C. disrupted rail and truck services. This disruption was more severe than those relating to wildfires in the third quarter as the flooding blocked three of B.C.’s major highways and multiple rail lines for several weeks, whereas certain highway routes were still open to trucking during the wildfires. No significant transportation disruptions impacted Q4-20, and shipment volumes in Q4-20 were higher as shipments recovered from intermittent rail services issues in previous periods.

SYP shipment volumes trended lower in Q4-21. SYP production exceeded shipments in Q4-21, offsetting a drawdown in SYP inventory in Q3-21 as we over shipped production as demand for lumber improved. Shipment volumes decreased compared to Q4-20 due to reduced production levels, discussed further in the section below.

The volume variance resulted in a decrease in earnings before tax and Adjusted EBITDA of $38 million compared to the previous quarter and a decrease of $64 million compared to the fourth quarter of 2020.

Fourth-quarter lumber pricing was higher than Q3-21 and was also higher, although to a lesser extent, than Q4-20. Lumber supply and demand industry fundamentals tightened through the fourth quarter, which we believe was due to relatively low inventory volumes in the supply chain as a result of transportation and logistics disruptions, improved new home construction levels, and strong demand from repair and remodelling activity.

The price variance resulted in an increase in earnings before tax and Adjusted EBITDA of $130 million compared to the previous quarter and an increase of $30 million compared to the fourth quarter of 2020.

	Q4-21		Q3-21		Q4-20	
SPF Sales by Destination	**MMfbm**	**%**	**MMfbm**	**%**	**MMfbm**	**%**
U.S.	461	68%	548	68%	567	67%
Canada	128	19%	204	25%	177	21%
China	60	9%	23	3%	64	8%
Other	24	4%	30	4%	32	4%
	673		805		840	

We ship SPF to several export markets, while our SYP sales are almost entirely within the U.S. The relative proportion of shipments of SPF to China was higher compared to the previous quarter due to changes in pricing differentials between the North American and overseas markets. The relative proportion of shipments of SPF to China in Q4 2021 was comparable to the fourth quarter of 2020.

Wood chip and other residual sales in Q4-21 were consistent with both comparative quarters.

Costs and Production

SPF production volumes decreased versus comparable quarters due to reductions in operating schedules at our B.C. SPF operations in response to disruptions to rail and truck services caused by severe weather and flooding in B.C. in Q4-21. The decrease in production compared to Q4-20 is more significant than the decrease compared to Q3-21 as production in Q3-21 was impacted by reductions in operating schedules caused by wildfires in B.C.

SYP production was higher compared to the Q3-21 but lower compared to Q4-20. Production increased compared to the previous quarter as Q3-21 production was impacted by temporary market-related production curtailments and due to incremental production from the December 1, 2021 acquisition of the Angelina Forest Products lumber mill in Lufkin, Texas. Q4-21 production was lower compared to Q4-20 as production was adversely impacted by log shortages in certain operating areas, supply chain disruptions impacting procurement of certain manufacturing inputs, and COVID-19 impacts on the workforce.

Costs of products sold were lower than the previous quarter due primarily to lower shipment volumes offset in part by higher SPF and SYP log costs. Costs of products sold were higher as compared to the fourth quarter of 2020 due to increases in SPF and SYP log costs and manufacturing costs, offset in part by lower shipment volumes.

SPF log costs increased versus comparable quarters due to increased stumpage rates in B.C. and Alberta and purchased log costs in B.C. Both the third and fourth quarter of 2021 were negatively impacted by the B.C. SPF stumpage costs tied to the price of lumber, which with the time lag, increased as a result of high lumber prices in Q2-21. Fibre shortages in B.C. have increased competition and pricing for logs available through the B.C. Timber Sales log market. Q4-21 lumber results were also adversely impacted by the strengthening of the Canadian dollar compared to Q4-20. This increased the U.S. dollar equivalent of our SPF manufacturing and input costs, which are primarily incurred in Canadian dollars.

SYP log costs trended higher in the fourth quarter of 2021 compared to both comparative periods due to increased competition for logs as sawmill production increased in the region. The U.S. South continued to have higher input costs in the quarter due to inflation and increased employee costs associated with managing through COVID-19.

Freight and other distribution costs were lower compared to the previous quarter due to lower shipment volumes. The severe flooding in B.C. impacted volume as main highways and rail lines were closed for several weeks and the ports congested, making it challenging to move any of our products through B.C. Freight and other distribution costs generally

increased in 2021 compared to 2020 as the transportation network adjusted to the post-COVID-19 demand levels, resulting in truck and driver shortages in the U.S.

An export duty recovery was recorded for the fourth quarter of 2021 compared to an export duty expense in the previous quarter as the Q4-21 balance is net of a recovery of $55 million related to the USDOC finalization of the AR2 duty rates. Further, as disclosed in the table below, the effective duty expense for the period was $25 million compared to $66 million in Q3-21. The decrease in effective export duty expense was due to lower volumes shipped to the U.S. in Q4-21, which more than offset increased pricing.

Export duty recovery for the fourth quarter of 2021 was lower than the fourth quarter of 2020. Export duties for 2021 were net of a recovery of $55 million related to the USDOC finalization of the AR2 duty rates, whereas export duties for 2020 were net of a $95 million recovery related to the USDOC finalization of the AR1 duty rates. As disclosed in the table below, the effective duty expense for the period was $25 million compared to $59 million in Q4-20. The decrease in effective export duty expense was due to lower estimated rates and a lower volume of softwood lumber shipped to the U.S. in Q4-21 compared to Q4-20, which more than offset increased pricing.

The following table reconciles our cash deposits paid during the period to the amount recorded in our earnings statement:

Duty impact on earnings ($ millions)	**Q4-21**	**Q3-21**	**Q4-20**
Cash deposits paid[1]	$ (20)	$ (27)	$ (54)
Adjust to West Fraser Estimated ADD rate[2]	(5)	(39)	(5)
Effective duty expense for period[3]	(25)	(66)	(59)
Duty recovery attributable to AR1[4]	—	—	95
Duty recovery attributable to AR2[5]	55	—	—
Duty recovery (expense)	30	(66)	36
Interest income on duty deposits attributable to West Fraser Estimated rate adjustments	1	1	—
Interest income on the AR1 and AR2 duty deposits receivable	6	1	11
Interest income on duty deposits	$ 7	$ 2	$ 11

1. Represents combined CVD and ADD cash deposit rate of 23.56% from January 1 to November 29, 2020, 19.39% on November 30, 2020, and 8.97% from December 1, 2020 to December 31, 2021.
2. Represents adjustment to West Fraser Estimated ADD rate of 6.80% for 2021 and 3.40% for 2020.
3. The total represents the combined CVD cash deposit rate and West Fraser Estimated ADD rate of 21.39% from January 1 to November 30, 2020, 10.97% from December 1 to December 31, 2020, 14.37% for January 1 to December 1, 2021, and 11.86% for December 2 to December 31, 2021.
4. $95 million represents the duty recovery attributable to the finalization of AR1 duty rates for the 2017 and 2018 POI.
5. $55 million represents the duty recovery attributable to the finalization of AR2 duty rates for the 2019 POI.

Amortization expense was comparable to both prior quarter comparatives.

Selling, general and administration costs were higher than both prior quarter comparatives due primarily to higher salaries and wages.

For the fourth quarter of 2021, a recovery was recorded in finance expense, net compared to an expense in the previous quarter as the Q4-21 balance is net of interest income of $6 million related to AR1 and AR2 duty deposits receivable. Q4-20 is net of interest income of $11 million related to AR1 duty deposits receivable.

Fluctuations in other income compared to both comparative quarters were mostly due to foreign exchange revaluations on the Canadian dollar monetary assets and liabilities held by our Canadian operations.

Earnings before tax for the Lumber Segment increased by $143 million compared to the previous quarter and decreased by $189 million compared to the fourth quarter of 2020 for the reasons explained above.

Adjusted EBITDA for the Lumber Segment increased by $147 million compared to the previous quarter and decreased by $185 million compared to the fourth quarter of 2020. The following table shows the Adjusted EBITDA variance for the period.

Adjusted EBITDA ($ millions)	Q3-21 to Q4-21	Q4-20 to Q4-21
Adjusted EBITDA - comparative period	$ 93	$ 425
Price	130	30
Volume	(38)	(64)
Changes in export duties	96	(6)
Changes in costs	(24)	(125)
Other	(17)	(20)
Adjusted EBITDA - current period	$ 240	$ 240

North America Engineered Wood Products Segment

($ millions unless otherwise indicated)

	Q4-21	Q3-21	Q4-20
NA EWP Segment Earnings			
Sales			
OSB	$ 666	$ 888	$ —
Plywood, LVL and MDF	162	180	147
Wood chips, logs and other	6	9	4
	834	1,077	151
Cost of products sold	(398)	(375)	(86)
Freight and other distribution costs	(72)	(70)	(11)
Amortization	(73)	(73)	(4)
Selling, general and administration	(21)	(20)	(6)
Operating earnings	270	539	44
Finance expense	—	(1)	(1)
Other	(5)	4	(1)
Earnings before tax	$ 265	$ 542	$ 42
Adjusted EBITDA[1]	$ 343	$ 612	$ 48
OSB (MMsf 3/8” basis)			
Production	1,469	1,526	—
Shipments	1,543	1,536	—
Plywood (MMsf 3/8” basis)			
Production	175	177	200
Shipments	190	162	197
MDF (MMsf 3/4” basis)			
Production	55	58	55
Shipments	54	58	52
LVL (Mcf)			
Production	604	627	569
Shipments	573	644	573

1. This is a non-GAAP financial measure. Refer to the “Non-GAAP and Other Specified Financial Measures” section of this document for more information on this measure.

Our NA EWP segment includes our North American OSB, plywood, MDF, and LVL operations. Our operations and financial results up to February 1, 2021 only reflect activities associated with West Fraser’s Panels segment without incorporating the pre-February 1, 2021 North American operations and results of Norbord. Subsequent to February 1, 2021, our operations and financial results reflect the consolidated activities and operations of West Fraser and Norbord, including incorporating the North American operations of Norbord into our NA EWP segment.

Our Adjusted EBITDA analysis that compares Q4-21 to Q3-21 includes OSB, plywood, LVL and MDF, as the OSB results were included in both quarters. The Adjusted EBITDA analysis that compares our Q4-21 results to Q4-20 reports OSB as one line, and the variances reported only represent changes for plywood, LVL, and MDF.

Sales and Shipments

Sales in the current quarter decreased compared to the prior quarter due primarily to lower pricing for OSB and plywood products. Sales in the current quarter increased compared to the fourth quarter of 2020 due to the inclusion of the Norbord results post-acquisition and higher pricing for our panel products.

OSB shipment volumes for Q4-21 were comparable to the prior quarter. Plywood, MDF, and LVL shipment volumes were comparable to both comparative quarters.

The volume variance resulted in an increase in earnings before tax and Adjusted EBITDA of $5 million compared to the previous quarter and a decrease of $1 million compared to the fourth quarter of 2020.

The price variance resulted in a decrease in earnings before tax and Adjusted EBITDA of $251 million compared to the previous quarter and an increase of $16 million compared to the fourth quarter of 2020.

Costs and Production

Production for OSB decreased compared to the prior quarter due primarily to seasonal maintenance shutdowns and unscheduled downtime at certain production locations. This was offset in part by improved productivity at some production locations, including the ramp-up of the Chambord OSB mill.

Plywood, MDF, and LVL production volumes were comparable to the prior quarter. Substantially all of our plywood product is shipped eastward to Ontario and Quebec and southward to the U.S., so shipment volumes were not impacted materially by wildfires and severe weather and flooding in B.C. in the third quarter and fourth quarter respectively, which primarily disrupted rail links and trucking between the B.C. interior and Lower Mainland. Q4-21 plywood production volumes were impacted by minor market production curtailments, whereas facilities operated near capacity in Q4-20.

All of our operating expenses increased compared to the prior year due to the addition of the OSB operations.

Our costs of products sold increased compared to comparative quarters due primarily to increased input costs, including increased wood costs in B.C. and Alberta as well as continued constraints on the availability of resins used in the manufacture of panel products and the cost of energy and other oil-based derivatives.

B.C., Ontario, and Alberta stumpage costs increased due to higher fees tied to published product prices, as discussed in the Lumber Segment, and B.C. purchased log costs increased due to fibre shortages.

A stronger Canadian dollar relative to the U.S. dollar during Q4-21 as compared to Q4-20 increased the U.S. dollar equivalent of our manufacturing and input costs at our Canadian locations, which are primarily incurred in Canadian dollars.

Freight and other distribution costs were comparable to the prior quarter. Freight and other distribution costs are generally higher compared to 2020 as the transportation network adjusted to post-COVID-19 demand levels.

Amortization expense and selling, general, and administration costs were comparable to the previous quarter and increased compared to the fourth quarter of 2020 due primarily to the addition of the OSB operations.

Finance expense and other income were comparable compared to 2020.

Earnings before tax for the NA EWP Segment decreased by $277 million compared to the previous quarter and increased by $223 million compared to the fourth quarter of 2020 due to the reasons explained above.

Adjusted EBITDA for the NA EWP Segment decreased by $269 million compared to the previous quarter and increased by $295 million compared to the fourth quarter of 2020. The following table shows the Adjusted EBITDA variance for the period. Our Adjusted EBITDA analysis that compares the Q4-21 to Q3-21 includes OSB, plywood, LVL and MDF, as the OSB

results were included in both quarters. The Adjusted EBITDA analysis that compares our Q4-21 results to Q4-20 reports OSB as one line, and the variances reported only represent changes for plywood, LVL, and MDF.

Adjusted EBITDA ($ millions)	Q3-21 to Q4-21	Q4-20 to Q4-21
Adjusted EBITDA - comparative period	$ 612	$ 48
Price	(251)	16
OSB Adjusted EBITDA since the date of the Norbord Acquisition [1]	—	310
Volume	5	(1)
Changes in costs	(21)	(31)
Other	(2)	1
Adjusted EBITDA - current period	$ 343	$ 343

1. OSB Adjusted EBITDA since the date of the Norbord Acquisition is calculated as earnings determined for our North American OSB operations adding back: finance expense, tax provision or recovery, amortization, equity-based compensation, restructuring and impairment charges, and other.

Pulp & Paper Segment

($ millions unless otherwise indicated)

	Q4-21	Q3-21	Q4-20
Pulp & Paper Segment earnings			
Sales	$ 159	$ 175	$ 159
Cost of products sold	(132)	(140)	(139)
Freight and other distribution costs	(33)	(34)	(31)
Amortization	(9)	(8)	(8)
Selling, general and administration	(8)	(8)	(9)
Operating earnings	(23)	(15)	(28)
Finance expense	—	(2)	(2)
Other	(2)	1	(3)
Earnings before tax	$ (25)	$ (16)	$ (33)
Adjusted EBITDA[1]	$ (14)	$ (7)	$ (20)
BCTMP (Mtonnes)			
Production	134	166	156
Shipments	143	153	167
NBSK (Mtonnes)			
Production	92	96	103
Shipments	88	94	112
Newsprint (Mtonnes)			
Production	28	30	29
Shipments	28	30	29

1. This is a non-GAAP financial measure. Refer to the “Non-GAAP and Other Specified Financial Measures” section of this document for more information on this measure.

Sales and Shipments

Sales decreased compared to the previous quarter due to decreases in shipments and lower product pricing. Sales were comparable to the fourth quarter in 2020 as higher pulp pricing offset decreases in shipments.

Pulp shipments were adversely impacted by disruptions to rail and truck services due to severe weather and flooding in B.C. in the fourth quarter. This restricted access to ports in the Lower Mainland, where the majority of our products ship to offshore markets. Pulp shipments in the previous quarter were adversely impacted, although not to the same extent, by the impact of wildfires and planned and unplanned maintenance shutdowns for certain mills.

Newsprint shipments were comparable to both comparative quarters.

The volume variance resulted in an increase in earnings before tax and Adjusted EBITDA of $1 million compared to the previous quarter and a decrease of $2 million compared to the fourth quarter of 2020.

Pulp market fundamentals began to improve as the fourth quarter progressed, with pulp prices showing signs of recovery late in the quarter.

The price variance resulted in a decrease in earnings before tax and Adjusted EBITDA of $7 million compared to the previous quarter and an increase of $27 million compared to the fourth quarter of 2020.

Costs and Production

BCTMP and NBSK production declined compared to the previous quarter and fourth quarter of 2020. In the fourth quarter of 2021, disruptions to shipments resulting from severe weather and flooding in B.C. and limited storage space resulted in reduced production. These curtailments had a greater impact than the impact of wildfires and planned and unplanned maintenance shutdowns in both comparative quarters.

Newsprint production volumes were comparable to 2020.

Costs of products sold decreased compared to the preceding quarter due primarily to lower shipments. Costs of products sold decreased compared to Q4-20 due primarily to lower shipments, offset by higher manufacturing costs related to higher fibre and energy costs.

Freight and other distribution costs were comparable to both comparative periods due to lower shipments in Q4-21 offset by higher costs due to international supply chain challenges.

Amortization, selling, general, and administration costs, finance expense, and other were comparable compared to both comparative periods.

Earnings before tax for the Pulp & Paper Segment decreased by $9 million compared to the previous quarter and increased by $8 million compared to the fourth quarter of 2020 due to the reasons discussed above.

In addition, Adjusted EBITDA for the Pulp & Paper Segment decreased by $7 million compared to the previous quarter and increased by $6 million compared to the fourth quarter of 2020. The following table shows the Adjusted EBITDA variance for the period.

Adjusted EBITDA ($ millions)	**Q3-21 to Q4-21**	**Q4-20 to Q4-21**
Adjusted EBITDA - comparative period	$ (7)	$ (20)
Price	(7)	27
Volume	1	(2)
Changes in costs	3	(14)
Other	(4)	(5)
Adjusted EBITDA - current period	$ (14)	$ (14)

Europe Engineered Wood Products Segment

($ millions unless otherwise indicated)

	Q4-21	Q3-21	Q4-20
Europe EWP Segment Earnings			
Sales	$ 184	$ 249	$ —
Cost of products sold	(109)	(138)	—
Freight and other distribution costs	(9)	(14)	—
Amortization	(24)	(23)	—
Selling, general and administration	(5)	(7)	—
Operating earnings	37	67	—
Finance expense	(1)	1	—
Other	—	—	—
Earnings before tax	$ 36	$ 68	$ —
Adjusted EBITDA[1]	$ 61	$ 90	$ —
OSB (MMsf 3/8" basis)			
Production	194	319	—
Shipments	178	299	—
MDF (MMsf 3/8" basis)			
Production	70	76	—
Shipments	73	88	—
Particleboard (MMsf 3/8" basis)			
Production	128	140	—
Shipments	113	110	—

1. This is a non-GAAP financial measure. Refer to the "Non-GAAP and Other Specified Financial Measures" section of this document for more information on this measure.

Our Europe EWP segment includes our U.K. and Belgium OSB, MDF, and particleboard operations effective February 1, 2021. As such, this segment is new to our company for 2021 so we do not have comparative data in our results for 2020.

Sales and Shipments

Sales decreased compared to the previous quarter due to decreases in shipment volumes, partially offset by improved product pricing. European shipments declined compared to the previous quarter due to a more pronounced seasonal slowing of demand for OSB late in the quarter as customers managed-down inventory following very high levels of activity in the third quarter. Reductions in production due to a major capital project was also a contributing factor, as described further in the section below.

The volume variance resulted in a decrease in earnings before tax and Adjusted EBITDA of $47 million compared to the previous quarter. The price variance resulted in an increase in earnings before tax and Adjusted EBITDA of $13 million compared to the previous quarter.

Costs and Production

Production decreased compared to the previous quarter as we reduced production schedules to account for a seasonal slowdown in demand and due to a major maintenance shutdown at our Genk, Belgium location for the installation of a new dryer.

Costs of products sold decreased due to a reduction in shipments, offset in part by higher input costs. Freight and other distribution costs trended with changes in shipment volumes compared to the previous quarter.

Earnings before tax for the Europe EWP Segment decreased by $32 million and Adjusted EBITDA decreased by $29 million compared to the previous quarter for the reasons explained above. The following table shows the Adjusted EBITDA variance for the period.

Adjusted EBITDA ($ millions)	Q3-21 to Q4-21	Q4-20 to Q4-21
Adjusted EBITDA - comparative period	$ 90	$ —
Price	13	—
OSB Adjusted EBITDA since the date of the Norbord Acquisition [1]	—	61
Volume	(47)	—
Changes in costs	5	—
Adjusted EBITDA - current period	$ 61	$ 61

1. OSB Adjusted EBITDA since the date of the Norbord Acquisition is calculated as earnings determined for our European OSB operations adding back: finance expense, tax provision or recovery, amortization, equity-based compensation, restructuring and impairment charges, and other.

Discussion & Analysis of Non-Operational Items

Selling, general and administration

Compared to prior quarter, corporate selling and general and administration expense in the fourth quarter increased due to higher salaries and wages and higher professional and IT fees incurred related to integration activities. In addition to the aforementioned factors, Q4-21 corporate selling and general and administration expense increased compared to Q4-20 due to higher salaries and wages related to the addition of our OSB corporate team. Selling, general and administration expenses related to our operating segments are discussed under “Discussion & Analysis of Annual Results by Product Segment”.

Equity-based compensation

Equity-based compensation was comparable to the previous quarter. Equity-based compensation expense increased compared to prior year due primarily to the impacts of the Assumed Option Plans and the increase in our share price during Q4-21.

Finance expense

Finance expense for Q4-21 is net of $7 million of interest income (Q3-21 - $2 million; Q4-20 - $11 million) related to duty deposits receivable. Additional information regarding the interest income on duty deposits receivable is disclosed under “Discussion & Analysis of Annual Results by Product Segment - Lumber Segment - Softwood Lumber Dispute”. Finance expense excluding the duty interest income for Q4-21 was $8 million, Q3-21 $13 million and Q4-20 was $8 million.

Other

Other expense of $2 million was recorded for our Corporate segment in Q4-21 compared to an expense of $7 million in Q3-21 and an expense of $1 million in Q4-20. Other expense for Q4-21 related primarily to $12 million settlement cost relating to pension plan annuity purchase agreements for certain retired employees offset in part by foreign exchange gains recorded on our CAD-denominated monetary assets and liabilities and mark-to-market gains on our interest rate swap contracts. The other expense in the comparative periods related primarily to foreign exchange losses.

Other related to our operating segments are discussed under “Discussion & Analysis of Annual Results by Product Segment”.

Income tax

The current quarter results include an income tax expense of $104 million, compared to $164 million in the previous quarter and $103 million in the fourth quarter of 2020. The effective tax rate was 24% in the current quarter compared to 26% in the previous quarter and 27% in the fourth quarter of 2020.

Other comprehensive earnings – translation of foreign operations

As part of the Norbord Acquisition, we acquired operations in the U.K. and Belgium, so any change in the value of the British pound sterling or Euro relative to the value of the USD results in the revaluation of our European EWP operations assets and liabilities. The revaluation of our European operations into U.S. dollars is reported in other comprehensive earnings.

Other comprehensive earnings for the fourth quarter of 2020 included a $72 million gain relating to the translation effect due to our change in reporting currency. Additional details on West Fraser's conversion to U.S. dollars can be found under the title "Change in Functional and Reporting Currency."

Other comprehensive earnings – actuarial gains/losses on retirement benefits

We recorded in other comprehensive earnings an after-tax actuarial gain of $8 million during the quarter compared to $60 million in the previous quarter and $25 million in the fourth quarter of 2020. The current quarter gain reflects higher returns on plan assets partially offset by a decrease in the discount rate used to calculate plan liabilities.

OUTLOOK AND OPERATIONS

Business Outlook

Markets

The most significant uses for our lumber, OSB and wood panel products are residential construction, repair and remodelling and industrial applications. Historically low mortgage rates, low volumes of homes available for resale and increased acceptance and practice of remote working appear to be positively influencing the demand for new home construction in North America. However, interest rates have been trending higher in early 2022 and should they continue to do so, housing affordability may be impacted, which would reduce demand for our wood building products. An aging housing stock and repair and renovation spending should also continue to support lumber, plywood and OSB demand. Over the medium to long term, growing market penetration of mass timber in industrial and commercial applications is also expected to support demand growth for wood building products.

The demand for our European products is expected to remain robust as demand for OSB as an alternative to plywood in Europe continues to grow. An aging European housing stock is also expected to drive repair and renovation spending, supporting growing demand for our wood building products.

Our BCTMP and NBSK pulp is primarily used in printing and writing paper, boxboard and tissue applications. Pulp demand is anticipated to grow over the longer term due to increasing boxboard and tissue production in Asia and greater substitution of single-use plastics that are subject to increasing risk from government restrictions. In the near-term, pulp exports are expected to be challenged by domestic and international transportation constraints.

Softwood lumber dispute

Canadian softwood lumber exports to the U.S. have been the subject of trade disputes and managed trade arrangements for several decades. Countervailing and antidumping duties have been in place since April of 2017, and we are required to make deposits in respect of these duties. Whether and to what extent we can realize a selling price to recover the impact of duties payable will largely depend on the strength of demand for softwood lumber. The USDOC published the final rates for AR2 in the fourth quarter of 2021. They also began AR3 in April of 2021, which are expected to be finalized in August 2022. Additional details can be found under the section "Discussion & Analysis by Product Segment – Lumber Segment - Softwood Lumber Dispute".

Operations

Anticipated shipment levels assume continued strong demand, availability of sufficient logs within our economic return criteria, and no further temporary curtailments. Our operations and results could be negatively affected by softening demand, the availability of labour due to the continuing impacts of COVID-19, adverse weather conditions in our operating areas, intense competition for logs, elevated stumpage fees and production disruptions due to other uncontrollable factors, including the availability of transportation.

We expect lumber shipments in 2022 to improve from 2021 levels as we recapture production and shipments lost due to temporary curtailments in Western Canada, owing to the significant wildfires in the third quarter as well as the severe flooding in B.C. in the fourth quarter. We also expect growth in shipments as we realize the benefits of capital investments in recent years and as we integrate the recently acquired Angelina sawmill into our lumber portfolio. As a result, in 2022, we expect SPF shipments to be approximately 3.0 to 3.2 billion board feet, and in the U.S. South, we expect SYP shipments to be approximately 3.0 to 3.2 billion board feet. On January 1, 2022, stumpage rates decreased in

B.C. due to the market-based adjustments related to lumber costs. However, given the current elevated commodity price environment, B.C. stumpage is at risk of increasing materially as the year unfolds. In Alberta, stumpage rates will remain elevated as long as SPF lumber prices are high, as they are closely linked to the price of lumber and respond rapidly to changes in lumber prices. We expect modest log cost inflation in the U.S. South in 2022.

In our NA EWP segment, we expect OSB shipments to increase in 2022 as we account for a full year of contribution from Norbord, recapture production and shipments lost due to temporary disruptions to our operations in 2021, and as we continue to ramp operations at our Chambord OSB mill. We do not expect the recently acquired (and currently idled) Allendale OSB mill to contribute materially to shipments in 2022. As a result, we expect OSB shipments this year to be approximately 6.1 to 6.4 billion square feet (3/8-inch basis). Input costs for the NA EWP business are expected to increase moderately.

We do not expect to increase our Pulp & Paper segment shipments in 2022.

In our Europe EWP segment, we expect OSB shipments to increase in 2022 as we account for a full year of contribution from Norbord and as we continue to ramp operations of the phase 2 investment at our Inverness OSB mill. As such, we expect OSB shipments in Europe to be approximately 1.1 to 1.3 billion square feet (3/8-inch basis) in 2022. Input costs for the Europe EWP business are expected to increase moderately.

Across much of our supply chain, we are experiencing greater than usual inflationary cost pressures and availability constraints for labour, transportation, raw materials such as resins and chemicals, and energy. We expect these cost pressures and availability constraints to remain elevated through 2022.

While infrastructure repairs to rail and truck routes resulting from the severe weather and flooding in late 2021 in B.C. are progressing, our ability to ship products in a timely manner remains challenged. Availability of rail service, adverse weather conditions, operator shortages and the backlog from disruptions in the fourth quarter have all negatively impacted our ability to ship our products. For the month of January 2022 our western Canadian SPF lumber and plywood shipments declined by approximately 20% compared to the prior year, and while our overall OSB shipments are trending in line with the prior year, we have been forced to take unscheduled downtime due to transportation constraints. In addition, our pulp shipments for the same period declined by approximately 30% compared to the prior year. Though we continue to seek out and utilize alternative transportation routes and methods to the extent they are available to continue servicing customers, the magnitude and duration of the impact from these multiple disruptions remains uncertain. The situation has also resulted in significant delays in shipments of orders. In light of these challenges, further reduction of operating schedules across our manufacturing network in order to manage inventory levels, raw material supplies and our integrated fibre supply chain may be required. At the current time, it is not possible to estimate when full transportation services will be available or when the backlogs resulting from the interruptions will be cleared and we will be able to return to operating a full schedule or clearing the backlog of delayed shipments.

Norbord Integration

The integration of the Norbord business continues to be a Company focus and is progressing well. We remain on track to achieve targeted annual synergies of $61 million by the end of 2022[1].

Cash Flows

Based on our current outlook, assuming no deterioration in market conditions during the year and that there is no additional lengthening of lead times for projects underway or planned, we anticipate we will invest approximately $500 to $600 million in 2022[1]. Our total capital budget consists primarily of various improvement projects and maintenance expenditures, projects focused on optimization and automation of the manufacturing process, and projects targeted to reduce greenhouse gas emissions.

Expected capital expenditures in 2022 include the continuing activity in respect of the capital projects identified under our strategic capital program in 2021. Work on these projects is underway and will continue through 2023. This investment program will support safety, cost improvements and strategic growth initiatives as we continue our focus on capital execution and operational excellence. The average project payback period for this strategic capital program is expected to be three to four years.

1. This is a specified financial measure. Refer to the “Non-GAAP and Other Specified Financial Measures” section of this document for more information on this measure.

Expected capital expenditures in 2022 also includes approximately $70 million dedicated to preparing the Allendale OSB facility for its eventual re-start.

Ramp-up on our new lumber manufacturing complex in Dudley, Georgia continues and remains on track with our expectations. The new mill became fully operational in the second quarter of 2021 and as it ramps up over the next few years, it is expected to reach an annual capacity of 270 million board feet. The old Dudley mill had an annual capacity of 170 million board feet.

Our OSB mill in Chambord, Quebec, which restarted in the first quarter of 2021, continues to make progress ramping up towards its stated annual production capacity of 550 million square feet (3/8-inch basis), which typically takes 18-24 months.

We expect to maintain our investment grade rating and intend to preserve sufficient liquidity to be able to take advantage of strategic growth opportunities that may arise.

We have paid a dividend in every quarter since we became a public company in 1986. At the latest declared quarterly dividend rate of US$0.25 per share, the total anticipated cash payment of dividends in 2022 is $106 million based on the number of Common and Class B common shares outstanding on December 31, 2021.

We will continue to consider share repurchases with excess cash if we are satisfied that this will enhance shareholder value and does not compromise our financial flexibility.

Estimated Earnings Sensitivity to Key Variables
(based on annual shipment volumes - $ millions)

Factor	Variation	Change in pre-tax earnings [1]
Lumber price	$10 (per Mfbm)	$ 51
NA OSB price	$10 (per Msf)	63
Europe OSB price	£10 (per Msf)	12
NBSK price	$10 (per tonne)	3
BCTMP price	$10 (per tonne)	6
Canadian - U.S. $ exchange rate[2]	$0.01 (per CAD)	15

1. Each sensitivity has been calculated on the basis that all other variables remain constant and is based on changes in our realized sales prices.
2. Represents the impact on USD equivalent of net CAD revenues and expenses for the initial $0.01 change.Additional changes are substantially, but not exactly, linear.

LIQUIDITY AND CAPITAL RESOURCES

Capital Management Framework

Our business is cyclical and is subject to significant changes in cash flow over the business cycle. In addition, financial performance can be materially influenced by changes in product prices and the relative values of the Canadian and U.S. dollars. Our objective in managing capital is to ensure adequate liquidity and financial flexibility at all times, particularly at the bottom of the business cycle.

Our main policy relating to capital management is to maintain a strong balance sheet and otherwise meet financial tests that rating agencies commonly apply for investment-grade issuers of public debt. Our debt is currently rated as investment-grade by three major rating agencies.

We monitor and assess our financial performance to ensure that debt levels are prudent, taking into account the anticipated direction of the business cycle. When financing acquisitions, we combine cash on hand, debt, and equity financing in a proportion that is intended to maintain an investment-grade rating for debt throughout the cycle. Debt repayments are arranged, where possible, on a staggered basis that takes into account the uneven nature of anticipated cash flows. We have established committed revolving lines of credit that provide liquidity and flexibility when capital markets are restricted.

A strong balance sheet and liquidity profile are key elements of our goal to maintain a balanced capital allocation strategy. Priorities within this strategy include reinvesting in our operations across all market cycles to strategically enhance productivity, product mix, and capacity; maintain a leading cost position; maintain financial flexibility to capitalize on growth opportunities, including the pursuit of acquisitions and larger-scale strategic growth initiatives; and return capital to shareholders through dividends and share repurchases.

Liquidity and Capital Resource Measures

Our capital structure consists of Common share equity and long-term debt, and our liquidity includes our operating facilities.

Summary of Liquidity and Debt Ratios ($ millions, except as otherwise indicated)	**December 31, 2021**	**December 31, 2020**
Available liquidity		
Cash and short-term investments	$ 1,568	$ 461
Operating lines available (excluding newsprint operation) [1]	1,025	811
Available liquidity[2]	2,593	1,272
Debt		
Current and long-term lease obligation	28	6
Current and long-term debt	501	509
Interest rate swaps[3]	1	6
Open letters of credit[3]	65	50
Total debt	595	571
Cash and short-term investments	(1,568)	(461)
Open letters of credit[3]	(65)	(50)
Interest rate swaps[3]	(1)	(6)
Net Debt	(1,039)	54
Shareholders' equity	7,656	2,478
Total debt to total capital [2,4]	7%	19%
Net debt to total capital [2,4]	(16%)	2%

1. Excludes $6 million demand line of credit dedicated to our jointly-owned newsprint operation as West Fraser cannot draw on it. Operating lines available include a $25 million demand line of credit.
2. This is a specified financial measure. Refer to the "Non-GAAP and Other Specified Financial Measures" section of this document for more information on this measure.
3. Letters of credit facilities and the fair value of interest rate swaps are part of our bank covenants' total debt calculation.
4. Total capital is total debt or net debt plus shareholders' equity.

Available liquidity on December 31, 2021, was $2,593 million (2020 - $1,272 million). Available liquidity includes cash and short-term investments, cheques issued in excess of funds on deposit, and amounts available on our operating loans, excluding the demand line of credit dedicated to our 50% jointly-owned newsprint operation.

Available liquidity increased due to an increase in cash and short-term investments on hand and an increase in available operating lines resulting from the various amendments to our credit facilities during the year. We anticipate approximately $325 million of our available liquidity is required for the final Canadian income tax payments relating to 2021.

Total debt increased due primarily to increases in open letters of credit and lease obligations. Net debt and net debt to total capital ratios decreased due primarily to increases in cash and short-term investments on hand and shareholders' equity. Total debt to total capital ratios decreased primarily due to increased shareholder's equity.

Credit Facilities

On February 1, 2021, concurrent with the closing of the Norbord Acquisition, we completed various administrative amendments to our CAD$850 million committed revolving credit facility and our US$200 million term loan. The CAD$150

million committed revolving credit facility was also replaced with a US$450 million committed revolving credit facility due 2024 on substantially the same terms.

On July 28, 2021, we completed an amendment to our revolving credit facilities. Our CAD$850 million and US$450 million revolving credit facilities were combined into a single US$1 billion committed revolving credit facility with a five-year term. There were no other significant changes to the terms or conditions of the credit facilities.

As at December 31, 2021, our credit facilities consisted of a $1 billion committed revolving credit facility , a $25 million demand line of credit dedicated to our U.S. operations, and a $6 million (CAD$8 million) demand line of credit dedicated to our jointly-owned newsprint operation. As at December 31, 2021, the revolving facilities were undrawn.

We also have credit facilities totalling $137 million dedicated to the issuance of letters of credit. As at December 31, 2021, our letter of credit facilities supported $65 million open letters of credit.

All debt is unsecured except the jointly-owned newsprint operation demand line of credit, which is secured by that joint operation's current assets.

As at December 31, 2021, we were in compliance with the requirements of our credit facilities.

Long-Term Debt

In October 2014, we issued US$300 million of fixed-rate senior unsecured notes, bearing interest at 4.35% and due October 2024, pursuant to a private placement in the U.S. The notes are redeemable, in whole or in part, at our option at any time as provided in the indenture governing the notes.

In August 2017, we were advanced a US$200 million 5-year term loan that, with the July 2019 extension, matures on August 25, 2024. Interest is payable at floating rates based on Base Rate Advances or London Inter-bank Offered Rate ("LIBOR") Advances at our option. This loan is repayable at any time, in whole or in part, at our option and without penalty but cannot be redrawn after payment.

On March 15, 2019, we entered into an interest rate swap agreement, maturing in August 2022, with a US$100 million notional amount to limit our exposure to fluctuations in interest rates and fix interest rates on a portion of our long-term debt. On March 9, 2020, we extended the duration of our US$100 million notional interest rate swap from August 2022 to August 2024, resulting in a change to the fixed interest rate on the swap from 2.47% to 1.78% through August of 2024. On April 15, 2020, we entered into additional interest rate swaps for another notional amount of US$100 million, resulting in a fixed interest rate of 0.51% through August of 2024. These swap agreements fix the interest rate on the US$200 million 5-year term loan floating rate debt discussed above.

As part of the Norbord Acquisition, we assumed Norbord's US$315 million senior notes due April 2023, bearing interest at 6.25% and US$350 million senior notes due July 2027, bearing interest at 5.75%. Norbord's accounts receivable securitization facility and secured revolving credit facilities were terminated at closing, and the security related to all of Norbord's debt was discharged as of February 1, 2021.

On March 2, 2021, we made a mandatory change of control offer for 2023 Notes and 2027 Notes, which expired on April 1, 2021. As a result of the change of control offer, $1 million of the 2023 Notes and $1 million of the 2027 Notes were redeemed and were repaid in the second quarter of 2021.

On April 6, 2021, we elected to redeem the remaining 2027 Notes, which redemption occurred on May 6, 2021. On May 6, 2021, we elected to redeem all of Norbord's outstanding 2023 Notes on June 7, 2021.

Debt Ratings

We are considered investment grade by three leading rating agencies. In April 2020, both Moody's and Standard & Poor's revised our outlook from stable to negative, and Dominion Bond Rating Service from positive to stable. In November 2020, Standard & Poor's revised its outlook from negative to stable. On February 1, 2021, Moody's revised our outlook from negative to stable. On December 15, 2021, DBRS Morningstar upgraded our rating to BBB from BBB (low). The ratings in the table below are as at February 15, 2022.

Agency	Rating	Outlook
DBRS	BBB	Stable
Moody's	Baa3	Stable
Standard & Poor's	BBB-	Stable

These ratings are not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time by the rating agencies.

Shareholder's Equity

Our outstanding Common share equity consists of 103,366,141 Common shares and 2,281,478 Class B Common shares for a total of 105,647,619 shares issued and outstanding as at February 15, 2022.

Our Class B Common shares are equal in all respects to our Common shares, including the right to dividends and the right to vote, and are exchangeable on a one-for-one basis for Common shares. Our Common shares are listed for trading on the TSX and NYSE, while our Class B Common shares are not. Certain circumstances or corporate transactions may require the approval of the holders of our Common shares and Class B Common shares on a separate class by class basis.

Concurrent with the Norbord Acquisition, the Common shares of West Fraser commenced trading on the NYSE on February 1, 2021, under the symbol WFG. The trading symbol for the Common shares on the TSX was also changed to WFG on February 1, 2021.

Share Repurchases

On February 17, 2021, we renewed our NCIB allowing us to acquire an additional 6,044,000 Common shares for cancellation until the expiry of the bid on February 16, 2022. On June 11, 2021, we amended our NCIB allowing us to acquire an additional 3,538,470 Common shares for an aggregate 9,582,470 Common shares.

On August 20, 2021, we completed a substantial issuer bid pursuant to which we purchased for cancellation a total of 10,309,278 common shares at a price of CAD$97.00 ($76.84) per Common share for an aggregate purchase price of CAD$1.0 billion.

The following table shows our purchases under our NCIB and SIB programs. There were no share repurchases in 2020.

Share repurchases (number of common shares and price per share)	**Common Shares**	**Average Price in CAD**	**Average Price in USD**
NCIB: February 17, 2021 to December 31, 2021	7,059,196	$ 92.79	$ 74.60
SIB: August 20, 2021	10,309,278	$ 97.00	$ 76.84

Share Options

As at February 15, 2022, there were 1,065,255 share purchase options outstanding with exercise prices ranging from CAD$31.77 to CAD$92.79 per Common share. This includes the share purchase options that are outstanding at February 15, 2022 that were assumed in the Norbord Acquisition, after applying the Exchange Ratio.

Cash Flow

Our cash requirements are primarily for operating purposes, interest payments, repayment of debt, additions to property, plant, equipment and timber, acquisitions, and dividends. In normal business cycles and in years without a major acquisition or debt repayment, cash on hand and cash provided by operations have typically been sufficient to meet these requirements.

We are exposed to commodity price changes. To manage our liquidity risk, we maintain adequate cash and short-term investment balances and by having appropriate lines of credit available. In addition, we regularly monitor and review both actual and forecasted cash flows. Refinancing risks are managed by extending maturities through regular renewals and refinancing when market conditions are supportive.

Cash Flow Statement ($ millions - cash provided by (used in))	**2021**	**2020**
Operating Activities		
Earnings	$ 2,947	$ 588
Adjustments		
Amortization	584	203
Finance expense, net	45	27
Export duty deposits	(55)	(104)
Export duties payable	69	—
Retirement expense	111	74
Contributions to retirement plans	(77)	(49)
Tax provision	951	202
Income taxes (paid) received	(946)	41
Other	(8)	4
Changes in non-cash working capital		
Changes in accounts receivable	5	(78)
Changes in inventories	(139)	(14)
Changes in prepaid expenses	(14)	(5)
Changes in payables and accrued liabilities	79	79
	3,552	968
Financing Activities		
Repayment of operating loans	—	(280)
Repayment of long-term debt	(667)	—
Financing fees paid	(4)	—
Make-whole premium paid	(60)	—
Finance expense paid	(37)	(30)
Repurchase of Common Shares for cancellation	(1,319)	—
Issuance of Common shares	7	—
Dividends	(75)	(41)
Other	(9)	(2)
	(2,164)	(353)
Investing Activities		
Acquired cash and short-term investments from the Norbord Acquisition [1]	642	—
Angelina Acquisition, net of cash acquired	(302)	—
Additions to capital assets [2]	(635)	(180)
Other	9	14
	(286)	(166)
Change in cash	$ 1,102	$ 449

1. The Norbord Acquisition was a non-cash share consideration transaction, and therefore, only the acquired cash is included in the above cash flow statement. Changes in Norbord's cash position subsequent to February 1, 2021 are incorporated into our cash flow statement.
2. Capital assets comprise property, plant and equipment, timber licenses, and intangible assets. Additions to capital assets include $276 million relating to the asset acquisition of the idled OSB mill near Allendale, South Carolina.

Operating Activities

The table above shows the main components of cash flows used for or provided by operating activities for each period. The significant factors affecting the comparison were higher earnings, income tax payments, and inventory.

Income tax payments were higher in 2021, reflecting higher taxable earnings estimates for both Canada and the U.S. As minimum tax instalments for Canada are based on prior year's earnings, a significant income tax payment has accumulated in respect of 2021 results. The U.S. requires installments to be made based on current year earnings

estimates. We made income tax payments of $946 million in 2021, of which $216 million was the final Canadian income tax payment for 2020. The 2020 net refund of $41 million included the Canadian tax refund from a loss carry-back request to 2019 and was net of the required 2020 installments for both countries.

Inventory increased due primarily to higher per unit costs driven primarily from increased stumpage costs and higher volumes of log inventory on-hand due to transportation disruptions resulting from severe weather and flooding in B.C.

Financing Activities

Cash used in financing activities increased in 2021 compared to 2020 due primarily to additional common share repurchases and higher repayments of debt.

In 2021, we returned a total of $1,319 million to our shareholders through Common shares repurchased under our NCIB and SIB programs. No repurchases took place in 2020.

We completed the early redemption of Norbord's 2023 and 2027 Notes in 2021, totalling $667 million excluding financing fees and the $60 million make-whole premium paid. In 2020, we repaid our operating loan for $280 million.

We also returned a total of $75 million to our shareholders through dividend payments, which was higher than the $41 million paid in 2020 due primarily to an increase in the dividend amount per share and additional shares issued in relation to the Norbord Acquisition.

Investing Activities

The Norbord Acquisition was a non-cash share consideration transaction and therefore only the acquired cash is included in investing activities.

Cash payments of $302 million, which represents the cash consideration transferred net of acquired cash, were made in relation to the Angelina Acquisition.

Capital Expenditures ($ millions)

Segment	Profit Improvement[2]	Maintenance of Business[1]	Safety	Total
Lumber	$ 66	$ 70	$ 10	$ 146
North America EWP	352	54	18	424
Pulp & Paper	2	30	3	35
Europe EWP	14	12	2	28
Corporate	—	2	—	2
Total	$ 434	$ 168	$ 33	$ 635

1. Maintenance of business includes expenditures for roads, bridges, mobile equipment and major maintenance shutdowns.
2. North America EWP profit improvement capital expenditures includes $276 million relating to the acquisition of the idled OSB mill near Allendale, South Carolina.

Capital expenditures of $635 million in 2021 (2020 - $180 million) reflect our philosophy of continued reinvestment in our mills. The increase in capital expenditures relates primarily to the acquisition of the idled OSB mill near Allendale, South Carolina and the inclusion of capital expenditures relating to our OSB operations following the Norbord Acquisition.

Contractual Obligations

The estimated cash payments due in respect of contractual and legal obligations as at December 31, 2021, including debt and interest payments and major capital improvements are summarized as follows. Contractual obligations do not include energy purchases under various agreements, non-defined benefit post-retirement contributions payable, equity-based compensation including equity hedges, or contingent amounts payable.

Contractual Obligations (at December 31, 2021, in $ millions)	**Total**	**2022**	**2023**	**2024**	**2025**	**Thereafter**
Long-term debt	$ 501	$ —	$ —	$ 501	$ —	$ —
Interest on long-term debt[1]	52	19	19	14	—	—
Lease obligations	29	11	6	5	2	5
Contributions to defined benefit pension plans[2]	141	47	47	47	—	—
Payables and accrued liabilities	848	848	—	—	—	—
Purchase commitments	81	81	—	—	—	—
Reforestation and decommissioning obligations	131	45	27	10	8	41
Total[2]	$ 1,783	$ 1,051	$ 99	$ 577	$ 10	$ 46

1. Assumes debt remains at December 31, 2021 levels and includes the impact of interest rate swaps terminating August 2024.
2. Contributions to the defined benefit pension plans are based on the most recent actuarial valuation. Future contributions will be determined at the next actuarial valuation date.

Financial Instruments

Our financial instruments, their accounting classification, and associated risks are described in Note 22 to our Annual Financial Statements.

ACCOUNTING MATTERS

Critical Accounting Estimates and Judgments

The preparation of financial statements in conformity with IFRS requires management to make estimates, assumptions, and judgments that affect the amounts reported. Our significant accounting policies are disclosed in our Financial Statements.

In determining our critical accounting estimates, we consider trends, commitments, events or uncertainties that we reasonably expect to materially affect our methodology or assumptions. Our statements in this MD&A regarding such considerations are made subject to the “Forward-Looking Statements” section.

We have outlined below information about judgments, assumptions, and other sources of estimation uncertainty as at December 31, 2021 that have the most significant impact on the amounts recognized in our financial statements. The discussion of each critical accounting estimate does not differ between our reportable segments unless explicitly noted.

Fair Value of PPE and Intangible Assets Acquired in Business Combinations

On February 1, 2021, we acquired all of the outstanding shares of Norbord Inc. (“Norbord”) for consideration of $3,506 million, consisting primarily of the issuance of 54 million Common shares of West Fraser. Included in the acquisition are five OSB mills in Canada, seven OSB mills in the U.S., one OSB mill, one MDF plant and two particleboard plants in the U.K., one OSB mill in Belgium, and their related corporate offices.

On December 1, 2021, we acquired the Angelina Forest Products lumber mill located in Lufkin, Texas for preliminary cash consideration of $310 million, comprising the base purchase price of $300 million plus $10 million in acquired cash and preliminary working capital adjustments.

We recognize and measure the assets acquired and liabilities assumed in a business combination based on their estimated fair values at the acquisition date. Any excess of the purchase consideration compared to the fair value of the net assets acquired is recorded as goodwill.

A significant amount of judgment is involved in estimating the fair values of property, plant and equipment and intangible assets acquired in a business combination. The Norbord acquisition resulted in the recognition of PPE and customer relationship intangible assets in our North America EWP and Europe EWP segments, and the Angelina Forest Products acquisition resulted in the recognition of PPE in our Lumber segment.

We use all relevant information to make these fair value determinations and engage an independent valuation specialist to assist for material acquisitions.

We applied the market comparison technique and cost technique in determining the fair value of property, plant, and equipment acquired. We considered market prices for similar assets when they were available, and depreciated replacement cost in other circumstances. Depreciated replacement cost reflects adjustments for physical deterioration as well as functional and economic obsolescence. The key assumptions used in the estimation of depreciated replacement cost were the assets' estimated replacement cost at the time of acquisition and estimated useful life.

We applied the multi-period excess earnings method in determining the fair value of customer relationship intangible assets. The multi-period excess earnings method considers the present value of incremental after-tax cash flows expected to be generated by the customer relationship after deducting contributory asset charges. The key assumptions used in applying the valuation technique include: the forecasted revenues relating to the acquiree’s existing customers at the time of acquisition, the forecasted attrition rates relating to these customers, forecasted operating margins, and the discount rate.

There is a material degree of uncertainty with respect to the estimates of fair value of PPE and intangible assets given the necessity of making economic assumptions about the future. If our estimates of the acquisition-date fair value of property, plant and equipment and intangible assets acquired in business combinations were incorrect, we could experience increased or decreased charges for depreciation or amortization in the future. If the future were to differ adversely from our best estimate of key economic assumptions and associated cash flows were to materially decrease, we could potentially experience future impairment charges in respect to our PPE, intangible assets, or goodwill.

Recoverability of PPE

We assess property, plant and equipment, timber licences, and other definite-lived intangibles for indicators of impairment at each reporting date and whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. We conduct a review of external and internal sources of information to assess for any impairment indicators. Examples of such triggering events related to our long-lived assets include, but are not limited to: a significant adverse change in the extent or manner in which the asset is being used or in its physical condition; a change in management’s intention or strategy for the asset, including a plan to dispose of the asset or idle the asset for a significant period of time; a significant adverse change in our long-term price assumption or in the price or availability of inputs required for manufacturing; a significant adverse change in legal factors or in the business climate that could affect the asset’s value; or a current period operating or cash flow loss combined with a history of operating or cash flow losses, or a projection or forecast that demonstrates continuing losses associated with the asset’s use.

When a triggering event is identified, recoverability of long-lived assets is assessed by comparing the carrying value of an asset or cash-generating unit to the estimated recoverable amount, which is the higher of its estimated fair value less costs of disposal or its value in use.

Key assumptions used in estimating recoverable amount are based on industry sources as well as management estimates. Key assumptions include production volume, product pricing, raw material input cost, production cost, and discount rate.

An impairment write down is recorded if the carrying value exceeds the estimated recoverable amount.

No impairments were recorded for 2021 or 2020. The assessment for impairment indicators requires the exercise of judgment given the necessity of making key economic and operating assumptions about the future. If the future were to differ adversely from our best estimate and associated cash flows were to materially decrease, we could potentially experience future impairment charges in respect of our PPE.

Recoverability of Goodwill

Goodwill is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the business combination from which it arose. Goodwill exists in relation to our Lumber, North America EWP, and Europe EWP reporting segments. Goodwill increased during 2021 as a result of our acquisitions of Norbord and Angelina Forest Products.

Goodwill is tested annually for impairment, or more frequently if an indicator of impairment is identified.

Recoverability of goodwill is assessed by comparing the carrying value of the CGU or group of CGUs associated with the goodwill balance to its estimated recoverable amount, which is the higher of its estimated fair value less costs of disposal or its value in use.

Key assumptions used in estimated recoverable amount are based on industry sources as well as management estimates. Key assumptions include production volume, product pricing, raw material input cost, production cost, and discount rate.

An impairment write down is recorded if the carrying value exceeds the estimated recoverable amount.

We assessed the recoverability of goodwill as at December 31, 2021 and December 31, 2020 and concluded there were no impairment losses.

The estimates and assumptions regarding expected cash flows and the appropriate discount rates require considerable judgment and are based upon historical experience, approved financial forecasts and industry trends and conditions.

There is a material degree of uncertainty with respect to the estimates of the recoverable amounts of the cash-generating units, given the necessity of making key economic assumptions about the future. If the future were to differ adversely from our best estimate and associated cash flows were to materially decrease, we could potentially experience future impairment charges in respect of our goodwill balances.

Defined Benefit Pension Plan Assumptions

We maintain defined benefit pension plans for many of our employees. We use independent actuarial specialists to perform actuarial valuations of our defined benefit pension plan.

Key assumptions used in determining defined benefit pension costs and accrued pension benefit obligations include assumed rates of increase for employee compensation and discount rate. Note 13 to the Annual Financial Statements provides the sensitivity of our post-retirement obligations to changes in these key assumptions.

If the future were to adversely differ from our best estimate of assumptions used in determining our post-retirement obligations, we could experience future increased defined benefit pension expense, financing costs and charges to other comprehensive earnings.

CVD and ADD Duty Rates

On November 25, 2016, a coalition of U.S. lumber producers petitioned the USDOC and the USITC to investigate alleged subsidies to Canadian softwood lumber producers and levy CVD and ADD against Canadian softwood lumber imports. The USDOC chose us as a “mandatory respondent” to both the countervailing and antidumping investigations, and as a result, we have received unique company-specific rates.

Details can be found under the section “Discussion & Analysis of Annual Results by Product Segment - Lumber - Softwood Lumber Dispute.”

The CVD and ADD rates are subject to adjustment by the USDOC through an AR of POI. The CVD and ADD rates apply retroactively for each POI. We record CVD as export duty expense at the cash deposit rate until an AR finalizes a new applicable rate for each POI. We record ADD as export duty expense by estimating the rate to be applied for each POI by using our actual results and a similar calculation methodology as the USDOC and adjust when an AR finalizes a new applicable rate for each POI. The difference between the cash deposits and export duty expense is recorded on our balance sheet as export duty deposits receivable, along with any true-up adjustments to finalized rates.

The softwood lumber case will continue to be subject to NAFTA or the new CUSMA and WTO dispute resolution processes, and litigation in the U.S. In the past, long periods of litigation have led to negotiated settlements and duty deposit refunds.

In the interim, duties remain subject to the USDOC AR process, which results in an annual adjustment of duty deposit rates. Notwithstanding the deposit rates assigned under the investigations, our final liability for CVD and ADD will not be determined until each annual administrative review process is complete and related appeal processes are concluded.

If the future were to adversely differ from our best estimate of the duty deposit rate, we could experience material adjustments to duty expense and such adjustments could result in an increase of cash outflows.

Reforestation and Decommissioning Obligations

We recognize provisions for various statutory, contractual or legal obligations. In Canada, provincial regulations require timber quota holders to carry out reforestation to ensure re-establishment of the forest after harvesting. Reforested areas must be tended for a period sufficient to ensure that they are well established. The time needed to meet regulatory requirements depends on a variety of factors.

In our operating areas, the time to meet reforestation standards usually spans 12 to 15 years from the time of harvest. We record a liability for the estimated cost of the future reforestation activities when the harvesting takes place, discounted at an appropriate rate. The liability is accreted over time through charges to finance expense and reduced by silviculture expenditures.

We record the best estimate of the expenditure to be incurred to settle decommissioning obligations, such as landfill closures. This liability is determined using estimated closure costs discounted using an appropriate discount rate. On initial recognition, the carrying value of the liability is added to the carrying amount of the associated asset and amortized over its useful life or expensed when there is no related asset. The liability is accreted over time through charges to finance expense and reduced by actual costs of settlement.

On an annual basis, at a minimum, assumptions underlying the reforestation and decommissioning obligations are reviewed and adjusted as appropriate. Key assumptions include the timing and the amount of forecasted expenditures and discount rate.

Material changes in financial position can arise as the actual costs incurred at the time of silviculture activities or decommissioning may differ from the estimates used in determining the year-end liability. If the provisions for reforestation and decommissioning obligations were to be inadequate, we could experience an increase to operating expenses in the future. A charge for an inadequate reforestation and decommissioning obligation provision would result in an increase of cash outflows proximate to the time that the asset retirement obligation is satisfied.

Accounting Policy Developments

Please refer to Note 2 of our Financial Statements for a description of current and future changes in accounting policies, including: (1) initial application of standards, interpretations and amendments to standards and interpretations in the reporting period, and (2) standards, interpretations and amendments to standards and interpretations in the reporting period not yet effective and not yet applied.

RISKS AND UNCERTAINTIES

Our business is subject to a number of risks and uncertainties that can significantly affect our operations, financial condition and future performance. We have a comprehensive process to identify, manage, and mitigate risk, wherever possible. The risks and uncertainties described below are not necessarily the only risks we face. Additional risks and uncertainties that are presently unknown to us or deemed immaterial by us may adversely affect our business.

Product Demand and Price Fluctuations

Our revenues and financial results are primarily dependent on the demand for, and selling prices of, our products, which are subject to significant fluctuations. The demand and prices for lumber, plywood, OSB, particleboard, MDF, LVL, pulp, newsprint, wood chips and other wood products are highly volatile and are affected by factors such as:

- global economic conditions including the strength of the U.S., Canadian, Chinese, Japanese, European and other international economies, particularly U.S. and Canadian housing markets and their mix of single and multifamily construction, repair, renovation and remodelling spending;
- alternative products to lumber or panels;
- construction and home building disruptor technologies that may reduce the use of lumber or panels;
- changes in industry production capacity;
- changes in world inventory levels;

- increased competition from other consumers of logs and producers of lumber or panels; and
- regulatory regimes setting a price on carbon that would increase the price of energy or fuel affecting the manufacturing cost of our products;
- other factors beyond our control.

In addition, unemployment levels, interest rates, the availability of mortgage credit and the rate of mortgage foreclosures have a significant effect on residential construction and renovation activity, which in turn influences the demand for, and price of, building materials such as lumber and panel products. Declines in demand, and corresponding reductions in prices, for our products may adversely affect our financial condition and results of operations.

Our business is highly exposed to fluctuations in demand for and pricing of our wood products. Our sensitivity to commodity product pricing may result in a high degree of sales and earnings volatility. In the past, we have been negatively affected by declines in product pricing and have taken production downtime or indefinite curtailments to manage working capital and minimize cash losses. Severe and prolonged weakness in the markets for our wood products could seriously harm our financial position, operating results and cash flows.

We cannot predict with any reasonable accuracy future market conditions, demand or pricing for any of our products due to factors outside our control. Prolonged or severe weakness in the market for any of our principal products would adversely affect our financial condition. Future demand could also be impacted by the perceived sustainability of our wood products in contrast with competing alternatives.

Competition

We compete with global producers, some of which may have greater financial resources and lower production costs than we do. Currency devaluations can have the effect of reducing our competitors' costs and making our products less competitive in certain markets. In addition, European lumber producers and South American panel producers may enter the North American market during periods of peak prices. Markets for our products are highly competitive. Our ability to maintain or improve the cost of producing and delivering products to those markets is crucial. Factors such as cost and availability of raw materials, energy and labour, the ability to maintain high operating rates and low per unit manufacturing costs, and the quality of our final products and our customer service all affect our earnings. Some of our products are also particularly sensitive to other factors including innovation, quality and service, with varying emphasis on these factors depending on the product. To the extent that one or more of our competitors become more successful with respect to any key competitive factor, our ability to attract and retain customers could be materially adversely affected. If we are unable to compete effectively, such failure could have a material adverse effect on our business, financial condition and results of operations.

Our products may compete with non-fibre based alternatives or with alternative products in certain market segments. For example, steel, engineered wood products, plastic, wood/plastic or composite materials may be used by builders as alternatives to the products produced by our wood products businesses such as lumber, plywood, OSB, LVL, particleboard and MDF products. Changes in prices for oil, chemicals and wood-based fibre can change the competitive position of our products relative to available alternatives and could increase substitution of those products for our products. In addition, our customers or potential customers may factor in environmental and sustainability factors in assessing whether to purchase our wood products. As the use of these alternatives grows, demand for our products may further decline.

Because commodity products have few distinguishing properties from producer to producer, competition for these products is based primarily on price, which is determined by supply relative to demand and competition from substitute products. Prices for our products are affected by many factors outside of our control, and we have no influence over the timing and extent of price changes, which often are volatile. Accordingly, our revenues may be negatively affected by pricing decisions made by our competitors and by decisions of our customers to purchase products from our competitors.

In addition, continued consolidation in the retail and construction industries could expose us to increased concentration of customer dependence and increase customers' ability to exert pricing pressure on us and our products. In addition, concentration of our business with fewer customers as a result of consolidation could expose us to risks associated with the loss of key customers. For example, the loss of a significant customer, any significant customer order cancellations or bad debts could negatively affect our sales and earnings.

Availability of Fibre

Canada

A significant majority of our Canadian log requirements are harvested from lands owned by a provincial government. Provincial governments control the volumes that can be harvested under provincially-granted tenures and otherwise regulate the availability of Crown timber for harvest. Provincial governments also control the renewal or replacement of provincially-granted tenures, the issuance of operating permits to harvest timber under such tenures and the ability to transfer or acquire such tenures. Determinations by provincial governments to reduce the volume of timber, to issue or not issue operating permits to harvest timber, the areas that may be harvested under timber tenures, to restrict the transfer or acquisition of timber tenures or to regulate the processing of timber or use of harvesting contractors, including to protect the environment or endangered species, species at risk and critical habitat or as a result of forest fires or in response to jurisprudence or government policies respecting Indigenous rights and title or reconciliation efforts or to restrict log processing to local or appurtenant sawmills or to mandate amounts of work to be provided or rates to be paid to harvesting contractors, may reduce our ability to secure log or residual fibre supply and may increase our log purchase and residual fibre costs and may impact our lumber, OSB, plywood, LVL, pulp and MDF operations. Specifically, the AAC for our Canadian timber operations may be reduced as a result of the impact of wildfires, pine beetle infestation and the amount of non-pine species available for harvest and caribou conservation plans in British Columbia and Alberta, and the full effect of these reductions on our operations cannot be determined at this time. In addition, government environmental regulation focused on climate change or future extreme weather events could result in reductions to the AAC for our Canadian timber operations.

The long term effect of the mountain pine beetle infestation in British Columbia and Alberta and the 2017, 2018 and 2021 wildfire outbreaks in B.C. on our Canadian operations is uncertain. The potential effects include a reduction of future AAC levels to below current and preinfestation AAC levels and the extent of any reductions are not determinable at this time. Many of our B.C. operations are experiencing a diminished grade and volume of lumber recovered from beetle-killed and fire-damaged logs as well as increased production costs. These effects are also present in some of our Alberta operations where the mountain pine beetle infestation has expanded and as has the processing of fire-damaged logs from wildfire activity. The timing and extent of the future impact on our future AAC, timber supply, lumber grade and recovery, and production costs will depend on a variety of factors and at this time cannot be reasonably determined. The effects of the deterioration of beetle-killed and fire damaged logs could include increased costs, reduced operating rates due to shortages of commercially merchantable timber and mill closures. In addition, future wildfires or other insect devastations, whether associated with climate change or not, may impact on government decisions as to AAC levels.

Our timber supply in B.C. may be adversely impacted by the recent amendments to the *Forest Act* (B.C.) and the *Forest and Range Practices Act* (B.C.), as these amendments may result in government regulation or actions that reallocates harvesting rights to Indigenous Nations or communities or otherwise reduces the available timber supply from our B.C. licensed lands.

In addition, our timber supply in B.C. may also be negatively impacted by the announced intention of the Government of B.C. to defer logging in 2.6 million hectares of forests described as “old growth” forests. While the scope of the actions to be taken by the Government of B.C. under these amended forestry statutes and “old growth” deferral proposals cannot be determined at this time, these actions could have a material impact on both the amount of our AAC forest tenures and the amount of timber that we are able to harvest from these tenures.

In addition, provincial governments prescribe the methodologies that determine the amounts of stumpage fees that are charged in respect of harvesting on Crown lands. Determinations by provincial governments to change stumpage fee methodologies or rates could increase our log costs.

We rely on third party independent contractors to harvest timber in areas over which we hold timber tenures. Increases in rates charged by these independent contractors or the limited availability of these independent contractors or new regulations on the work to be provided and rates to be paid to these contractors may increase our timber harvesting costs.

We also rely on the purchase of logs through open market purchases and private supply agreements and increased competition for logs, or shortages of logs may result in increases in our log purchase costs.

United States

We rely on log supply agreements in the U.S. which are subject to log availability and based on market prices. The majority of the aggregate log requirements for our U.S. mills is purchased on the open market. Open market purchases come from timber real estate investment trusts, timberland investment management organizations and private land owners. Changes in the log markets in which we operate may reduce the supply of logs available to us and may increase the costs of log purchases, each of which could adversely affect our results. In addition, changes in the market for residuals may reduce the demand and selling price for the residuals produced by our operations and increase the disposal costs, which could adversely affect our results.

Europe

Wood fibre for our European OSB, particleboard and MDF operations is purchased from government and private landowners. Changes in the log markets in which we operate may reduce the supply of logs available to us and may increase the costs of log purchases, each of which could adversely affect our results.

Additional Risks to Availability of Fibre

When timber, wood chips, other residual fibre and wood recycled materials are purchased on the open market, we are in competition with other uses of such resources, where prices and the availability of supply are influenced by factors beyond our control. Fibre supply can also be influenced by natural events, such as forest fires, severe weather conditions, insect epidemics and other natural disasters, which may increase wood fibre costs, restrict access to wood fibre or force production curtailments.

Transportation Requirements

Our business depends on our ability to transport a high volume of products and raw materials to and from our production facilities and on to both domestic and international markets. We rely primarily on third-party transportation providers for both the delivery of raw materials to our production facilities and the transportation of our products to market. These third-party transportation providers include truckers, bulk and container shippers and railways. Our ability to obtain transportation services from these transportation service providers is subject to risks which include, without limitation, availability of equipment and operators, disruptions due to weather, natural disasters and labour disputes. We experienced significant transportation disruptions in British Columbia in the fourth quarter of 2021 as a result of severe weather and flooding in British Columbia which materially impacted our ability to ship lumber from British Columbia. To the extent that climate change results in more frequent severe weather occurrences, we may experience increased frequency of transportation disruptions in future years which may again result in a disruption of our ability to delivery our ability to ship lumber and other products that we manufacture. In addition, the potential of increased frequency of severe weather events may ultimately result in increased transportation costs as transportation providers, including railways, undertake capital expenditures to improve the ability of the transportation infrastructure to withstand severe weather events or to repair damage from severe weather events in order to maintain services.

Transportation services may also be impacted by seasonal factors, which could impact the timely delivery of raw materials and distribution of products to customers. As a result of rail capacity constraints, access to adequate transportation capacity has at times been strained and could affect our ability to transport our products to markets and could result in increased product inventories. Any failure of third-party transportation providers to deliver finished goods or raw materials in a timely manner, including failure caused by adverse weather conditions or work stoppages, could harm our reputation, negatively affect customer relationships or disrupt production at our mills. Transportation costs are also subject to risks that include, without limitation, increased rates due to competition, increased fuel costs and increased capital expenditures related to repair, maintenance and upgrading of transportation infrastructure. Increases in transportation costs will increase our operating costs and adversely impact our profitability. If we are unable to obtain transportation services or if our transportation costs increase, our revenues may decrease due to our inability to deliver products to market and our operating expenses may increase, each of which would adversely affect our results of operations.

Trade Restrictions

A substantial portion of our products that are manufactured in Canada are exported for sale. Our financial results are dependent on continued access to the export markets and tariffs, quotas and other trade barriers that restrict or prevent access represent a continuing risk to us. Canadian softwood lumber exports to the U.S. have been the subject of trade

disputes and managed trade arrangements for the last several decades. During the period from October 2006 through October 2015 these exports were subject to a trade agreement between the U.S. and Canada and on the expiry of that agreement, a one-year moratorium on trade sanctions by the U.S. came into place. That moratorium has expired and in November 2016 a group of U.S. lumber producers petitioned the USDOC and the USITC to impose trade sanctions against Canadian softwood lumber exports to the U.S. In 2017 duties were imposed on Canadian softwood lumber exports to the U.S. The current duties are likely to remain in place until and unless some form of trade agreement can be reached between the U.S. and Canada (which trade agreement could include other tariffs or duties or quotas that restrict lumber exports) or a final, binding determination is made as a result of litigation. Unless the additional costs imposed by duties can be passed along to lumber consumers, the duties will increase costs for Canadian producers and, in certain cases, could result in some Canadian production becoming unprofitable. Whether and to what extent duties can be passed along to consumers will largely depend on the strength of demand for softwood lumber, which is significantly influenced by the levels of new residential construction in the U.S. If duties can be passed through to consumers in whole or in part the price of Canadian softwood lumber will increase (although the increase will not necessarily be for the benefit of Canadian producers) which in turn could cause the price of SYP lumber, which would not be subject to the duty, to increase as well.

While the USDOC has issued its final duty rates for 2019, the duty rates for 2020 and 2021 periods of investigation have not been finalized, and there is no assurance that the final rates for antidumping duty and countervailing duty will not differ materially from the cash deposit rates in place for those years.

The application of U.S. trade laws could, in certain circumstances, create significant burdens on us. We are a mandatory respondent in current investigations being conducted by the USDOC into alleged subsidies and dumping of Canadian softwood lumber. In addition, the current trade dispute between the U.S. and China could negatively impact either or both the U.S. and Chinese economies which could have an adverse effect on the demand for our products and could adversely affect our financial results. Further, the current diplomatic and trade issues between Canada and China could result in tariffs and other trade barriers that restrict access to the market in China for our products.

The future performance of our business is dependent upon international trade and, in particular, cross border trade between Canada and the U.S. and between the United Kingdom (“UK”) and European Union. Access to markets in the U.S., the European Union and other countries may be affected from time to time by various trade-related events. The financial condition and results of operations of our business could be materially adversely affected by trade rulings, the failure to reach or adopt trade agreements, the imposition of customs duties or other tariffs, or an increase in trade restrictions in the future.

Environment

We are subject to regulation by federal, provincial, state, municipal and local environmental authorities, including, among other matters, environmental regulations relating to air emissions and pollutants, wastewater (effluent) discharges, solid and hazardous waste, landfill operations, forestry practices, permitting obligations, site remediation and the protection of threatened or endangered species and critical habitat. Concerns over climate change, carbon emissions, water and land-use practices and the protection of threatened or endangered species and critical habitat could also lead governments to enact additional or more stringent environmental laws and regulations that may require us to incur significant capital expenditures, pay higher taxes or fees, including carbon related taxes or otherwise could adversely affect our operations or financial conditions.

We have incurred, and will continue to incur, capital expenditures and operating costs to comply with environmental laws and regulations, including the U.S. Environmental Protection Agency’s Boiler MACT (maximum achievable control technology) regulations. These regulations include environmental laws and regulations relating to air emissions, wastewater discharges, solid and hazardous waste management, plant and wildlife protection and site remediation, as well as workplace safety. In addition, changes in the regulatory environment respecting climate change have and may lead governments and regulatory bodies to enact additional or more stringent laws and regulations and impose operational restrictions or incremental levies and taxes applicable to our Company which could require us to incur increased capital expenditures or result in increased operating expenses. In addition, we anticipate incurring additional capital expenditures in connection with capital projects that we plan to undertake in order to achieve our targeted greenhouse gas emission objectives. These capital expenditures may be greater than initially projected, and changes in environmental laws could impose more stringent requirements than our targeted objectives and result in increased capital expenditures or acceleration of the time for completion of the capital projects.

No assurance can be given that changes in these laws and regulations or their application will not have a material adverse effect on our business, operations, financial condition and operational results. Similarly, no assurance can be given that capital expenditures necessary for future compliance with existing and new environmental laws and regulations could be financed from our available cash flow. Failure to comply with applicable laws and regulations could result in fines, penalties or other enforcement actions that could impact our production capacity or increase our production costs. In addition, laws and regulations could become more stringent or subject to different interpretation in the future.

We may discover currently unknown environmental problems, contamination, or conditions relating to our past or present operations. This or any failure to comply with environmental laws and regulations may require site or other remediation costs or result in governmental or private claims for damage to person, property, natural resources or the environmental or governmental sanctions, including fines or the curtailment or suspension of our operations, which could have a material adverse effect on our business, financial condition and operational results.

We are currently involved in investigation and remediation activities and maintain accruals for certain environmental matters or obligations, as set out in the notes to our Annual Financial Statements. Changing weather patterns and climatic conditions due to natural and man-made causes, including temperature shifts and changes to seasonal norms for winter and summer, can adversely impact our ability to meet our reforestation obligations and the expected cost to settle these liabilities. There can be no assurance that any costs associated with such obligations or other environmental matters will not exceed our accruals.

Our Canadian woodland operations, and the harvesting operations of our many key U.S. log and European wood fibre suppliers, in addition to being subject to various environmental protection laws, are subject to third-party certification as to compliance with internationally recognized, sustainable forest management standards. Demand for our products may be reduced if we are unable to achieve compliance or are perceived by the public as failing to comply, with these applicable environmental protection laws and sustainable forest management standards, or if our customers require compliance with alternate forest management standards for which our operations are not certified. In addition, changes in sustainable forest management standards or our determination to seek certification for compliance with alternate sustainable forest management standards may increase our costs of wood fibre and operations.

Climate Change, Environmental and Social Risks

We face direct risks associated with climate change and the environment, as well as indirect risks resulting from the growing international concern regarding climate change, environmental and social matters. Specifically, there has been a significant increase in focus on the timing and ability of organizations to transition to a lower-carbon economy and to demonstrate a commitment to environmental, social and governance issues. Governments, financial institutions, insurance companies, environmental and governance organizations, institutional investors, social and environmental activists, and individuals, are increasingly seeking to implement, among other things, regulatory developments, policy changes and investment patterns, which, individually and collectively may have financial implications for both us and our stakeholders (i.e., customers, suppliers, shareholders).

Our business operations face risks associated with climate change and the environment, as identified and discussed in this Risk and Uncertainties section of this MD&A. In addition, climate change and its associated impacts may increase our exposure to, and magnitude of, other risks identified in this Risk and Uncertainties section of this MD&A.

Overall, we are not able to estimate at this time the degree to which climate change related regulatory, climatic conditions, and climate-related transition risks could impact our financial and operating results. Our business, financial condition, results of operations, cash flows, reputation, access to capital, access to insurance, cost of borrowing, access to liquidity, ability to fund dividend payments and/or business plans may, in particular, without limitation, be adversely impacted as a result of climate change and its associated impacts.

We also face potential strategic, reputational, business, legal and regulatory risks relating to our actual or perceived actions, or inaction, in relation to climate change and other environmental and social risk issues, progress against its environmental or social commitments, or our disclosures on these matters. Investors and stakeholders increasingly compare companies based on climate-related performance and a perception among financial institutions and investors that our ESG initiatives, including the forestry industry’s sustainability initiatives, are insufficient, could adversely affect our reputation and ability to attract investors and capital. We will be adopting certain greenhouse gas emissions reduction targets as part of our overall sustainability and ESG initiatives, which will include the adoption of science-based targets to achieve significant reductions to GHG emissions targeted by 2030. There is a risk that we will not meet our GHG

emissions reduction targets, that some or all of the expected benefits and opportunities of achieving our various GHG and sustainability targets may fail to materialize, and that achieving the targets may cost more to achieve than projected or may not occur within anticipated time periods. Our failure to achieve our GHG or our sustainability targets, or a perception by key stakeholders, including our customers and our investors, that our GHG targets or other ESG initiatives are insufficient, could adversely affect our reputation and our ability to attract investors, capital and insurance coverage. Further, actions taken by us to meet our GHG targets and achieve our sustainability objectives may ultimately increase our projected capital expenditures and our costs of operations. In addition, our ability to access capital or the costs of available capital may be adversely affected in the event that financial institutions, investors, rating agencies and/or lenders adopt more restrictive sustainability policies than we have committed to.

Indigenous Groups

Issues relating to Indigenous groups, including Indigenous Nations, Métis and others, have the potential for an impact on resource companies operating in Canada including West Fraser. Risks include potential delays or effects of governmental decisions relating to Canadian Crown timber harvesting rights (including their grant, renewal or transfer or authorization to harvest) in light of the government's duty to consult and accommodate Indigenous groups in respect of Aboriginal rights or treaty rights, agreements governments may choose to enter into with Indigenous groups or steps governments may take in favour of Indigenous groups even if not required by law, related terms and conditions of authorizations and potential findings of Aboriginal title over land.

We participate, as requested by the government, in the consultation process in support of the government fulfilling its duty to consult. We also seek to develop and maintain good relationships and, where possible, agreements with Aboriginal groups that may be affected by our business activities. However, as the jurisprudence and government policies respecting Indigenous rights and title and the consultation process continue to evolve, as treaty and non-treaty negotiations continue, and as governments continue to announce and implement further policy and legislative changes to Indigenous interests (including, but not limited to the British Columbia D*eclaration of the Rights of Indigenous Peoples Act* and the federal U*nited Nations Declaration on the Rights of Indigenous Peoples Act* , we cannot assure that Indigenous claims will not in the future have a material adverse effect on our timber harvesting rights or our ability to exercise or renew them or secure other timber harvesting rights.

In addition, if the Government of British Columbia implements its plan to defer logging in "old growth" forest areas, our ability to secure timber supply from affected areas may be impacted by our ability to foster and maintain good relations with Indigenous Nations in the impacted areas, and their willingness to approve or consent to logging of portions of our forest licenses that are considered "old growth" forests. The unwillingness of Indigenous Nations to approve or consent to logging in areas impacted by the deferral could reduce the amount of timber supply available to us.

Contagious Disease

The continuing COVID-19 pandemic could cause interruptions to our business and operations and otherwise have an adverse effect on our business, financial condition and/or results of operations including as a result of the effects on: (i) global economic activity, (ii) the business, operations, financial condition, and solvency of our customers caused by operating shutdowns or disruptions or financial or liquidity issues, (iii) the demand for and price of our products, (iv) the health of our employees and the impact on their ability to work or travel, (v) our ability to operate our manufacturing facilities, (vi) our supply chain and the ability of third party suppliers, service providers and/or transportation carriers to supply goods or services on which we rely on to transport our products to market, and (vii) our revenues, cash flow, liquidity and ability to maintain compliance with the covenants in our credit agreements. Specifically, the current escalation of the highly transmissible Omicron variant or future variants may result in our inability to fully staff our manufacturing facilities, with the result that we may be forced to temporarily close facilities or reduce production rates during periods. In addition, our future business may be impacted local, regional, national or international outbreak or escalation of other contagious diseases, viruses or other illnesses, including future COVID-19 variants, Middle East Respiratory Syndrome, Severe Acute Respiratory Syndrome, H1N1 influenza virus, avian flu or any other similar illness, or fear of the foregoing,

Demand and prices for our products may be adversely affected by such outbreaks and pandemics that affect levels of economic activity, and we are unable to predict or estimate the timing or extent of the impact of such outbreaks and pandemics. Governmental measures or restrictions, including those requiring the closures of businesses, restrictions on travel, country, provincial or state and city-wide isolation orders, and physical distancing requirements, may directly affect our operations and employees and those of our customers, suppliers and service providers, and the demand for

and pricing of our products. The spread of such viruses among our employees or those of our suppliers or service providers could result in lower production and sales, higher costs, and supply and transportation constraints. Accordingly, our production, costs, and sales may be negatively affected, which could have a material adverse effect on our business, financial condition and/or results of operation.

Given the ongoing and dynamic nature of the COVID-19 outbreak, it is challenging to predict the impact on the Company's business. The extent of such impact will depend on future developments, which are highly uncertain, including the resurgence of COVID-19 as restrictions are eased or lifted, new information that may emerge concerning the spread and severity of COVID-19, and actions taken to address its impact, among others. It is difficult to predict how this virus may affect our business in the future, including its effect (positive or negative; long or short term) on the demand and price for our products. It is possible that COVID-19, particularly if it has a prolonged duration, could have a material adverse effect on our supply chain, market pricing and customer demand, and distribution networks. These factors may further impact our operating plans, business, financial condition, liquidity, the valuation of long-lived assets, and operating results.

Regulatory

Our operations are subject to extensive general and industry specific federal, provincial, state, municipal and other local laws and regulations and other requirements, including those governing forestry, exports, taxes (including, but not limited to, income, sales and carbon taxes), employees, labour standards, occupational health and safety, waste disposal, environmental protection and remediation, protection of endangered and protected species and land use and expropriation. We are required to obtain approvals, permits and licences for our operations, which may require advance consultation with potentially affected stakeholders including Indigenous groups and impose conditions that must be complied with. If we are unable to obtain, maintain, extend or renew, or are delayed in extending or renewing, a material approval, permit or license, our operations or financial condition could be adversely affected. There is no assurance that these laws, regulations or government requirements, or the administrative interpretation or enforcement of existing laws and regulations, will not change in the future in a manner that may require us to incur significant capital expenditures, pay higher taxes or otherwise could adversely affect our operations or financial condition. Failure to comply with applicable laws or regulations, including approvals, permits and licences, could result in fines, penalties or enforcement actions, including orders suspending or curtailing our operations or requiring corrective measures or remedial actions.

Natural and Man-Made Disasters and Climate Change Adaptation

Our operations are subject to adverse natural or man-made events such as forest fires, flooding, hurricanes and other severe weather conditions, climate change, timber diseases and insect infestations including those that may be associated with warmer climate conditions, and earthquake activity. Over the past several years, changing weather patterns and climatic conditions due to natural and man-made causes, including temperature shifts and changes to seasonal norms for winter and summer, have added to the unpredictability and frequency of natural events such as severe weather, hurricanes, flooding, hailstorms, wildfires, snow, ice storms, and the spread of disease and insect infestations. Trends towards heavier precipitation patterns, changes to water quality and water storage on the land base can result in the overall degradation of water quality and reduced water supply levels. These events could damage or destroy or adversely affect the operations at our physical facilities or the cost, availability, and quality of our timber supply, and similar events could also affect the facilities of our suppliers or customers. Any such damage or destruction could adversely affect our financial results as a result of the reduced availability of timber, decreased production output, increased operating costs or the reduced availability of transportation. Although we believe we have reasonable insurance arrangements in place to cover certain of such incidents related to damage or destruction, there can be no assurance that these arrangements will be sufficient to fully protect us against such losses. As is common in the industry, we do not insure loss of standing timber for any cause.

In addition, government action to address climate change, carbon emissions, water and land use and the protection of threatened or endangered species and critical habitat may result in the enactment of additional or more stringent laws and regulations that may require us to incur significant capital expenditures, pay higher taxes or fees, including carbon related taxes, or otherwise could adversely affect our operations or financial conditions.

Information Technology and Cyber Security

We are reliant on our information and operations technology systems to operate our manufacturing facilities, access fibre, communicate internally and with suppliers and customers, to sell our products and to process payments and payroll

as well as for other corporate purposes and financial reporting. An interruption or failure or unsuccessful implementation and integration of our information and operations technology systems could result in a material adverse effect on our operations, business, financial condition and results of operations.

In order to optimize performance, we regularly implement business process improvement initiatives and invest capital to upgrade our information technology infrastructure. These initiatives may involve risks to the operations and we may experience difficulties during the transition to these new or upgraded systems and processes. Difficulties in implementing new or upgraded information systems or significant system failures could disrupt operations and have a material adverse effect on the business.

In the ordinary course of our business, we collect and store sensitive data, including intellectual property, proprietary business and confidential financial information and identifiable personal information of our employees. We rely on industry accepted security measures and technology to protect our information systems and confidential and proprietary information.

However, our information and operations technology systems, including process control systems, are still subject to cyber security risks and are vulnerable to natural disasters, fires, power outages, vandalism, attacks by hackers or others or breaches due to employee error or other disruptions. Any such attack on or breach of our systems including through exposure to potential computer viruses or malware could compromise our systems and stored information may be accessed, publicly disclosed, lost or compromised, which could result in legal claims or proceedings, liability under laws that protect the privacy of personal information, regulatory penalties, disruptions to our operations, decreased performance and production, increased costs, and damage to our reputation, which could have a material adverse effect on our business, financial condition and results of operations. As cyber security threats continue to evolve, we may be required to expend additional resources to continue to modify or enhance protective measures or to investigate and remediate any security vulnerabilities. However, our exposure to these risks cannot be fully mitigated due to the nature of these threats. Further, disruptions resulting from cyber security breaches could expose us to potential liability or other proceedings by affected individuals, business partners and/or regulators. As a result, we could face increased costs if any future claims exceed our insurance coverage.

Product Liability and Legal Proceedings

We produce a variety of wood-based panels that are used in new home construction, repair and remodelling of existing homes, furniture and fixtures, and industrial applications. In the normal course of business, the end users of our products have in the past made, and could in the future make, claims with respect to the fitness for use of its products or claims related to product quality or performance issues. In addition, we have been in the past and may in the future be involved in legal proceedings related to antitrust, negligence, personal injury, property damage, environmental matters, and labour and other claims against us or our predecessors. We could face increased costs if any future claims exceed purchased insurance coverage.

Capital Intensity

Our business and the production of wood-based panels is capital intensive. There can be no assurance that key manufacturing facilities and pieces of equipment will not need to be updated, modernized, repaired or replaced, or that operation of our manufacturing facilities could not otherwise be disrupted unexpectedly, for example by adverse weather, labour disputes, information technology disruptions, power outages, fire, explosion or other hazards including combustible wood dust. In certain circumstances, the costs of repairing or replacing equipment, and the associated downtime of the affected production line, may not be insurable.

We are required to review our long-lived assets for indicators that their carrying values will not be recovered. Indicators could include high raw material costs, energy cost, changes in demand for our products, declines in product pricing, changes in technology, prolonged negative results or operational curtailments, and may result in non-cash impairment or accelerated depreciation charges in the future and therefore have a negative impact to earnings in the period when these charges are recorded.

Tax Exposures

In the normal course of business, we take various positions in the filing of our tax returns, and there can be no assurance that tax authorities will not challenge such filing positions. In addition, we are subject to further uncertainties concerning

the interpretation and application of tax laws in various operating jurisdictions. We provide for known estimated tax exposures in all jurisdictions. These exposures are settled primarily through the closure of audits with the jurisdictional taxing authorities. However, future settlements could differ materially from our estimated liabilities.

Potential Future Changes in Tax Laws, including Tax Rates

Our corporate structure is based on prevailing taxation law, regulations and practice in the local jurisdictions in which we operate. We are aware that new taxation rules could be enacted or that existing rules could be applied in a manner that subjects our profits to additional taxation or otherwise has a material adverse effect on our profitability, results of operations, deferred tax assets and liabilities, financial condition or the trading price of its securities. Our management is continually monitoring changes in tax policy, tax legislation (including in relation to taxation rates), and the interpretation of tax policy or legislation or practice that could have such an effect. At any given time, we may face tax exposures arising out of changes in tax or transfer pricing laws, tax reassessments or otherwise. Governments around the world are increasingly seeking to regulate multinational companies and their use of differential tax rates between jurisdictions. This effort includes a greater emphasis by various nations to coordinate and share information regarding companies and the taxes they pay. Changes in governmental taxation policies and practices could adversely affect us or result in negative media coverage and, depending on the nature of such policies and practices, could have a greater impact on the Company than on other companies.

Foreign Currency Exchange Rates

Our Canadian operations sell the majority of their products at prices denominated in U.S. dollars or based on prevailing U.S. dollar prices while a significant portion of their operational costs and expenses are incurred in Canadian dollars. Upon closing of the Norbord Acquisition, we have changed the functional currency and presentation currency of our Canadian operations, with the exception of our Canadian newsprint operation, from Canadian dollars to United States dollars. Our United Kingdom operations sell a portion of their products at prices denominated in Euros while the majority of their costs are incurred in British Pounds Sterling.

Accordingly, exchange rate fluctuations will result in exchange gains or losses recorded in earnings and other comprehensive earnings. This results in significant earnings sensitivity to changes in the relative value of the United States dollar in comparison to the value of the Canadian dollar, British pound sterling and Euro. These exchange rates are affected by a broad range of factors which makes future rates difficult to accurately predict. Significant fluctuations in relative currency values may also negatively affect the cost competitiveness of our facilities, the value of our foreign investments, the results of our operations and our financial position.

Financial

Capital Plans

Our capital plans will include, from time to time, expansion, productivity improvement, technology upgrades, operating efficiency optimization and maintenance, repair or replacement of our existing facilities and equipment. In addition, we will from time to time undertake the acquisition of facilities or the rebuilding or modernization of existing facilities, including the rebuilding and modernization of existing and newly acquired facilities. We may also in the future be required to undertake capital projects to (i) address or mitigate the impacts of climate change and extreme weather events at our facilities, (ii) comply with new government regulation directed at reducing the impacts of climate change; (iii) reduce the carbon intensity or footprint of our existing operations by reducing or eliminating fossil fuel usage, or (iii) comply with new government regulation directed at improving environmental protection. If the capital expenditures associated with these capital projects are greater than we have projected or if construction timelines are longer than anticipated, or if we fail to achieve the intended efficiencies, our financial condition, results of operations and cash flows may be adversely affected. In addition, our ability to expand production and improve operational efficiencies will be contingent on our ability to execute on our capital plans. Our capital plans and our ability to execute on such plans may be adversely affected by availability of, and competition for, qualified workers and contractors, machinery and equipment lead times, changes in government regulations, unexpected delays and increases in costs of completing capital projects including due to increased materials, machinery and equipment costs resulting from trade disputes and increased tariffs and duties.

Capital Resources

We believe our capital resources will be adequate to meet our current projected operating needs, capital expenditures and other cash requirements. Factors that could adversely affect our capital resources include prolonged and sustained declines in the demand and prices for our products, unanticipated significant increases in our operating expenses and unanticipated capital expenditures. If for any reason we are unable to provide for our operating needs, capital expenditures and other cash requirements on commercially reasonable terms, we could experience a material adverse effect to our business, financial condition, results of operations and cash flows.

Availability of Credit

We rely on long term borrowings and access to revolving credit in order to finance our ongoing operations. Our ability to refinance or renew such facilities will be dependent upon our financial condition, profitability and credit ratings and prevailing financial market conditions. Any change in availability of credit in the market, as could happen during an economic downturn, could affect our ability to access credit markets on commercially reasonable terms. In the future we may need to access public or private debt markets to issue new debt. Deteriorations or volatility in the credit markets could also adversely affect:

- our ability to secure financing to proceed with capital expenditures for the repair, replacement or expansion of our existing facilities and equipment;
- our ability to comply with covenants under our existing credit or debt agreements;
- the ability of our customers to purchase our products; and
- our ability to take advantage of growth, expansion or acquisition opportunities.

In addition, deteriorations or volatility in the credit market could result in increases in the interest rates that we pay on our outstanding non-fixed rate debt, which would increase our costs of borrowing and adversely affect our results.

We have notes maturing in 2024 and a term loan maturing in 2024. There is no assurance that financing will be available to us when required or may not be available to us on commercially favourable or otherwise satisfactory terms in the future to re-finance these notes and term loan when they become due.

Credit Ratings

Credit rating agencies rate our debt securities based on factors that include our operating results, actions that we take, their view of the general outlook for our industry and their view of the general outlook for the economy. Actions taken by the rating agencies can include maintaining, upgrading or downgrading the current rating or placing us on a watch list for possible future downgrading. Downgrading the credit rating of our debt securities or placing us on a watch list for possible future downgrading could limit our access to the credit markets, increase our cost of financing and have an adverse effect on our financial condition.

Costs of Materials and Energy

We rely heavily on certain raw materials, including logs, wood chips and other fibre sources, chemicals, and energy sources, including natural gas and electricity, in our manufacturing processes. Competition from our industry and other industries may result in increased demand and costs for these raw materials and energy sources. Increases in the costs of these raw materials and energy sources will increase our operating costs and will reduce our operating margins. There is no assurance that we will be able to fully offset the effects of higher raw material or energy costs through hedging arrangements, price increases, productivity improvements or cost-reduction programs.

Operational Curtailments

From time to time, we suspend or curtail operations at one or more of our facilities in response to market conditions, environmental risks, or other operational issues, including, but not limited to scheduled and unscheduled maintenance, temporary periods of high electricity prices, power failures, equipment breakdowns, adverse weather conditions, labour disruptions, unavailability of staff due to COVID-19, fire hazards, and the availability or cost of raw materials including logs and wood chips. In addition, the potential increased frequency of extreme weather events associated with climate change may result in operational curtailments becoming more frequent than we have experienced historically.

In addition, our ability to operate at full capacity may be affected by ongoing capital projects. As a result, our facilities may from time to time operate at less than full capacity. These operational suspensions could have a material adverse effect on our financial condition as a result of decreased revenues and lower operating margins.

In Canada, a substantial portion of the wood chip requirements of our Canadian pulp and paper operations are provided by our Canadian sawmills and plywood and LVL plants. If wood chip production is reduced because of production curtailments, improved manufacturing efficiencies or any other reason, our pulp and paper operations may incur additional costs to acquire or produce additional wood chips or be forced to reduce production. Conversely, pulp and paper mill production curtailments may require our sawmills and panel mills to find other ways to dispose of residual wood fibre and may result in curtailment or suspension of lumber, plywood or LVL production and increased costs.

Labour and Services

Our operations rely on experienced local and regional management and both skilled and unskilled workers as well as third party services such as logging and transportation and services for our capital projects. Because our operations are generally located away from major urban centers, we often face strong competition from our industry and others such as oil and gas production, mining and manufacturing for labour and services, particularly skilled trades. Shortages of key services or shortages of management leaders or skilled or unskilled workers, including those caused by a failure to attract and retain a sufficient number of qualified employees and other personnel or high employee turnover could impair our operations by reducing production or increasing costs or the ability to execute on our capital projects including timing and costs.

We employ a unionized workforce in a number of our operations. Walkouts or strikes by employees could result in lost production and sales, higher costs, supply constraints and litigation that could have a material adverse effect on our business. In addition, disputes with the unions that represent our employees may lead to litigation, the result of which may adversely impact cash flow and profitability of certain of our operations. Also, we depend on a variety of third parties that employ unionized workers to provide critical services to us. Labour disputes experienced by these third parties could lead to disruptions at our facilities.

Approximately 35% of our employees are covered by collective agreements. There were no expired collective agreements remaining as at December 31, 2021, other than the collective agreement with respect to our Hinton facilities. All of our UK and Belgian union contracts are evergreen. Union agreements representing approximately 9% and 30% of our unionized employees expire in 2022 and 2023, respectively. In the event that we are unable to renew these collective agreements upon their expiry, we could experience strikes or labour stoppages at the impacted facilities which could result in lost production and sales, higher costs and/or supply constraints.

Wood Dust

Our operations generate wood dust which has been recognized for many years as a potential health and safety hazard and operational issue. The potential risks associated with wood dust have been increased in those of our B.C. and Alberta facilities that have been processing mountain pine beetle-killed logs and fire damaged logs as the wood dust generated from these logs tends to be drier, lighter and finer than wood dust typically generated. We have adopted a variety of measures to reduce or eliminate the risks and operational challenges posed by the presence of wood dust in our facilities and we continue to work with industry and regulators to develop and adopt best mitigation practices. Any explosion or similar event at any of our facilities or any third-party facility could result in significant loss, increases in expenses and disruption of operations, each of which would have a material adverse effect on our business.

Pension Plan Funding

We are the sponsor of several defined benefit pension plans, including plans of Norbord which we assumed as part of the Norbord Acquisition, which exposes us to market risks related to plan assets and liabilities. Funding requirements for these plans are based on actuarial assumptions concerning expected return on plan assets, future salary increases, life expectancy and interest rates. If any of these assumptions differs from actual outcomes such that a funding deficiency occurs or increases, we would be required to increase cash funding contributions which would in turn reduce the availability of capital for other purposes. We are also subject to regulatory changes regarding these plans which may increase the funding requirements which would in turn reduce the availability of capital for other purposes.

International Sales

A portion of our products are exported to customers in China, Japan and in developing markets. International sales present a number of risks and challenges, including but not limited to the effective marketing of our products in foreign countries, collectability of accounts receivable, tariffs and other barriers to trade and recessionary environments in foreign economies.

Strategic Initiatives

Our future success may in part be dependent on the performance of strategic initiatives, which could include growth in certain segments or markets and acquisitions. There can be no assurance that we will be able to successfully implement important strategic initiatives in accordance with our expectations, which may adversely affect our business, financial results and future growth prospects.

Acquisitions

We may evaluate and complete potential acquisitions from time to time and have in the past grown through acquisitions. However, there is no assurance that we in the future will be able to successfully identify potential acquisitions or efficiently and cost-effectively integrate any assets or business that we acquire without disrupting existing operations.

Acquisitions are subject to a range of inherent risks, including the assumption of incremental regulatory/compliance, pricing, labour relations, litigation, environmental, tax and other risks. Further, we may not be able to successfully integrate or achieve anticipated synergies from those acquisitions which we do complete and/or such acquisitions may be dilutive in the short to medium term. Any of these adverse outcomes could result in us not achieving the financial benefits of prospective acquisitions and have a material adverse effect on our profitability

We May Not Achieve the Anticipated Benefits from the Acquisition of Norbord

Our ability to realize the anticipated benefits and synergies of our acquisition of Norbord will depend in part on our successfully consolidating Norbord's business and integrating Norbord's operations, procedures and personnel in a timely and efficient manner, as well as on our ability to realize the anticipated growth opportunities and synergies, efficiencies and cost savings from the combined business. There is no assurance that the targeted annual synergies will be achieved.

Return of Capital to Shareholders

We have returned capital to our shareholders in 2021 through a combination of dividends and share repurchases, both through our normal course issuer bid and our substantial issuer bid. There is no assurance that we will continue to return capital to shareholders in future years, or as to the amount of capital that will be returned. Further, decisions to return capital to shareholders remain at the discretion of our board of directors and shareholders may not agree with the manner and the amounts of capital that are returned to shareholders. The declaration and payment of cash dividends remains within the discretion of our board of directors. Historically, cash dividends have been declared on a quarterly basis payable after the end of each quarter. There is no assurance that our board of directors will continue to maintain our dividend at the current rate. Our board of directors has the power to declare dividends in its discretion and in any manner and at any time as it may deem necessary or appropriate in the future. For these reasons, as well as others, there can be no assurance that dividends that we pay in the future will be equal or similar to the dividends historically paid by West Fraser or that our board of directors will not decide to suspend or discontinue the payment of cash dividends in the future.

Risks Associated with the NYSE Listing and Litigation

We have listed the West Fraser Shares on the NYSE in connection with our completion of the Norbord Acquisition. Our continued listing on the NYSE may expose us to additional regulatory proceedings, litigation (including class actions), mediation, and/or arbitration from time to time, which could adversely affect our business, financial condition and operations. Monitoring and defending against legal actions, with or without merit, can be time-consuming, may divert management's attention and resources and can cause us to incur significant expenses. In addition, legal fees and costs incurred in connection with such activities may be significant and we may, in the future, be subject to judgments or enter into settlements of claims for significant monetary damages. While we have insurance that may cover the costs and awards of certain types of litigation, the amount of insurance may not be sufficient to cover any costs or awards.

Substantial litigation costs or an adverse result in any litigation may adversely impact our business, financial condition, or operations. Litigation, and any decision resulting therefrom, may also create a negative perception of West Fraser.

Risk Associated with Internal Controls

We are required to maintain and evaluate the effectiveness of our internal controls over financial reporting under National Instrument 52-109 - *Certification of Disclosure in Issuers' Annual and Interim Filings* in Canada and under the Exchange Act in the United States. Effective internal controls are required for us to accurately and reliably report our financial results and other financial information. There is no assurance that we will be able to achieve and maintain the adequacy of our internal controls over financial reporting as such standards are modified, supplemented, or amended from time to time, and we may not be able to ensure that we can conclude on an ongoing basis that our internal controls over financial reporting is effective. Our failure to establish and maintain effective internal controls over financial reporting could result in our inability to meet our reporting obligations, our inability to prevent fraud and our ability to detect material misstatements. As a result, any failure to maintain effective internal controls over financial reporting may result in investors losing confidence in our ability to report timely, accurate and reliable financial and other information, may expose us to legal or regulatory actions and may adversely impact the market value of our Common shares.

In addition, under Section 404 of the Sarbanes-Oxley Act, we will be required to design, document and test the effectiveness of our internal controls over financial reporting. There is no assurance that our efforts to develop and maintain our internal controls will be successful or sufficient to meet our obligations under SOX or that our auditors will deliver their attestation report confirming their opinion that our internal controls over financial reporting are effective as at December 31, 2022.

Our Common Shares May be Subject to Trading Volatility

Our Common Shares will be subject to material fluctuations in trading prices and volumes which may increase or decrease in response to a number of events and factors, which will include:

- changes in the market price of the commodities that we sell and purchase;
- current events affecting the economic situation in North America, Europe and the international markets in which our products are sold;
- trends in the lumber and OSB industries and other industries in which we operate;
- regulatory and/or government actions;
- changes in financial estimates and recommendations by securities analysts;
- future acquisitions and financings;
- the economics of current and future projects undertaken by us;
- variations in our operating results, financial condition or dividend policies;
- the operating and share price performance of other companies, including those that investors may deem comparable to West Fraser;
- the issuance of additional equity securities by us; and
- the occurrence of any of the risks and uncertainties described above.

In addition to factors directly affecting West Fraser, our Common shares may also experience volatility that is attributable to the overall state of the stock markets in which wide price swings may occur as a result of a variety of financial, economic and market perception factors. This overall market volatility may adversely affect the price of our Common shares, regardless of our own relative operating performance.

CONTROLS AND PROCEDURES

West Fraser is responsible for establishing and maintaining disclosure controls and procedures and internal control over financial reporting, each as defined in NI 52-109.

Limitations on Scope of Design of DC&P and ICFR

In accordance with the provisions of NI 52-109, our management has limited the scope of its design of West Fraser's disclosure controls and procedures and internal control over financial reporting to exclude controls, policies and procedures of Angelina Forest Products LLC, which was acquired on December 1, 2021.

Angelina's contribution to our consolidated financial statements for the year ended December 31, 2021 was $15 million of sales, representing approximately 0.1% of consolidated sales, and $1 million of earnings, representing a nominal percentage of consolidated earnings. Additionally, assets attributed to Angelina's assets were $322 million, representing approximately 3.1% of our total assets as at December 31, 2021.

Disclosure Controls and Procedures

We have designed our disclosure controls and procedures to provide reasonable assurance that information that is required to be disclosed by us in our annual filings, interim filings and other reports that we file or submit under securities legislation is recorded, processed, summarized and reported within the time periods specified in the securities legislation. These include controls and procedures designed to ensure that information that we are required to disclose under securities legislation is accumulated and communicated to our management, including our President and Chief Executive Officer and the Vice-President, Finance and Chief Financial Officer , as appropriate to allow timely decisions regarding required disclosure.

Our management, under the supervision and with the participation of our CEO and CFO, has conducted an evaluation of our disclosure controls and procedures as of December 31, 2021. Based on this evaluation, our CEO and CFO have concluded that our disclosure controls and procedures are effective as of December 31, 2021.

Internal Controls and Procedures

Our management is responsible for establishing and maintaining adequate internal control over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external reporting purposes in accordance with IFRS.

Our management, under the supervision of the CEO and CFO, is required under NI 52-109 to evaluate the effectiveness of our internal controls over financial reporting as of December 31, 2021. Our management completed this evaluation using the Committee of Sponsoring Organizations of the Treadway Commission Internal Control-Integrated Framework (2013). Based on this evaluation, our CEO and CFO have concluded that our internal controls over financial reporting were effective as of December 31, 2021.

There has been no change in our internal controls over financial reporting that occurred during the year ended December 31, 2021, that has materially affected, or is reasonably likely to materially affect, our internal controls over financial reporting, other than changes in our internal controls over financial reporting resulting from the acquisition and integration of Norbord.

Due to its inherent limitations, internal control over financial reporting may not prevent or detect misstatements on a timely basis. Additionally, projections of any evaluation of the effectiveness of internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

DEFINITIONS, RECONCILIATIONS, AND OTHER INFORMATION

Transactions Between Related Parties

The Company undertakes transactions with key management personnel, consisting of our directors and officers. These individuals have the authority and responsibility for overseeing, planning, directing, and controlling our activities. Total compensation expense for key management personnel was $55 million in 2021, compared to $25 million in 2020. The increase in compensation expense was due primarily to the increased number of directors and officers resulting from the Norbord Acquisition and higher equity-based compensation driven by the impact of the Assumed Option Plans and an increase in our share price during 2021 See Note 19 of our Annual Financial Statements for additional details.

Non-GAAP and Other Specified Financial Measures

Throughout this MD&A, we make reference to (1) certain non-GAAP financial measures, including Adjusted EBITDA and Adjusted EBITDA by segment (our "Non-GAAP Financial Measures"), (ii) certain capital management measures, including available liquidity, total debt to capital ratio, and net debt to capital ratio (our "Capital Management Measures"), and (iii) certain supplementary financial measures, including our expected capital expenditures and expected potential synergies

from the Norbord Acquisition (our "Supplementary Financial Measures"). We believe that these Non-GAAP Financial Measures, Capital Management Measures, and Supplementary Financial Measures (collectively, our "Non-GAAP and other specified financial measures") are useful performance indicators for investors with regard to operating and financial performance and our financial condition. These Non-GAAP and other specified financial measures are not generally accepted financial measures under IFRS and do not have standardized meanings prescribed by IFRS. Investors are cautioned that none of our Non-GAAP Financial Measures should be considered as an alternative to earnings or cash flow, as determined in accordance with IFRS. As there is no standardized method of calculating any of these Non-GAAP and other specified financial measures, our method of calculating each of them may differ from the methods used by other entities and, accordingly, our use of any of these Non-GAAP and other specified financial measures may not be directly comparable to similarly titled measures used by other entities. Accordingly, these Non-GAAP and other specified financial measures are intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS. The reconciliation of the Non-GAAP measures used and presented by the Company to the most directly comparable IFRS measures is provided in the tables set forth below.

Adjusted EBITDA and Adjusted EBITDA by Segment

Adjusted EBITDA is defined as earnings determined in accordance with IFRS adding back the following line items from the consolidated statements of earnings and comprehensive earnings: finance expense, tax provision or recovery, amortization, equity-based compensation, restructuring and impairment charges, and other.

Adjusted EBITDA by segment is defined as earnings before tax determined for each reportable segment in accordance with IFRS adding back the following line items from the consolidated statements of earnings and comprehensive earnings for that reportable segment: finance expense, amortization, equity-based compensation, restructuring and impairment charges, and other.

EBITDA is commonly reported and widely used by investors and lending institutions as an indicator of a company's operating performance, ability to incur and service debt, and as a valuation metric. We calculate Adjusted EBITDA and Adjusted EBITDA by segment to exclude items of an unusual nature that do not reflect our ongoing operations and should not, in our opinion, be considered in a long-term valuation metric or should not be included in an assessment of our ability to service or incur debt.

We believe that disclosing these measures assists readers in measuring performance relative to other entities that operate in similar industries and understanding the ongoing cash generating potential of our business to provide liquidity to fund working capital needs, service outstanding debt, fund future capital expenditures and investment opportunities, and pay dividends. Adjusted EBITDA is used as an additional measure to evaluate the operating and financial performance of our reportable segments.

The following tables reconcile Adjusted EBITDA to the most directly comparable IFRS measure, earnings.
See Note 17 of the Annual Financial Statements for a breakdown of the items making up Other. Other is comprised primarily of foreign exchange gain/loss and fair value adjustments on interest rate swap contracts and for Q4-21, $12 million of settlement cost relating to pension plan annuity purchase agreements for certain retired employees.

Effective January 1, 2021, and for all comparative periods, export duties are no longer excluded from the definition of Adjusted EBITDA.

Annual Adjusted EBITDA

($ millions)

	2021	2020	2019
Earnings	$ 2,947	$ 588	$ (113)
Finance expense, net	45	27	37
Tax provision (recovery)	951	202	(52)
Amortization	584	203	195
Equity-based compensation	40	9	4
Restructuring and impairment charges	—	—	25
Other	2	14	8
Adjusted EBITDA	$ 4,569	$ 1,043	$ 104

Quarterly Adjusted EBITDA

($ millions)

	Q4-21	Q3-21	Q4-20
Earnings	$ 334	$ 460	$ 282
Finance expense, net	1	11	(3)
Tax provision (recovery)	104	164	103
Amortization	153	147	54
Equity-based compensation	12	9	4
Other	11	(5)	13
Adjusted EBITDA	$ 615	$ 786	$ 453

The following tables reconcile Adjusted EBITDA by segment to the most directly comparable IFRS measures for each of our reportable segments. We consider that earnings before tax is the most directly comparable measure for Adjusted EBITDA by segment, given we do not allocate consolidated tax amounts across our reportable segments.

Please refer to the “Adjusted EBITDA” section above for additional details concerning the composition of this measure and how it provides useful information to readers.

Annual Adjusted EBITDA by segment

($ millions)

2021	Lumber	North America EWP	Pulp & Paper	Europe EWP	Corporate & Other	Total
Earnings before tax	$ 1,794	$ 2,121	$ (22)	$ 112	$ (107)	$ 3,898
Finance expense, net	17	3	5	1	19	45
Amortization	164	289	34	88	9	584
Equity-based compensation	—	—	—	—	40	40
Other	(2)	1	(2)	—	5	2
Adjusted EBITDA by segment	$ 1,973	$ 2,414	$ 15	$ 201	$ (34)	$ 4,569

2020	Lumber	North America EWP	Pulp & Paper	Europe EWP	Corporate & Other	Total
Earnings before tax	$ 769	$ 95	$ (46)	$ —	$ (28)	$ 790
Finance expense, net	17	4	6	—	—	27
Amortization	151	13	31	—	8	203
Equity-based compensation	—	—	—	—	9	9
Other	2	(5)	8	—	9	14
Adjusted EBITDA by segment	$ 939	$ 107	$ (1)	$ —	$ (2)	$ 1,043

Quarterly Adjusted EBITDA by segment

($ millions)

Q4-21	Lumber	North America EWP	Pulp & Paper	Europe EWP	Corporate & Other	Total
Earnings before tax	$ 194	$ 265	$ (25)	$ 36	$ (32)	$ 438
Finance expense, net	(1)	—	—	1	1	1
Amortization	45	73	9	24	2	153
Equity-based compensation	—	—	—	—	12	12
Other	2	5	2	—	2	11
Adjusted EBITDA by segment	$ 240	$ 343	$ (14)	$ 61	$ (15)	$ 615

Q3-21	Lumber	North America EWP	Pulp & Paper	Europe EWP	Corporate & Other	Total
Earnings before tax	$ 51	$ 542	$ (16)	$ 68	$ (21)	$ 624
Finance expense, net	8	1	2	(1)	1	11
Amortization	41	73	8	23	2	147
Equity-based compensation	—	—	—	—	9	9
Other	(7)	(4)	(1)	—	7	(5)
Adjusted EBITDA by segment	$ 93	$ 612	$ (7)	$ 90	$ (2)	$ 786

Q4-20	Lumber	North America EWP	Pulp & Paper	Europe EWP	Corporate & Other	Total
Earnings before tax	$ 383	$ 42	$ (33)	$ —	$ (7)	$ 385
Finance expense, net	(6)	1	2	—	—	(3)
Amortization	40	4	8	—	2	54
Equity-based compensation	—	—	—	—	4	4
Other	8	1	3	—	1	13
Adjusted EBITDA by segment	$ 425	$ 48	$ (20)	$ —	$ —	$ 453

Available liquidity

Available liquidity is the sum of our cash and short-term investments and funds available under our committed and uncommitted bank credit facilities. We believe disclosing this measure assists readers in understanding our ability to meet uses of cash resulting from contractual obligations and other commitments at a point in time.

($ millions)

	December 31, 2021	December 31, 2020
Available liquidity		
Cash and short-term investments	$ 1,568	$ 461
Operating lines available (excluding newsprint operation) [1]	1,025	811
	2,593	1,272
Cheques issued in excess of funds on deposit	—	—
Borrowings on operating lines	—	—
Available liquidity	$ 2,593	$ 1,272

1. Excludes demand line of credit dedicated to our jointly-owned newsprint operation as West Fraser cannot draw on it.

Total debt to total capital ratio

Total debt to total capital ratio is total debt divided by total capital, expressed as a percentage. Total capital is defined as the sum of total debt plus total equity. This calculation is defined in certain of our bank covenant agreements. We believe disclosing this measure assists readers in understanding our capital structure, financial solvency, and degree of leverage at a point in time.

The following table outlines the composition of the measure.

($ millions)

	December 31, 2021	December 31, 2020
Debt		
Operating loans	$ —	$ —
Current and long-term lease obligation	28	6
Current and long-term debt	501	509
Interest rate swaps[1]	1	6
Open letters of credit[1]	65	50
Total debt	595	571
Shareholders' equity	7,656	2,478
Total Capital	$ 8,251	$ 3,049
Total debt to capital	7 %	19 %

1. Letters of credit facilities and the fair value of interest rate swaps are part of our bank covenants' total debt calculation.

Net debt to capital ratio

Net debt to capital ratio is net debt divided by total capital, expressed as a percentage. Net debt is calculated as total debt less cash and cash equivalents. Total capital is defined as the sum of net debt plus total equity. We believe disclosing this measure assists readers in understanding our capital structure, financial solvency, and degree of leverage at a point in time. We believe that using net debt in the calculation is helpful because net debt represents the amount of debt obligations that are not covered by available cash and short-term investments.

The following table outlines the composition of the measure.

($ millions)

	December 31, 2021	December 31, 2020
Debt		
Operating loans	$ —	$ —
Current and long-term lease obligation	28	6
Current and long-term debt	501	509
Interest rate swaps[1]	1	6
Open letters of credit[1]	65	50
Total debt	595	571
Cash and short-term investments	(1,568)	(461)
Open letters of credit[1]	(65)	(50)
Interest rate swaps[1]	(1)	(6)
Cheques issued in excess of funds on deposit	—	—
Net Debt	(1,039)	54
Shareholders' equity	7,656	2,478
Total Capital	$ 6,617	$ 2,532
Net debt to capital	(16)%	2 %

1. Letters of credit facilities and the fair value of interest rate swaps are part of our bank covenants' total debt calculation.

Expected capital expenditures

This measure represents our best estimate of the amount of cash outflows relating to additions to capital assets for the upcoming year based on our current outlook. This amount is comprised primarily of various improvement projects and maintenance-of-business expenditures, projects focused on optimization and automation of the manufacturing process, and projects targeted to reduce greenhouse gas emissions. This measure assumes no deterioration in market conditions during the year and that we are able to proceed with our plans on time and on budget. This estimate is subject to the risks and uncertainties identified in this MD&A.

Expected synergies from the Norbord Acquisition

This measure represents our best estimate of the expected revenue and cost synergies from integrating our operations with Norbord. Synergies are being realized from reduced corporate overhead costs, the optimization of sales and transportation, procurement savings and the sharing of operational best practices. This measure assumes we are able to realize the aforementioned anticipated revenue and cost synergies from integrating our operations with Norbord. This estimate is subject to the risks and uncertainties identified in this MD&A.

Glossary of Key Terms

We use the following terms in this MD&A:

Term	Description
2023 Notes	Norbord's 6.25% senior notes due April 2023
2027 Notes	Norbord's 5.75% senior notes due July 2027
AAC	Annual allowable cut
ADD	Antidumping duty
Angelina	Angelina Forest Products LLC
Angelina Acquisition	Acquisition of Angelina Forest Products LLC on December 1, 2021
AR	Administrative Review by the USDOC
B.C.	British Columbia
BCTMP	bleached chemithermomechanical pulp
CAD or CAD$	Canadian dollars
CEO	President and Chief Executive Officer
CFO	Vice-President, Finance and Chief Financial Officer
CGU	Cash generating unit
COSO	Committee of Sponsoring Organizations of the Treadway Commission
Crown timber	Timber harvested from lands owned by a provincial government
CVD	Countervailing duty
EDGAR	Electronic Data Gathering, Analysis and Retrieval System
ESG	Environmental, social and governance
EWP	Engineered wood products
GHG	Greenhouse gas
IFRS	International Financial Reporting Standards as issued by the International Accounting Standards Board
LVL	Laminated veneer lumber
MDF	Medium-density fibreboard
NA	North America
NA EWP	North America engineered wood products
NBSK	Northern bleached softwood kraft pulp
NCIB	Normal course issuer bid
NI 52-109	National Instrument 52-109 - *Certification of Disclosure in Issuers' Annual and Interim Filings*
Norbord	Norbord Inc.
Norbord Acquisition	Acquisition of Norbord completed February 1, 2021
Norbord Notes	2023 Notes and 2027 Notes

NYSE	New York Stock Exchange
OSB	Oriented strand board
POI	Period of investigation in respect of an USDOC administrative review
PPE	Property, plant, and equipment
Q1-21 or Q1-20	three months ended March 31, 2021 or 2020 and for balance sheet amounts as at March 31, 2021 or 2020
Q2-21 or Q2-20	three months ended June 30, 2021 or 2020 and for balance sheet amounts as at June 30, 2021 or 2020
Q3-21 or Q3-20	three months ended September 30, 2021 or 2020 and for balance sheet amounts as at September 30, 2021 or 2020
Q4-21 or Q4-20	three months ended December 31, 2021 or 2020 and for balance sheet amounts as at December 31, 2021 or 2020
SEDAR	System for Electronic Document Analysis and Retrieval
SIB	Our substantial Issuer bid completed in August 2021
SOX	Section 404 of the Sarbanes-Oxley Act
SPF	Spruce/pine/balsam fir lumber
SYP	Southern yellow pine lumber
TSX	Toronto Stock Exchange
U.K.	United Kingdom
U.S.	United States
USD or $ or US$	United States Dollars
USDOC	United States Department of Commerce
USITC	United States International Trade Commission
YTD-20	Year to date for year ended December 31, 2020
YTD-21	Year to date for year ended December 31, 2021

Forward-Looking Statements

This MD&A includes statements and information that constitutes “forward-looking information” within the meaning of Canadian securities laws and “forward-looking statements” within the meaning of United States securities laws (collectively, “forward-looking statements”). Forward-looking statements include statements that are forward-looking or predictive in nature and are dependent upon or refer to future events or conditions. We use words such as “expects,” “anticipates,” “plans,” “believes,” “estimates,” “seeks,” “intends,” “targets,” “projects,” “forecasts” or negative versions thereof and other similar expressions, or future or conditional verbs such as “may,” “will,” “should,” “would” and “could” to identify these forward-looking statements. These forward-looking statements generally include statements which reflect management’s expectations regarding the operations, business, financial condition, expected financial results, performance, prospects, opportunities, priorities, targets, goals, ongoing objectives, strategies and outlook of West Fraser and its subsidiaries, as well as the outlook for North American and international economies for the current fiscal year and subsequent periods.

Forward-looking statements included in this MD&A include references to:

Discussion	Forward-Looking Statements
Corporate Strategy	our corporate strategy and objectives to maintain a strong balance sheet and liquidity profile, to maintain a leading cost position and to return capital to shareholders
Recent Developments – Severe Weather and Flooding in B.C.	the timing of when full transportation services will resume or when the backlogs resulting from the interruptions will be cleared
Recent Developments – B.C. Old-Growth Deferrals	the impact of the “old growth” logging deferral in British Columbia
Discussion & Analysis of Annual Results by Product Segment - Lumber Segment - Softwood Lumber Dispute	administrative review commencement, adjustment of export duty rates and proceedings related to duty rates
Business Outlook – Markets	market conditions, demand for our products, impacts of interest rates and transportation constraints

Business Outlook – Operations	production levels, projected lumber shipments, including the ability to recapture lost 2021 production and shipments in 2022, projected OSB shipments, operating costs, expected synergies from Norbord integration, and the timing for resumption of full transportation services
Business Outlook – Cash Flows	projected cash flows in connection with capital expenditures, Dudley and Chambord ramp-ups, dividends and share repurchases
Estimated Earnings Sensitivity to Key Variables	impact of changes in prices and foreign exchange rate on the impact of our earnings
Capital Expenditures	expected production for Dudley plant, Chambord plant, expected capital expenditures, including investment in Allendale OSB plant, and expected project paybacks
Liquidity and Capital Resource Measures	continued access to our available liquidity and credit facilities and anticipated income tax payments relating to 2021
Critical Accounting Estimates and Judgments	estimates and judgements as to administrative review commencement, adjustment of export duty rates and proceedings related to duty rates

By their nature, these forward-looking statements involve numerous assumptions, inherent risks and uncertainties, both general and specific, which contribute to the possibility that the predictions, forecasts, and other forward-looking statements will not occur. Factors that could cause actual results to differ materially from those contemplated or implied by forward-looking statements include, but are not limited to:

- assumptions in connection with the economic and financial conditions in the U.S., Canada, U.K., Europe and globally and consequential demand for our products;
- risks inherent to product concentration and cyclicality;
- effects of competition and product pricing pressures, including continued access to log supply and fibre resources at competitive prices and the impact of third-party certification standards;
- effects of variations in the price and availability of manufacturing inputs, including continued access to fibre resources at competitive prices and the impact of third-party certification standards;
- availability of transportation services, including truck and rail services, and port facilities, and impacts on transportation services from wildfires and severe weather events;
- various events that could disrupt operations, including natural, man-made or catastrophic events including wildfires and any state of emergency and/or evacuation orders issued by governments and ongoing relations with employees;
- risks inherent to customer dependence;
- impact of future cross border trade rulings or agreements;
- implementation of important strategic initiatives and identification, completion and integration of acquisitions;
- impact of changes to, or non-compliance with, environmental or other regulations;
- the impact of the COVID-19 pandemic on our operations and on customer demand, supply and distribution and other factors
- government restrictions, standards or regulations intended to reduce greenhouse gas emissions;
- changes in government policy and regulation, including against taken by the Government of British Columbia pursuant to recent amendments to forestry legislation and initiatives to defer logging of forests deemed “old growth” and the impact of these actions on our timber supply;
- impact of weather and climate change on our operations or the operations or demand of its suppliers and customers;
- ability to implement new or upgraded information technology infrastructure;
- impact of information technology service disruptions or failures;
- impact of any product liability claims in excess of insurance coverage;
- risks inherent to a capital intensive industry;
- impact of future outcomes of tax exposures;
- potential future changes in tax laws, including tax rates;
- effects of currency exposures and exchange rate fluctuations;
- future operating costs;
- availability of financing, bank lines, securitization programs and/or other means of liquidity;
- continued integration of the Norbord business;
- continued access to timber supply in the traditional territories of Indigenous Nations;
- the risks and uncertainties described above in this MD&A; and
- other risks detailed from time-to-time in our annual information forms, annual reports, MD&A, quarterly reports and material change reports filed with and furnished to securities regulators

In addition, actual outcomes and results of these statements will depend on a number of factors including those matters described under “Risks and Uncertainties” and may differ materially from those anticipated or projected. This list of

important factors affecting forward-looking statements is not exhaustive and reference should be made to the other factors discussed in public filings with securities regulatory authorities. Accordingly, readers should exercise caution in relying upon forward-looking statements and we undertake no obligation to publicly update or revise any forward-looking statements, whether written or oral, to reflect subsequent events or circumstances except as required by applicable securities laws.

Additional Information

Additional information on West Fraser, including our Annual Information Form and other publicly filed documents, is available on the Company's website at www.westfraser.com, on SEDAR at www.sedar.com and on the EDGAR section of the SEC website at www.sec.gov/edgar.shtml.

Where this MD&A includes information from third parties, we believe that such information (including information from industry and general publications and surveys) is generally reliable. However, we have not independently verified any such third-party information and cannot assure you of its accuracy or completeness.

Exhibit 99.4

CERTIFICATION

I, Raymond W. Ferris, certify that:

(1) I have reviewed this Annual Report on Form 40-F of West Fraser Timber Co. Ltd. for the year ended December 31, 2021.

(2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report.

(3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this report.

(4) The issuer's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the issuer and have:

(a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) evaluated the effectiveness of the issuer's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(c) disclosed in this report any change in the issuer's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the issuer's internal control over financial reporting.

(5) The issuer's other certifying officer(s) and I have disclosed, based on our most recent evaluation of the internal control over financial reporting, to the issuer's auditors and the audit committee of the issuer's board of directors (or persons performing the equivalent functions):

(a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the issuer's ability to record, process, summarize and report financial information; and

(b) any fraud, whether or not material, that involves management or other employees who have a significant role in the issuer's internal control over financial reporting.

Date: February 15, 2022

By: */s/ Raymond W. Ferris*
Name: Raymond W. Ferris
Title: President and Chief Executive Officer

Exhibit 99.5

CERTIFICATION

I, Christopher A. Virostek, certify that:

(1) I have reviewed this Annual Report on Form 40-F of West Fraser Timber Co. Ltd. for the year ended December 31, 2021.

(2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report.

(3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this report.

(4) The issuer's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the issuer and have:

(a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) evaluated the effectiveness of the issuer's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(c) disclosed in this report any change in the issuer's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the issuer's internal control over financial reporting.

(5) The issuer's other certifying officer(s) and I have disclosed, based on our most recent evaluation of the internal control over financial reporting, to the issuer's auditors and the audit committee of the issuer's board of directors (or persons performing the equivalent functions):

(a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the issuer's ability to record, process, summarize and report financial information; and

(b) any fraud, whether or not material, that involves management or other employees who have a significant role in the issuer's internal control over financial reporting.

Date: February 15, 2022

By: */s/ Christopher A. Virostek*

Name: Christopher A. Virostek

Title: Vice-President, Finance and Chief Financial Officer

Exhibit 99.6

CERTIFICATION PURSUANT TO
18 U.S.C. §1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of West Fraser Timber Co. Ltd. (the " **Company**") on Form 40-F for the period ended December 31, 2021 as filed with the Securities and Exchange Commission on the date hereof (the "**Report**"), I, Raymond W. Ferris, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in this Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

February 15, 2022

By: */s/ Raymond W. Ferris*
Raymond W. Ferris
President and Chief Executive Officer
(Principal Executive Officer)

A signed original of this written statement required by Section 906 has been provided to West Fraser Timber Co. Ltd. and will be retained by West Fraser Timber Co. Ltd. and furnished to the Securities and Exchange Commission or its staff upon request.

Exhibit 99.7

CERTIFICATION PURSUANT TO
18 U.S.C. §1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of West Fraser Timber Co. Ltd. (the " **Company**") on Form 40-F for the period ended December 31, 2021 as filed with the Securities and Exchange Commission on the date hereof (the "**Report**"), I, Christopher A. Virostek, Vice-President, Finance and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in this Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

February 15, 2022

By: */s/ Christopher A. Virostek*
Christopher A. Virostek
Vice-President, Finance and
Chief Financial Officer
(Principal Financial Officer)

A signed original of this written statement required by Section 906 has been provided to West Fraser Timber Co. Ltd. and will be retained by West Fraser Timber Co. Ltd. and furnished to the Securities and Exchange Commission or its staff upon request.

Exhibit 99.8

Consent of Independent Registered Public Accounting Firm

We hereby consent to incorporation by reference in this Annual Report on Form 40-F for the year ended December 31, 2021 of West Fraser Timber Co. Ltd. of our report dated February 15, 2022, relating to the consolidated financial statements, which is filed as Exhibit 99.2 to this Annual Report on Form 40-F.

We also consent to the incorporation by reference in the Registration Statements on Form F-10 (No. 333-254828) and Forms S-8 (No. 333-252631 and 333-257254) of West Fraser Timber Co. Ltd. of our report dated February 15, 2022 referred to above. We also consent to the reference to us under the heading "Interests of Experts," which appears in the Annual Information Form which is filed as Exhibit 99.1 to this Annual Report on Form 40-F, which is incorporated by reference in such Registration Statements.

/**s**/**PricewaterhouseCoopers LLP**
Vancouver, British Columbia
Canada

February 15, 2022