

WEST FRASER TIMBER CO. LTD.

CORPORATE GOVERNANCE POLICY

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**WEST FRASER TIMBER CO. LTD.
(the “Company”)**

CORPORATE GOVERNANCE POLICY

OBJECTIVE AND SCOPE

The objective of this corporate governance policy is to set out a governance policy that the Company’s board of directors and senior management will adopt and follow. Set forth below are guidelines for the Company’s approach to governance including the constitution and independence of the board of directors and the functions to be performed by the board and its committees.

MANDATE OF THE BOARD OF DIRECTORS

The board of directors of the Company has overall responsibility for the stewardship of the Company, including responsibility for

- (a) adoption of a strategic planning process and approval of a strategic plan,
- (b) identification of the principal risks of the Company’s business, including environment and climate change and cybersecurity related risks and vulnerabilities, and ensuring the implementation of appropriate systems to manage these risks,
- (c) overseeing the Company’s overall approach to environmental, social and governance (ESG) strategies and policies and monitoring the Company’s progress with respect to such strategies and policies;
- (d) succession planning, including appointing and monitoring senior management,
- (e) implementation of a communication policy for the Company regarding disclosure of corporate information, and
- (f) the integrity of the Company’s internal control and management information systems including accounting systems.

Strategic Planning

Senior management of the Company must develop long-term strategies with respect to the Company’s operations to be considered and, if deemed appropriate, adopted by the board of directors. The strategies are to be reviewed and updated as required.

Included in the development of these long-term strategies will be annual strategic, operating and capital plans. The strategic plan and enterprise risk management will take into account, among other things, the opportunities and risks, including those related to ESG issues, of the Company’s business.

Identification and Management of Risks

The board of directors has the responsibility to identify, with the advice of management, the principal risks of the Company's business, including risks related to ESG matters (including climate change) and cybersecurity, and must, with management, establish systems, processes and procedures to ensure that these risks are monitored and appropriately managed. These systems and procedures must include the effective management of the Company's assets and financial resources, and must ensure compliance with all regulatory obligations.

Supervision and Succession of Management

The board of directors is responsible for the supervision of senior management to ensure that the operations of the Company are conducted in accordance with objectives set by the board. The board must approve all appointments of senior management and, as part of the Company's planning process, review and discuss succession planning for senior management positions on a regular (annual) basis.

Board Meetings

The Board will meet at least once each quarter and, including such quarterly meetings, a minimum of five times a year, and as may be required to fulfill its duties. The Chair and the CEO will be responsible for the agenda for each Board meeting.

Board Performance Evaluation

The Board will oversee the process of the annual evaluation of the performance and effectiveness of the Board, Board Committees and individual Directors. The Board may delegate the undertaking of the foregoing evaluation process to the Governance & Nominating Committee and will receive and consider reports and recommendations from the Governance & Nominating Committee on the results of the annual evaluation of the performance and effectiveness of the Board, Board committees and on a periodic basis all individual Directors.

ESG Oversight

The Board will have the oversight responsibility for ESG matters relevant to the Company's operations including ESG related risks and may delegate to the Committees of the Board or to management of the Company such matters as the Board may determine from time to time in order to assist the Board in satisfying such responsibility.

The Board will also annually review the Company's ESG initiatives and related strategies and policies and the Company's progress with respect to such initiatives, strategies and policies.

Corporate Disclosure Policy

The Corporate Disclosure Policy of the Company is attached as Appendix A. Following it will ensure that all material issues relating to the Company are communicated to shareholders and other stakeholders adequately. It includes provisions regarding the release of annual and quarterly reports and press releases.

In addition to annual general meetings of shareholders, meetings will be held from time to time in each year between management and various investors, investment analysts, credit rating agencies and financial institutions. Selective disclosure to investors and investment analysts is not permitted and the Corporate Disclosure Policy contains measures to ensure this does not occur.

The Corporate Disclosure Policy must be reviewed annually by the Governance & Nominating Committee.

Internal Control

The board of directors, through the Audit Committee, is responsible to ensure that management has designed and implemented an effective system of internal control and management information systems of the Company. The duties of the Audit Committee are discussed below.

Securities Trading Policy

The Securities Trading Policy of the Company is attached as Appendix B. It sets out Blackout Periods when trading in securities of the Company is prohibited.

Majority Voting Policy

The Majority Voting Policy of the Company is attached as Appendix C. It sets out certain matters related to the election to the directors of the Company, including those related requirements of the Toronto Stock Exchange.

Equity Holding Requirements Policy

The Equity Holding Requirements Policy of the Company is attached as Appendix D and sets out the equity ownership expectations for each of the Directors and senior executives of the Company.

Board Diversity Policy

The Board Diversity Policy of the Company is attached as Appendix E and sets out the guidelines by which the Company will endeavor to achieve diversity at the Board level.

Outside Advisors

The board of directors authorizes each individual director to engage an outside advisor at the expense of the Company in appropriate circumstances and subject to approval of the board of directors.

COMPOSITION AND SIZE OF THE BOARD OF DIRECTORS

The board of directors of the Company must

- (a) examine the size of the board with a view to determining the impact of the number of directors upon the effectiveness of the board,

(b) determine the status of each director as a related or unrelated director,¹ based on each director's relationship with the Company, and

(c) to the extent practicable, take steps to ensure that a majority of the directors qualify as unrelated directors and that a number of directors are appointed who do not have interests in or relationships with either the Company or a significant shareholder² and which fairly reflects the investment in the Company by shareholders other than a significant shareholder.

Whether service on other boards is likely to impact the status of a director as a related or unrelated director depends on the individual director and the nature of the other activities and directors are to consult with the Chair and the Chair of the Governance & Nominating Committee prior to accepting an invitation to serve on another board.

The board must disclose annually whether or not the board has a majority of unrelated directors or whether the board is constituted with the appropriate number of directors who are not related to the Company or a significant shareholder. It must also disclose annually the analysis of the application of the principles it used in supporting its conclusion.

The board is also responsible for annually assessing its own effectiveness and that of its committees.

COMMITTEES OF THE BOARD OF DIRECTORS

The board of directors of the Company appoints the four committees of the board described below, and it may appoint other committees as needed.

Audit Committee

The Audit Committee must be comprised of a majority of independent directors³ who are financially literate⁴ and at least one independent director who qualifies as an audit committee financial expert⁵.

The Audit Committee is responsible for

(a) reviewing the Company's annual financial statements and making recommendations as to approval of such statements by the board of directors,

¹ An **unrelated director** is a director who is independent of management and free from any interest and any business or other relationship that could, or could reasonably be perceived to, materially interfere with the director's ability to act with a view to the best interests of the Company, other than interests and relationships arising from the holding of shares of the Company.

² A **significant shareholder** is a shareholder (alone, or jointly or in concert with another shareholder) able to exercise a majority of the votes for the election of the board of directors.

³ An **independent director** is a director who is not affiliated with management or the Company in terms of family, commercial or principal shareholder relationships.

⁴ **Financial literacy** means the ability to read and understand a balance sheet, an income statement and a cash flow statement.

⁵ **Audit Committee Financial Expert** means a director who possesses the specific financial expertise to satisfy the requirements of the applicable regulations and rules of the United States Securities and Exchange Commission.

- (b) approving the quarterly financial statements of the Company before publication,
- (c) establishing the independence of the external auditor,
- (d) overseeing management reporting on internal control (while it is management's responsibility to design and implement an effective system of internal control, it is the responsibility of the Audit Committee to ensure that management has done so), and
- (e) approval of auditor-nominee for presentation at the Company's annual meeting for shareholder approval.

The Audit Committee may also establish non-audit activities that the Company's auditors are prohibited from providing and those which require prior approval of the Audit Committee. The Audit Committee may also make recommendations to the full board concerning public disclosure of audit and non-audit fees.

The board of the directors is responsible for evaluating the adequacy of the charter of the Audit Committee on an annual basis.

The Audit Committee has direct and unrestricted access to the Company's external auditor and must meet at least twice annually with the external auditor in the absence of senior management to discuss the annual audit and the quality of the Company's accounting principles. The adequacy and effectiveness of the Company's internal control and management information systems are to be discussed at these meetings. Material issues related to the audit of the Company's internal control and management information systems should be discussed by the Audit Committee with management as they arise.

Health, Safety & Environment Committee

The Health, Safety & Environment Committee is responsible for monitoring the Company's employee and contractor safety policies and performance and the Company's environmental performance and environmental systems. The Health, Safety & Environment Committee reviews the results of all internal and external environmental audits of the Company's operations to ensure compliance with environmental laws and standards. The Committee is also responsible for reviewing and assessing West Fraser's sustainability objectives and targets, performance and reporting with respect to such objectives.

Human Resources & Compensation Committee

The Human Resources & Compensation Committee reviews matters relating to the compensation of the Company's directors and executive officers and makes recommendations to the full board. The Human Resources and Compensation Committee may grant share purchase options to officers and employees of the Company under the Company's existing plan. The adequacy and form of remuneration of the directors is reviewed biennially by the Human Resources & Compensation Committee to ensure that it reflects the responsibilities and risks involved in being a director, including service as a Committee member. The compensation of directors may take the form of cash, Common shares or Deferred Share Units under plans that have been approved by the board.

The Human Resources & Compensation Committee is also responsible for the oversight of the Equity Holding Requirements Policy and the clawback policies of the Company.

Governance & Nominating Committee

The Governance & Nominating Committee is responsible for the recruitment and evaluation of nominees to the board of directors, including management nominees. The Committee must determine, in light of the opportunities and risks facing the Company, what competencies, skills and personal qualities should be sought in new board members in order to add value to the Company. The results of such a discussion will provide a framework for identifying and proposing new nominees.

The Committee is also responsible for ensuring that the prospective candidates for new directors understand the role of the board, the role of the committees of the board and the contribution individual directors are expected to make including, in particular, the commitment of time and energy that the Company expects of its directors.

The Committee is responsible for reviewing and monitoring Company's exposure to risks and opportunities related to governance practices such as ethics, compliance and independence of directors.

The Committee is also responsible for the development and supervision of the Company's approach to corporate governance issues, including reviewing the Corporate Governance Policy, Corporate Disclosure Policy, the Code of Conduct, the Board Diversity Policy, Securities Trading Policy, the Majority Voting Policy and any other governance related policies of the Company.

DECISIONS REQUIRING PRIOR APPROVAL BY THE BOARD OF DIRECTORS

To the extent permitted under governing law, the board may delegate to senior management or to a committee of the board its responsibilities, but it must maintain policies with respect to matters that cannot be delegated and that require prior approval of the board of directors. These policies, and the understanding between management and the board through previous board practice and accepted legal practice, will require that the Company's annual strategic, operating and capital plans, significant capital expenditures and all transactions or other matters of a material nature must be presented by management for approval by the board.

NEW DIRECTORS

New directors, as part of the orientation program, must meet with senior management to discuss the business of the Company and receive historical and current operating and financial information and may tour selected facilities of the Company.

SHAREHOLDER FEEDBACK AND CONCERNS

In addition to the information provided to shareholders in connection with the annual general meeting of shareholders and the continuous disclosure requirements of securities regulatory authorities, the Company must maintain a policy of ongoing communication and engagement

with shareholders, investors and representatives of the investment community to receive their views and feedback on governance and other relevant matters. Inquiries by shareholders should be directed to and dealt with by senior management and, in addition, can be directed to the Chair. Management and the Chair shall report periodically to the board on any valid concerns expressed by shareholders.

EXPECTATIONS OF MANAGEMENT

The board of directors must determine its expectations of senior management and ensure that senior management understands these expectations. The board must approve the corporate objectives which the Chief Executive Officer is responsible for meeting and assess the Chief Executive Officer against these objectives.

As part of the ongoing process of monitoring the performance of management, the board must receive operational updates on each business unit of the Company at each board meeting. These updates will compare actual performance to the Company's annual plan and include discussion of all significant variances.