

LETTER FROM THE PRESIDENT AND CHIEF EXECUTIVE OFFICER



Remi G. Lalonde
President and
Chief Executive Officer

At Resolute Forest Products, our purpose is to generate long-term value for the company and our shareholders, and to drive sustainable economic activity in the communities where we operate.

Our vision is to operate a model manufacturing company with a climate-adaptable business model, built with the strongest business values, the highest respect for sustainability and the calling to serve our people and communities.

We will execute on our vision by embracing our evolution to a future-adapted business that our customers prefer, our employees love, our communities support, our suppliers choose and our investors value for long-term returns.

2021 was an exceptional year for Resolute, one in which we generated \$921 million of adjusted EBITDA,¹ thanks in large measure to the strength of our wood products business. As a large and growing North American producer of wood products and the operator of some of the best pulp and paper mills in North America, with a stable and secure access to fiber in our operating regions, we are very excited for the future of this company.

Financials

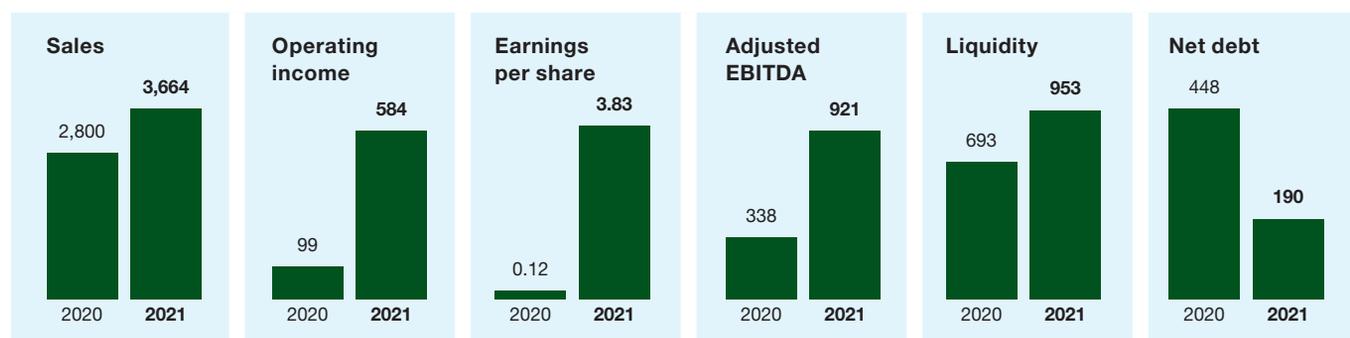
Our strong financial performance in 2021 allowed us to reduce debt, invest in our business and return cash to shareholders. At \$583 million better than 2020, the improvement in adjusted EBITDA reflects record market prices in wood products and higher prices for pulp and paper, offset by higher manufacturing costs, including fiber, and the impact of the stronger Canadian dollar.

We generated \$648 million of cash from operating activities for the year, compared to \$334 million in 2020. We also invested \$112 million, net, in fixed assets, and we paid a special cash dividend of \$1 per share of common stock, or \$79 million in aggregate.

In 2021, we repurchased 4.6 million shares of common stock – or 6% of the total outstanding – for \$48 million. Since March of 2020, we repurchased 15% of our outstanding shares, for an average price of \$6.81 per share. We recently announced a new program to repurchase up to \$100 million or 10 million of our common shares, whichever comes first.

We used the strong cash generation from our business to improve our balance sheet, reducing our debt by \$258 million to close the year with net debt of only \$190 million. We took advantage of favorable market conditions and our stronger financial position to refinance most of our credit facilities during the year. Our liquidity also improved by \$260 million, to \$953 million at year-end, compared to 2020.

Financial highlights (as per financial statements) (millions of \$)



Forward-looking information: See section on “Cautionary Statements Regarding Forward-Looking Information and Use of Third-Party Data” on page 1 of the 2021 Form 10-K.

1. EBITDA, adjusted EBITDA and segment-by-segment EBITDA are non-GAAP financial measures. See note 1 on page 37 of our 2021 Form 10-K for a discussion of our use of non-GAAP financial measures, including reconciliation of those measures to GAAP financial measures.

The higher year-end interest rate environment contributed to reduce the net pension and other postretirement benefit liability by \$413 million from 2020, to \$1.16 billion on the balance sheet. But the actual gross funding deficit stood at a much smaller \$464 million, down by \$193 million from 2020.

The softwood lumber dispute is about to enter its sixth year since the U.S. Department of Commerce imposed trade barriers for U.S. imports of softwood lumber from Canada. For Resolute, this represents more than \$400 million of deposits, which we cannot use to grow and support our business. The long-running dispute also gets in the way of efforts to promote greater use of wood products in new applications like mass timber structures. Wood is the only 100% renewable building material. Its use in tall buildings is not only cost-effective, but its aesthetics, carbon footprint and ease of use also offer compelling advantages for developers.

The ultimate resolution of the softwood lumber dispute will likely take more time, despite a recent significant victory for Canada in a decision from the World Trade Organization's dispute resolution panel. We know from many consumer and builder advocacy groups that the punitively high duties contribute to higher lumber prices, in an inflationary environment that is pricing thousands of low- and middle-income families out of home ownership. Resolute will continue to work with the Canadian government, the provinces and our industry colleagues to defend our position. But ultimately it will take consensus among reasonable, willing participants to define a durable solution. We are pragmatic people, and we are committed to using our leadership position in support of the broader purpose.

Operations

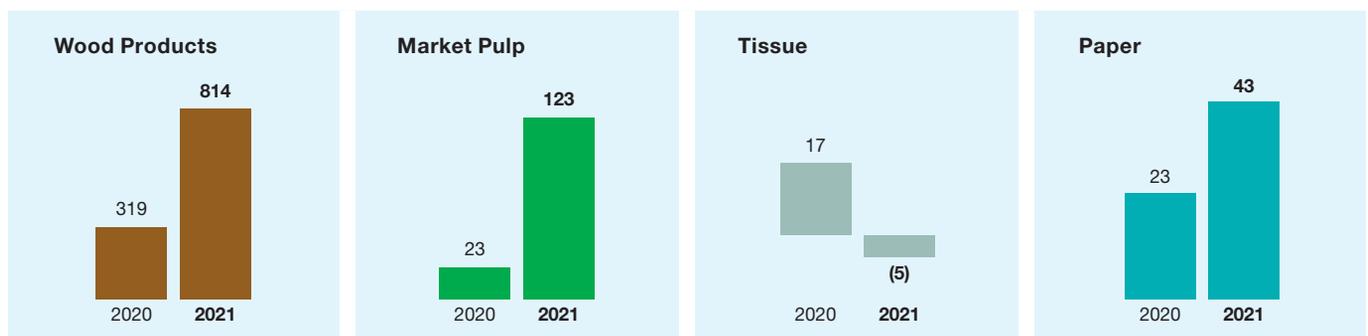
In order to compete effectively today and in the future, we must operate our assets to the best of our abilities, by making the most of what we have and by ensuring that all of our activities are creating sustainable value. We are building on our culture of operational excellence by committing to an asset performance strategy that: first, will bring a strategic focus on maximizing productivity *today*; and second, move us to embrace the core principles of manufacturing 4.0 to evolve our practices to compete with top-quartile performance in the world of *tomorrow*.

One of our key priorities in 2021 has been to deploy part of the proceeds of our strong financial performance toward investments to improve the competitiveness of the strongest parts of our business. Our focus has been largely concentrated on the wood products business, in which we announced an additional envelope of \$50 million for a number of high-return and quick payback projects, including:

- \$22 million to modernize equipment at the Senneterre (Quebec) sawmill, which will enhance the overall efficiency and productivity of the Abitibi regional operations;
- \$13 million at the Thunder Bay/Fort William First Nation (Ontario) sawmill to increase capacity by up to 40 million board feet with new equipment and modifications to the fiber flow; and
- \$15 million at the Glenwood (Arkansas) and Cross City (Florida) sawmills to support fiber optimization and overall efficiency. The Cross City investment will also increase capacity by up to 20 million board feet.

Over the course of the year, we ramped up operations at the restarted Ignace (Ontario) and El Dorado (Arkansas) sawmills. We also completed the second of three stages in a long-term strategic improvement at our Saint-Félicien (Quebec) pulp mill to improve the operation, increase average daily production capacity and reduce greenhouse gas (GHG) emissions.

Segment-by-segment EBITDA¹ (millions of \$)



Just recently, we entered into an agreement² with Louisiana-Pacific Corporation to acquire its 50% equity interest in two joint ventures that produce I-joists in the Lac-Saint-Jean region of Quebec for \$50 million, subject to customary adjustments. By buying out our joint venture partner, we will solidify our presence in the growing and attractive engineered wood products segment, lock in the downstream integration of over 60 million board feet of lumber capacity and consolidate the full value of the EBITDA generated.

We also reached an agreement with Boralex Inc. for the purchase of a 34.5-megawatt thermal power facility adjacent to our Senneterre sawmill. With this acquisition, we will maximize the use of biomass from our regional operations, generating green power and providing a platform for future growth and enhanced competitiveness in the Abitibi-Témiscamingue region.

Resolute continues to invest in product and process innovation. For example, we expect to start production at our commercial cellulose filament plant at the Kénogami (Quebec) paper mill later this year. Cellulose filaments are a novel, 100% natural biomaterial additive for products like concrete, plastics and coatings to improve their technical performance and environmental footprint.

But we also had to make some difficult decisions in 2021, including the indefinite idling of our Amos and Baie-Comeau (Quebec) newsprint mills due to the impacts of the pandemic on paper demand, and our pulp and paper operations at the Calhoun (Tennessee) mill. Despite significant investments of time, energy and resources, success has proved elusive at Calhoun; we expect to improve our overall operating income by approximately \$35 million to \$40 million on a run-rate basis after the idling.

People & communities

Our performance last year was the product of the hard work and commitment of every one of our 6,900 employees. Once again they raised the bar on safety, achieving a world-class Occupational Safety and Health Administration (OSHA) incident rate of 0.47. Our long-term goal is to continue to improve until we reach zero injury, but this is an impressive success along the way – despite the pandemic and other challenges – and one that we wholeheartedly applaud.

Our employees also stepped up to the challenge of keeping their colleagues and communities safe from the spread of COVID-19 by participating in a special reward program based on vaccination rates across the company's operations. By year-end, we donated \$140,000 to deserving community organizations selected by our employees who were proud to share the fruits of their efforts with their community.

Despite the pandemic, we continued to attract new talent to Resolute, recruiting 1,450 new employees in the year. We renewed seven collective agreements, covering 540 employees at our wood products facilities in Canada, and this year we will be working to renew the collective agreements covering 2,000 employees at our Canadian pulp and paper mills and certain other sawmills.

Just a few weeks ago, corporate head office employees settled into a new location in the heart of downtown Montreal. The workspace is modest, smaller and offers better access to public transportation, reflecting a post-pandemic work environment that is more open and collaborative and a hybrid formula for employees to collaborate onsite and work remotely.

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**recordable
incident
in 2021**
at more than half
of our operations

1.75 M
hours of work
= 8.5 years
without a recordable
incident at our Menominee
(Michigan) mill



2. Acquisition completed on March 4, 2022.

Sustainability & ESG

Our deep-seated commitment to the foundational principles of sustainability is based on the simple reality that our core identity is tied to the renewable resources we harvest and use to earn our livelihood. We seek every day to earn our right to be in business by operating our assets to the best of our abilities, by making the most of what we have and by ensuring that all of our activities build sustainable value.

To do that, we set ambitious targets and we hold ourselves accountable with strong governance and transparent performance reporting. We have been reporting publicly in accordance with the Global Reporting Initiative (GRI) since 2010, supported by third-party compliance audits. The disclosure also follows the Sustainability Accounting Standards Board (SASB)³ standards for forestry management and pulp and paper, providing comprehensive summaries of our sustainability strategy, targets and performance.

Resolute also reports annually to CDP, one of the most comprehensive and internationally recognized sustainability reporting platforms. In 2021, we reaffirmed our leadership in forest management by achieving an “A-” score for forests disclosures, the highest granted in this category for North America-based forest products companies. We also increased our score in the climate change category to a “B” from “B-” and maintained a “B” score in the water security program.

For many years now, we have made GHG emissions reductions a cornerstone of our sustainability efforts. Last year we set a 30% reduction target in absolute GHG emissions (scope 1 and 2) by 2025 from 2015 levels, the equivalent of nearly 700,000 metric tons of CO₂ per year. This builds on the 86% reduction in scope 1 and 2 emissions at our pulp, paper and tissue mills since 2000.

At the end of 2021, we set a new, more ambitious target by committing to a reduction target in line with the Science Based Targets initiative (SBTi).⁴

Resolute is a trusted partner to nearly 40 Indigenous communities and organizations, and working toward greater economic participation of Indigenous peoples and businesses in the forest products sector. In August, we celebrated our 20-year partnership with Fort William First Nation at the Thunder Bay sawmill. The facility, located on their land, employs about 250 workers, many of whom are Indigenous. Our investments at the sawmill speak not just to our fundamental belief in the business but also to the success of our partnership with Fort William First Nation.

We also put our money where our mouth is: We established clear environmental, social and governance (ESG) performance metrics for 25% of the target payout under the short-term incentive program for those eligible to participate, which includes leaders in all of our facilities and each member of the executive team.

Looking ahead

2021 helped to bring into focus the potential and strength of our wood products business. Particularly as we benefit from stable and secure fiber access in Eastern Canada and downstream integration into some of the best assets in North America, our market pulp segment is a key complement to wood products, which together are core to our long-term business strategy.

After years of secular decline, we run only the very best of our paper assets, benefiting from structural competitive advantages like integrated power production, fiber integration and strong customer relationships. Despite the obvious challenges around demand headwinds, we plan to generate significant net positive free cash flow with our paper assets in the years to come, well above their eventual closure costs.



3. SASB is an independent non-profit organization whose mission is to develop and disseminate sustainability accounting standards that help public corporations disclose material, organization decision-useful information to investors. (<https://www.sasb.org/>)
4. The SBTi is a partnership between CDP, the United Nations Global Compact, World Resources Institute (WRI) and the World Wide Fund for Nature (WWF). SBTi drives ambitious climate action in the private sector by enabling companies to set science-based emissions reduction targets. (<https://sciencebasedtargets.org/>)
5. Excluding our recently acquired U.S sawmills, to be certified in 2022.

Our growth in tissue with the acquisition of the Florida mills and the construction of an integrated machine, converting facility and distribution center in Calhoun has so far not lived up to expectations. With the indefinite idling of pulp and paper operations at Calhoun and as markets continue to stabilize, the time has come to review strategic alternatives for the segment.

We are more than a company in transformation: We must embrace and accelerate our evolution, facing our challenges united, embracing change and taking an entrepreneurial, proactive approach to building our future. The foundation of our strategy rests on three principles: growth, productivity and sustainability. We will execute the strategy in accordance with these principles by aligning our efforts along four key success vectors:

- Executing on our asset performance strategy;
- Cultivating a winning culture with our people;
- Providing real actions and transparency for communities and investors; and
- Ensuring rigorous execution of our business strategy and disciplined capital allocation.

We are committed to build on our recent successes to achieve our vision to operate a model manufacturing company with a climate-adaptable business model, built with the strongest business values, the highest respect for sustainability and the calling to serve our people and communities.

We appreciate your support and confidence.

Handwritten signature of Remi G. Lalonde in black ink.

Remi G. Lalonde
President and Chief Executive Officer