



# **MANAGEMENT PROXY CIRCULAR**

**NOTICE OF ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS  
MAY 4, 2017**

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## Notice of Annual and Special Meeting of Shareholders

NOTICE IS HEREBY GIVEN that the annual and special meeting of shareholders of Stella-Jones Inc. (the "Corporation") will be held at the Hotel Omni Mont-Royal, 1050 Sherbrooke Street West, Montréal, Québec Canada, on Thursday, May 4, 2017, at 10:00 a.m. (Montréal time), for the purposes of:

1. receiving the management report and the consolidated financial statements of the Corporation for the financial year ended December 31, 2016, as well as the independent auditor's report thereon;
2. electing directors;
3. appointing auditors and authorizing the directors to fix their remuneration;
4. considering, and if deemed advisable, adopting a special resolution, the complete text of which is annexed hereto as Appendix "A", to amend the Corporation's Articles of Amalgamation in order to increase the minimum and maximum number of directors of the Corporation from between one and 10 to between three and 12; and
5. transacting such other business as may properly be brought before the meeting.

By Order of the Board,

A handwritten signature in black ink, appearing to read 'ME', is written over a horizontal line.

MARLA EICHENBAUM  
Vice-President, General Counsel and Secretary

Montréal, Québec, March 17, 2017

**Any shareholder who expects to be unable to attend the meeting in person is urged to complete and sign the enclosed form of proxy and return it in the postage-paid envelope provided for that purpose.**

To be valid, proxies must be received at the office of Computershare Investor Services Inc., 100 University Avenue, 8th Floor, Toronto, Ontario M5J 2Y1, no later than May 2, 2017, at 5:00 p.m. (Montréal time).

## Management Proxy Circular

### 1. Solicitation of Proxies

**This circular is furnished in connection with the solicitation by the management of Stella-Jones Inc. (the “Corporation”) of proxies for use at the annual and special meeting of shareholders of the Corporation (the “Meeting”) to be held on Thursday, May 4, 2017, at the time and place and for the purposes mentioned in the notice of meeting and at any and all adjournments thereof.**

**Except as otherwise indicated, the information contained herein is given as at March 17, 2017.**

The solicitation is made primarily by mail; however, officers and employees of the Corporation may solicit proxies directly, but without additional compensation. The Corporation may also reimburse brokers and other persons who hold common shares in their names, or in the names of nominees, for the costs they incur in forwarding the proxy documents to principals and obtaining their proxies. The cost of the solicitation is borne by the Corporation. This cost is expected to be nominal.

### 2. Appointment of Proxyholders

**The persons named as proxyholders in the accompanying form of proxy are directors or officers of the Corporation. A shareholder has the right to appoint as proxyholder a person other than the persons whose names are printed as proxyholders in the accompanying form of proxy by inserting the name of his/her chosen proxyholder in the blank space provided for that purpose in the form of proxy. In either case, the completed proxy shall be delivered at the office of Computershare Investor Services Inc., 100 University Avenue, 8<sup>th</sup> Floor, Toronto, Ontario M5J 2Y1, no later than May 2, 2017, at 5:00 p.m. (Montréal time). A person acting as proxyholder need not be a shareholder of the Corporation.**

### 3.(i) Revocation of Proxies

A shareholder giving a proxy may revoke the proxy by depositing an instrument in writing executed by the shareholder or by his/her attorney authorized in writing or, if the shareholder is a corporation, by an instrument in writing executed by an officer or attorney thereof duly authorized, at the Secretary’s office of the Corporation, 3100 de la Côte-Vertu Blvd., Suite 300, Saint-Laurent, Québec H4R 2J8, at any time up to and including the last business day preceding the day of the Meeting, or any adjournment thereof, at which the proxy is to be used, or with the Chairman of such Meeting, on the day of the Meeting or any adjournment thereof; or in any other manner permitted by law.

### (ii) Notice-and-Access

The Corporation has elected not to send proxy-related materials to registered holders or beneficial holders using notice-and-access procedures.

### (iii) Proxy-Related Materials – Non-Objecting Beneficial Owners

The Corporation is sending proxy-related materials directly to non-objecting beneficial owners under Regulation 54-101 respecting Communication with Beneficial Owners of Securities of a Reporting Issuer.

### (iv) Payment to Deliver Materials to Objecting Beneficial Owners

The Corporation has agreed to pay for intermediaries to deliver to objecting beneficial owners under Regulation 54-101 respecting Communication with Beneficial Owners of Securities of a Reporting Issuer, the proxy-related materials and Form 54-101F7 – Request for Voting Instructions Made by Intermediary.

## 4. Voting Securities and Principal Holders of Voting Securities

The shares of the Corporation giving the right to vote at the Meeting are the common shares. Each common share carries the right to one vote. As at March 17, 2017, 69,310,710 common shares were outstanding.

The holders of common shares whose names appear on the list of shareholders prepared at the close of business, Montréal time, on March 17, 2017 (the “Record Date”) will be entitled to vote at the Meeting and any adjournment thereof, if present or represented by proxy thereat.

To the knowledge of the directors and officers of the Corporation, Stella Jones International S.A. (“SJ International”) is the sole person or company who beneficially owns or exercises control or direction over shares carrying 10% or more of the voting rights attached to the shares of the Corporation. SJ International is controlled by James Jones & Sons Limited (“JJS”) and Stella International S.A. (“Stella International”). SJ International holds, directly or indirectly, 26,572,836 common shares representing approximately 38.3% of the common shares outstanding of the Corporation.

## 5. Business of the Meeting

### **Presentation of the Audited Consolidated Financial Statements and the Independent Auditor’s Report**

The audited consolidated financial statements of the Corporation for the fiscal year ended December 31, 2016 and the independent auditor’s report thereon are contained in the annual report of the Corporation, copies of which are being mailed to shareholders of the Corporation.

### **Election of Directors**

The articles of the Corporation provide that the Board of Directors shall consist of no fewer than one and no more than 10 directors. The directors are elected annually. All directors hold office until the earlier of their resignation or the close of the Corporation’s next annual general meeting of shareholders at which directors are elected, unless a director ceases to hold office or his or her office is vacated due to death, removal or other cause. It is proposed by the management of the Corporation that 10 directors be elected for the current year.

**Except where authority to vote on the election of directors is withheld, the persons named in the accompanying form of proxy will vote for the election of the nominees whose names are hereinafter set forth.**

The management of the Corporation does not contemplate that any of the nominees will be unable, or for any reason refuse, to serve as a director but, if that should occur for any reason prior to the election, the persons named in the accompanying form of proxy will have the right to vote for another nominee in their discretion unless the shareholder has specified otherwise. The following table sets forth, for each person nominated for election as director, his or her name, place of residence, age, the year in which he or she first became a director, the number of common shares of the Corporation beneficially owned or subject to his or her control or direction, the number of votes “for” at the 2016 Annual Meeting of Shareholders, independence with respect to the Corporation, his or her presence on committees of the Board, other membership and directorships and his or her skills and qualifications, the whole as at March 17, 2017. Statements contained in this table with respect to each nominee are based upon information obtained from the person concerned. Note that the Board of Directors does not have an executive committee.

## Director Nominees



**Tom A. Bruce Jones, CBE**

Glasgow, Scotland

Age: 75

Director Since: 1993

Shares Owned: 26,572,836<sup>(1)</sup>

2016 Annual Meeting Votes for: 85.46%

### Stella-Jones Committees:

- Environmental, Health and Safety Committee (Chairman)

### Current Public Company Directorships:

- None

### Other Directorships and Memberships:

- Chairman, James Jones & Sons Ltd.
- Vice-Chairman, Stella Jones International, S.A.

### Skills and Qualifications:

Mr. Bruce Jones serves as Chairman of the Board of James Jones & Sons Ltd., a British forests products company. He served for six years as a Forestry Commissioner on the Board of the Forestry Commission, the UK's state forestry organization and was appointed CBE for services to forestry in 2002. His decades of experience in the international forest products industry and first-hand knowledge of the pressure treated wood business qualify him well to Chair the Stella-Jones Board of Directors, provide the necessary leadership to enable the Board to carry out its responsibilities and appraise Board and Committee performances on a regular basis. His unwavering prioritization of employee health and safety, combined with a profound understanding of best practices in manufacturing processes, make Mr. Bruce Jones a most suitable Chairman of the Stella-Jones Environmental, Health and Safety Committee, ensuring the Committee's full discharge of its mandate.

**Non-Independent**



**George J. Bunze, CPA, CMA**

Québec, Canada

Age: 73

Director Since: 2001

Shares Owned: 42,500<sup>(2)</sup>

2016 Annual Meeting Votes for: 99.06%

### Stella-Jones Committees:

- Audit Committee (Chairman)
- Remuneration Committee

### Current Public Company Directorships:

- Intertape Polymer Group (ITP)

### Other Directorships and Memberships:

- Kruger Inc., Vice Chairman of the Board, Member of the Executive Committee and Chairman, Audit Committee Advisory Board
- Factory Mutual Insurance Company, Member of Global Advisory Committee

### Skills and Qualifications:

Mr. Bunze currently serves as Vice Chairman, Kruger, Inc., a manufacturer of paper, tissue, wood products, energy (hydro/wind) and wine and spirits products. His more than 20 years as Chief Financial Officer of Kruger, as well as his wealth of Board, Audit and senior executive experience, both for public and non-public companies, qualify him well to serve on the Stella-Jones Board of Directors, Remuneration Committee and Audit Committee. As Chairman of the Audit Committee since 2001, his strong financial background provides the requisite skills to oversee the work of and ensure the independence of external auditors while assuring the accurate and timely disclosure of financial information properly derived from the Corporation's financial statements.

**Independent**

<sup>(1)</sup> Mrs. Stina Bruce Jones, wife of Mr. Tom A. Bruce Jones, owns approximately 71,332 common shares of the Corporation and Mr. Tom A. Bruce Jones owns, directly or indirectly, approximately 32.0% of the voting shares of JJS which holds 49.0% of the shares of SJ International, which in turn, holds 26,572,836 or approximately 38.3% of the common shares of the Corporation. Mr. Tom A. Bruce Jones holds directly, an additional 30,000 common shares of the Corporation.

<sup>(2)</sup> Mrs. Kathleen Bunze, wife of Mr. George J. Bunze, owns an additional 1,000 shares of the Corporation.



### Simon Pelletier

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Québec, Canada

Age: 50

Director Since: 2012

Shares Owned: 3,000

2016 Annual Meeting Votes for: 99.52%

#### Stella-Jones Committees:

- Audit Committee

#### Current Public Company Directorships:

- None

#### Other Directorships and Memberships:

- None

#### Skills and Qualifications:

Mr. Pelletier holds the position of Senior Vice President, North American Sales & Operations for Metso, a manufacturer of mineral processing equipment and service provider to the mining industry. He brings over 25 years of extensive senior level international managerial and operational experience, providing a seasoned perspective that positions him to valuably contribute to the Stella-Jones Board of Directors and Audit Committee.

Independent



### Nycol Pageau-Goyette

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Québec, Canada

Age: 73

Director Since: 1993

Shares Owned: 19,180

2016 Annual Meeting Votes for: 99.05%

#### Stella-Jones Committees:

- Environmental, Health and Safety Committee
- Audit Committee
- Remuneration Committee

#### Current Public Company Directorships:

- None

#### Other Directorships and Memberships:

- Fondation de l'Hôpital Maisonneuve - Rosemont – Director
- Fiducie des Installations Pétrochimiques de Montréal - Est – Trustee

#### Skills and Qualifications:

Madame Pageau-Goyette brings to the Board of Directors, a first-hand entrepreneurial business perspective and a staunch commitment to employee well-being. Her experience in the waste management and pharmaceutical and cosmetic recycling industries strengthen her sound contribution to the Environmental, Health and Safety Committee. Her longstanding independence positions her properly as lead Director, where she ensures that independent directors have regular opportunities to meet and engage in free and open discussions and deliberations.

Independent



**Katherine A. Lehman**

New York, U.S.A.

Age: 42

Director Since: 2016

Shares Owned: nil

2016 Annual Meeting Votes for: NA

**Stella-Jones Committees:**

- Audit Committee

Independent

**Current Public Company Directorships:**

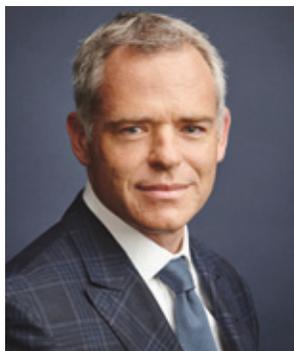
- Navient Corp (Nasdaq: NAVI)

**Other Directorships and Memberships:**

- American Track Services – Director
- The Robert Toigo Foundation – Board member
- New York Private Equity Network (NYPEN) – Board member
- National Association of Corporate Directors – Member, Board Leadership Fellow

**Skills and Qualifications:**

Ms. Lehman is Managing Partner at Hilltop Private Capital LLC, a private equity firm based in New York. She has garnered more than a decade of experience in private equity executive roles and Board memberships in the U.S., including public and private, profit and not-for-profit entities. Her background in financial analysis and governance expertise positions her well to enhance Stella-Jones’s Board and Audit Committee.



**Brian McManus**

Québec, Canada

Age: 49

Director Since: 2001

Shares Owned: 7,473

2016 Annual Meeting Votes for: 87.95%

**Stella-Jones Committees:**

- None

Non-Independent

**Current Public Company Directorships:**

- None

**Other Directorships and Memberships:**

- The CSL Group Inc. – Director

**Skills and Qualifications:**

As President and Chief Executive Officer of Stella-Jones, Brian McManus has, for over 15 years, provided leadership and direction of the development and implementation of a strategic vision for Stella-Jones’s growth and industry leadership, while ensuring that the day to day business of the Company is efficiently administered. Mr. McManus has built a very skilled and committed management team while continuing to prioritize a culture of transparency, which works harmoniously to promote a well-informed Board.



### Daniel Picotte

Québec, Canada

Age: 62

Director Since: 1993

Shares Owned: 35,000

2016 Annual Meeting Votes for: 75.32%

#### Stella-Jones Committees:

- Environmental, Health and Safety Committee

#### Current Public Company Directorships:

- None

#### Other Directorships and Memberships:

- Infrastructure Council – Director

Member:

- Barreau du Québec
- Montréal Bar
- Canadian Bar Association
- American Bar Association

#### Skills and Qualifications:

Daniel Picotte is a partner at the law firm of Fasken Martineau DuMoulin LLP, where he has practiced business law for over 35 years, focusing on industrial and infrastructure mergers and acquisitions, governance, risk management and finance, advising states, institutional investors and large private and public corporations, both in Canada and internationally. His experience and broad skills continue to benefit and provide valued insight to the Board and Environmental, Health and Safety Committee.

Non-Independent



### Gianni Chiarva

Milan, Italy

Age: 69

Director Since: 1993

Shares Owned: 26,572,836<sup>(3)</sup>

2016 Annual Meeting Votes for: 84.25%

#### Stella-Jones Committees:

- Remuneration Committee (Chairman)

#### Current Public Company Directorships:

- None

#### Other Directorships and Memberships:

- Chairman, Group Fabbri Vignola, SpA
- Chairman, Stella Holding S.a.p.a.
- Chairman, Stella Partecipazioni S.a.p.a.

#### Skills and Qualifications:

Mr. Chiarva serves as Chairman of both Stella Jones International S.A., the Company's principal shareholder, and Gruppo Fabbri Vignola SpA, a leading European manufacturer and distributor of machinery and films for the food packaging industry. In his role as Vice-Chairman of the Board of Stella-Jones, he brings additional value from his decades-long experience leading major European wooden and concrete pole businesses. His broad industry knowledge offers valuable insight in times of both growth and transformation. His years of supporting fair and consistent performance-based compensation programs have added to the strength of the Remuneration Committee and its ability to nurture, maintain and motivate talented individuals.

Non-Independent

<sup>(3)</sup> Mr. Gianni Chiarva, together with his associates, exercises control or direction, directly or indirectly, over all of the voting shares of Stella International, which holds 51.0% of the shares of SJ International, which in turn, holds 26,572,836 or approximately 38.3% of the common shares of the Corporation. Mr. Gianni Chiarva holds directly, an additional 30,000 common shares of the Corporation.



**James A. Manzi, Jr.**

Florida, U.S.A.

Age: 67

Director Since: 2015

Shares Owned: 5,000

2016 Annual Meeting Votes for: 89.92%

**Stella-Jones Committees:**

- Audit Committee

**Independent**

**Current Public Company Directorships:**

- None

**Other Directorships and Memberships:**

- Board of Trustees – The Academy at Penguin Hall (College preparatory secondary school for young women, Wenham, Massachusetts)

**Skills and Qualifications:**

Prior to his retirement in 2015, Mr. Manzi had 40 years' experience as an attorney assisting a broad spectrum of clients with complex corporate, financing and real estate transactions, multi-state acquisitions and regulatory zoning and permitting. He possesses the requisite understanding of the multi-faceted responsibilities and challenges facing the Board and Audit Committee, fundamental to their oversight obligations.



**Mary Webster**

Minnesota, U.S.A.

Age: 63

Director Since: 2007

Shares Owned: 27,600

2016 Annual Meeting Votes for: 99.65%

**Stella-Jones Committees:**

- Environmental, Health and Safety Committee

**Independent**

**Current Public Company Directorships:**

- None

**Other Directorships and Memberships:**

- None

**Skills and Qualifications:**

Mary Webster served as attorney for two nationally based U.S. law firms where her practice focused on environmental law, primarily in the areas of hazardous waste remediation and compliance under federal and state regulations. This experience has prepared her well for Stella-Jones's Board of Directors, where, as member of the Environmental, Health and Safety Committee, she has devoted her expertise and energy to focusing on the Company's commitment to operating its facilities in compliance with applicable rules and regulations, while providing for the protection of its employees, the environment and the public.

## Majority Voting Policy

On March 21, 2013, the Board of Directors of the Corporation adopted a policy (“Majority Voting Policy”) whereby in an uncontested election of directors, any nominee for whom the number of votes “withheld” exceeds the number of votes “for” his or her election, must tender his or her resignation to the Board of Directors immediately after the annual meeting of shareholders. The Majority Voting Policy was amended on March 13, 2014 to require the Board to accept the resignation absent exceptional circumstances.

Within 90 days of the annual meeting of shareholders, the Board shall announce by way of news release, whether it has accepted or rejected the director’s resignation and the reasons for its decision, which must be fully stated in the event the Board determines not to accept the resignation. A director who tenders his or her resignation pursuant to the Majority Voting Policy shall not participate in any meetings of the Board of Directors or Committees at which his or her resignation is being deliberated.

The Majority Voting Policy, as amended, further provides that the Corporation shall issue a news release disclosing voting results in a manner that provides the reader with insight into the level of support received by each director.

## Appointment of Auditors

At the Meeting, shareholders will be called upon to appoint the auditors to serve until the close of the next annual meeting of the Corporation and to authorize the directors to establish the remuneration of the auditors so appointed.

It is proposed by management of the Corporation that PricewaterhouseCoopers LLP be reappointed as auditors of the Corporation and that the directors of the Corporation be authorized to fix their remuneration. PricewaterhouseCoopers LLP have acted as auditors of

the Corporation since May 7, 2008. They also served as the Corporation’s auditors from the time of the Corporation’s incorporation until May 4, 2005.

**Except where authority to vote on the election of auditors is withheld, the persons named in the accompanying form of proxy will vote for the appointment of PricewaterhouseCoopers LLP as the Corporation’s auditors.**

## 6. Statement of Executive Compensation

### 6.1 Compensation Discussion and Analysis

#### a) Role of Executive Compensation:

The Corporation’s compensation policies are drawn up to recognize and reward individual performance as well as offer a competitive level of compensation. The compensation of the Named Executive Officers (as defined in Section 6.3 hereunder) and of the other senior executives of the Corporation is proposed to the Remuneration Committee by the President and Chief Executive Officer (“CEO”) of the Corporation, and reviewed by the Remuneration Committee which then recommends approval or modification thereof to the Board of Directors. The Board of Directors considers the Committee’s recommendations and finalizes decisions relating to the compensation of Named Executive Officers and senior executives.

The overall compensation awarded to the Corporation’s executive officers is designed to attract, motivate and retain those individuals who are key to maximizing the overall performance of the Corporation while enhancing shareholder value. It is designed to reward and encourage teamwork among senior executives and promote the common goal of overall financial and operating performance, both short- and long-term, of the Corporation. The Corporation does not use any specific benchmarking in determining compensation of executive officers.

## b) Remuneration Committee:

The Remuneration Committee was formed in March 1994 and meets three times a year and more often, if required. It is the responsibility of the Remuneration Committee to make recommendations to assist the Board of Directors on any matter regarding remuneration, including, without limiting the generality of the foregoing: (i) establishing general compensation policies pertaining to wages, bonuses and any other form of compensation for all employees of the Corporation; (ii) evaluating the performance of the President and CEO and senior executives of the Corporation; (iii) determining the remuneration of the President and CEO, senior executives and directors of the Corporation; (iv) granting stock options and/or restricted stock units (“RSUs”) under the Corporation’s Long-Term Incentive Plan (“LTIP”) in conformity with, among others, the Corporation’s Stock Option Plan; (v) recommending to the Board, the Profit Sharing Plan amounts (as hereinafter defined under “Short-term incentive compensation”) to employees of the Corporation; (vi) recommending incentive compensation plans and equity-based plans and confirming they include no undue risk; and (vii) developing long-range plans and policies for management succession, retention, recruiting, developing and motivating personnel. The Remuneration Committee is also responsible for reviewing the executive compensation disclosure in the Corporation’s management proxy circular and any offering document before their public release.

The members of the Remuneration Committee, their experience relevant to their responsibilities in executive compensation and their status as independent or non-independent are provided below:

- Gianni Chiarva (Chairman of the Remuneration Committee) – Non-independent:
  - Vice-Chairman of the Corporation since 1994
  - Chairman of the Corporation’s Remuneration Committee since 1994

- Chairman, SJ International
- Chairman of Gruppo Fabbri Vignola SpA
- Member of the Board of Directors of Stella SpA
- George J. Bunze – Independent:
  - Director and member of the Corporation’s Remuneration Committee since 2001
  - Chairman of the Corporation’s Audit Committee since 2002
  - Chief Financial Officer of Kruger Inc. (“Kruger”) from 1982 to 2003
  - Director of Kruger since 1988 and Vice-Chairman since 1997
  - Member of the Executive Committee of Kruger since 1994
  - Chairman of Kruger’s Informal Advisory Committee since 2005
  - Chairman of the Audit Committee of Intertape Polymer Group Inc. (“Intertape Polymer”) from 2007 to 2015
  - Chairman of the Board as well as Chairman of the Corporate Governance and Nominating Committees, and member of the Executive Committee of Intertape Polymer since 2015
  - Member of FM Global’s Advisory Committee of the Board of Directors since 2011
- Nycol Pageau-Goyette – Independent:
  - Lead Director of the Corporation
  - Member of the Corporation’s Remuneration Committee since 1994
  - Member of the Corporation’s Environmental, Health and Safety Committee since 1996
  - Member of the Corporation’s Audit Committee since 2007
  - Founder and President of Pageau-Goyette et associés (management services firm) since 1977

Based on the above, the Board is confident that the combined experience and skills of the members of the Remuneration Committee enables the Committee to make appropriate decisions regarding the suitability of compensation policies, programs and practices.

### c) External Advisors:

During the year ended December 31, 2016, the Corporation did not engage any compensation consultants.

In November of 2015, the Remuneration Committee engaged PCI-Perrault Consulting Inc. to carry out a review of the Corporation's compensation package for its Board of Directors as well as a Board compensation benchmarking exercise.

Consequently, total compensation advisory fees to external advisors for the years 2016 and 2015 were as follows:

| Type of Fee                                | 2016 | 2015     |
|--|------|----------|
| <b>Executive Compensation Related Fees</b> | \$-  | \$-      |
| <b>All Other Fees</b>                      | \$-  | \$13,000 |

### d) Components of Overall Executive Compensation:

The compensation program for the Named Executive Officers and of the other senior executives essentially consists of the following components: base salary, short-term incentive compensation offering the possibility of earning annual profit sharing amounts, long-term incentives comprising stock options (see "Stock Option Plan for Directors, Officers and Employees"), RSUs, retirement savings plans, pension benefits and perquisites.

#### (i) Base Salary:

Base salary takes into account sustained performance, the level of responsibility, the complexity of the duties and experience, and correspondingly, positioning the salary within the salary range for that position within the organization.

#### (ii) Short-Term Incentive Compensation:

Comprised of the Corporation's profit sharing plan ("Profit Sharing Plan"), short-term incentive compensation is designed to reward Named Executive Officers (and other salaried employees) when the Corporation's financial performance targets are attained and provide recognition to those individuals whose performance objectives are met or exceeded.

Under the Profit Sharing Plan, the Corporation distributes to employees a percentage of earnings before interest and taxes ("EBIT") so long as the Corporation attains a positive net income ("Positive Net Income Threshold"), which is calculated at the Corporation's year end and determined according to the Corporation's annual audited consolidated financial statements. The maximum amount which may be available for distribution to employees ("Profit Sharing Pool") is 4.5% of the Corporation's EBIT.

The potential profit sharing amount allocated to each employee ("Potential Profit Sharing Amount") is calculated by multiplying the portion of the Profit Sharing Pool available to the employee's designated group ("Group"), by the employee's base salary, divided by the total salaries for the Group. The Potential Profit Sharing Amount may be increased in the circumstances set out in paragraph (c) below.

The actual award for each employee is calculated as follows:

- The first half of the Potential Profit Sharing Amount is allocated on condition that the Positive Net Income Threshold is attained;
- The second half of the Potential Profit Sharing Amount, or a portion thereof, is allocated following consultation with each employee's supervisor, and is based on each

employee's performance over the course of the preceding year, taking into account each individual's contribution towards the overall execution of the Corporation's business strategy and the goals within each person's defined role. No specific weight is assigned to any quantitative criteria;

- c) In the event that only a portion of the Potential Profit Sharing Amount is allocated to one or more employees of a Group, then such unallocated amount(s) will be added to the Profit Sharing Pool of the Group, which may result in an increase to the Potential Profit Sharing Amount for the remaining Group's employees.

The annual bonus of the Corporation's CEO, which falls outside of the Profit Sharing Plan, is based on the attainment of objectives mutually agreed upon by Mr. McManus and the Corporation's Board of Directors. These objectives include the attainment of the overall financial results forecast in the Corporation's annual budget, as presented to and approved by the Board of Directors, as well as the assessment made by the Remuneration Committee of his achievements in meeting various strategic and qualitative targets set by the Board of Directors. Chief among these are the overall business development of the Corporation, identification and development of appropriate acquisition targets, the successful integration of previous acquisitions and the fostering of relationships with critical customers and suppliers. Actual financial performance and financial performance versus budget would represent approximately 50% of the weighting assigned to the total compensation awarded the President and CEO, with the balance dependent upon the assessment of the qualitative and strategic criteria.

The annual bonus of the Corporation's Senior Vice-President and Chief Financial Officer, which falls outside of the Profit Sharing Plan as well, is based

on the attainment of objectives mutually agreed upon by the Senior Vice-President and Chief Financial Officer and the President and CEO. These objectives include the attainment of the overall financial results forecast in the Corporation's annual budget, the management of the integration of the accounting and financial functions of new acquisitions, and overseeing the Corporation's progress and compliance with respect to disclosure and internal controls matters, as well as new accounting standards and their implementation.

### (iii) Long-Term Incentive Plans:

Long-term incentive plans, mainly in the form of stock options and RSUs, are granted to encourage the pursuit of value-creating opportunities for the Corporation while allowing grantees to participate in the appreciation of share value over an extended period of time, thus assisting in the retention of key talent. Stock options and RSUs are approved by the Board of Directors, based on the recommendation of the Remuneration Committee after considering the recommendation of the President and CEO. When determining whether and how many new stock option grants are to be made, consideration is given to total options outstanding under the Corporation's Stock Option Plan. Grants awarded to the President and CEO are proposed and approved without his input.

On December 10, 2009, with the objectives of retaining the CEO, the executive management team and key management, as well as to manage dilution and reward operational performance, the Corporation's Board of Directors, upon recommendation of the Remuneration Committee, adopted a LTIP for the Corporation. The LTIP is comprised of a combination of stock options ("LTIP Options") and RSUs. The grant date of the initial LTIP options and RSUs was December 18, 2009.

The LTIP Options vest at 20% per annum in the case of the executive management team (individuals

comprising the key management group are not granted LTIP Options) and in the case of the Corporation's President and CEO, the LTIP Options are subject to 100% cliff vesting on the fifth anniversary of the grant date. In all cases, the LTIP Options have a term of seven years and their exercise price is determined pursuant to the provisions of the Corporation's stock option plan for directors, officers and employees, as more fully set out in Section 8 herein. Additional LTIP Options may be issued annually at the Board's sole discretion. Previous grants are not taken into account when considering new grants. LTIP Options were not granted during the year ended December 31, 2016. LTIP Options were considered by the Board of Directors at its meeting held on March 16, 2017 and no LTIP Options were granted.

The number of RSUs granted is based on a percentage of the employee's salary, divided by the average trading price of the Company's common shares on the Toronto Stock Exchange ("TSX") for the five days immediately preceding the grant date ("Executive RSU Calculation"). In the case of the President and CEO, the number of RSUs granted is a fixed number recommended by the Remuneration Committee. Additional RSUs may be issued annually, conditional upon the Company attaining a minimum 12.5% return on capital employed ("ROCE Threshold"). The number of additional RSUs which may be issued to the executive management team and key management (with the exception of the President and CEO) on the anniversary dates will continue to be calculated based on the Executive RSU Calculation. Consequently, previous grant amounts are not taken into account when considering new grants. The Company reached its ROCE Threshold for the year ended December 31, 2015 and 32,753 LTIP RSUs were granted to executive and key management (excluding the President and CEO) on March 15, 2016. As the Company did not reach its ROCE

Threshold for the year ended December 31, 2016, the Board resolved not to grant LTIP RSU units to the executive management team and key management at its meeting of March 16, 2017.

The Company granted 400,000<sup>(1)</sup> LTIP RSUs to the Corporation's President and CEO on May 6, 2013 with a vesting date of May 6, 2016, subject to additional terms and conditions relating to resignation, disability, death etc. It was agreed that no further RSUs would be granted to the President and CEO prior and up to May 6, 2018.

The RSUs are full-value phantom shares payable in cash on the third anniversary of their issue, provided the individual is still in the employ of the Company. The amount to be paid is determined by multiplying the number of RSUs by the six-month average trading price of the Corporation's common shares on the TSX immediately preceding the anniversary date.

Neither of the Corporation's Remuneration Committee nor its Named Executive Officers play a proactive role in amending the Corporation's equity incentive plans under which option-based awards are granted. Modifications to these incentive plans are generally proposed to the Board of Directors by the Vice-President, General Counsel and Secretary of the Corporation in order to ensure continued compliance of the Corporation's equity plans with legal requirements.

#### (iv) Retirement Savings Plans:

The purpose of the Corporation's retirement savings plans (both defined contribution plans) for its U.S.-based and Canadian-based employees (together, the "Retirement Savings Plan") is to encourage Named Executive Officers and other eligible employees to save for retirement and at the same time, share in the profits of the Corporation. Eligible participation occurs following three (3) months of continuous service with the Corporation. The

<sup>(1)</sup> As adjusted following the Corporation's October 25, 2013 4-for-1 share split by way of share dividend.

Retirement Savings Plan is comprised of an employee contribution component and a Corporation contribution component.

In the case of Named Executive Officers and other salaried employees, employee contributions are up to four percent (4.0%) of basic salary (“Basic Contribution”). A supplementary contribution of up to six percent (6.0%) of basic salary may be added by the Company, for a maximum total employee contribution of up to ten percent (10.0%) of basic salary. In the case of U.S.-based employees, the maximum total employee contribution (“U.S. Basic Contribution”) is set yearly by the government of the United States. For 2016, the statutory limit was US\$18,000 per individual, with an additional catch-up contribution of US\$6,000 permitted annually for plan participants who are, or will turn 50 years of age during the calendar year (for a total of US\$24,000 for such individuals). The employee component is placed into the Corporation’s group registered retirement savings plan (“RRSP”) in the case of Canadian employees and into a safe harbor 401(k) plan in the case of U.S.-based employees.

Under the Corporation’s matching contribution component, which is paid out of the Corporation’s profits, the Corporation contributes, during a plan year, an amount equal to one hundred and fifty percent (150%) of an individual’s Basic Contribution or U.S. Basic Contribution, as the case may be, up to a maximum of six percent (6.0%) of an employee’s basic salary. The Corporation’s matching contribution is placed, in the case of Canadian-based employees, into a deferred profit sharing plan (“DPSP”), and in the case of U.S.-based employees, into a safe harbor 401(k) plan, which, in both cases, are held in trust by a trustee appointed by the Corporation. The Corporation’s matching contribution vests over a period of two years.

## (v) Pension Benefits:

The Corporation provides retirement benefits in the form of pensions for certain of the Corporation’s salaried employees. In the case of the Corporation’s executive officers, these benefits are to former employees of Bell Pole Company, whose assets were purchased by a wholly owned subsidiary of the Corporation in July 2006 and are through pension plans registered under the Income Tax Act and Regulations (the “Income Tax Act”). One executive officer accrues benefits under defined benefit arrangements in which total retirement income is equal to the formula under the salaried employees registered plan without regard to the maximum annual retirement income prescribed under the Income Tax Act. The Corporation provides such pensions through a pension plan registered under the Income Tax Act and an unregistered pension promise for such executive officers.

## (vi) Perquisites:

Leased vehicles are provided by the Corporation to the Named Executive Officers as their primary means of transportation in conjunction with their duties. Each individual is fully responsible for the tax liabilities associated with their personal use of these vehicles.

Relocation assistance is provided for out of state or province to province transfers. Among the expenses covered are travel expenses for the Named Executive Officer and his or her family, moving costs and temporary hotel accommodation for the Named Executive Officer and family, as required during the home-hunting phase prior to final relocation. Transaction fees associated with the sale of the former and purchase of the new primary residence may also be reimbursed.

Cellphones, smartphones, laptop computers and tablets are provided in a manner appropriate and consistent with the duties and responsibilities of Named Executive Officers. These items are and remain the property of the Corporation.

The Remuneration Committee believes that these components collectively provide a fair and competitive structure and an appropriate relationship between executive compensation level, the Corporation's financial performance and shareholder value.

#### e) Risk Analysis:

The Board and Remuneration Committee are satisfied that the Corporation's compensation practices and incentive plans, which provide rewards for achievement of overall company-wide objectives while recognizing individual contributions, do not encourage any Named Executive Officer or other employee to take inappropriate or excessive risks. There have been no risks identified from the Corporation's compensation policies or plans that are reasonably likely to have a material adverse effect on the Corporation.

Specifically, the LTIP RSUs and the Profit Sharing Plan bonuses are both conditional upon the attainment of stated corporate-wide thresholds. The LTIP has a 12.5% ROCE Threshold for RSU grants. The ROCE Threshold is a financial threshold that reflects the performance of the Corporation as a whole. The Profit Sharing Plan's Positive Net Income Threshold reflects the Corporation's overall performance as well.

Concurrently, these promote an environment that encourages employees to work together for the overall success of the Corporation. While the Board of Directors does have discretion to award LTIP RSUs in the event that the Corporation does not meet its ROCE Threshold, the Board did not exercise this discretion when the Corporation did not meet this target for the year ended December 31, 2010 and for the year ended December 31, 2016.

With respect to the LTIP Stock Options, they are at the complete discretion of the Board of Directors. As the grant of these stock options is not conditional upon reaching specific targets, they do not promote risk taking by executives to meet any triggering thresholds.

Overall, the compensation expense to executive officers does not represent a significant portion of the Corporation's revenue. In the case of the Profit Sharing Plan, the maximum profit sharing amount for distribution is 4.5% of the Corporation's EBIT. The Board does not have discretion under the Profit Sharing Plan to award profit sharing amounts thereunder when the Positive Net Income Threshold is not met.

The Company does not plan on making any significant changes to its compensation policies during the upcoming financial year. Finally, the Corporation has no stated policy regarding whether directors or Named Executive Officers are permitted to purchase financial instruments that are designed to hedge or offset a decrease in the market value of equity securities granted or held by them.

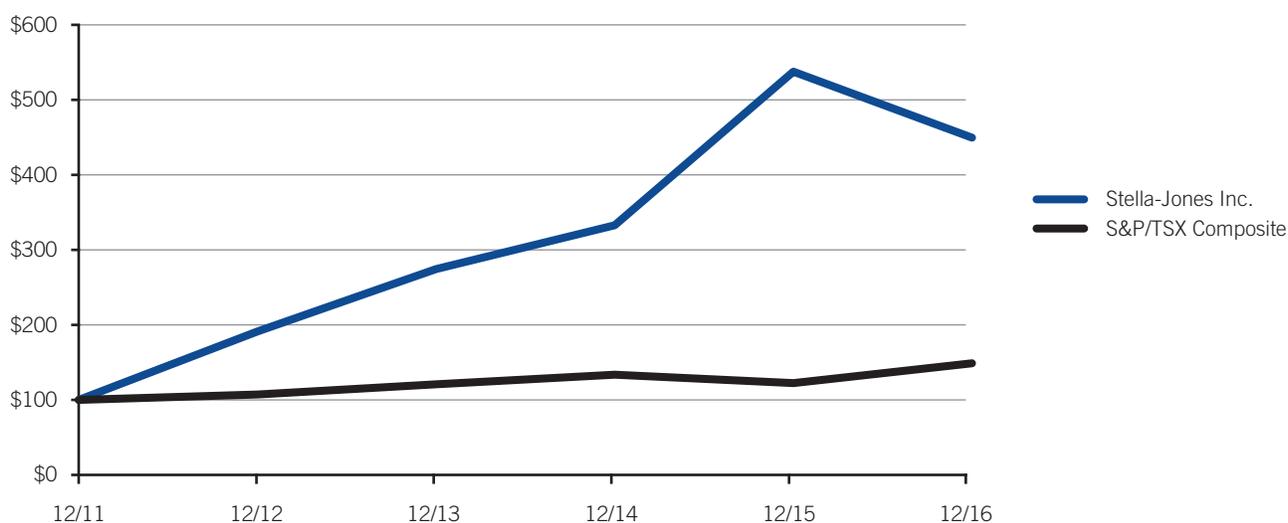
## 6.2 Performance Graph

The following graph illustrates the comparison between the cumulative total shareholder return over a five-year period on a \$100 investment in the Corporation's

common shares and the cumulative total return of the S&P/TSX Composite Index of the TSX for the same period.

### Comparison of 5 Year Cumulative Total Return\*

Between Stella-Jones Inc. and the S&P/TSX Composite Index



\* \$100 invested on 12/31/11 in stock or index, including reinvestment of dividends. Fiscal year ending December 31.

|                         | 2011 Dec. 31 | 2012 Dec. 31 | 2013 Dec. 31 | 2014 Dec. 31 | 2015 Dec. 31 | 2016 Dec. 31 |
|-------------------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Stella-Jones Inc.       | \$100.00     | \$191.36     | \$274.53     | \$332.82     | \$537.60     | \$450.03     |
| S&P/TSX Composite Index | \$100.00     | \$107.19     | \$121.11     | \$133.90     | \$122.76     | \$148.64     |

The trend shown by the performance graph set forth above represents an increase in the cumulative total shareholder return from December 31, 2011 until the period ended December 31, 2016. Over the same

five-year period, the total salary and bonuses received by the Named Executive Officers, in the aggregate, increased by approximately 100.4%, compared to the 350.0% increase in cumulative shareholder return.

## 6.3 Summary Compensation Table

### Compensation of Named Executive Officers – Summary Compensation Table

The Summary Compensation Table sets forth compensation information for the CEO, the Chief Financial Officer as well as the three next most highly compensated executive officers of the Corporation (the “Named Executive Officers”) whose total compensation exceeded \$150,000 during the year ended December 31, 2016. Information is provided for the three most recently completed financial years:

#### Summary Compensation Table

| Name and Principal Position   | Year          | Salary (\$)             | Share-based awards (\$) | Option-based awards (\$) | Non-equity incentive plan compensation (\$) |                           |                        | All other compensation (\$) | Total compensation (\$) |
|---|---------------|-------------------------|-------------------------|--------------------------|---|---------------------------|------------------------|-----------------------------|-------------------------|
|   |               |                         |                         |                          | Annual incentive plans                      | Long-term incentive plans | Pension value (\$)     |                             |                         |
| <b>Brian McManus</b><br>President and CEO   | Dec. 31, 2016 | 650,000                 | –                       | –                        | 1,500,000 <sup>(1)</sup>                    | –                         | –                      | 13,005 <sup>(2)</sup>       | 2,163,005               |
|   | Dec. 31, 2015 | 600,000                 | –                       | –                        | 1,000,000 <sup>(1)</sup>                    | –                         | –                      | 12,685 <sup>(2)</sup>       | 1,612,685               |
|   | Dec. 31, 2014 | 493,269                 | –                       | –                        | 900,000 <sup>(1)</sup>                      | –                         | –                      | 12,465 <sup>(2)</sup>       | 1,405,734               |
| <b>Éric Vachon</b><br>Senior Vice-President and CFO   | Dec. 31, 2016 | 325,000                 | – <sup>(3)</sup>        | –                        | 265,000 <sup>(4)</sup>                      | –                         | –                      | 13,005 <sup>(2)</sup>       | 603,005                 |
|   | Dec. 31, 2015 | 310,000                 | 71,995 <sup>(3)</sup>   | –                        | 275,000 <sup>(4)</sup>                      | –                         | –                      | 12,685 <sup>(2)</sup>       | 669,680                 |
|   | Dec. 31, 2014 | 311,538                 | 87,153 <sup>(3)</sup>   | –                        | 200,000 <sup>(4)</sup>                      | –                         | –                      | 12,465 <sup>(2)</sup>       | 611,156                 |
| <b>Ian Jones</b><br>Senior Vice-President, Stella-Jones Inc. and McFarland Cascade Holdings, Inc.       | Dec. 31, 2016 | 375,000                 | – <sup>(3)</sup>        | –                        | 275,000 <sup>(5)</sup>                      | –                         | 274,000 <sup>(6)</sup> | – <sup>(7)</sup>            | 924,000                 |
|   | Dec. 31, 2015 | 338,130                 | 83,077 <sup>(3)</sup>   | –                        | 300,000 <sup>(8)</sup>                      | –                         | 42,000 <sup>(6)</sup>  | – <sup>(7)</sup>            | 763,207                 |
|   | Dec. 31, 2014 | 344,250                 | 94,568 <sup>(3)</sup>   | –                        | 225,000 <sup>(9)</sup>                      | –                         | 98,000 <sup>(6)</sup>  | – <sup>(7)</sup>            | 761,818                 |
| <b>Michael Sylvester</b><br>Senior Vice-President, Stella-Jones Corporation                             | Dec. 31, 2016 | 463,088 <sup>(10)</sup> | – <sup>(3)</sup>        | –                        | 342,389 <sup>(11)</sup>                     | –                         | –                      | 6,411 <sup>(2)</sup>        | 811,888                 |
|   | Dec. 31, 2015 | 467,972 <sup>(10)</sup> | 100,843 <sup>(3)</sup>  | –                        | 366,760 <sup>(12)</sup>                     | –                         | –                      | 10,128 <sup>(2)</sup>       | 945,703                 |
|   | Dec. 31, 2014 | 365,664 <sup>(10)</sup> | 118,210 <sup>(3)</sup>  | –                        | 145,013 <sup>(13)</sup>                     | –                         | –                      | 4,220 <sup>(2)</sup>        | 633,107                 |
| <b>Kevin Comerford</b><br>Vice-President, Poles and Residential Sales, McFarland Cascade Holdings, Inc. | Dec. 31, 2016 | 308,821 <sup>(10)</sup> | – <sup>(3)</sup>        | –                        | 214,832 <sup>(11)</sup>                     | –                         | –                      | 18,140 <sup>(2)</sup>       | 541,793                 |
|   | Dec. 31, 2015 | 314,168 <sup>(10)</sup> | 53,801 <sup>(3)</sup>   | –                        | 242,200 <sup>(12)</sup>                     | –                         | –                      | 18,706 <sup>(2)</sup>       | 628,875                 |
|   | Dec. 31, 2014 | 248,261 <sup>(10)</sup> | 61,155 <sup>(3)</sup>   | –                        | 168,287 <sup>(13)</sup>                     | –                         | –                      | 15,333 <sup>(2)</sup>       | 493,036                 |

(1) Mr. McManus’s May 2016 bonus of \$1,500,000 was in recognition of performance rendered between June 1, 2015 and May 31, 2016. Mr. McManus’s May 2015 bonus of \$1,000,000 was in recognition of performance rendered between June 1, 2014 and May 31, 2015. Mr. McManus’s May 2014 bonus of \$900,000 was in recognition of performance rendered between June 1, 2013 and May 31, 2014. Any bonus for the 12-month period beginning June 1, 2016 will be approved by the Board of Directors in May of 2017. Mr. McManus’s bonus falls outside the Corporation’s Profit Sharing Plan.

(2) In the case of Mr. McManus and Mr. Vachon, this amount represents the employer DPSP contributions for the years indicated (Canadian retirement savings plan). In the case of Mr. Sylvester and Mr. Comerford, this amount represents the 401(k) employer contributions which were paid in U.S. dollars and in the case of Mr. Sylvester, amounted to US\$4,775 in 2016, US\$7,318 in 2015 and US\$4,896 in 2014. In the case of Mr. Comerford, these amounts were US\$13,510 in 2016, US\$13,516 in 2015 and US\$13,217 in 2014. The value of all other perquisites, property and other personal benefits for the Named Executive Officer is not equal or greater than \$50,000, nor equal or greater than 10.0% of the Named Executive Officer’s total salary for the year. Please refer to footnote 10 for exchange rates used to translate the aforementioned U.S. dollar amounts to Canadian dollar amounts for the purposes of this Summary Compensation Table.

- (3) RSUs were not granted by the Board of directors in March 2017, as the Corporation did not reach its ROCE for the year ended December 31, 2016. On March 15, 2016, the Board of Directors resolved to grant RSUs to these Named Executive Officers for the year ended December 31, 2015, with a grant date of March 21, 2016. On March 12, 2015, the Board of Directors resolved to grant RSUs to these Named Executive Officers for the year ended December 31, 2014 with a grant date of March 16, 2015. RSUs values have been determined in accordance with the Black Scholes methodology as of December 31, 2016.
- (4) These amounts were paid in March, 2017, 2016 and 2015 for services rendered during the years ended December 31, 2016, 2015 and 2014, respectively. As Senior Vice-President and Chief Financial Officer, Mr. Vachon's bonus falls outside of the Corporation's Profit Sharing Plan.
- (5) This amount was paid pursuant to the Corporation's Profit Sharing Plan during the year ended December 31, 2017 for services rendered during the year ended December 31, 2016.
- (6) The Pension value reported is the annual Compensation Change in Accrued Obligation as outlined in Section 6.6 under "Pension Plan Benefits – Defined Benefit Plan".
- (7) The value of perquisites, property and other personal benefits of the Named Executive Officer is not equal or greater than \$50,000 nor equal or greater than 10.0% of the Named Executive Officer's total salary for the year.
- (8) This amount was paid pursuant to the Corporation's Profit Sharing Plan during the year ended December 31, 2016 for services rendered during the year ended December 31, 2015.
- (9) This amount was paid pursuant to the Corporation's Profit Sharing Plan during the year ended December 31, 2015 for services rendered during the year ended December 31, 2014.
- (10) Mr. Sylvester's and Mr. Comerford's base salaries are paid in U.S. dollars. In the case of Mr. Sylvester, it amounted to US\$344,893 in 2016, US\$338,130 in 2015 and US\$315,200 in 2014. In the case of Mr. Comerford, it amounted to US\$230,000 in 2016, US\$218,698 in 2015 and US\$214,200 in 2014. The Bank of Canada closing exchange rates at year-end ("Exchange Rates") were used to translate U.S. dollars to Canadian dollars for the purposes of the Summary Compensation Table. These Exchange Rates were as follows: 2016 – 1.3427; 2015 – 1.3840 and 2014 – 1.1601. The Canadian dollar amounts were determined by multiplying the U.S. dollar amounts by the Exchange Rates.
- (11) This amount was paid pursuant to the Corporation's Profit Sharing Plan during the year ended December 31, 2017 for services rendered during the year ended December 2016. This amount was paid in U.S. dollars and amounted to US\$255,000 for Mr. Sylvester and US\$160,000 for Mr. Comerford.
- (12) This amount was paid pursuant to the Corporation's Profit Sharing Plan during the year ended December 31, 2016 for services rendered during the year ended December 2015. This amount was paid in U.S. dollars and amounted to US\$265,000 for Mr. Sylvester and US\$175,000 for Mr. Comerford.
- (13) This amount was paid pursuant to the Corporation's Profit Sharing Plan during the year ended December 31, 2015 for services rendered during the year ended December 2014. This amount was paid in U.S. dollars and amounted to US\$125,000 for Mr. Sylvester and US\$145,000 for Mr. Comerford.

## 6.4 Incentive Plan Awards – Option-Based and Share-Based Awards

The table below sets forth information relating to option-based and share-based awards outstanding at the end of the financial year ended December 31, 2016:

| Name              | Option-based Awards                                 |                       |                        |   | Share-based Awards                                       |   |   |
|-------------------|---|-----------------------|------------------------|---|--|---|---|
|                   | Number of securities underlying unexercised options | Option exercise price | Option expiration date | Value of unexercised in-the-money options | Number of shares or units of shares that have not vested | Market or payout value of share-based awards that have not vested | Market or payout value of vested share-based awards not paid out or distributed |
|                   | (#)   | (\$)                  |                        | (\$)                                      | (#)  | (\$)  | (\$)  |
| Brian McManus     | –   | –                     | –                      | –   | –  | –   | –   |
|                   | –   | –                     | –                      | –   | –  | –   | –   |
|                   | –   | –                     | –                      | –   | –  | –   | –   |
| Éric Vachon       | –   | –                     | –                      | –   | 2,770 <sup>(1)</sup>                                     | 124,955 <sup>(2)</sup>  | –   |
|                   | –   | –                     | –                      | –   | 1,988 <sup>(3)</sup>                                     | 89,679 <sup>(2)</sup>   | –   |
|                   | –   | –                     | –                      | –   | 1,702 <sup>(4)</sup>                                     | 76,777 <sup>(2)</sup>   | –   |
| Ian Jones         | –   | –                     | –                      | –   | 3,060 <sup>(1)</sup>                                     | 138,037 <sup>(2)</sup>  | –   |
|                   | –   | –                     | –                      | –   | 2,168 <sup>(3)</sup>                                     | 97,798 <sup>(2)</sup>   | –   |
|                   | –   | –                     | –                      | –   | 1,964 <sup>(4)</sup>                                     | 88,596 <sup>(2)</sup>   | –   |
| Michael Sylvester | –   | –                     | –                      | –   | 1,959 <sup>(1)</sup>                                     | 88,370 <sup>(2)</sup>   | –   |
|                   | –   | –                     | –                      | –   | 2,710 <sup>(3)</sup>                                     | 122,248 <sup>(2)</sup>  | –   |
|                   | –   | –                     | –                      | –   | 2,384 <sup>(4)</sup>                                     | 107,542 <sup>(2)</sup>  | –   |
| Kevin Comerford   | –   | –                     | –                      | –   | 1,582 <sup>(1)</sup>                                     | 71,364 <sup>(2)</sup>   | –   |
|                   | –   | –                     | –                      | –   | 1,402 <sup>(3)</sup>                                     | 63,244 <sup>(2)</sup>   | –   |
|                   | –   | –                     | –                      | –   | 1,272 <sup>(4)</sup>                                     | 57,380 <sup>(2)</sup>   | –   |

(1) RSUs granted on March 17, 2014. Vesting date is March 17, 2017.

(2) Calculated by multiplying the number of RSUs by \$45.11, being the six-month average trading price of the Corporation's shares on the TSX immediately preceding December 31, 2016, assuming December 31, 2016 was the single payout date.

(3) RSUs granted on March 16, 2015. Vesting date is March 16, 2018.

(4) RSUs granted on March 21, 2016. Vesting date is March 21, 2019.

## 6.5 Incentive Plan Awards – Value Vested or Earned During the Year

The following table sets out the value of incentive plan awards vested or earned during the year ended December 31, 2016:

| Name              | Option-based awards –<br>Value vested during the<br>year<br>(\$) | Share-based awards –<br>Value vested during the<br>year<br>(\$) | Non-equity incentive plan<br>compensation – Value<br>earned during the year<br>(\$) |
|-------------------|--|---|---|
| Brian McManus     | – <sup>(1)</sup>   | 19,106,150 <sup>(2)</sup>                                       | 1,500,000 <sup>(3)</sup>  |
| Éric Vachon       | – <sup>(1)</sup>   | 169,566 <sup>(4)</sup>  | 265,000 <sup>(5)</sup>  |
| Ian Jones         | – <sup>(1)</sup>   | 193,439 <sup>(4)</sup>  | 275,000 <sup>(5)</sup>  |
| Michael Sylvester | – <sup>(1)</sup>   | 123,730 <sup>(4)</sup>  | 342,389 <sup>(5)(6)(7)</sup>  |
| Kevin Comerford   | – <sup>(1)</sup>   | –   | 214,832 <sup>(5)(6)(8)</sup>  |

(1) No option-based awards vested during the year for the Named Executive Officer.

(2) Calculated by multiplying the number of vested RSUs (400,000) by \$47.77, being the six-month average trading price of the Corporation's shares on the TSX immediately preceding the May 6, 2016 vesting date.

(3) Brian McManus's May 2016 bonus of \$1,500,000 was in recognition of his performance rendered between June 1, 2015 and May 31, 2016. Any bonus for the 12-month period beginning June 1, 2016 will be approved by the Board of Directors at a meeting scheduled for May 3, 2017.

(4) Calculated by multiplying the number of vested RSUs by \$47.37, being the six-month average trading price of the Corporation's shares on the TSX immediately preceding the March 25, 2016 vesting date. Mr. Sylvester's RSUs amounts were paid in U.S. dollars and amounted to US\$91,318.

(5) Represents amounts received under the Corporation's Profit Sharing Plan in 2017 in recognition of both financial performance targets attained by the Corporation and performance rendered by the individual during the year ended December 31, 2016. As Senior Vice-President and Chief Financial Officer, Mr. Vachon's bonus falls outside the Corporation's Profit Sharing Plan.

(6) The Canadian dollar amounts for Mr. Sylvester and Mr. Comerford were determined by multiplying the U.S. dollar amounts by 1.3427, being the Bank of Canada's closing exchange rate at year end.

(7) Michael Sylvester's non-equity incentive plan compensation was paid in U.S. dollars and amounted to US\$255,000.

(8) Kevin Comerford's non-equity incentive plan compensation was paid in U.S. dollars and amounted to US\$160,000.

## 6.6 Pension Plan Benefits – Defined Benefit Plan

The Corporation provides retirement benefits in the form of pensions for certain of the Corporation's salaried employees through pension plans registered under the Income Tax Act. One Named Executive Officer accrues benefits under a defined benefit arrangement in which total retirement income is equal to the formula under the salaried employees registered plan without regard to the maximum annual retirement income prescribed under the Income Tax Act. The Named Executive Officer who participates in this arrangement is Mr. Ian Jones. The Corporation provides such pensions through a pension

plan registered under the Income Tax Act and an unregistered pension promise for the Named Executive Officer. Together, these arrangements are to provide the annual retirement income that commences at retirement age for Mr. Jones.

The plans are non-contributory. Mr. Jones's annual retirement income is equal to 1.20% of final average earnings up to the average Yearly Maximum Pensionable Earnings, plus 1.90% of final average earnings in excess of the average Yearly Maximum Pensionable Earnings for each year of service. Final average earnings are the annual average of the highest five calendar years out of the last 10 years immediately preceding the date of determination.

Mr. Jones will receive, to the extent permitted, a portion of his annual retirement income payable from the registered plan that will be limited to the maximum under the Income Tax Act. This maximum is currently \$2,914.44 multiplied by the number of years of credited service for employees retiring in 2017.

Mr. Jones will also receive a promised supplemental pension, to the extent required, which provides for the payment of a supplementary retirement income such

that the total retirement income is equal to the formula described above without limitation to the maximum annual retirement income prescribed under the Income Tax Act. Mr. Jones is currently the only employee who is promised this supplemental pension.

The value of this pension arrangement is funded to the extent allowed for the plan as registered under the Income Tax Act.

Under this pension arrangement, employees can retire as early as age 55. The annual retirement income is reduced by one quarter of one percent (0.25%) for each month by which the retirement date precedes the normal retirement date. As such, for an employee who retires early and prior to his normal retirement date, his annual pension would be equal to the accrued pension discussed above at the date of such retirement date, multiplied by the percentage factor determined in accordance with the following table:

| Age at Pension Commencement Date | Percentage of Accrued Pension |
|----------------------------------|-------------------------------|
| 65                               | 100%                          |
| 64                               | 97%                           |
| 63                               | 94%                           |
| 62                               | 91%                           |
| 61                               | 88%                           |
| 60                               | 85%                           |
| 59                               | 82%                           |
| 58                               | 79%                           |
| 57                               | 76%                           |
| 56                               | 73%                           |
| 55                               | 70%                           |

The following table sets out information for the plans for the Named Executive Officer in regards to his annual pension benefit, including his supplemental pension promise:

| Name      | Number of years of credited service at year-end (#) | Annual benefits payable <sup>(1)</sup> |                | Accrued obligation at start of year <sup>(2)</sup> (\$) | Compensatory change <sup>(3)</sup> (\$) | Non-compensatory change <sup>(4)</sup> (\$) | Accrued obligation at year-end <sup>(2)</sup> (\$) |
|-----------|---|--|----------------|---|---|---|--|
|           |   | At year-end (\$)                       | At age 65 (\$) |   |   |   |  |
| Ian Jones | 32.5  | 185,000                                | 242,000        | 2,763,000   | 274,000                                 | 174,000                                     | 3,211,000  |

(1) Based on final average earnings at December 31, 2016.

(2) The Accrued Obligation is the value of the projected pension benefit, for service earned to that date, based on the same actuarial methods and assumptions used to determine the year-end pension liabilities and pension plan expense as disclosed in the Corporation's Annual Report. These methods and assumptions are in accordance with generally accepted accounting principles and are not identical to those used by other companies and, as a result, may not be directly comparable across companies. These amounts may change over time due to factors such as changes in assumptions and salary levels.

(3) Includes current year service cost net of employee contributions and changes due to actual earnings differing from assumed levels.

(4) Includes actual employee contributions, interest on the beginning of year Accrued Obligation, and impact of any changes in actuarial assumptions.

## 6.7 Pension Plan Benefits – Defined Contribution Plans

The Corporation's contribution for each of the Named Executive Officers who participate in the defined contributions plans is set out in the "All other compensation" column of the Summary Compensation Table provided in Section 6.3. For further information on the Corporation's defined contribution plans, please refer to Section 6.1 paragraph (iv) "Retirement Savings Plans", of the Compensation Discussion and Analysis.

## 6.8 Termination of Employment and Change of Control Benefits

The Corporation has entered into certain employment agreements, stock option agreements, provides a profit sharing plan and has granted RSUs, certain of which provide termination and change of control benefits to Named Executive Officers.

Mr. McManus's employment contract stipulates that upon termination of his employment by the Corporation for reasons other than cause, illness, permanent incapacity, death or resignation, he is entitled to receive an amount equal to 6 months' salary plus one month for each year of continuous service up to a maximum of 24 months' salary plus a bonus

payment based on the annual bonus paid for the immediately preceding financial year, prorated in accordance with the number of months of service during the financial year in which his employment is terminated. If Mr. McManus's employment is terminated for reasons of death, illness or permanent incapacity, he (or his estate in the case of death) shall be entitled to three months' salary and a bonus payment based on the annual bonus paid for the immediately preceding fiscal year prorated in accordance with the number of months of service during the fiscal year in which his employment is terminated. In the event that Mr. McManus's employment is terminated due to a change of control, Mr. McManus will be entitled to receive an amount equal to 24 months' salary plus a bonus payment based on the annual bonus paid for the immediately preceding financial year.

In the event of termination without cause, one Named Executive Officer's employment contract provides for a payment of six months' base salary plus health benefits for an equivalent period. The contract also calls for a bonus payment based on the individual's previous year's bonus, prorated in accordance with the number of days of service in the fiscal year during which employment is terminated.

Under the Corporation's Profit Sharing Plan, in the event that a Named Executive Officer's active employment terminates prior to the payment date due to resignation or termination, the Named Executive Officer will not be eligible for any potential profit sharing amount. In the event that the Named Executive Officer's active employment with the Corporation terminates for reasons other than resignation or termination (e.g. retirement or sick leave), then the Named Executive Officer will be eligible for the potential profit sharing amount, prorated for the portion of the year during which he or she actively worked for the Corporation.

The Corporation's retirement savings program for Canadian-based employees provides for distribution of group registered retirement savings plan benefits to all employees at the earlier of termination of employment or the latest date permitted under the Income Tax Act for maturity retirement savings plans. Distribution of deferred profit sharing plan benefits occur no later than the earlier of the end of the year in which the participant attains the age of sixty-nine (69), and ninety (90) days after the earliest of retirement, onset of disability, termination of service and death.

The Corporation's 401(k) plan for U.S. employees provides for distribution of all account balances upon termination of service with the Corporation (vested amounts only if prior to Normal Retirement Age), or upon the normal retirement age of sixty-five (65) ("Normal Retirement Age"). However, employees who reach the Normal Retirement Age and who continue to work are not required to take distributions

until they terminate employment, and no later than 70.5 years of age. Distribution of amounts attributable to the employee contribution portion are permitted before termination of employment in the following circumstances: (i) the attainment of the age of 59.5; (ii) upon becoming disabled under the terms of the plan; (iii) in the event of a financial hardship as such term is defined in the plan; or (iv) by a qualified member of the reserves further to a "Qualified Reservist Distribution", as such term is defined in the plan.

None of the Corporation's retirement plans provide Named Executive Officers with additional enhancements, early vesting or other benefits in the event of a change of control.

The Corporation's Stock Option Plan (and therefore, all LTIP Options) provides that in the event the Corporation proposes to amalgamate, merge or consolidate with or into any other company (other than with a wholly owned subsidiary of the Corporation) or to liquidate, dissolve or wind-up, or in the event an offer to purchase the shares of the Corporation or any part thereof shall be made to all holders of shares of the Corporation, the Corporation shall have the right, upon written notice thereof to each Optionee holding options under this Plan, to permit the exercise of all such options within the 20-day period next following the date of such notice. Additionally, under the Corporation's Long-Term Incentive Plan, unvested LTIP RSUs shall vest and be payable immediately upon a change of control or a going private transaction.

The following table provides a reasonable estimate of the potential payments upon termination of employment or a change of control of the Corporation for the Named Executive Officers, in accordance with the narrative description of “termination of employment and change of control benefits” provided above:

| Name              | Termination Value <sup>(1)(2)(3)(4)(5)</sup><br>(\$) |
|-------------------|--|
| Brian McManus     | 2,800,000  |
| Éric Vachon       | 566,862  |
| Ian Jones         | 624,431  |
| Michael Sylvester | 916,465  |
| Kevin Comerford   | 434,188  |

- (1) The termination value assumes that the applicable triggering event took place on the last business day of the Corporation's completed financial year.
- (2) The triggering event under the Profit Sharing Plan is assumed to be an event other than resignation or termination (e.g. retirement or sick leave).
- (3) The severances calculated on the basis of salary for the President assumes that the triggering event is a change of control. The severances calculated for other Named Executive Officers assume that the triggering event is termination without cause.
- (4) The triggering event under the Named Executive Officer's stock options and RSUs is assumed to be a change of control.
- (5) This table does not include payments under the Retirement Savings Plan and pension plan.

## 7. Director Compensation

### 7.1 Director Compensation Table

The Director Compensation table below sets forth all amounts of compensation provided to the directors of the Corporation for its most recently completed financial year:

| Name                 | Fees earned<br>(\$)    | Share-based<br>awards<br>(\$) | Option-based<br>awards<br>(\$) | Non-equity<br>incentive<br>plan<br>compensation<br>(\$) | Pension<br>value<br>(\$) | All other<br>compensation<br>(\$) | Total<br>(\$)    |
|----------------------|------------------------|-------------------------------|--------------------------------|---|--------------------------|-----------------------------------|------------------|
| Tom A. Bruce Jones   | 200,000 <sup>(1)</sup> | –                             | –                              | –   | –                        | –                                 | 200,000          |
| George J. Bunze      | 112,500 <sup>(2)</sup> | –                             | –                              | –   | –                        | –                                 | 112,500          |
| Gianni Chiarva       | 200,000 <sup>(1)</sup> | –                             | –                              | –   | –                        | –                                 | 200,000          |
| Katherine A. Lehman  | 23,125 <sup>(3)</sup>  | –                             | –                              | –   | –                        | –                                 | 23,125           |
| James A. Manzi, Jr.  | 92,500                 | –                             | –                              | –   | –                        | –                                 | 92,500           |
| Brian McManus        | – <sup>(4)</sup>       | – <sup>(5)</sup>              | – <sup>(5)</sup>               | – <sup>(5)</sup>  | – <sup>(5)</sup>         | – <sup>(5)</sup>                  | – <sup>(5)</sup> |
| Nycol Pageau-Goyette | 92,500                 | –                             | –                              | –   | –                        | –                                 | 92,500           |
| Simon Pelletier      | 92,500                 | –                             | –                              | –   | –                        | –                                 | 92,500           |
| Daniel Picotte       | 92,500                 | –                             | –                              | –   | –                        | –                                 | 92,500           |
| Mary Webster         | 92,500                 | –                             | –                              | –   | –                        | –                                 | 92,500           |

(1) The Chairman and Vice-Chairman have each permanently waived their director and committee fees. The amount provided is the yearly fee for services as Chairman and Vice-Chairman, respectively.

(2) Of this amount, \$20,000 represents fees received as Chairman of the Audit Committee.

(3) Director since October 1, 2016. Fees represent 3 months as Director of the Corporation (Oct-Dec. 2016)

(4) Fees are not paid to directors who are employees of the Corporation.

(5) See Section 6.3, Summary Compensation Table of Named Executive Officers.

## 7.2 Compensation of Directors – Narrative Discussion

Directors of the Corporation receive a flat annual fee of \$92,500 in two semi-annual payments of \$46,250. An annual fee of \$20,000 is paid to the Chairman of the Audit Committee in two instalments of \$10,000. Annual fees are not paid to the chairpersons of the Environmental, Health & Safety and Remuneration Committees. Per meeting fees are not paid to Board and committee members.

The annual Chairman and Vice-Chairman fees of \$200,000 per individual are paid in two semi-annual instalments of \$100,000 to each individual. Directors who are employees of the Corporation are not entitled to director and committee fees. The Chairman and Vice-Chairman have permanently waived their entitlement to director and committee fees.

In December of 2015, following consultation with outside advisors, the Remuneration Committee resolved that annual fees paid to Board members and the Chairman of the Audit Committee for the years 2016-2018 inclusive (excluding the Chairman, Vice-Chairman and President & CEO, who do not receive directors' fees) would be as follows:

|                     | 2016     | 2017     | 2018     |
|---------------------|----------|----------|----------|
| Board Fees          | \$92,500 | \$95,000 | \$97,500 |
| Audit Chairman Fees | \$20,000 | \$25,000 | \$30,000 |

An annual fee of \$200,000 was paid to each of the Chairman of the Board and the Vice-Chairman of the Board of Directors for services rendered in 2016 in such capacities.

Fasken Martineau DuMoulin LLP, a law firm of which director Daniel Picotte is a partner, invoices the Corporation on an ongoing basis for non-director legal services provided by lawyers other than Mr. Picotte. Mr. Picotte does not take part in any such services rendered and earns no remuneration in relation with amounts invoiced by this law firm to the Corporation.

<sup>(1)</sup> This amount does not include the \$200,000 in annual Chairman and Vice-Chairman fees paid during 2016 to each of Mr. Tom A. Bruce Jones and Mr. Gianni Chiarva.

An amount of \$598,125<sup>(1)</sup> was paid by the Corporation to the members of the Board and committees of the Board for services during 2016. The details of this amount are provided in the Director Compensation Table above as well as set out below.

Total annual fees paid to Board members for Board meetings for the year ended December 31, 2016 amounted to \$578,125<sup>(1)</sup>. This amount represents the annual fee of \$92,500 paid to six of the Corporation's directors and \$23,125 paid to a director who served three months during the year. The remaining three directors, being the Chairman, Vice-Chairman and President and CEO, do not receive any annual or per meeting director or committee fees.

Annual fees paid to Board members in their role as committee chairpersons amounted to \$20,000 in 2016. This amount was paid solely to the Chairman of the Audit Committee. As per the Corporation's policy, no per meeting fees were paid during the year.

## 7.3 Outstanding Option-Based Awards and Share-Based Awards

The following table shows all option-based and share-based awards outstanding to each Director at December 31, 2016<sup>(1)</sup>:

| Name                 | Option-based Awards                                 |                       |                        |   | Share-based Awards                                       |   |   |
|----------------------|---|-----------------------|------------------------|---|--|---|---|
|                      | Number of Securities Underlying Unexercised Options | Option Exercise Price | Option Expiration Date | Value of Unexercised in the Money Options | Number of Shares or Units of Shares that have not vested | Market or Payout Value of Share-based Awards that have not vested | Market or Payout Value of Vested Share-based Awards not paid out or distributed |
|                      | (#)   | (\$)                  |                        | (\$)                                      | (#)  | (\$)  | (\$)  |
| Tom A. Bruce Jones   | –   | –                     | –                      | –   | –  | –   | –   |
| George J. Bunze      | –   | –                     | –                      | –   | –  | –   | –   |
| Gianni Chiarva       | –   | –                     | –                      | –   | –  | –   | –   |
| Katherine A. Lehman  | –   | –                     | –                      | –   | –  | –   | –   |
| James A. Manzi, Jr.  | 30,000  | 49.01                 | Nov.10, 2025           | 0 <sup>(1)</sup>                          | –  | –   | –   |
| Brian McManus        | – <sup>(2)</sup>                                    | – <sup>(2)</sup>      | – <sup>(2)</sup>       | – <sup>(2)</sup>                          | – <sup>(2)</sup>   | – <sup>(2)</sup>  | – <sup>(2)</sup>  |
| Nycol Pageau-Goyette | –   | –                     | –                      | –   | –  | –   | –   |
| Simon Pelletier      | 15,000  | 22.13                 | May 7, 2023            | 321,000 <sup>(1)</sup>                    | –  | –   | –   |
| Daniel Picotte       | –   | –                     | –                      | –   | –  | –   | –   |
| Mary Webster         | 10,000  | 9.90                  | Aug. 20, 2017          | 336,300 <sup>(1)</sup>                    | –  | –   | –   |

(1) Calculated by multiplying the number of options by the difference between the closing price of the Corporation's Common Shares on the TSX on the last day of trading in 2016 (\$43.58) and the option exercise price.

(2) See table at Section 6.4 entitled "Incentive Plan Awards – option-based and share-based awards" for information regarding this director.

## 8. Securities Authorized for Issuance under Equity Compensation Plans

### Equity Compensation Plan Information

The following table sets out information regarding compensation plans under which securities of the Corporation are authorized for issuance, as of the Corporation's most recently completed financial year end:

#### Equity Compensation Plan Information

| Plan Category   | Number of securities to be issued upon exercise of outstanding options, warrants and rights (a) | Weighted-average exercise price of outstanding options, warrants and rights (b) | Number of securities remaining available for future issuance under equity compensation plans "excluding securities reflected in column (a)" (c) |
|---|---|---|---|
| Equity compensation plans approved by security holders <sup>(1)</sup> | 55,000 <sup>(2)</sup>   | \$34.57   | 1,425,401 <sup>(3)</sup>  |
| Equity compensation plans not approved by security holders            | N/A   | N/A   | N/A   |
| <b>Total</b>  | 55,000  | \$34.57   | 1,425,401   |

(1) For specifics of the Corporation's Stock Option Plan and the Employee Share Purchase Plans, see "Stock Option Plan for Directors, Officers and Employees" and "Employee Share Purchase Plans".

(2) This number represents the 55,000 options which were outstanding under the Corporation's Stock Option Plan at year end.

(3) This number comprises the 1,282,588 securities that are not yet granted and therefore available for future issuance under the Stock Option Plan for Directors, Officers and Employees and the remaining 142,813 shares available under the Employee Share Purchase Plans.

### Stock Option Plan for Directors, Officers and Employees

The Corporation has a stock option plan for directors, officers and employees (the "Stock Option Plan") under which the Board of Directors or a committee appointed for such purpose may from time to time grant to directors, officers or employees of the Corporation and its subsidiaries, options to acquire common shares, in such numbers, for such terms and at such exercise prices as are determined by the Board or such committee. The purpose of the Stock Option Plan is to secure for the Corporation and its shareholders the benefits of incentives inherent in share ownership by directors, officers and employees of the Corporation and its subsidiaries.

Under the Stock Option Plan, the exercise price of an option shall not be lower than the closing price of the common shares of the Corporation on the TSX on the last trading day preceding the granting of the option and the term of the option may not exceed 10 years. Historically, the exercise frequency established by the Corporation's Board has been in accordance with the following vesting schedule: up to 20.0% of options granted may be exercised within the first year of the date of the grant of options ("Grant Date") and an additional 20.0% of the total options granted become exercisable beginning on each anniversary of the Grant Date thereafter.

*Termination of Options under the Stock Option Plan:* Options terminate no later than 10 years (“Option Period”) following the date of their grant, and in certain instances, terminate earlier as provided below (“Early Expiry Date”):

- (a) thirty (30) days following the date on which
  - (i) the optionee resigns or voluntarily leaves his employment with the Corporation, or
  - (ii) an optionee’s employment with the Corporation is terminated for cause, or (iii) in the case where the optionee is a director of the Corporation, but is not employed by the latter, thirty (30) days following the date on which such optionee ceases to be a member of the Board for any reason other than death;
- (b) one hundred and eighty (180) days following the date on which the optionee’s employment with the Corporation is terminated by reason of death or, in the case where the optionee is a director of the Corporation, but is not employed by the latter, one hundred and eighty (180) days following the date on which such optionee ceases to be a member of the Board by reason of death; or
- (c) thirty (30) days following the date on which the optionee’s employment with the Corporation is terminated for any cause or reason other than those mentioned in paragraphs (a) and (b) above, including without limiting the scope of the foregoing, disability, illness, retirement or pre-retirement.

Notwithstanding the foregoing, the Option Period and Early Expiry Date shall automatically be extended in the event that either shall fall within the Corporation’s self-imposed trading blackout period. In such cases, the Option Period or the Early Expiry Date, as the case may be, shall extend for 10 business days following the termination of the Corporation’s trading blackout period.

*Acceleration of Vesting under the Stock Option Plan:* The Stock Option Plan provides that in the event that the Corporation proposes to amalgamate, merge or consolidate with or into any other company (other than with a wholly owned subsidiary of the Corporation) or to liquidate, dissolve or wind-up, or in the event an offer to purchase the shares of the Corporation or any part thereof shall be made to all holders of shares of the Corporation, the Corporation shall have the right, upon written notice thereof to each holder of options (“Optionee”) under the plan, to permit the exercise of all such options within the 20-day period next following the date of such notice and to determine that upon the expiration of such 20-day period, all rights of Optionees to such options or to exercise same (to the extent not theretofore exercised) shall terminate and cease to have further force or effect whatsoever.

*Amendment and Termination of the Stock Option Plan:* The Board of Directors has the general power, subject to requisite regulatory approval, to make amendments without shareholder approval, including but not limited to:

- (a) amendments of a general “housekeeping” or clerical nature to clarify, correct or rectify any ambiguity, defective provision, error or omission in the Stock Option Plan;
- (b) amendments necessary to comply with applicable laws or the requirements of any regulatory authority;
- (c) amendments to the Early Expiry Date provisions of the Stock Option Plan;
- (d) amendments with respect to any vesting period or with respect to circumstances that would accelerate the vesting of options;
- (e) amendments required or advisable as a result of a stock split, a consolidation, a

reclassification, a share dividend declaration or any other amendment pertaining to the shares; and

- (f) suspending or terminating the Stock Option Plan.

Amendments to the Stock Option Plan requiring shareholder approval are, subject to regulatory requirements, limited to:

- (a) any increase to the number of shares issuable under the Stock Option Plan;
- (b) the reduction of the subscription price of options held by an insider;
- (c) the extension of the Option Period of options held by an insider; and
- (d) the extension of the Blackout Expiration Date.

On October 21, 2013, the Board of Directors approved an amendment to the Stock Option Plan whereby the maximum fixed amount of options which may be granted under the Stock Option Plan was modified from 1,200,000 options to 4,800,000 options. This modification was required to harmonize the Stock Option Plan with the October 25, 2013 4-for-1 stock split by way of dividend. This change received required regulatory approvals.

*Financial Assistance and Transformation into a Stock Appreciation Right:* The Corporation does not provide financial assistance to participants of the Stock Option Plan to facilitate the purchase of shares issuable under the plan. The Corporation is not entitled to transform a stock option into a stock appreciation right involving the issuance of securities from treasury.

The aggregate number of common shares in respect of which options may be granted under the Stock Option Plan is a maximum fixed amount of 4,800,000 representing approximately 6.9% of the Corporation's

issued and outstanding shares as at December 31, 2016. No Optionee is able to hold options to purchase common shares exceeding 5.0% of the number of common shares outstanding from time to time. The number of shares issuable to insiders of the Corporation under all security-based compensation arrangements may not, at any time, exceed 10.0% of the issued and outstanding shares of the Corporation. The number of shares issued to insiders under all security-based compensation arrangements within any one-year period may not exceed 10.0% of the shares outstanding. As at December 31, 2016, 1,282,588 options permitting the subscription to an equivalent number of common shares of the Corporation were not yet granted and therefore remained available for future issuance under the Stock Option Plan.

*Issued and Issuable Securities under the Stock Option Plan:* The total number of securities issued and issuable under the Stock Option Plan as of December 31, 2016 was 4,800,000 shares, representing approximately 6.9% of the Corporation's outstanding capital. Of the 4,800,000 shares, 3,462,412 common shares had been issued as of December 31, 2016, representing approximately 5.0% of the Corporation's outstanding share capital at that date. As of December 31, 2016, 1,337,588 common shares remained issuable (the maximum fixed amount of 4,800,000 minus the total shares issued) under the Stock Option Plan, representing approximately 1.9% of the Corporation's outstanding shares at that date. The total number of securities issuable under actual grants under the Stock Option Plan (total options granted minus total options exercised) stood at 55,000 as of December 31, 2016, representing approximately 0.0% of the Corporation's outstanding share capital at that date. A total of 139,000 options were exercised under the Stock Option Plan during the Corporation's financial year ended December 31, 2016. No stock options were granted pursuant to the Stock Option Plan during the year ended December 31, 2016.

During the period of January 1, 2017 to March 17, 2017, no additional options were exercised under the Stock Option Plan, maintaining a total of 3,462,412 options exercised under the Stock Option Plan since its inception, representing approximately 5.0% of the Corporation's issued and outstanding shares at March 17, 2017. As at March 17, 2017, options for an aggregate of 3,517,412 common shares have been granted under the Stock Option Plan.

*Employer's Remittance Obligations in respect of the Income Tax Act:* With regard to employer's remittance obligations in respect of stock option benefits, the Stock Option Plan provides that:

- "7.3 The Corporation shall cause all exercises of options to comply with all applicable laws, rules and regulations, including, among others, the requirements of the Income Tax Act in relation to withholding obligations of the Corporation as an employer. Consequently, the Corporation may, among other things, satisfy its obligation to remit the appropriate withholding amounts to the Canada Revenue Agency by:
- 7.3.1 Permitting the Optionee to pay to the Corporation, in addition to and concurrently with the Subscription Price, the applicable withholding amount upon exercise of the option; or
  - 7.3.2 Selling, in the open market, a portion of the Shares issued in order to realize the cash proceeds to be used to satisfy the required withholding; or
  - 7.3.3 Withholding the necessary amount from the Optionee's cash remuneration payment following the exercise of the Option, if the circumstances permit and if sufficient."

## **Employee Share Purchase Plans**

The Corporation has two employee share purchase plans, an employee share purchase plan for Canadian residents ("CDN ESPP") and an employee share purchase plan for U.S. employees ("U.S. ESPP") (together, the "Employee Share Purchase Plans"). Unless otherwise specified herein, the Employee Share Purchase Plans are identical. Under the CDN ESPP, any regular full-time employee of the Corporation or any of its subsidiaries who is a Canadian resident, and at the date of enrolment in the CDN ESPP, has six months of service with the Corporation or any of its subsidiaries, may purchase common shares of the Corporation at a price equal to 90.0% of the average closing price per common share of a board lot of the Corporation's common shares on the TSX on the last five trading days immediately preceding the applicable purchase date ("Market Price"). Under the U.S. ESPP, any regular full-time employee of the Corporation or any of its subsidiaries who is a resident of the United States of America, and at the date of enrolment in the U.S. ESPP, has six months of service with the Corporation or any of its subsidiaries, may purchase common shares of the Corporation at 100.0% of the Market Price. An eligible employee who wishes to participate in an Employee Share Purchase Plan must contribute a minimum of \$200 on a yearly basis, up to a maximum of 5.0% of his/her base salary. Contributions are deducted from the employee's periodic pay and common shares are purchased on quarterly investment dates. While no financial assistance is provided by the Corporation to facilitate the purchase of common shares under the Employee Share Purchase Plans, employees who hold common shares in their respective Employee Share Purchase Plans for 18 months following the date of acquisition of such shares ("Acquisition Date") receive additional common shares of the Corporation equivalent to 10.0% of the amount of their contributions made on the Acquisition Date. These additional common shares are purchased by the Corporation on behalf of eligible

employees at 100.0% of the Market Price. All participants of the Employee Share Purchase Plans must hold their shares in their Employee Share Purchase Plan for a minimum of 12 months following the Acquisition Date of such shares except in the event of death, termination of employment, or in the event that an offer is made to all holders of shares. Participants may elect to receive any cash dividends declared and paid on the common shares in cash or to reinvest such cash dividends to purchase additional common shares. The price per common share purchased with such reinvested dividends is 100.0% of the Market Price.

The rights of a participant pursuant to the provisions of the Employee Share Purchase Plans are non-assignable.

The aggregate number of common shares reserved for issuance under the Employee Share Purchase Plans is 1,000,000 representing approximately 1.4% of the Corporation's issued and outstanding shares at March 17, 2017.

The total number of securities issued and issuable under the Employee Share Purchase Plans as of December 31, 2016 was 1,000,000 shares representing approximately 1.4% of the Corporation's outstanding shares at that date. As of March 17, 2017, 135,410 shares remained issuable under the Employee Share Purchase Plans, representing approximately 0.2% of the Corporation's outstanding shares as at that date.

*Termination of Employee Participation in the Employee Share Purchase Plans:* The purpose of the Employee Share Purchase Plans is to provide an opportunity for eligible employees to participate in the ownership of the Corporation through the purchase of common shares. In the event of the death of the participant or termination of employment (whether or not for cause) of a participant and in the event a participant ceases to be a Canadian resident (or in the case of the U.S.

ESPP, a resident of the United States), or becomes a retiree of the Corporation, participation in the Employee Share Purchase Plan will automatically terminate.

*Amendment and Termination of the Employee Share Purchase Plans:* The Board of Directors may, at any time and from time to time, with the approval of the TSX, suspend or terminate the Employee Share Purchase Plans or participation therein, in whole or in part, or in regard to any or all participants or former participants.

The Board of Directors has the general authority, subject to requisite regulatory approval, to make amendments to the Employee Share Purchase Plans without shareholder approval, including and not limited to:

- (a) amendments of a general "housekeeping" or clerical nature to clarify, correct or rectify any ambiguity, defective provision, error or omissions in the Employee Share Purchase Plans;
- (b) amendments necessary to comply with applicable laws or the requirements of any regulatory authority;
- (c) amendments required or advisable as a result of a split, a consolidation, a reclassification, a share dividend declaration or any other amendment pertaining to the shares; and
- (d) suspending or terminating the Employee Share Purchase Plans.

Amendments to the Employee Share Purchase Plans requiring shareholder approval are, subject to regulatory requirements:

- (a) amendments to increase the number of common shares issuable under the Employee Share Purchase Plans;

- (b) amendments to reduce the Market Price of a common share; and
- (c) amendments relating to financial assistance to a participant provided by the Corporation.

The Employee Share Purchase Plans stipulate that the number of shares issuable to insiders of the Corporation under all security-based compensation arrangements may not, at any time, exceed 10.0% of the issued and outstanding shares of the Corporation and the number of shares issued to insiders under all security-based compensation arrangements within any one-year period, may not exceed 10.0% of the shares outstanding.

*Offer for Shares of the Corporation:* In the event that, at any time, an offer to purchase is made to all holders of common shares, notice of such offer shall be given by the trustee of the Employee Share Purchase Plans to each participant or former participant and the applicable 12-month retention period will be deemed to be waived with respect to each participant's or former participant's common shares held in their respective Employee Share Purchase Plan ("Plan Shares") to the extent necessary to enable a participant or former participant to tender his or her Plan Shares should he or she so desire. A participant or former participant who tenders Plan Shares which have not been held for 18 months following the Acquisition Date shall forfeit the Corporation's contribution with respect to such tendered Plan Shares, provided such tendered shares are taken up and paid for pursuant to such offer to purchase.

The Employee Share Purchase Plans are under the direction of the Board of Directors or a committee appointed for such purpose. The CDN ESPP was adopted by the Board of Directors of the Corporation on June 13, 1994. The U.S. ESPP was adopted by the Board of Directors of the Corporation on March 15, 2006 and was adopted by the shareholders of the

Corporation at its annual meeting held on May 4, 2006. The aggregate number of common shares reserved for issuance under the CDN ESPP and any other employee share purchase plans of the Corporation was increased from 120,000 to 180,000 on May 6, 2004 following approval by a majority of shareholders. The Employee Share Purchase Plans were modified by ordinary resolutions passed by a majority of shareholders at the annual and special meeting of shareholders held on May 3, 2007 which modifications were in response to changes made by the TSX in 2007 regarding security-based compensation arrangements. On May 6, 2009, following approval by a majority of shareholders, the Employee Share Purchase Plans were modified to increase the aggregate number of common shares reserved for issuance thereunder from 180,000 to 200,000, and on June 2, 2011, following approval by a majority of shareholders, the Employee Share Purchase Plans were modified to increase the aggregate number of common shares reserved for issuance thereunder from 200,000 to 250,000. On October 21, 2013, following Board and regulatory approvals, the Share Purchase Plans were modified to amend the number of common shares reserved for issuance thereunder from 250,000 to 1,000,000 shares in order to harmonize the Share Purchase Plans with the Corporation's October 25, 2013 4-for-1 stock split by way of share dividend.

During the Corporation's financial year ended December 31, 2016, a total of 26,951 common shares were purchased under the Employee Share Purchase Plans, for a total of 857,187 common shares issued under the Employee Share Purchase Plans since their inception, representing, in the aggregate, approximately 1.2% of the Corporation's issued and outstanding shares at the Corporation's financial year end. Between January 1, 2017 and March 17, 2017, 7,403 shares were purchased under the Employee Share Purchase Plans.

## 9. Indebtedness of Directors and Executive Officers

The directors, senior officers and executive officers below were granted interest free loans during the year to pay for foreign income taxes owing to the United States Internal Revenue Service (“IRS”) following their filings of amended Canadian and U.S. tax returns for the years 2008-2013:

| Name and Principal Position                       | Involvement of Corporation | Largest Amount Outstanding During Fiscal 2016<br>\$ | Amount Outstanding as at February 17, 2017<br>\$ | Financially Assisted Securities Purchased During Fiscal 2016 | Security for Indebtedness as at February 17, 2017 | Amount Forgiven During Fiscal 2016 |
|---|----------------------------|---|--|--|---|------------------------------------|
| Brian McManus<br>President and CEO                | Loan <sup>(1)</sup>        | 355,826   | 355,826  | –  | –   | –                                  |
| Ian Jones<br>Senior Vice-President                | Loan <sup>(1)</sup>        | 86,566  | nil  | –  | –   | –                                  |
| Rémi Godin<br>Former V.P. and CAO <sup>(2)</sup>  | Loan <sup>(1)</sup>        | 53,939  | 53,939   | –  | –   | –                                  |
| Éric Vachon<br>Senior V.P. and CFO                | Loan <sup>(1)</sup>        | 43,450  | 43,450   | –  | –   | –                                  |
| Glen Ritchie<br>V.P., Fibre                       | Loan <sup>(1)</sup>        | 19,344  | 19,344   | –  | –   | –                                  |
| Gordon Murray<br>V.P., Environment and Technology | Loan <sup>(1)</sup>        | 13,859  | 13,859   | –  | –   | –                                  |
| André Daigle<br>V.P., Central Region              | Loan <sup>(1)</sup>        | 3,009   | 3,009  | –  | –   | –                                  |

(1) These loans will be due and payable by each individual to the Corporation no later than 30 days following receipt of his tax credit from Canadian taxation authorities. These loans were evidenced by promissory notes signed by each individual in favour of the Corporation.

(2) No longer an employee of the Corporation, effective January 23, 2017.

The following table sets out the aggregate indebtedness at December 31, 2016 to the Corporation and its subsidiaries of all the executive officers, directors, employees and former executive officers, directors and employees of the Corporation or its subsidiaries:

### AGGREGATE INDEBTEDNESS

| Purpose        | Aggregate indebtedness to the Corporation or its Subsidiaries | Aggregate indebtedness to Another Entity Guaranteed or Supported by the Corporation or its Subsidiaries |
|----------------|---|---|
| Share Purchase | –   | nil   |
| Other          | 507,651 <sup>(3)</sup>  | nil   |

(3) This total includes indebtedness of employees not included in the preceding table as they are neither directors nor executive officers.

## 10. Proposed Amendment to the Corporation's Articles of Amalgamation

The Corporation's Articles of Amalgamation ("Articles") provide for a minimum (one) and a maximum (10) number of directors.

As a result of the Corporation's October 2016 appointment of Ms. Katherine Lehman to the Board, there are now a total of 10 directors sitting on the Corporation's Board, the maximum permitted under its Articles. In order to accommodate the possibility of additional future exceptional candidates, on November 7, 2016, the Board of Directors approved an increase to the maximum number of Board members to a total of 12.

In addition, the Corporation's status as a distributing corporation under its laws of incorporation results in a requirement for the Corporation to have not fewer than three directors, so it is proposed to increase the minimum number of directors under the Articles to reflect this requirement.

It is therefore proposed to amend the Articles to increase the minimum and maximum number of directors that may serve on the Corporation's Board from between one and 10 to between three and 12. This amendment is conditional upon shareholder approval.

At the Meeting, the shareholders will be asked to consider the proposed amendment, and if deemed appropriate, pass a special resolution, the text of which is attached as Appendix "A". In order to be validly adopted, the resolution must be approved by at least two-thirds of the votes cast at the Meeting.

**Except as otherwise specified, the persons whose names appear on the accompanying form of proxy will vote FOR the proposed amendment to the Corporation's Articles of Amalgamation.**

## 11. Corporate Governance

The following summarizes the Corporation's approach to corporate governance in the context of National Policy 58-201 *Corporate Governance Guidelines and National Instrument 58-101 Disclosure of Corporate Governance Practices* ("NI 58-101").

### Board of Directors

The Board of Directors currently consists of 10 members. The Board of Directors has reviewed all of the relationships of each of the directors with the Corporation and has determined that six of the 10 current directors are independent.

The Board members who are independent are Mr. George J. Bunze, Mr. James A. Manzi, Jr., Ms. Nycol Pageau-Goyette, Ms. Katherine A. Lehman, Mr. Simon Pelletier and Ms. Mary Webster. Six of the 10 directors do not have interests in or material relationships with either the Corporation or the significant shareholders.

Mr. Tom A. Bruce Jones, Chairman, and Mr. Gianni Chiarva, Vice-Chairman are not independent due to their relationship with SJ International, which holds approximately 38.3% of the common shares of the Corporation. Additionally, Mr. Tom A. Bruce Jones is a shareholder of JJS, which is party to a services agreement with the Corporation. Mr. Gianni Chiarva is a majority shareholder of Stella S.p.A. and Stella International S.A., each of which is party to a services agreement with the Corporation. Mr. Daniel Picotte is a non-independent director on the basis that the law firm in which he is an equity partner provides services to the Corporation. Mr. Brian McManus is a non-independent director as he is a member of the Corporation's management team, serving as the Corporation's President and CEO.

The following directors are presently directors of the following reporting issuers: Mr. George J. Bunze is a

director of Intertape Polymer Group Inc. (TSX). Ms. Katherine A. Lehman is a director of Navient Corp (Nasdaq:NAVI).

Independent directors hold meetings on a quarterly basis, which provides ample opportunity to discuss matters pertaining to the Corporation without the presence of management and non-independent directors. The Board is satisfied that this exercise enables the Board to conduct open and candid discussions which present a diversity of views and opinions.

Mr. Tom A. Bruce Jones, Chairman of the Board, is not an independent director. Ms. Nycol Pageau-Goyette, an independent member of the Board, serves as Lead Director of the Board. Ms. Pageau-Goyette's responsibilities as Lead Director include: (i) ensuring that the Board functions independently of management of the Corporation and its subsidiaries; (ii) ensuring that independent directors have regular opportunities to meet to discuss issues without management present; (iii) chairing and setting the agenda for meetings of independent directors; and (iv) reporting to the Board of Directors on the discussions held during the meetings of the independent directors. There were four meetings of the Independent Directors held during the year ended December 31, 2016.

### **Board Mandate**

The Board of Directors has adopted a written mandate ("Board Mandate"), which details its specific responsibilities. The Board Mandate is reviewed on an annual basis and revised at that time, if deemed necessary by the Board. The Board Mandate can be found at Appendix "B" of this Management Proxy Circular.

### **Nomination of Directors**

The Board of Directors does not have a nominating committee. In the case of the most recent nomination

to the Board, in order to encourage an objective nomination, the Board as a whole discussed and evaluated the individual's candidacy.

### **Board Diversity**

On December 10, 2014, the Corporation's Board of Directors, recognizing the importance of having a Board comprised of highly talented and experienced individuals, as well as the benefits of a diverse Board, adopted a Board Diversity Policy. When identifying candidates and carrying out the annual performance evaluation of the effectiveness of the Board, the Board has committed itself to consider, among others, talent, skills, character and the promotion of diversity along gender, ethnicity, age and national origin. Currently, the Board is satisfied that its membership, comprising European, American and Canadian nationals including three women, all who have skilled backgrounds as, among others, executives, entrepreneurs and professionals, has numerous markers of diversity, while allowing Board members to work together as a strong and effective unit.

While the Board acknowledges the benefit of fresh ideas and viewpoints, it has not established term limits for service nor a mandatory retirement age for its members, as Board members have shown their value in being able to develop, over a period of time, increasing insight into the Corporation and its operations, thereby increasing their individual contributions to the Board as a whole.

Finally, the Board has undertaken to review and if necessary, modify its Board Diversity Policy annually, to maximize the effectiveness of the policy towards reaching overall objectives. No changes to the Policy were recommended nor adopted by the Board following its most recent review in December 2016.

### **Position Descriptions**

The Board of Directors has adopted written position descriptions for its Chairman, Chairman of each Board

committee, the Lead Director and CEO. All position descriptions are reviewed on an annual basis and revised at that time, if deemed necessary by the Board.

### **Orientation and Continuing Education**

While the Corporation has not developed a formal orientation and education program for new recruits to the Board, the practice in the cases of the most recent nominees to the Board was to provide, for review, documentation containing the most recently available public information on the Corporation. This included the Corporation's management information circular, annual information form, annual report as well as the Corporation's policies with respect to disclosure and communications, Code of Business Conduct and Ethics, whistleblowing policy, along with Board and committee mandates, the Stock Option Plan and the Employee Share Purchase Plans.

The Board of Directors provides continuing education to its directors in the form of reports submitted with Board materials in preparation for certain meetings, summarizing latest legal, accounting and other significant developments affecting their responsibilities. These reports may be supported by formal presentations at regularly scheduled or specially designated Board meetings. These reports are generally prepared by the Corporation's Vice-President, General Counsel and Secretary, Senior Vice-President and Chief Financial Officer, Manager, Internal Audit, or external auditors, depending on the expertise required.

### **Ethical Business Conduct**

The Board of Directors has adopted a Code of Business Conduct and Ethics (the "Code") for its employees. It sets out basic principles to govern the manner in which all employees of the Corporation and its subsidiaries shall conduct business and maintain relationships with their fellow employees, customers,

competitors, business partners and regulatory authorities in all regions in which it operates. The terms of the Code also apply to the Corporation's Board of Directors in their supervision and management of the Corporation's business and affairs. The Code is distributed to employees no less than twice per year and to Board members on an annual basis for their continued information.

To promote and monitor compliance, individuals who note violations of the Code are encouraged to notify immediate supervisors or the Vice-President, General Counsel and Secretary, who will report such violations to the Corporation's President and CEO and Board of Directors. Alternatively, violations of the Code may be reported through an Anonymous Reporting System, as hereinbelow defined.

Any interested party may obtain a written copy of the Code following a written request to the Corporation's Vice-President, General Counsel and Secretary c/o Stella-Jones Inc., 3100 de la Côte-Vertu Blvd., Suite 300, Saint-Laurent, Québec, H4R 2J8.

To monitor compliance regarding, among others, complaints relating to accounting, internal accounting controls or auditing matters, the Corporation's whistleblowing policy provides that these matters be reported by telephone or email to the Corporation's Chairman of the Audit Committee, or through an independent third-party managed anonymous reporting system, which it implemented throughout the organization during 2015 ("Anonymous Reporting System").

With respect to transactions and agreements in respect of which a director or executive officer has a material interest, the Board examines and discusses the terms and conditions of such agreements and evaluates the potential effects and consequences of such transactions without the presence of those Board members.

## Board of Directors and Committee Meetings Held and Attendance Record

Board of Directors and Committee meetings held during the financial year ended December 31, 2016 were as follows:

| Type of Meeting   | # of Meetings Held |
|---|--------------------|
| Board of Directors  | 8 <sup>(1)</sup>   |
| Audit Committee   | 4                  |
| Remuneration Committee                                    | 3                  |
| Environmental, Health and Safety Committee <sup>(2)</sup> | 4                  |

(1) This number does not include Board resolutions signed in lieu of meetings and does not include meetings held by independent Board members.

(2) Hereinafter referred to as the "Environmental, H&S Committee".

The following summarizes each director's attendance at Board and Committee meetings during the year ended December 31, 2016:

| Directors   | Board of Directors Meetings Attended <sup>(1)</sup> | Audit Committee Meetings Attended | Environmental, H&S Committee Meetings Attended | Remuneration Committee Meetings Attended |
|---|---|-----------------------------------|--|--|
| TOM A. BRUCE JONES, CBE<br>Chairman of the Board and Chairman of the Environmental, H&S Committee                                     | 8   | N/A <sup>(2)</sup>                | 4  | N/A <sup>(2)</sup>                       |
| GEORGE J. BUNZE, CPA, CMA<br>Chairman of the Audit Committee and Member of the Remuneration Committee                                 | 7   | 3                                 | N/A <sup>(2)</sup>                             | 3  |
| GIANNI CHIARVA<br>Vice-Chairman of the Board and Chairman of the Remuneration Committee   | 8   | N/A <sup>(2)</sup>                | N/A <sup>(2)</sup>                             | 3  |
| KATHERINE A. LEHMAN <sup>(3)</sup><br>Member of the Audit Committee   | 2   | 1                                 | N/A <sup>(2)</sup>                             | N/A <sup>(2)</sup>                       |
| JAMES A. MANZI, JR.<br>Member of the Audit Committee  | 8   | 4                                 | N/A <sup>(2)</sup>                             | N/A <sup>(2)</sup>                       |
| BRIAN McMANUS<br>President and CEO  | 8   | N/A <sup>(2)</sup>                | N/A <sup>(2)</sup>                             | N/A <sup>(2)</sup>                       |
| NYCOL PAGEAU-GOYETTE<br>Member of the Remuneration Committee, the Environmental, H&S Committee, the Audit Committee and Lead Director | 8   | 4                                 | 4  | 3  |
| SIMON PELLETIER<br>Member of the Audit Committee  | 8   | 4                                 | N/A <sup>(2)</sup>                             | N/A <sup>(2)</sup>                       |
| DANIEL PICOTTE<br>Member of the Environmental, H&S Committee  | 8   | N/A <sup>(2)</sup>                | 4  | N/A <sup>(2)</sup>                       |
| MARY WEBSTER<br>Member of the Environmental, H&S Committee  | 8   | N/A <sup>(2)</sup>                | 4  | N/A <sup>(2)</sup>                       |

(1) This number does not include Board resolutions signed in lieu of meetings and meetings held by independent Board members.

(2) Not applicable as not a member of this Committee.

(3) Ms. Lehman was appointed director effective October 1, 2016 and attended all Board and Audit Committee meetings called during the remainder of the year.

### The Committees of the Board

The Board of Directors has three committees: the Audit Committee, the Remuneration Committee and the Environmental, H&S Committee. All three committees are composed solely of outside directors and two of three committees have either all or a majority of members who are independent. The committees, their mandates and membership are outlined below.

#### **Audit Committee**

Chairman

George J. Bunze

Members

Katherine A. Lehman

James A. Manzi, Jr.

Nycol Pageau-Goyette

Simon Pelletier

The Audit Committee meets with senior management and annually, with the auditors of the Corporation to review financial statements prior to their approval by the Board, and other financial matters. The Committee receives reports from the Corporation's auditors and monitors compliance with appropriate internal control procedures. The Committee's role and responsibilities are set out in its mandate, which was revised by the Board of Directors most recently in December, 2013, to increase the Audit Committee's authority to pre-approve audit and non-audit services performed by the Corporation's external auditors from \$50,000 to \$100,000. The Audit Committee Mandate is reviewed by the Board of Directors on an annual basis. All members of the Audit Committee are independent.

The Audit Committee discusses accounting principles with the external auditors and meets at least annually with the external auditors without the presence of management. The Committee is responsible for recommending to the Board of Directors, the nomination of the external auditors, external auditor's compensation and for hiring and evaluating the external auditors.

The Audit Committee is comprised exclusively of independent directors who all have the requisite financial literacy. Mr. George J. Bunze, a Chartered Professional Accountant (CPA, CMA) since May 1968, is the former Chief Financial Officer of Kruger, a manufacturer of paper, tissue, wood products, energy (hydro/wind) and wine and spirits products. Mr. Bunze currently serves as Director and Vice-Chairman of Kruger, is a member of its Executive Committee and is also Chairman of its Audit Committee Advisory Board. Mr. Bunze also serves as Chairman of the Board and Chairman of the Corporate Governance and Nominating Committee, and is a member of the Executive Committee, of Intertape Polymer. He previously served as Chairman of the Audit Committee of Intertape Polymer. Mr. Bunze is also a member of

the FM Global Advisory Committee of the Board of Factory Mutual Insurance Company.

Mr. Simon Pelletier holds a Bachelor of Materials Engineering from the University of Windsor and is Senior Vice-President, North American Sales & Operations for Metso. With over 25 years of experience Mr. Pelletier is responsible for 500 million dollars of equipment sales and services to the mining and aggregate industries. Mr. Pelletier's responsibilities also include the execution of service operations and detailed service contracts at mining and mineral processing sites. Listed on the Helsinki Stock Exchange, Metso is a global supplier of technology and services to the mining, construction, and oil & gas industry with annual sales of approximately 3.0 billion Euro and employs approximately 17,000 people globally.

Mrs. Nycol Pageau-Goyette is a graduate of the Université de Montréal and is a fellow certified administrator. She was the founder and main shareholder of companies operating in the fields of management (servicing not-for-profit organizations) and the environment (processing and recycling waste from pharmaceutical and cosmetic companies). She has served on the Boards of directors of various public and private companies and has chaired the audit committee of the *Fonds de solidarité des travailleurs du Québec (F.T.Q.)*, a venture capital firm.

Ms. Katherine A. Lehman holds an MBA from Columbia Business School and a BS in Economics from The Wharton School, University of Pennsylvania. Since April of 2016, she has served as Managing Partner at Hilltop Private Capital, a private equity firm based in New York, NY, and over a 15-year period, held numerous positions at Lincolnshire Management Inc., also a private equity firm, including that of Managing Director, between 2009 and 2016, where, among others, she was a participant in its Investment

Committee, and lead transaction execution and portfolio company oversight. Ms. Lehman is currently an Independent Board member of Navient Corp (Nasdaq:NAVI), a Fortune 500 company and leading student loan management, servicing and asset recovery company, where she also sits on its Compensation and Personnel Committees as well as on its Finance and Operations Committee.

Mr. James A. Manzi, Jr. is a graduate of the Georgetown University School of Foreign Service and holds a Juris Doctor degree from the Georgetown University Law Center. Prior to his retirement in 2015, Mr. Manzi was engaged in the practice of law for 40 years. During that time, he represented both national and international clients in the areas of commercial real estate, corporate law, corporate finance, project finance, and mergers and acquisitions. For the last 10 years prior to his retirement, Mr. Manzi was a Partner in the Boston and Tampa offices of Foley & Lardner, LLP, a national law firm with close to 1,000 lawyers headquartered in Milwaukee, Wisconsin. During that time, he was lead counsel in several middle market multi-million dollar M&A transactions.

#### **Remuneration Committee**

|          |   |
|----------|---|
| Chairman | Gianni Chiarva                          |
| Members  | George J. Bunze<br>Nicol Pageau-Goyette |

The Remuneration Committee advises and assists the Board regarding policies on compensation and benefits, salaries of senior management as well as bonuses and the allocation of stock options and RSUs to senior management. The Remuneration Committee is composed of three directors, Mr. Gianni Chiarva, Mr. George J. Bunze and Ms. Nicol Pageau-Goyette. Mr. Gianni Chiarva also serves as the Vice-Chairman of the Board of the Corporation and is a director of SJ International. Neither of Mr. Bunze or Ms. Pageau-Goyette serve or has served as an officer of the Corporation.

Mr. Gianni Chiarva is a non-independent member of the Committee while Mr. George J. Bunze and Ms. Nicol Pageau-Goyette are both independent Committee members. Further information on the Remuneration Committee's mandate is provided at Section 6.1(b) of this Management Proxy Circular.

The Remuneration Committee may engage and compensate such outside compensation advisors as it deems necessary to assist it in carrying out its duties.

#### **Environmental, H&S Committee**

|          |  |
|----------|--|
| Chairman | Tom A. Bruce Jones                                     |
| Members  | Nicol Pageau-Goyette<br>Daniel Picotte<br>Mary Webster |

The Environmental, H&S Committee monitors issues related to the environment, health and safety, and the Corporation's responsibilities in connection therewith. The members of the Environmental, H&S Committee meet on a regular basis with the President and CEO, the Vice-President, Environment and Technology, the Vice-President and General Counsel, U.S. Operations and the U.S. director of Environmental, Health and Safety. The Corporation's Vice-President, Environment and Technology and the Vice-President and General Counsel, U.S. Operations, each lead a team of environmental health and safety professionals, who, with the support of regional general managers, local plant managers, and dedicated health and safety supervisors, manage environmental and health and safety matters and ensure that the Corporation's environmental and health and safety programs and policies are carried out efficiently and in compliance with applicable legislation, in order to protect the environment, employees and the public. Mr. Tom A. Bruce Jones also serves as Chairman of the Board of the Corporation and is a director of SJ International. Mr. Bruce Jones and Mr. Daniel Picotte are non-independent Committee members while Ms. Mary Webster and Ms. Nicol Pageau-Goyette are independent directors.

### **Decisions Requiring Board Approval**

In addition to those matters which must by law be approved by the Board of Directors, management must seek Board approval for major decisions, including those transactions which would materially affect the financial position of the Corporation and changes in senior management. Nevertheless, the Corporation continues to operate in a manner which enables it to respond quickly to changes and to take advantage of opportunities as they arise.

### **Nomination of Directors and Assessment of the Board's Performance**

While there is no committee responsible for the recruitment and appointment of directors, the Board as a whole is responsible to make recommendations of persons to be nominated as directors of the Corporation. Prior to appointing the most recent Board member, the Board as a whole discussed and reviewed the Board's current competencies and composition, beneficial skill requirements, optimal timing for a new director appointment and the previous board and work experience of the candidate in such context. Following a lengthy discussion of the individual's curriculum vitae, and one-on-one interviews between the Board members and the candidate, Board members convened and communicated their overall impressions and evaluation of the individual's candidacy in light of identified requirements and found her to be very well qualified to join the Corporation's Board and to fit into the character and nature of the Board.

The Chairman of the Board is responsible to assess the effectiveness of the Board, the performance of its committees and the contribution of individual directors. This assessment is carried out formally on an annual basis, and more frequently (and informally), in regular dealings between the Chairman and members of the Board. In carrying out his formal assessment, the

Chairman presents an annual verbal report to the entire Board, wherein he reviews the overall performance of the Board and the committees, evaluating their performances against their respective mandates. Individual performances may also be evaluated before the entire Board. The Chairman of each committee then presents to the Chairman and all Board members, an evaluation of his or her committee members and the committee's overall performance over the past year. All Board members are then invited to contribute their comments either to the whole Board or to the Chairman privately.

### **Interaction with Shareholders and Communications Policy**

The Board reviews important communications to the shareholders, such as the quarterly and annual press releases presenting financial results or other press releases announcing material information, the quarterly and annual management's discussion and analysis, the annual information form and the management proxy circular.

The Corporation's President and CEO, along with the Senior Vice-President and Chief Financial Officer are primarily responsible to speak for the Corporation in its communication with the investment community and are in charge of responding to individual queries made directly to the Corporation by shareholders, investors and analysts.

The Corporation's Disclosure/Communications policy is designed to ensure the continued transparency in the communication of information to all shareholders, clients and the general public, and to ensure that all disclosure of information shall continue to be complete, accurate and timely. The Disclosure/Communications Policy is reviewed on an annual basis by the Board of Directors and revised at that time, if deemed necessary by the Board.

## The Board's Expectations of Management

In general, the Board of Directors expects management to utilize its resources in an efficient way in order to attain the objectives in light of the strategy identified by the Board of Directors. In this regard, management must be involved in the planning, organization, implementation and control of the strategic plans and operations. Management must act within the law and respect ethical business principles as well as act as a model to be followed by the employees of the Corporation.

## 12. Voting of Shares Represented by Management Proxy

**The accompanying form of proxy, subject to any specific directions given therein by any shareholder, confers discretionary voting authority upon those persons designated therein. If a direction is given in the accompanying form of proxy with respect to any matter for which a choice is provided therein, the shares represented thereby will, on any ballot that may be called for, be voted or withheld from voting in accordance with such direction; if no direction is given, the said shares will be voted in favour of the said matters.**

**The management of the Corporation knows of no other matter to come before the Meeting. If, however, any other matters properly come before the Meeting, the persons designated in the accompanying form of proxy shall vote on such matters in accordance with their best judgment pursuant to the discretionary authority conferred thereon by the proxy with respect to such matters.**

## 13. Additional Information

Additional information regarding the Corporation is available on SEDAR at [www.sedar.com](http://www.sedar.com). The

Corporation's financial information is provided in the Company's consolidated financial statements and management's discussion and analysis for its most recently completed financial year and may be viewed on SEDAR as noted above.

Shareholders of the Corporation may request copies of the Corporation's consolidated financial statements and management's discussion and analysis by contacting Ms. Marla Eichenbaum, Vice-President, General Counsel and Secretary c/o Stella-Jones Inc. at 3100 de la Côte-Vertu Blvd., Suite 300, Saint-Laurent, Québec H4R 2J8. Tel. (514) 940-3889.

## 14. Submission of Proposals

Any shareholder wishing to submit a proposal at the Corporation's next annual shareholders meeting must deliver the proposal to the Secretary's office of the Corporation, 3100 de la Côte-Vertu Blvd., Suite 300, Saint-Laurent, Québec H4R 2J8, by December 15, 2017.

## 15. Approval of Directors

The directors of the Corporation have approved in substance the contents of this management proxy circular and have authorized the sending thereof.



MARLA EICHENBAUM  
Vice-President, General Counsel and Secretary

Montréal, Québec March 17, 2017

## Appendix “A”

### Special Resolution Approving an Amendment to the Corporation’s Articles of Amalgamation (“Articles”)

BE IT RESOLVED:

1. THAT the Corporation be authorized to amend the Articles to increase the minimum and maximum number of directors of the Corporation to a minimum of three and a maximum of 12 directors; and
2. THAT any officer or director of the Corporation be and is hereby authorized for and on behalf of the

Corporation, to sign and file Articles of Amendment and to do all such acts and things and to execute and deliver, whether under Corporate Seal of the Corporation or otherwise, all such documents, instruments and writings as in his or her sole discretion are necessary or desirable to give effect to the foregoing resolution.

## Appendix “B”

### Mandate of The Board of Directors of Stella-Jones Inc.

The Board of Directors of Stella-Jones establishes the overall policies for Stella-Jones Inc. and its subsidiaries, monitors and evaluates the Company’s strategic direction, and retains plenary power for those functions not specifically delegated by it to its Committees or to management. Accordingly, in addition to the duties of directors of a Canadian corporation as prescribed by statute, the mandate of the Board is to supervise the management of the business and affairs of the Company with a view to evaluate, on an ongoing basis, whether the Company’s resources are being managed in a manner consistent with enhancing short-term and long-term shareholder value, ethical considerations and corporate social responsibility. In order to better fulfill its mandate, the Board is responsible for, among other matters:

1. Reviewing and approving, prior to the beginning of each fiscal year, the business plan, capital budget and financial goals of the Company, as well as longer term strategic plans (taking into account the opportunities and risks of the business) prepared and elaborated by management and, throughout the year, monitoring the achievement of the objectives set;
2. Reviewing and approving all significant decisions relating to the business, among others, acquisitions, dispositions, senior management changes, budgets, capital expenditures and major financing;
3. Identifying, with management, the principal risks of the Company’s business and ensuring the implementation of appropriate systems to manage these risks as well as monitoring, on a regular basis, the adequacy of such systems;
4. Ensuring the adequacy, efficiency and integrity of the Company’s internal financial and/or disclosure control and management of information systems;
5. Adopting a strategic planning process and approving, on at least an annual basis, a strategic plan which takes into account among other things, the opportunities and risks of the business;
6. Reviewing the content of and approving all regulatory filings such as the quarterly financial statements, the interim and annual Management’s Discussion and Analysis, the interim and annual CEO and CFO certifications, and the annual audited consolidated financial statements, the Annual Report, the Management Proxy Circular and Annual Information Form;
7. Selecting the Corporation’s Chief Executive Officer (“CEO”), monitoring his/her individual performance, and reviewing and ratifying the Remuneration Committee’s assessment of the performance of the CEO on an annual basis;
8. Developing a position description for the CEO and developing and approving the corporate goals and objectives that the CEO must meet;
9. Appointing the Company’s officers;
10. Creating and approving compensation mechanisms for senior management;
11. To the extent feasible, satisfying itself as to the integrity of the CEO and other senior officers and that the CEO and other senior officers create a culture of integrity throughout the organization;

12. Adopting, enforcing and monitoring good corporate governance practices, processes and disclosure;
13. Adopting a communications policy to ensure effective, timely and non-selective communications between the Company, its shareholders and the public;
14. Adopting a Code of Business Conduct and Ethics and monitoring its compliance from time to time;
15. Nominating or appointing directors, as appropriate, considering the size of the Board and the competencies and skills of directors and proposed directors;
16. Ensuring the new directors receive comprehensive orientation to the Board and that an appropriate continuing education program is made available to all directors;
17. Ensuring that the compensation of directors realistically reflects the time spent, responsibilities and risks involved in being an effective director;
18. Assessing annually the performance of the Board, its committees and each of its directors;
19. Recommending to shareholders, pursuant to the recommendation of the Audit Committee, the appointment of auditors and approving auditor compensation;
20. Approving the submission to the shareholders of the Corporation, any amendment to the articles of the Corporation or the approval of any adoption, amendment or repeal of any by-laws of the Corporation;
21. Declaring dividends on the shares of the Corporation; and
22. Receiving timely reporting from the Environmental, Health and Safety Committee on the Corporation's execution of its environmental policies and management of environmental risk and health and safety measures.

The Board of Directors discharges its duties both directly and through its Audit, Remuneration and Environmental, Health and Safety committees.

In discharging its duties and responsibilities, and when the complexity of the situation dictates, members of the Board of Directors may conduct such examinations, investigations or inquiries, and engage such special legal, accounting or other advisors, at the expense of the Corporation, at such time or times and on such terms and conditions, including fees, as the Board of Directors considers appropriate.

The Board of Directors shall review and assess the adequacy of the mandate of the Board of Directors annually.

Reviewed and approved by the Board of Directors on December 12, 2016.



Stella-JoneS



Inc.

