



# MANAGEMENT PROXY CIRCULAR

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

MAY 2, 2019



## Contents

i	Notice of Annual Meeting of Shareholders
1	Management Proxy Circular
1	1. Solicitation of Proxies
1	2. Appointment of Proxyholders
1	3.(i) Revocation of Proxies
1	(ii) Notice-and-Access
1	(iii) Proxy-Related Materials – Non-Objecting Beneficial Owners
1	(iv) Payment to Deliver Materials to Objecting Beneficial Owners
2	4. Voting Securities and Principal Holders of Voting Securities
2	5. Business of the Meeting
7	6. Statement of Executive Compensation
7	6.1 Compensation Discussion and Analysis
15	6.2 Performance Graph
16	6.3 Summary Compensation Table
18	6.4 Incentive Plan Awards – Option-Based and Share-Based Awards
19	6.5 Incentive Plan Awards – Value Vested or Earned During the Year
19	6.6 Pension Plan Benefits – Defined Benefit Plan
21	6.7 Pension Plan Benefits – Defined Contribution Plans
21	6.8 Termination of Employment and Change of Control Benefits
24	7. Director Compensation
24	7.1 Director Compensation Table
25	7.2 Compensation of Directors – Narrative Discussion
26	7.3 Outstanding Option-Based Awards and Share-Based Awards
27	8. Securities Authorized for Issuance Under Equity Compensation Plans
33	9. Indebtedness of Directors and Executive Officers
34	10. Interest of Informed Persons in Material Transactions
35	11. Corporate Governance
44	12. Normal Course Issuer Bid
44	13. Voting of Shares Represented by Management Proxy
44	14. Additional Information
45	15. Submission of Proposals
45	16. Approval of Directors
A-1	Appendix “A” – Mandate of The Board of Directors of Stella-Jones Inc.



## Notice of Annual Meeting of Shareholders

NOTICE IS HEREBY GIVEN that the annual 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 2, 2019 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, 2018, as well as the independent auditor’s report thereon;
2. electing directors;
3. appointing auditors and authorizing the directors to fix their remuneration; and
4. 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 light blue background.

MARLA EICHENBAUM  
Vice-President, General Counsel and Secretary

Montréal, Québec, March 14, 2019

**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 April 30, 2019, at 5:00 p.m. (Montréal time).



## Stella-Jones Inc.

3100 de la Côte-Vertu Blvd., Suite 300,  
Saint-Laurent, Québec  
H4R 2J8

# 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 meeting of shareholders of the Corporation (the “Meeting”) to be held on Thursday, May 2, 2019, 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 14, 2019.**

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 [to verify address], no later than April 30, 2019, 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 Chair 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 14, 2019, 69,125,146 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 14, 2019 (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, La Caisse de dépôt et placement du Québec (“CDPQ”) 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. The CDPQ holds 7,587,180 common shares, representing approximately 10.9% 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, 2018 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 three and no more than 12 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 seven 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 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 2018 Annual Meeting of Shareholders, independence with respect to the Corporation, his or her presence on committees of the Board, current public company directorships, other membership and directorships and his or her skills, qualifications and education, the whole as at March 14, 2019. 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



**Katherine A. Lehman**  
Chair of the Board

New York, U.S.A.

Age: 44

Director Since: 2016

Shares Owned: 4,000

2018 Annual Meeting Votes for: 98.30%

### Stella-Jones Committees:

- None

### Current Public Company Directorships:

- Navient Corp (Nasdaq: NAVI)

### Other Directorships and Memberships:

- Spiral Holding LLC – Board member
- American Track Services – Director
- 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 focused on investing in and managing companies in industrial and business services industries. She has garnered more than a decade of experience in private equity executive roles and Board memberships, including public and private, profit and not-for-profit entities. Her background in financial analysis and governance expertise positions her well to lead Stella-Jones' Board.

### Education:

Ms. Lehman holds an MBA from Columbia Business School and a BS in Economics from The Wharton School, University of Pennsylvania.

Independent



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

Québec, Canada

Age: 75

Director Since: 2001

Shares Owned: 42,500<sup>(1)</sup>

2018 Annual Meeting Votes for: 96.48%

### Stella-Jones Committees:

- Audit Committee (Chair)
- Remuneration Committee
- Governance and Nomination Committee

### Current Public Company Directorships:

- None

### Other Directorships and Memberships:

- Kruger Inc., Vice Chairman of the Board, Member of the Executive Committee and Chairman, Audit Committee Advisory Board

### Skills and Qualifications:

Mr. Bunze currently serves as Vice Chairman of 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, Audit Committee and Governance and Nomination Committee. As Chair of the Audit Committee since 2002, 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.

### Education:

Mr. Bunze holds a CPA (chartered professional accountant) from McGill University.

Independent

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



**Karen Laflamme FCPA, FCA, ASC**

Québec, Canada

Age: 56

Director Since: 2018<sup>(1)</sup>

Shares Owned: 2,000

2018 Annual Meeting Votes for: N/A

**Stella-Jones Committees:**

- Audit Committee

**Current Public Company Directorships:**

- None

**Other Directorships and Memberships:**

- Otéra Capital, Vice-Chair of the Board

**Skills and Qualifications:**

Ms. Laflamme is Executive Vice-President and Chief Financial Officer, Retail, of Ivanhoé Cambridge, an investor and developer of superior quality real estate properties, projects and companies around the world. She joined Ivanhoé in 2012, where she has served in various roles, including Executive Vice-President, Corporate Management & Institutional Affairs, where she was responsible for investor relations, internal audit and integrated risk management. Ms. Laflamme has been a member of the Quebec CPA Order since 1986 (CA). She holds the designation of Certified Corporate Director and was named Fellow of the Quebec Order of Chartered Professional Accountants (FCPA) in 2012.

**Education:**

Ms. Laflamme holds a Bachelor of Business Administration (BBA) from HEC Montréal.

Independent



**James A. Manzi, Jr.**

Florida, U.S.A.

Age: 69

Director Since: 2015

Shares Owned: 5,000

2018 Annual Meeting Votes for: 83.84%

**Stella-Jones Committees:**

- Remuneration Committee (Chair)
- Audit Committee

**Current Public Company Directorships:**

- None

**Other Directorships and Memberships:**

- Board of Trustees – The Academy at Penguin Hall (College preparatory secondary school for 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, Remuneration and Audit Committees, fundamental to their oversight obligations.

**Education:**

James A. Manzi, Jr. holds a Bachelor of Science from the Georgetown University School of Foreign Service and a Juris Doctor from the Georgetown University Law Center.

Independent

<sup>(1)</sup> Ms. Laflamme joined the Corporation's Board of Directors on December 1, 2018.



### Brian McManus

Québec, Canada

Age: 51

Director Since: 2001

Shares Owned: 59,452

2018 Annual Meeting Votes for: 86.95%

#### Stella-Jones Committees:

- None

#### 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 17 years, provided leadership and direction of the development and implementation of a strategic vision for Stella-Jones' 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.

#### Education:

Mr. McManus holds a Master of Business Administration from the Ivey Business School of Western University and a B.A. in Economics from McGill University.

Non-Independent



### Simon Pelletier

Québec, Canada

Age: 52

Director Since: 2012

Shares Owned: 4,000

2018 Annual Meeting Votes for: 98.94%

#### Stella-Jones Committees:

- Governance and Nomination Committee (Chair)
- Audit Committee
- Environmental, Health and Safety 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 and construction industries. 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. His independence positions him properly as Chair of the Corporation's Governance and Nomination Committee, where he ensures that committee members have regular opportunities to meet and engage in discussions regarding the composition of the Board and the competencies, skills and experiences required by its members, as well as the Corporation's adherence to corporate governance guidelines.

#### Education:

Mr. Pelletier holds a Bachelor of Materials Engineering from the University of Windsor.

Independent



## Mary Webster

Minnesota, U.S.A.

**Age:** 65

**Director Since:** 2007

**Shares Owned:** 22,600

**2018 Annual Meeting Votes for:** 99.04%

### Stella-Jones Committees:

- Environmental, Health and Safety Committee

### 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' Board of Directors, where, as a long-time 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.

### Education:

Ms. Webster holds a B.A. from the University of Colorado and a Juris Doctor from the University of Minnesota Law School.

**Independent**

## 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.

At the Corporation’s annual general meeting of shareholders held on May 3, 2018, 99.09% of shareholder votes cast voted for PricewaterhouseCoopers as the Corporation’s auditors.

**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 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:

- James A. Manzi, Jr. (Chair of the Remuneration Committee) – Independent:
  - Chair of the Corporation’s Remuneration Committee since 2018
  - Director of the Corporation since 2015
  - Over 30 years’ experience as an attorney leading complex corporate, finance and securities transactions
- George J. Bunze – Independent:
  - Member of the Corporation’s Governance and Nomination Committee since September 2018
  - Chair of the Corporation’s Audit Committee since 2002
  - Director and member of the Corporation’s Remuneration Committee since 2001
  - 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 from 2015 to 2018
  - Member of FM Global’s Advisory Committee of the Board of Directors from 2011 – 2018



- Nycol Pageau-Goyette – Independent:
  - Member of the Corporation’s Governance and Nomination Committee since September 2018
  - Lead Director of the Corporation from May of 2008 to August of 2017
  - Member of the Corporation’s Audit Committee since 2007
  - Member of the Corporation’s Environmental, Health and Safety Committee since 1996
  - Member of the Corporation’s Remuneration Committee since 1994
  - Director of the Corporation since 1993.
  - 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 years ended December 31, 2018 and December 31, 2017, the Corporation did not engage any compensation consultants.

### 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:

- a) The first half of the Potential Profit Sharing Amount is allocated on condition that the Positive Net Income Threshold is attained;
- b) 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, historically 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 recommendations 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 senior 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 Long-Term Incentive Plan ("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 senior 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 initial LTIP Options granted in 2009 were 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 have not been granted since December 18, 2009. LTIP Options were considered by the Board of Directors at its meeting held on March 14, 2019 and no LTIP Options were granted.

The number of RSUs granted under the LTIP 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 Board of Directors has the discretion to waive the ROCE Threshold requisite in a given year. Previous grant amounts are not taken into account when considering new grants.

On March 13, 2018, given industry challenges, the importance of further driving the success of the Corporation, and, with a view towards encouraging the senior management team to continue as a singular and strong unit, the President and CEO requested that the Remuneration Committee and Board depart from the Executive RSU Calculation and grant a special long-term incentive to senior management. Given that the minimum 12.5% ROCE Threshold was attained for the year ended December 31, 2017, the Remuneration Committee and Board supported the President and CEO's recommendation and each member of the senior management team received a more substantial RSU grant than had been awarded historically. In total, 200,000 RSUs were granted to members of senior management and 16,025 RSUs were granted to key employees, all with an effective grant date of March 19, 2018<sup>(1)</sup>. These RSUs vest on March 19, 2021.

Furthermore, on May 2, 2018, as an incentive to continue on as President and CEO of the Corporation, the Board of Directors granted 200,000 RSUs to the Corporation's President and CEO ("President RSUs"), with an effective grant date of May 7, 2018. Vesting dates of the President RSUs are May 7, 2019 (for the first 60,000 RSUs); May 7, 2020 (for the second 60,000 RSUs) and May 7, 2021 (for the final 80,000 RSUs), subject to additional terms and conditions relating to resignation, disability, death etc. No further RSUs will be granted to the President and CEO prior and up to May 7, 2021.

<sup>(1)</sup> An additional 7,632 RSUs were granted effective May 7, 2018 to a new member of senior management who had previously been a key employee at the time of the March 19, 2018 grant.

In total, 423,657<sup>(2)</sup> RSUs were granted during the year ended December 31, 2018.

The Corporation did not reach its ROCE Threshold for the year ended December 31, 2018. At its meeting held on March 14, 2019, the Board of Directors, on recommendation of the Remuneration Committee, exercised its discretion to set aside the ROCE Threshold for the year and resolved to grant RSUs given the very challenging market conditions faced by the Corporation throughout the year, the solid results achieved, and the exceptional efforts and teamwork of senior and key management.

The RSUs are full-value phantom shares payable in cash on the third anniversary of their issue (with the exception of the President's RSUs), 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. Eligible participation occurs following three (3) months of continuous service with the Corporation. The 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 is 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 2018, the statutory limit was US\$18,500 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\$24,500 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.

In the case of Named Executive Officers and other salaried 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

<sup>(2)</sup> This amount comprises 216,025 RSUs granted on March 19, 2018 and 207,632 RSUs granted on May 7, 2018. Note that 8,429 of the 423,657 RSUs granted have since been cancelled as certain individuals who were granted RSUs in 2018 are no longer employed by the Corporation.

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 Named Executive Officers 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 Named Executive Officers.

#### (vi) Perquisites:

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 distributions 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 years ended December 31, 2010 and 2016. At its meeting held on March 14, 2019, the Board of Directors exercised its discretion for the reasons stated above under “Long-Term Incentive Plans”.

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 employee compensation policies during the upcoming financial year, although it is in the process of evaluating a deferred share unit plan for its Board of Directors. 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.

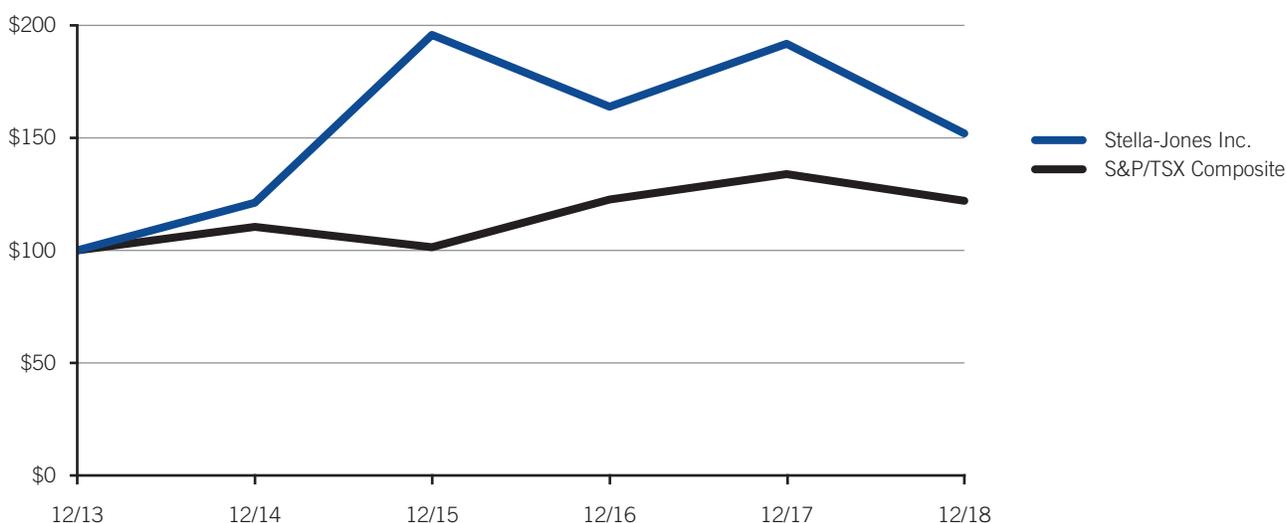
## 6.2 Performance Graph

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 12/31/13 in stock or index, including reinvestment of dividends. Fiscal year ending December 31.

	2013 Dec. 31	2014 Dec. 31	2015 Dec. 31	2016 Dec. 31	2017 Dec. 31	2018 Dec. 31
Stella-Jones, Inc.	\$100.00	\$121.23	\$195.83	\$163.93	\$191.82	\$152.10
S&P/TSX Composite	\$100.00	\$110.55	\$101.36	\$122.73	\$133.89	\$121.99

The trend shown by the performance graph set forth above represents an increase in the cumulative total shareholder return from December 31, 2013 until the period ended December 31, 2018. Over the same five-year period, the total salary, Profit Sharing Plan

amounts and bonuses received by the Named Executive Officers, in the aggregate, increased by approximately 40.0%, compared to the 52.1% 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, 2018. 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> President and CEO	Dec. 31, 2018	750,000	7,592,000 <sup>(1)</sup>	–	1,200,000 <sup>(2)</sup>	–	–	13,250 <sup>(3)</sup>	9,555,250
	Dec. 31, 2017	650,000	–	–	1,000,000 <sup>(2)</sup>	–	–	13,115 <sup>(3)</sup>	1,663,115
	Dec. 31, 2016	650,000	–	–	1,500,000 <sup>(2)</sup>	–	–	13,005 <sup>(3)</sup>	2,163,005
<b>Éric Vachon</b> Senior Vice-President and CFO	Dec. 31, 2018	353,130	– <sup>(4)</sup>	–	270,000 <sup>(5)</sup>	–	–	13,250 <sup>(3)</sup>	636,380
	Dec. 31, 2017	331,500	1,074,720 <sup>(4)</sup>	–	260,000 <sup>(5)</sup>	–	–	13,115 <sup>(3)</sup>	1,679,335
	Dec. 31, 2016	325,000	– <sup>(4)</sup>	–	265,000 <sup>(5)</sup>	–	–	13,005 <sup>(3)</sup>	603,005
<b>Ian Jones</b> Senior Vice-President, Stella-Jones Inc. and McFarland Cascade Holdings, Inc.	Dec. 31, 2018	390,150	– <sup>(4)</sup>	–	275,000 <sup>(6)</sup>	–	116,000 <sup>(7)</sup>	– <sup>(8)</sup>	781,150
	Dec. 31, 2017	382,500	1,074,720 <sup>(4)</sup>	–	260,000 <sup>(9)</sup>	–	30,000 <sup>(7)</sup>	– <sup>(8)</sup>	1,747,220
	Dec. 31, 2016	375,000	– <sup>(4)</sup>	–	275,000 <sup>(10)</sup>	–	274,000 <sup>(7)</sup>	– <sup>(8)</sup>	924,000
<b>Michael Sylvester</b> Senior Vice-President, Stella-Jones Corporation	Dec. 31, 2018	489,512 <sup>(11)</sup>	– <sup>(4)</sup>	–	327,408 <sup>(12)</sup>	–	–	7,907 <sup>(3)</sup>	824,827
	Dec. 31, 2017	441,322 <sup>(11)</sup>	1,074,720 <sup>(4)</sup>	–	301,080 <sup>(13)</sup>	–	–	18,341 <sup>(3)</sup>	1,835,463
	Dec. 31, 2016	463,088 <sup>(11)</sup>	– <sup>(4)</sup>	–	342,389 <sup>(14)</sup>	–	–	6,411 <sup>(3)</sup>	811,888
<b>Kevin Comerford</b> Vice-President, Poles and Residential Sales, McFarland Cascade Holdings, Inc.	Dec. 31, 2018	326,442 <sup>(11)</sup>	– <sup>(4)</sup>	–	225,093 <sup>(12)</sup>	–	–	19,623 <sup>(3)</sup>	571,158
	Dec. 31, 2017	294,306 <sup>(11)</sup>	537,360 <sup>(4)</sup>	–	194,448 <sup>(13)</sup>	–	–	20,323 <sup>(3)</sup>	1,046,437
	Dec. 31, 2016	308,821 <sup>(11)</sup>	– <sup>(4)</sup>	–	214,832 <sup>(14)</sup>	–	–	18,140 <sup>(3)</sup>	541,793

- (1) Mr. McManus' 200,000 RSUs have an effective grant date of May 7, 2018 and vest on May 7, 2019, May 7, 2020 and May 7, 2021. For further information on these RSUs, consult section 6.1 (d) (iii) Long-Term Incentive Plans.
- (2) Mr. McManus' May 2018 bonus of \$1.2 million was in recognition of performance rendered between June 1, 2017 and May 31, 2018. Mr. McManus' May 2017 bonus of \$1.0 million was in recognition of performance rendered between June 1, 2016 and May 31, 2017. Mr. McManus' May 2016 bonus of \$1.5 million was in recognition of performance rendered between June 1, 2015 and May 31, 2016. Any bonus for the 12-month period beginning June 1, 2018 will be approved by the Board of Directors in May of 2019. Mr. McManus' bonus falls outside the Corporation's Profit Sharing Plan.
- (3) In the case of Mr. McManus and Mr. Vachon, this amount represents the employer DPSP contributions for the years indicated. In the case of Mr. Sylvester and Mr. Comerford, this amount represents the 401(k) employer contributions which were paid in U.S. dollars which, in the case of Mr. Sylvester, amounted to US\$5,796 in 2018, US\$14,620 in 2017 and US\$4,775 in 2016. In the case of Mr. Comerford, these amounts were US\$14,384 in 2018, US\$16,200 in 2017 and US\$13,510 in 2016. 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. Refer to footnote 11 for exchange rates used to translate U.S. dollar amounts to Canadian dollar amounts for the purposes of this Summary Compensation Table.

- (4) On March 14, 2019, the Board of Directors resolved to grant RSUs to these Named Executive Officers for the year ended December 31, 2018, with an effective grant date of March 18, 2019 (“Grant Date”). The corresponding RSU values will be included in the March 2020 management proxy circular. On March 13, 2018, the Board of Directors resolved to grant RSUs to these Named Executive Officers for the year ended December 31, 2018 with a grant date of March 19, 2018. RSUs were not granted by the Board of Directors in March of 2017 as the Corporation did not reach its ROCE Threshold for the year ended December 31, 2016. RSU values have been determined in accordance with the Black-Scholes methodology.
- (5) These amounts were awarded in March 2019, March 2018 and March 2017 for services rendered during the years ended December 31, 2018, 2017 and 2016, respectively. As Senior Vice-President and Chief Financial Officer, Mr. Vachon’s bonus falls outside of the Corporation’s Profit Sharing Plan.
- (6) This amount was paid pursuant to the Corporation’s Profit Sharing Plan during the year ended December 31, 2019 for services rendered during the year ended December 31, 2018.
- (7) 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”.
- (8) 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.
- (9) This amount was paid pursuant to the Corporation’s Profit Sharing Plan during the year ended December 31, 2018 for services rendered during the year ended December 31, 2017.
- (10) 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.
- (11) 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\$358,827 in 2018, US\$351,791 in 2017 and US\$344,893 in 2016. In the case of Mr. Comerford, it amounted to US\$239,292 in 2018, US\$234,600 in 2017 and US\$230,000 in 2016. 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: 2018 – 1.3642; 2017 – 1.2545 and 2016 – 1.3427. The Canadian dollar amounts were determined by multiplying the U.S. dollar amounts by the Exchange Rates.
- (12) This amount was paid pursuant to the Corporation’s Profit Sharing Plan during the year ended December 31, 2019 for services rendered during the year ended December 2018. This amount was paid in U.S. dollars and amounted to US\$240,000 for Mr. Sylvester and US\$165,000 for Mr. Comerford. Refer to footnote 11 for exchange rates used to translate U.S. dollar amounts to Canadian dollar amounts for the purposes of the Summary Compensation Table.
- (13) This amount was paid pursuant to the Corporation’s Profit Sharing Plan during the year ended December 31, 2018 for services rendered during the year ended December 2017. This amount was paid in U.S. dollars and amounted to US\$240,000 for Mr. Sylvester and US\$155,000 for Mr. Comerford.
- (14) 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.

## 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, 2018:

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	–	–	–	–	200,000 <sup>(1)</sup>	8,590,000 <sup>(2)</sup>	–
	–	–	–	–	–	–	–
Éric Vachon	–	–	–	–	1,702 <sup>(3)</sup>	73,101 <sup>(2)</sup>	–
	–	–	–	–	24,000 <sup>(4)</sup>	1,030,800 <sup>(2)</sup>	–
Ian Jones	–	–	–	–	1,964 <sup>(3)</sup>	84,354 <sup>(2)</sup>	–
	–	–	–	–	24,000 <sup>(4)</sup>	1,030,800 <sup>(2)</sup>	–
Michael Sylvester	–	–	–	–	2,384 <sup>(3)</sup>	102,393 <sup>(2)</sup>	–
	–	–	–	–	24,000 <sup>(4)</sup>	1,030,800 <sup>(2)</sup>	–
Kevin Comerford	–	–	–	–	1,272 <sup>(3)</sup>	54,632 <sup>(2)</sup>	–
	–	–	–	–	12,000 <sup>(4)</sup>	515,400 <sup>(2)</sup>	–

(1) RSUs granted on May 7, 2018. Vesting dates are May 7, 2019 (60,000 RSUs), May 7, 2020 (60,000 RSUs) and May 7, 2021 (80,000 RSUs).

(2) Calculated by multiplying the number of RSUs by \$42.95, being the six-month average trading price of the Corporation's shares on the TSX immediately preceding December 31, 2018, assuming December 31, 2018 was the single payout date.

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

(4) RSUs granted on March 19, 2018. Vesting date is March 19, 2021.

## 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, 2018:

Name	Option-Based Awards – Value Vested During the Year	Share-Based Awards – Value Vested During the Year	Non-Equity Incentive Plan Compensation – Value Earned During the Year
	(\$)	(\$)	(\$)
Brian McManus	– <sup>(1)</sup>	–	1,200,000 <sup>(2)</sup>
Éric Vachon	– <sup>(1)</sup>	97,531 <sup>(3)</sup>	270,000 <sup>(4)</sup>
Ian Jones	– <sup>(1)</sup>	106,362 <sup>(3)</sup>	275,000 <sup>(4)</sup>
Michael Sylvester	– <sup>(1)</sup>	132,952 <sup>(3)(5)</sup>	327,408 <sup>(4)(6)</sup>
Kevin Comerford	– <sup>(1)</sup>	68,782 <sup>(3)(5)</sup>	225,093 <sup>(4)(7)</sup>

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

(2) Brian McManus' May 2018 bonus of \$1.2 million was in recognition of his performance rendered between June 1, 2017 and May 31, 2018. Any bonus for the 12-month period beginning June 1, 2018 will be approved by the Board of Directors at a meeting scheduled for May 1, 2019.

(3) Calculated by multiplying the number of vested RSUs by \$49.06, being the six-month average trading price of the Corporation's shares on the TSX immediately preceding the March 16, 2018 vesting date. Mr. Sylvester's RSUs amounts were paid in U.S. dollars and amounted to US\$105,292. Mr. Comerford's RSUs amounts were paid in U.S. dollars and amounted to US\$54,472.

(4) Represents amounts received under the Corporation's Profit Sharing Plan in 2019 in recognition of both financial performance targets attained by the Corporation and performance rendered by the individual during the year ended December 31, 2018. As Senior Vice-President and Chief Financial Officer, Mr. Vachon's bonus falls outside the Corporation's Profit Sharing Plan.

(5) The U.S. dollar amounts for Mr. Sylvester and Mr. Comerford were determined by dividing the Canadian dollar amounts by 1.2627, being the six month average of the Bank of Canada's closing exchange rate for the period immediately preceding the March 16, 2018 vesting date.

(6) Michael Sylvester's non-equity incentive plan compensation was paid in U.S. dollars and amounted to US\$240,000.

(7) Kevin Comerford's non-equity incentive plan compensation was paid in U.S. dollars and amounted to US\$165,000.

## 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' 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 \$3,025.56 multiplied by the number of years of credited service for employees retiring in 2018.

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	34.5	228,000	280,000	3,607,000	116,000	(117,000)	3,606,000

(1) Based on final average earnings at December 31, 2018.

(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.

Pursuant to Mr. McManus' long-term incentive, whereby he was granted 200,000 LTIP RSUs by the Corporation effective May 7, 2018 (see footnote 1 of section 6.3 Summary Compensation Table), in the event his employment is terminated by the Corporation prior to any of the first, second or third vesting dates (other than *for cause*), or in the event of a change of control or privatization of the Corporation, all unvested RSUs will immediately vest and be payable within 30 days following receipt of written notification of termination, change of control or privatization.

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> (\$)
Brian McManus	11,290,000
Éric Vachon	1,363,901
Ian Jones	1,375,154
Michael Sylvester	1,679,029
Kevin Comerford	764,480

- (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 services carried out during its most recently completed financial year:

Name	Fees Earned (\$)	Share-Based Awards (\$)	Option-Based Awards (\$)	Non-Equity Incentive Plan Compensation (\$)	Pension Value (\$)	All Other Compensation (\$)	Total (\$)
Tom A. Bruce Jones	112,500 <sup>(1)</sup>	–	–	–	–	–	112,500
George J. Bunze	112,500 <sup>(2)</sup>	–	–	–	–	–	112,500
Gianni Chiarva	112,500 <sup>(1)</sup>	–	–	–	–	–	112,500
Karen Laflamme	7,708 <sup>(3)</sup>	–	–	–	–	–	7,708
Katherine A. Lehman	101,979 <sup>(4)</sup>	–	–	–	–	–	101,979
James A. Manzi, Jr.	92,500	–	–	–	–	–	92,500
Brian McManus	– <sup>(5)</sup>	– <sup>(6)</sup>	– <sup>(6)</sup>	– <sup>(6)</sup>	– <sup>(6)</sup>	– <sup>(6)</sup>	– <sup>(6)</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 former Chair and Vice-Chair permanently waived their director fees. The amounts provided represent yearly fees for services as Chair and Vice-Chair, prorated to August 14, 2018, the date each stepped down in such capacities.

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

(3) Represents director fees for the month of December 2018.

(4) Of this amount, \$65,521 represents director fees prorated to September 19, 2018 and \$36,458 represents Chair of the Board fees prorated from September 19, 2018 to December 31, 2018. As Chair of the Board, Ms. Lehman's annual Chair fees of \$125,000 replace her director fees, which she no longer collects.

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

(6) 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, paid in two semi-annual payments of \$46,250. An annual fee of \$20,000 is paid to the Chair of the Audit Committee in two instalments of \$10,000. Annual fees are not paid to the Chairs of the Environmental, Health & Safety, Governance and Nomination and Remuneration Committees. Per meeting fees are not paid to Board and committee members.

The annual Board Chair fee, reduced from \$180,000 to \$125,000 in September of 2018, is paid in two semi-annual instalments of \$62,500. The Chair of the Board does not receive director and committee fees. Directors who are employees of the Corporation also do not collect director and committee fees.

As each of the former Chair and former Vice-Chair stepped down in August of 2018, their respective annual fees of \$180,000 were prorated to August 14, 2018 and amounted to \$112,500 each. As Ms. Katherine A. Lehman became Chair of the Board on September 19, 2018, her Chair fees were prorated from September 19<sup>(1)</sup> to December 31, 2018, for a total of \$36,458. Therefore, a total of \$261,458 was paid to the two Chairs and Vice-Chair of the Board of Directors for services rendered in 2018 in such capacities.

An amount of \$909,687 was paid by the Corporation to the members of the Board and committees of the Board for services during 2018. The details of this amount are provided in the Director Compensation Table in Section 7.1 herein.

Total annual fees paid to Board members for Board meetings for the year ended December 31, 2018 amounted to \$628,229. This amount represents the annual fee of \$92,500 paid to six of the Corporation's directors and \$65,521 paid to Katherine Lehman as director for the period of January 1, 2018 to September 19, 2018, prior to her becoming Chair of the Board. The remaining four directors (the former Chair, former Vice-Chair, the current Chair (as of September 2018) and President and CEO), do not receive director or committee fees.

<sup>(1)</sup> As Chair of the Board, Ms. Lehman no longer collects director fees.

## 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, 2018:

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 <sup>(1)</sup>	–	–	–	–	–	–	–
George J. Bunze	–	–	–	–	–	–	–
Gianni Chiarva <sup>(1)</sup>	–	–	–	–	–	–	–
Karen Laflamme <sup>(2)</sup>	–	–	–	–	–	–	–
Katherine A. Lehman	–	–	–	–	–	–	–
James A. Manzi, Jr.	30,000	49.01	Nov. 10, 2025	nil <sup>(3)</sup>	–	–	–
Brian McManus	– <sup>(4)</sup>	– <sup>(4)</sup>	– <sup>(4)</sup>	– <sup>(4)</sup>	– <sup>(4)</sup>	– <sup>(4)</sup>	– <sup>(4)</sup>
Nycol Pageau-Goyette	–	–	–	–	–	–	–
Simon Pelletier	15,000	22.13	May 7, 2023	262,200 <sup>(3)</sup>	–	–	–
Daniel Picotte	–	–	–	–	–	–	–
Mary Webster	–	–	–	–	–	–	–

(1) Ceased to be a Director on August 14, 2018.

(2) Became a Director on December 1, 2018.

(3) 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 2018 (\$39.61) and the option exercise price.

(4) 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>	45,000 <sup>(2)</sup>	\$40.05	1,365,133 <sup>(3)</sup>
Equity compensation plans not approved by security holders	N/A	N/A	N/A
<b>Total</b>	<b>45,000</b>	<b>\$40.05</b>	<b>1,365,133</b>

(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 45,000 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 82,545 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, 2018. 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, 2018, 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, 2018 was 4,800,000 shares, representing approximately 6.9% of the Corporation's outstanding capital. Of the 4,800,000 shares, 3,472,412 common shares had been issued as of December 31, 2018, representing approximately 5.0% of the Corporation's outstanding share capital at that date. As of December 31, 2018, 1,327,588 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 45,000 as of December 31, 2018, representing approximately 0.0% of the Corporation's outstanding share capital at that date. No options were exercised under the Stock Option Plan during the Corporation's financial year ended December 31, 2018. No stock options were granted pursuant to the Stock Option Plan during the year ended December 31, 2018.

During the period of January 1, 2019 to March 14, 2019, no additional options were exercised under the Stock Option Plan, for a total of 3,472,412 options exercised under the Stock Option Plan since its inception, representing approximately 5.0% of the Corporation's issued and outstanding shares at March 14, 2019. As at March 14, 2019, options for an aggregate of 3,517,412 common shares have been granted under the Stock Option Plan.

The annual burn rate<sup>(1)</sup> of the Stock Option Plan for the Corporation's three most recent years was 0.0% for 2018, 0.0% for 2017 and 0.0% for 2016.

*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

(1) The annual burn rate is expressed as a percentage and calculated by dividing the number of securities granted during the fiscal year by the weighted average number of securities outstanding for the applicable year.

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 issued 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 14, 2019.

The total number of securities issued and issuable under the Employee Share Purchase Plans as of December 31, 2018 was 1,000,000 shares representing approximately 1.4% of the Corporation’s outstanding shares at that date. As of March 14, 2019, 82,545 shares remained issuable under the Employee Share Purchase Plans, representing approximately 0.1% 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, 2018, a total of 31,480 common shares were purchased under the Employee Share Purchase Plans, for a total of 917,455 common shares issued under the Employee Share Purchase Plans since their

inception, representing, in the aggregate, approximately 1.3% of the Corporation's issued and outstanding shares at the Corporation's financial year

end. Between January 1, 2019 and March 14, 2019, no 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 2016 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 2018 \$	Amount Outstanding as at March 10, 2019 \$	Financially Assisted Securities Purchased During Fiscal 2018	Security for Indebtedness as at March 10, 2019	Amount Forgiven During Fiscal 2018
Brian McManus President and CEO	Loan <sup>(1)</sup>	355,826	nil	–	–	–
Éric Vachon Senior V.P. and CFO	Loan <sup>(1)</sup>	43,450	43,450	–	–	–
André Daigle V.P., Central Region	Loan <sup>(1)</sup>	3,009	nil	–	–	–

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

The following table sets out the aggregate indebtedness at December 31, 2018 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	50,754 <sup>(2)</sup>	nil

(2) This total includes the indebtedness of directors and executive officers included in the preceding table plus the indebtedness of employees and former executive officers not included in the preceding table.

## 10. Interest of Informed Persons in Material Transactions

Tom A. Bruce Jones, Chair of the Corporation until August 14, 2018, owned approximately 32.0% of the voting shares of James Jones & Sons Limited, which held 49.0% of the voting shares of Stella Jones International S.A. (“SJ International”), the principal shareholder of the Corporation until August 14, 2018. Gianni Chiarva, Vice-Chair of the Corporation until August 14, 2018, together with his associates, exercises control or direction, directly or indirectly, over all the shares of Stella International, which holds 51.0% of the shares of SJ International.

On January 31, 2018, the Corporation and SJ International, which at the time held 38.3% of the issued and outstanding common shares of the Corporation, entered into an agreement with a syndicate of underwriters co-led by Morgan Stanley Canada Limited and TD Securities Inc., as joint book runners (together, the “Underwriters”), relating to a secondary offering by SJ International, pursuant to which SJ International agreed to sell, and the Underwriters agreed to purchase, on a bought deal basis, 5,000,000 of the Corporation’s common shares held by SJ International at an offering price of \$48.50 per share (“Offering Price”). SJ International also granted the Underwriters an over-allotment option, exercisable for a period of 30 days following the Closing Date (as hereinafter defined) to purchase up to an additional 750,000 common shares at the Offering Price to cover all over-allotments, if any. The secondary

offering was completed on February 21, 2018 (the “Closing Date”). After giving effect to this offering but before giving effect to the exercise of the over-allotment option, SJ International owned approximately 21,572,836 common shares of the Corporation, representing approximately 31.1% of its outstanding common shares. The Corporation did not receive any proceeds from this offering.

On July 24, 2018 the Corporation and SJ International announced that they had entered into an agreement with a syndicate of underwriters led by TD Securities Inc., as sole book runner, relating to a secondary offering by SJ International, on a bought deal basis, of 8,445,911 common shares of the Corporation at an offering price of \$40.63 per common share (“Public Offering”).

Concurrently, SJ International sold, on a private placement basis, 13,126,925 common shares, at the same price as the Public Offering (“Concurrent Private Placement”). TD Securities acted as sole book runner and sole agent on the Concurrent Private Placement. Additionally, Mr. Brian McManus, President and CEO of the Corporation, purchased 50,000 common shares as part of the Concurrent Private Placement.

Immediately following the August 14, 2018 closing of the Public Offering and Concurrent Private Placement, SJ International ceased to be a shareholder of the Corporation and Mr. Tom A. Bruce Jones and Mr. Gianni Chiarva resigned from the Board of Directors.

## 11. Corporate Governance

The following table highlights Stella-Jones' alignment with key corporate governance practices<sup>(1)</sup>:

Corporate Governance Practice	Does Stella-Jones Align?	Comments
1. Majority of Independent Directors	Yes	Seven of nine Board members (78%) are independent.
2. Independent Chair of the Board	Yes	Katherine A. Lehman, Chair of the Board since September 2018, is an independent director.
3. Regularly Scheduled Independent Director Meetings	Yes	<i>In-camera</i> meetings are held during all regularly scheduled Board meetings, and more often, if needed.
4. Written Board Mandate	Yes	Sets out the Board's key responsibilities, including the adoption of a strategic plan, identification of principal risks, succession planning, internal controls, development of a communication policy and assuring the integrity of the CEO. Reviewed and approved by the Board annually.
5. Position descriptions of the Chair of the Board, CEO and Committee Chairs	Yes	Written position descriptions of the Chair of the Board, the CEO and all Committee Chairs have been approved by the Board and are reviewed annually.
6. Code of Business Conduct and Ethics	Yes	Applies to all directors, officers and employees. Circulated to all staff quarterly and reviewed by the Board annually. Addresses, conflicts of interest, proper use and protection of corporate assets, confidentiality, fair dealing and legal compliance. Provides an anonymous, company-wide whistleblowing mechanism to report illegal, improper and unethical behaviour.
7. Formal Written Diversity Policy	Yes	Recognizes the value that diversity, including, age, gender, language and national origin bring to the boardroom in gathering varied perspectives and making the best decisions for the Corporation and its stakeholders. Four of nine Board members (44%) are women.
8. Director Tenure Limit and Retirement Age	Yes	Term limit is fifteen years of service or 75 years of age, whichever occurs first, with an exception permitted if two or more directors transition in a given year.
9. Issuance of Environmental Social and Governance ("ESG") Report	Yes	The ESG Report covers indicators such as energy use, air emissions, health and safety and governance practices.
10. Dedicated Board Committee Charged with Oversight of Environmental, Health and Safety ("EH&S") Matters	Yes	EH&S Committee oversees compliance, cooperation with regulatory authorities and the prioritization of the health and safety of employees and neighbouring communities.
11. Governance and Nomination Committee Composed Exclusively of Independent Directors	Yes	Determines the competencies and skills that individual directors and the Board as a whole shall have. Applies selective criteria to the recruitment, assessment and appointment of candidates. Oversees governance procedures and director education opportunities.
12. Compensation Committee Composed Entirely of Independent Directors	Yes	Composed solely of independent members who may engage independent advisors as they deem necessary.

(1) All policies, mandates committees and position descriptions referred to herein may be found in the Investor Relations/Corporate Governance section of the Corporation's website at [www.stella-jones.com](http://www.stella-jones.com).

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 nine members. The Board of Directors has reviewed all of the relationships of each of the directors with the Corporation and has determined that seven of the nine 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. Karen Laflamme, Ms. Katherine A. Lehman, Mr. Simon Pelletier and Ms. Mary Webster. Seven of the nine directors do not have interests in or material relationships with either the Corporation or the significant shareholders. A majority of the Board is therefore independent.

Mr. Daniel Picotte is a non-independent director on the basis that Fasken Martineau DuMoulin LLP, a law firm of which he 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. 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.

Independent directors hold *in-camera* meetings, at each regularly scheduled Board meeting, 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.

Ms. Katherine A. Lehman, Chair of the Board since September 19, 2018, is an independent director. As director of Navient Corp (Nasdaq: NAVI), she is the sole director on the Corporation's Board who serves as director of a reporting issuer.

### **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 "A" of this Management Proxy Circular.

### **Nomination of Directors**

The Board of Directors established a Governance and Nomination Committee composed entirely of independent directors on September 19, 2018. The Committee's key responsibilities are provided herein under heading "Governance and Nomination Committee".

In the case of the most recent nomination to the Board, the process set out below was followed: the Governance and Nomination Committee reviewed the Board's current composition and created a candidate profile by outlining the desired set of skills that would meet identified needs and strengthen the collective competencies and experiences of the sitting Board in light of the Corporation's priorities ("Profile"). The Governance and Nomination Committee conducted a search for appropriate candidates, including individuals recommended by Board members and other valued parties. Certain candidates who fit the Profile were identified and selected to meet with members of the Governance and Nomination Committee, who evaluated their background, skills and ability to devote the time and commitment required for the Board position. The lead candidate met with the Board Chair and additional Board members as part of the process. Together, the Board as a whole evaluated the strongest candidate's suitability, obtained third-party references, assessed conflicts and independence and voted on their choice.

## **Board Diversity, Term Limits and Renewal**

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's membership, comprising American and Canadian nationals, who all 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. As the percentage of women sitting on its Board has either been, or exceeded, 20% during most of the Corporation's history, Stella-Jones has not adopted a target number of women for its Board of Directors. Currently, women comprise four of the Board's nine directors, representing 44% of Board members.

Acknowledging, the benefit of fresh ideas and ongoing renewal, in September of 2018, the Board modified its Diversity Policy by establishing a 15-year term limit for service and mandatory retirement at 75 years of age. Exceptions to the term limit or retirement age may be made when two or more directors are scheduled to reach their retirement age or term limit within the same 12-month period.

Finally, the Board has undertaken to annually review and if advisable, modify its Board Diversity Policy in order to maximize the effectiveness of the policy towards reaching overall objectives.

To date, the Corporation has not adopted a target regarding the representation of women in executive officer positions. Currently, one position, the role of Vice-President, General Counsel and Secretary of the Corporation is held by a woman, representing five percent of total executive officers.

## **Position Descriptions**

The Board of Directors has adopted written position descriptions for its Chair, Chair of each Board committee 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**

The Governance and Nomination Committee is tasked with ensuring that new Board members are provided an appropriate orientation period and that ongoing education is provided to Board members. The orientation program includes providing for review, documentation containing the most recently available public information on the Corporation. This includes the Corporation's management information circular, annual information form, annual report as well as policies with respect to disclosure and communications, Code of Business Conduct and Ethics, whistleblowing procedures, along with Board and committee mandates, the Stock Option Plan and the Employee Share Purchase Plans. New Board members meet with the Corporation's Senior Vice-President and Chief Financial Officer and other senior managers to discuss financial statements and financial procedures, the Corporation's organizational structure and the nature and operation of its business. New directors also attend site visits to gain further understanding of the pressure treated wood manufacturing process.

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

or by accessing appropriate external resources. To further facilitate ongoing education, the Corporation maintains a membership for all directors in a third-party resource dedicated to providing director education opportunities, governance materials, and director professional development programs.

### **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 of the Corporation’s business and affairs. The Code is distributed to employees quarterly and to Board members on an annual basis for their review and 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. The code is also posted in the Governance section of the Corporation’s website at [www.stella-jones.com](http://www.stella-jones.com).

To monitor compliance regarding, among others, complaints relating to accounting, internal accounting controls or auditing matters, the Corporation’s whistleblowing procedures provide 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, evaluates the potential effects and consequences of such transactions and votes on them without the presence of those materially interested 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, 2018 were as follows:

Type of Meeting	# of Meetings Held
Board of Directors – Regularly Scheduled	5 <sup>(1)</sup>
Board of Directors – Special	9 <sup>(1)</sup>
Audit Committee	4
Remuneration Committee	3
Environmental, Health and Safety Committee <sup>(2)</sup>	3
Governance and Nomination (“G&N”) Committee <sup>(3)</sup>	1

(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”.

(3) This Committee was formally established on September 19, 2018.

The following summarizes each director's attendance at Board and Committee meetings during the year ended December 31, 2018:

Directors	Board of Directors- Regular Meetings Attended	Board of Directors- Special Meetings Attended	Audit Committee Meetings Attended	Environmental, H&S Committee Meetings Attended	Remuneration Committee Meetings Attended	G&N Committee Meetings Attended
TOM A. BRUCE JONES, CBE <sup>(1)</sup> Fmr. Chair of the Board and Environmental, H&S Committee	2	5	N/A <sup>(2)</sup>	1	N/A <sup>(2)</sup>	N/A <sup>(2)</sup>
GEORGE J. BUNZE, CPA, CMA Chair of the Audit Committee, Member of the Remuneration Committee and G&N Committee	5	9	4	N/A <sup>(2)</sup>	3	1
GIANNI CHIARVA <sup>(3)</sup> Fmr. Vice-Chair of the Board and fmr. Chair of the Remuneration Committee	3	6	N/A <sup>(2)</sup>	N/A <sup>(2)</sup>	2	N/A <sup>(2)</sup>
KATHERINE A. LEHMAN <sup>(4)</sup> <sup>(5)</sup> Chair of the Board	5	8	3	N/A <sup>(2)</sup>	N/A <sup>(2)</sup>	N/A <sup>(2)</sup>
KAREN LAFLAMME <sup>(6)</sup> Member of the Audit Committee	1 <sup>(6)</sup>	— <sup>(6)</sup>	— <sup>(6)</sup>	N/A <sup>(2)</sup>	N/A <sup>(2)</sup>	N/A <sup>(2)</sup>
JAMES A. MANZI, JR. <sup>(7)</sup> Chair of the Remuneration Committee and Member of the Audit Committee	5	8 <sup>(11)</sup>	4	N/A <sup>(2)</sup>	1 <sup>(7)</sup>	N/A <sup>(2)</sup>
BRIAN McMANUS President and CEO	5	9	N/A <sup>(2)</sup>	N/A <sup>(2)</sup>	N/A <sup>(2)</sup>	N/A <sup>(2)</sup>
NYCOL PAGEAU-GOYETTE <sup>(8)</sup> Member of the Remuneration Committee, the Environmental, H&S Committee, G&N Committee and the Audit Committee	5	9	4	3	3	1
SIMON PELLETIER <sup>(9)</sup> Chair of the G&N Committee, Environmental, H&S Committee and Member of the Audit Committee	4	9	4	N/A <sup>(2)</sup>	N/A <sup>(2)</sup>	1
DANIEL PICOTTE <sup>(8)</sup> <sup>(10)</sup> Chair of the Environmental, H&S Committee	5	9	N/A <sup>(2)</sup>	3	N/A <sup>(2)</sup>	N/A <sup>(2)</sup>
MARY WEBSTER Member of the Environmental, H&S Committee	5	9	N/A <sup>(2)</sup>	3	N/A <sup>(2)</sup>	N/A <sup>(2)</sup>

(1) Resigned as Chair of the Board and Director, on August 14, 2018.

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

(3) Resigned as Vice-Chair and Director on August 14, 2018.

(4) Chair of the Board since September 19, 2018.

(5) Stepped down as member of the Audit Committee upon her appointment as Chair of the Board on September 19, 2018.

(6) Director since December 1, 2018.

(7) Became member and Chair of the Remuneration Committee on September 19, 2018.

(8) Board member until May 2, 2019. Not a current nominee for Board election.

(9) Chair of the G&N Committee since September 19, 2018.

(10) Chair of the Environmental, H&S Committee since September 19, 2018.

(11) Missed one teleconference meeting due to technical difficulties.

## The Committees of the Board

The Board of Directors has four committees: the Audit Committee, the Remuneration Committee, the Environmental, H&S Committee and the Governance and Nomination Committee. All four committees are composed solely of outside directors. Three committees are composed solely of independent directors while the fourth has one non-independent director. The committees, their mandates and membership are outlined below.

### **Audit Committee**

Chair	George J. Bunze
Members	Karen Laflamme James A. Manzi, Jr. Nicol Pageau-Goyette Simon Pelletier

The Audit Committee meets quarterly with the Corporation's senior management, with its manager, internal audit, and annually, with the Corporation's external auditors to review financial statements prior to their approval by the Board and to address other financial matters as they may arise. 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 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 auditors' 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 previously served as Chairman of the Board and Chairman of the Audit and Corporate Governance and Nominating Committee of Intertape Polymer and was 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 Euro 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 12,000 people globally.

Ms. Nicol 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. Karen Laflamme holds a Bachelor’s Degree in Business Administration (BBA) from HEC Montreal and has been a member of the Quebec CPA order since 1986 (CA). She holds the designation of certified corporate director and was named fellow of the Quebec Order of Chartered Professional Accountants (CPA) in 2012. Since 2016, she has served as Executive Vice-President and Chief Financial Officer, Retail, of Ivanhoé Cambridge (“Ivanhoé”), an investor and developer of superior quality real estate properties, projects and companies around the world. She joined Ivanhoé in 2012, where she has served in various roles, including Executive Vice-President, Corporate Management & Institutional Affairs, where she was responsible for investor relations, internal audit and integrated risk management.

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**

Chair	James A. Manzi, Jr.
Members	George J. Bunze Nicol Pageau-Goyette

The Remuneration Committee advises and assists the Board regarding policies on compensation and benefits, salaries of senior management as well as

profit sharing amounts, bonuses and the allocation of stock options and RSUs to senior management. The Remuneration Committee is composed of three directors, James A. Manzi, Jr., Mr. George J. Bunze and Ms. Nicol Pageau-Goyette. None of Mr. Manzi, Mr. Bunze nor Ms. Pageau-Goyette serve or has served as an officer of the Corporation and all are 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.

**Governance and Nomination Committee**

Chair	Simon Pelletier
Members	George J. Bunze Nicol Pageau-Goyette

The Governance and Nomination Committee’s key responsibilities include overseeing the Corporation’s compliance with corporate governance guidelines and recommending modifications as applicable; monitoring the size of the Board to favour effective and timely decision-making; monitoring the composition of the Board and establishing the competencies, skills and experience sought by the Board, taking into consideration the Corporation’s current composition as well as the need for refreshment and future requirements and developing a process for recruiting and selecting suitable Board candidates who meet the established criteria.

The Governance and Nomination Committee’s three members are all independent.

**Environmental, H&S Committee**

Chair	Daniel Picotte
Members	Nicol Pageau-Goyette Simon Pelletier 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 Vice-President, Environment, Health and Safety, U.S. operations. 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. Daniel Picotte is a non-independent Committee member while Mr. Simon Pelletier, Ms. Nycol Pageau-Goyette and Ms. Mary Webster and are independent directors.

### **Assessment of the Board's Performance**

The Chair 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 Chair and members of the Board. In carrying out her formal assessment, the Chair presents an annual verbal report to the entire Board, wherein she 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. All Board members are then invited to contribute their comments either to the whole Board or to the Chair privately.

The Chair of each committee annually presents to the Chair and all Board members, an evaluation of his or her committee members and the committee's overall performance over the past year. Certain committees also carry out anonymous written assessments which are then tabulated, with results delivered to committee members for discussion at a designated meeting.

### **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.

### **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. Normal Course Issuer Bid

On December 18, 2018, the Corporation announced a normal course issuer bid ("NCIB") to purchase, for cancellation, up to 3,000,000, or 4.3% of its outstanding common shares. As of December 14, 2018, Stella-Jones had 69,364,204 common shares issued and outstanding. Purchases under the NCIB were to be made during the 12-month period commencing December 20, 2018 and ending December 19, 2019 on the open market through the facilities of the Toronto Stock Exchange ("TSX"). The price paid for any common share will be the market price on the TSX at the time of acquisition. All common shares purchased under the NCIB will be cancelled. Shareholders may obtain a copy of the Corporation's notice and intention to make a normal course issuer bid filed with the TSX without charge by contacting the Corporation in writing, to the attention of its Corporate Secretary.

## 13. 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.**

## 14. 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.

## 15. 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, 2019.

## 16. 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 14, 2019

## Appendix “A”

### 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 Corporation'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 Corporation with a view to evaluate, on an ongoing basis, whether the Corporation'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 Corporation, 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 Corporation'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 Corporation'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, 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 Corporation'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 Corporation, 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.
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.
23. Receiving timely reporting from the Governance and Nomination Committee on the adoption and application of governance guidelines.

The Board of Directors discharges its duties both directly and through its audit, remuneration, governance and nomination 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 September 19, 2018.

Stella-JoneS<sup>®</sup>



Inc. ®

