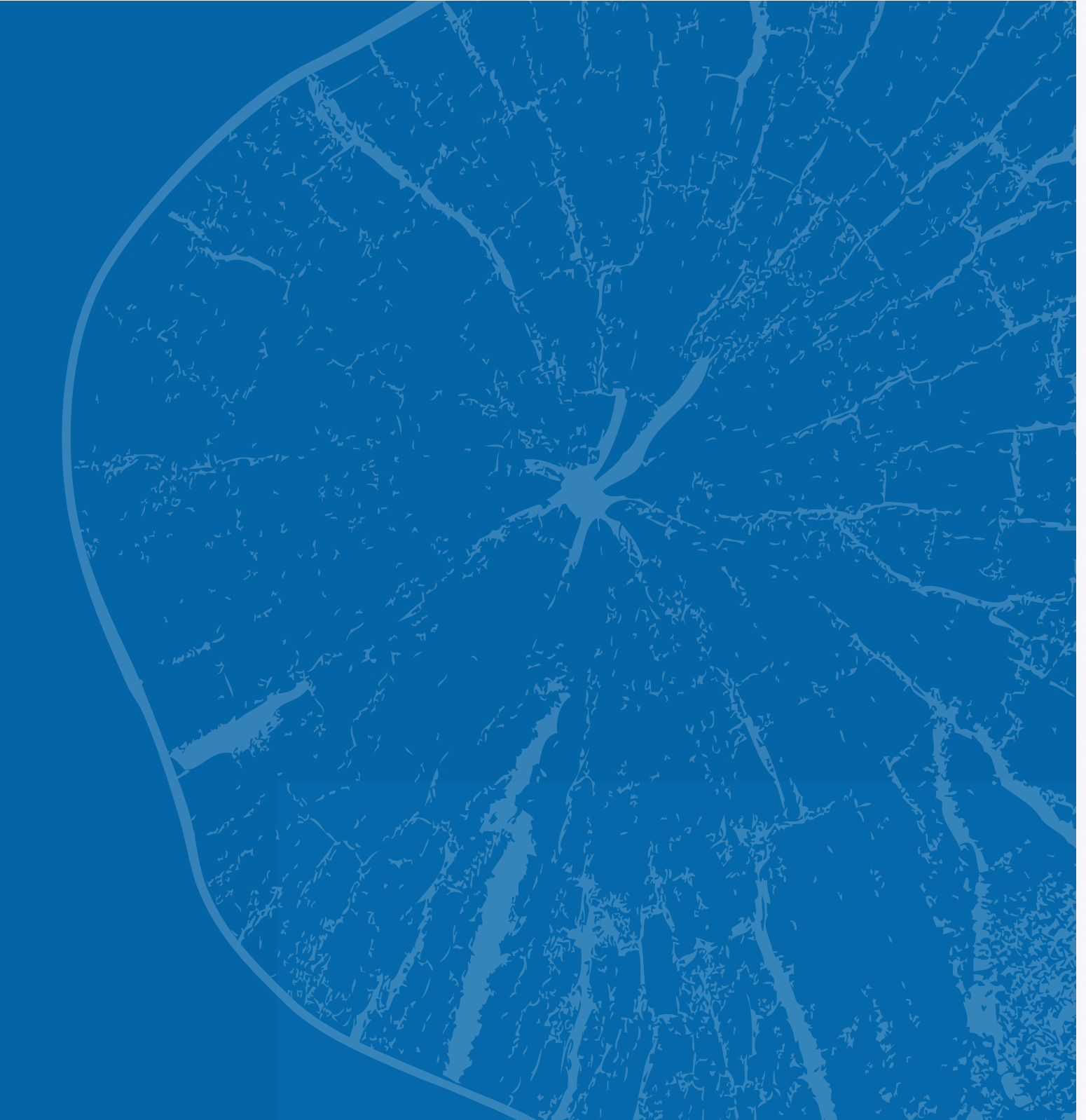




ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) REPORT

2020





Contents

4 | INTRODUCTION

2020 ESG Highlights

6 | MESSAGES FROM LEADERSHIP

- From our President & CEO
- From the Chair of our Environmental, Health & Safety Committee

10 | SECTION 1

Our Business

16 | SECTION 2

ESG at Stella-Jones

22 | SECTION 3

Our Environmental Commitment

36 | SECTION 4

Our Product Stewardship

48 | SECTION 5

Our People

60 | SECTION 6

Our Governance Principles

70 | APPENDIX

- Performance Data
- GRI and SASB Content Index



Content interactive
CLICK ICONS TO VIEW





ABOUT OUR ESG REPORT

Reporting Scope and Boundary

This environment, social and governance (ESG) Report (Report) addresses the world-wide interest in ensuring that businesses and other organizations take responsibility for their impacts, by providing useful information about how Stella-Jones operates in support of sustainable development.

This Report has been developed by our executive leadership team and reviewed and approved by our Board of Directors.

References to “Stella-Jones”, “we”, “our” and “Company” refer to Stella-Jones Inc. and its operating subsidiaries unless otherwise stated.

The performance data in this Report covers our operations in Canada and the United States from 1 January 2020 to 31 December 2020, unless otherwise stated. All dollar amounts are in Canadian dollars.

This Report has been prepared referencing the Global Reporting Initiative (GRI) Standards and the Sustainability Accounting Standards Board (SASB) Building Products and Furnishings Standard. See the Appendix at the end of this Report for details. Previous ESG Reports can be found on the [Stella-Jones Investor Relations page](#).

INTRODUCTION

2020 ESG Highlights

The long-term success of our Company and its continued standing as a responsible corporate citizen involves the integration of ESG considerations into all aspects of our daily operations and strategic decisions. We are committed to maintaining high performance standards in health and safety, environmental compliance and the development of our workforce and achieving excellence in governance.

OUR ENVIRONMENTAL COMMITMENT

EMBARKING ON OUR COMMITMENT TO FIGHT CLIMATE CHANGE

by initiating climate scenario analysis and working towards TCFD disclosures in the coming years



REDEFINED SENIOR MANAGEMENT ROLES

to improve the standardization of our SHIELD program across Canada and the U.S.



1.35 MT CO₂e/1000 FT³

of GHG emissions produced. We commit to setting energy and GHG emissions targets

OUR PRODUCT STEWARDSHIP

Approximately
1.13 million MT CO₂e
of GHG emissions
sequestered through our wood
treatment process annually

154,480 M³
of wood sustainably
harvested through
forest tenures in British
Columbia and Manitoba

Over 80%
of residential lumber
sourced from sustainably
certified sources

99%
of railway ties purchased from
small and local businesses¹

OUR PEOPLE

3.1**lost time
injury rate,****a 16% reduction since 2019****18%****employee
turnover rate,****a 1% decrease from 2019****16%****women in
the workforce**

OUR GOVERNANCE PRINCIPLES

**8 out of 9****Board members²
independent from
management****33%****Women Board
members² and
female Chair
of the Board and
Audit Committee****ENVIRONMENTAL,
HEALTH & SAFETY
COMMITTEE OVERSIGHT
OF ESG FORMALIZED**

²One additional member was appointed to the Board in December 2020, effective January 2021. As a result, 9 of 10 Board members are independent from management, and 40% of the Board is composed of women.



MESSAGE FROM OUR

President & CEO

It is with pleasure that I present Stella-Jones' third Environmental, Social, and Governance Report, an account of our performance and achievements in 2020.

We know that the long-term success of our Company requires the integration of ESG throughout our business. Our four ESG pillars: Our Environmental Commitment, Our Product Stewardship, Our People and Our Governance Principles, guide the quality of our products while safeguarding those most crucial to our operations, our employees. We know that these four pillars will help us realize our mission to be the leader in the wood-preserving industry and a model corporate citizen, exercising environmental and social responsibility with integrity.

At the time of this Report, we continue to face challenges posed by COVID-19. As an essential business that continued operating amid government restrictions, we have been able to quickly adapt to the

changing world, implementing protocols to ensure that employee safety remained constant as we continued to supply the vital energy, rail and construction sectors that we serve. I continue to witness the resilience of our business, and am proud of the agility, professionalism, and collaboration among our team members.

Amongst this collaboration is the collective wisdom and dedication from our Board of Directors and senior management, including our Human Resources and Environment, Health and Safety (EHS) teams, who prioritized the continued safety of our workforce while accommodating new working environments. Our employees stepped up, employing health and safety protocols for the protection of themselves and others. This enabled us to not only stabilize our operations, but also grow our business in 2020. I am sincerely grateful for the continued cooperation and dedication our people demonstrate every day.

Amid the backdrop of COVID-19, we continued to reinforce our commitment to ESG at Stella-Jones. During the year, we enhanced several aspects of our governance of ESG, including establishing a steering



I am sincerely grateful for the continued cooperation and dedication our people demonstrate every day.

committee consisting of individuals across varying specialties to help drive the ESG strategy and the vision for this Report, and expanding the scope of the EHS Committee's role to include oversight on all matters relating to corporate social responsibility. With these additional layers of governance, not only are we increasing oversight over our material ESG topics, but we are also helping each department understand the relevance and importance of sustainability and how it is inherently woven throughout our business.

As we continue to refine our ESG strategy and reporting process, we are proud to welcome greater participation from our broader stakeholders. As part of the development of this Report, we invited external and internal stakeholders to help refine our ESG pillars and topics. As Stella-Jones advances its ESG journey, we remain committed to demonstrating progress over our ESG topics that reflect our stakeholders' values. In addition, we are working to better evaluate the climate risks and opportunities our Company is exposed to, embracing the recommendations of the Financial Stability Board's Task-Force on

Climate-related Financial Disclosures (TCFD) with the intent of developing energy and greenhouse gas targets in the near future.

2020 was a strong year for our business – sales rose for utility poles, railway ties and significantly for residential lumber, driven by the rise in home improvement demand and market prices of lumber. I was pleased to see our safety performance improve in the context of increased production. However, as production is closely matched to our use of energy, water, waste and emissions footprint, our higher output levels have impacted our environmental performance data. In coming years, we will continue to seek opportunities to scale our business growth while reducing the environmental effects of our operations through innovative solutions.

I invite you to learn more about our Company, our culture and our ESG commitments in this Report and look forward to building on our progress together in the near future.

ÉRIC VACHON

President and CEO, Stella-Jones Inc.



MESSAGE FROM THE

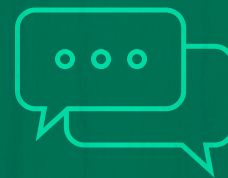
Chair of our Environmental, Health & Safety Committee

2020 was a year of both significant achievements and lessons learned for Stella-Jones. As Chair of the Environmental, Health and Safety Committee, I am encouraged by our progress and look forward to continuing this momentum by further integrating ESG throughout the Company and delivering on our vision.

At the core of Stella-Jones is the responsibility to ensure a safe and healthy working environment, while meeting customer needs for essential products and services. Our strength and agility has been exemplified by our team's ability to rise to the challenges posed by COVID-19. At the same time, the pandemic has solidified the importance of continuing to develop our capacity to deal with the unexpected, while staying true to our core values and purpose.

In 2020, we made considerable and tangible progress in our ESG journey. First, the mandate of our Environmental, Health and Safety (EHS) Committee was expanded, enhancing oversight on matters pertaining to employee health and safety to include Stella-Jones' corporate social responsibility initiatives. We also grew the membership of our Committee with the addition of two new participants, both with deep and direct experience in ESG and EHS. As we continue to advance the ESG agenda at Stella-Jones, our EHS Committee looks forward to working at the Board level, integrating ESG responsibilities across committees.

Second, since 2019, we have been focused on developing a deep understanding of our ESG domains and priorities. This year, we extended our engagements to include a broader cross-section of stakeholders, including external stakeholders, such as customers, suppliers, shareholders and investors, and a wider range of employees. This is a positive step to further refine our understanding of the most



**As we navigate our next steps,
we know that research and innovation
will be among our key differentiators.**

important ESG topics and how they impact the Company. As the next step in this process, the EHS Committee looks forward to the translation of these priorities into a set of meaningful and directional goals and targets, and ultimately, the implementation into action plans to drive our performance.

Finally, as we continued to improve our safety and environmental performance throughout 2020, we took the important step of extending our “Safety Health Improved Environment Leading our Decisions (SHIELD)” initiative to all North American facilities, including data capture. This rigorous management process provides us with detailed insights into our safety and environmental metrics, and we look forward to using this intelligence to improve our performance across facilities.

As we navigate our next steps, we know that research and innovation are among our key differentiators. Our work on the next generation of wood preservatives is an excellent demonstration of how sustainability concepts can be fully integrated into our business. Seeking more opportunities as they apply throughout our value chain, from forest management to end-use applications, will continue to be areas of focus for our Committee.

The pace of change in the ESG space is accelerating and we recognize the value of a strong integration model amongst our operations that starts with strong, effective and engaged governance systems. Stella-Jones’ EHS Committee looks forward to providing oversight and guidance in all areas of ESG as we continue our journey towards a more sustainable future.

DOUGLAS MUZYKA

Chair of the Environmental, Health & Safety
Committee and Corporate Director



SECTION 1

Our Business



Stella-Jones is North America's leading producer and marketer of pressure-treated wood products.

Utility Poles

Providing over one million pressure-treated wood utility poles per year to replace, upgrade and develop new electrical utility and telecommunications lines.

Railway Ties

Supplying the continent's demand for railway ties and timber, with over 10 million pressure-treated wooden crossties per year, playing a key role in the development, upgrade and maintenance of North America's railroad infrastructure.

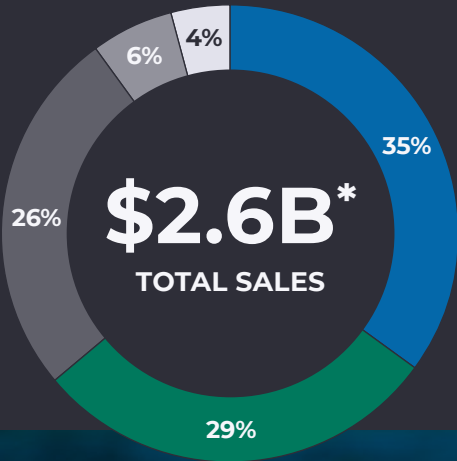
Residential Lumber

Supplying hundreds of millions of board feet of treated wood to the residential lumber market, providing a seamless, end-to-end service.

Industrial Products

Providing pressure-treated wood products to the industrial, marine and civic sectors for outdoor applications, including railway bridges and crossings, marine and foundation pilings, and construction timbers, offered in a variety of select wood species and preservatives.

Stella-Jones at a Glance



- Utility poles
- Railway ties
- Residential lumber
- Logs and lumber
- Industrial products

*All figures as of December 31, 2020.
All dollar amounts presented in Canadian dollars.



We continuously seek to improve our operations.



2,250+
EMPLOYEES



40
WOOD TREATING
FACILITIES



12
POLE PEELING
FACILITIES



1
COAL TAR
DISTILLERY



Our Vision

At Stella-Jones, our vision is clear: we deliver superior value to our clients by providing premium quality pressure treated wood products to meet the vital infrastructure and home improvement requirements of our economy.

We continuously seek to improve our operations and services and recognize that, in doing so, we must aim to have a positive impact on our clients and stakeholders, our people and the communities in which we operate, as well as the environment. By adhering to a core set of principles and pursuing strategic growth, we have positioned ourselves as a strong, reliable supplier of wood-treated products to our customers and have become a respected, innovative leader in the North American industry.

Our Mission

Stella-Jones' objective is to be the performance leader in the wood preserving industry and a model corporate citizen, exercising environmental and social responsibility with integrity.

Stella-Jones will achieve these goals by focusing on customer satisfaction, core products, key markets, innovative work practices and the optimal use of its resources.

Stella-Jones is committed to providing a safe, respectful, inclusive and productive environment for its employees, where problem solving, initiative and high standards of performance are rewarded.

Our Values

Our core values make up the backbone of our Company. Our employees embody these values in all facets of their everyday work, from senior executives to the wood treating and distribution floor.

Integrity

We stick to our word. We act with honesty and integrity in all interactions with employees, clients, suppliers and the public, and strive to adhere to the highest standards of professional behaviour and ethics.

Respect

We believe that the contribution of every employee is valuable. We foster a culture of inclusion in which employees are encouraged to take initiative, participate and exchange ideas.

Teamwork

We work together to meet the needs of our customers by combining our efforts and "know-how" at all levels of the organization to provide superior customer service and products.

Perseverance

We take a straightforward approach to our business, knowing that success comes through hard work and dedication.

OUR OPERATIONS

Our network is made up of strategically located production facilities coupled with multiple distribution yards, enabling us to meet increasing demand with unparalleled speed and agility.

The below infographic demonstrates the flow of materials through our business.

Our Value Chain

Four value-add product categories produced through dedicated wood preserving, providing a continuous supply to the essential energy, rail and construction sectors:



OUR REACH ACROSS NORTH AMERICA

Our treating facilities are located in six Canadian provinces and 17 U.S. states and are complemented by an extensive distribution network across North America.



- | | | | | | |
|------------------------|-----------------------|------------------------|----------------------|--------------------|------------------------|
| 1. New Westminster, BC | 8. Shelburne, ON | 15. Truro, NS | 22. Lufkin, TX | 29. Cameron, WI | 36. Cordele, GA |
| 2. Prince George, BC | 9. Stouffville, ON | 16. Arlington, WA | 23. Russellville, AR | 30. Memphis, TN | 37. Whitmire, SC |
| 3. Galloway, BC | 10. Peterborough, ON | 17. Tacoma, WA | 24. Rison, AR | 31. Scooba, MS | 38. Goshen, VA |
| 4. Carseland, AB | 11. Gatineau, QC | 18. Sheridan, OR | 25. Converse, LA | 32. Fulton, KY | 39. Warsaw, VA |
| 5. Neepawa, MB | 12. Rivière-Rouge, QC | 19. Eugene, OR | 26. Pineville, LA | 33. Winslow, IN | 40. Dubois, PA |
| 6. South River, ON | 13. Delson, QC | 20. Silver Springs, NV | 27. Alexandria, LA | 34. Brierfield, AL | 41. McAlisterville, PA |
| 7. Guelph, ON | 14. Sorel-Tracy, QC | 21. Eloy, AZ | 28. Bangor, WI | 35. Clanton, AL | |





SECTION 2

ESG at Stella-Jones



Our leadership team is committed to operating in a sustainable, and environmentally and socially responsible manner while prioritizing an equitable and safe workplace.

As North America's leading supplier and producer of industrial and residential wood treated products, we understand the impact our value chain has on the planet, and we are committed to improving our performance for the benefit of society - today and into the future. Integration of ESG considerations in our everyday business decisions and strategies will make us a more resilient and agile business in the long term, improving the performance our stakeholders expect from us, and making us a better employer to our valued workforce.

We recognize sustainability as a business driver, enabling our Company not only to anticipate and exceed industry standards for environmental compliance, but as a mechanism for improving our operations, mitigating risk, generating financial returns and creating long-term value for the communities we work in.

Our Board-level Environmental, Health & Safety Committee oversees the work of our executive and leadership team, who leads and manages ESG risks and opportunities that are integral to our business.



MATERIALITY ASSESSMENT PROCESS

At Stella-Jones, we strive to position our business practices to embody our stakeholders' values, using our ESG topics to measure and guide our impact, while positioning our Company for long-term, sustainable growth.

How We Identified and Prioritized Material ESG Topics

Our material ESG topics were introduced in our 2019 Report, identified and prioritized by key internal stakeholders. In keeping with our commitment to continue engaging with stakeholders, this year we expanded our materiality assessment to include a wider range of stakeholders.

With the support of an external consultant, we developed an extensive list of ESG topics relevant to our industry and in line with international sustainability reporting frameworks.³ Internal and external stakeholders, including investors and shareholders, customers, suppliers, members of our Board's EHS Committee, and employees from the Manager to Senior-Vice President level were engaged through interviews and focus groups, providing feedback that helped us rank and prioritize topics from the list. Findings were consolidated and shared with our Steering Committee, including our CEO, to validate our list of material ESG topics.

From our list of material ESG topics, we further prioritized our vision areas – which will guide our ESG strategy in the coming years to help mitigate risks, realize opportunities and focus on our key differentiators. We recognize that improving our ESG performance is an ongoing commitment and an opportunity to enhance our business strategy, operations and overall, the long-term value we offer our customers.



This year we expanded our materiality assessment to include a much wider range of stakeholders.

³Such as the Global Reporting Initiative (GRI), the Sustainability Accountability Standards Board (SASB), the Task-Force on Climate-related Financial Disclosures (TCFD) and the Carbon Disclosure Project (CDP).

ESG AT STELLA-JONES

Our ESG strategy will guide us in the coming years, to mitigate risk, realize opportunities and focus on our key differentiators.

The below graphic represents our four pillars framework of ESG at Stella-Jones. The material ESG topics in **bold** are our key vision areas, central to our ESG strategy, representing topics of highest priority to our stakeholders, and where we can make the most significant impact.

OUR ENVIRONMENTAL COMMITMENT

Reduce the environmental impact of our operations by improving the use and management of natural resources, maximizing manufacturing efficiencies and exhibiting strong governance systems to meet compliance with laws and regulations. We will drive our commitment and performance by improving our climate-related disclosures and setting GHG emissions reduction targets.

OUR MATERIAL ESG TOPICS

- **Climate change (including energy management and GHG emissions)**
- Water management
- Waste management
- Air quality
- Environmental compliance



OUR PRODUCT STEWARDSHIP

Contribute to sustainable forest management and climate change mitigation through carbon sequestration in our products. Invest in research and innovation to enhance our product offerings while acting as a leader in our industry.

OUR MATERIAL ESG TOPICS

- **Material sourcing and responsible supply chain**
- Product design and life cycle management
- Product responsibility
- Innovation





Our strategy encompasses what being a responsible corporate citizen means to us, built on four pillars that drive meaningful impact and create long-term value.

OUR PEOPLE

Ensure a strong, collaborative, inclusive workplace that empowers employees to achieve professional and personal goals while fostering a culture of safety that prioritizes the well-being of our people.

OUR MATERIAL ESG TOPICS

- **Human capital**
- **Health, safety and well-being**
- Diversity and inclusion



OUR GOVERNANCE PRINCIPLES

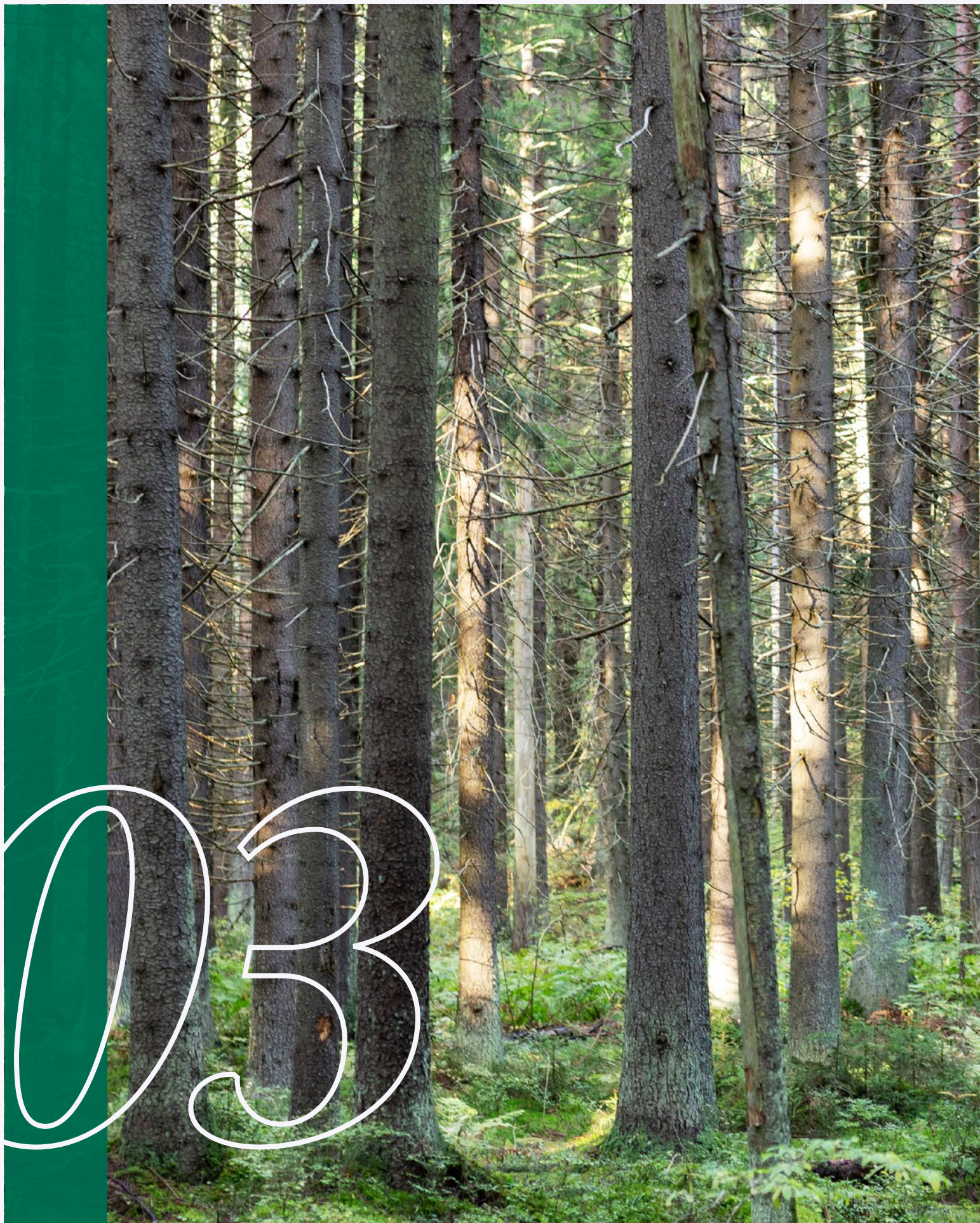
Embody a culture of ethical business practices and integrity through effective corporate communication, transparency, governance and the integration of ESG into our decision-making processes to drive long-term value.

OUR MATERIAL ESG TOPICS

- **Governance of ESG-related risks**
- Corporate governance
- Business ethics
- Economic performance



New topics in 2020 include economic performance and innovation, while energy use and GHG emissions have been combined with climate change.





SECTION 3

Our Environmental Commitment



CLIMATE CHANGE

Climate change is a serious and growing concern that presents unique challenges. In response, we are working to reduce our impact on the environment while seeking to develop innovative products to support mitigation and adaptation strategies.

Climate-Related Risks and Opportunities

At Stella-Jones, the Vice-President, Risk Management and General Counsel U.S. Operations leads a team of dedicated Enterprise Risk Management (ERM) professionals who work to ensure that the Company regularly and adequately assesses risks, including those related to climate change. Examples of physical and transition risks and opportunities our Company faces include:

TRANSITION	Product/ service opportunities	Increases in severe weather, including drought related forest fires have the potential to damage utility and communications infrastructure. In 2019, our team collaborated in the development of a fire-resistant pole wrap that was brought to market in 2020.
PHYSICAL	Acute risk	20% of Stella-Jones' facilities are located in southeast U.S., a high-risk zone for hurricanes and tropical storms. We manage the risk of impact to our facilities through the development and implementation of a business continuity plan which leverages our network to ensure uninterrupted service to our customers.

For more information on our climate-related risks and opportunities, please see our 2021 CDP submission which will be published on [CDP's webpage](#).



In 2020, we engaged a third-party to assist us in initiating climate-related scenario analysis. We elected to approach this analysis in stages, and will focus on our facilities and operating base under a scenario with 2°C or less of warming above pre-industrial levels in 2021, expanding the analysis to our supply chain in the years to come. Depending on results, we will determine whether evaluation of other scenarios is warranted. Findings from these analyses will aid us in identifying our climate change related risks and opportunities and support incorporation of climate-related risks into our overall risk management strategy moving forward.



In the coming years, we will align our reporting with the recommendations from the Task Force on Climate-related Financial Disclosures.





We are committed to reducing our emissions, and will assess and publish our targets in the coming year.



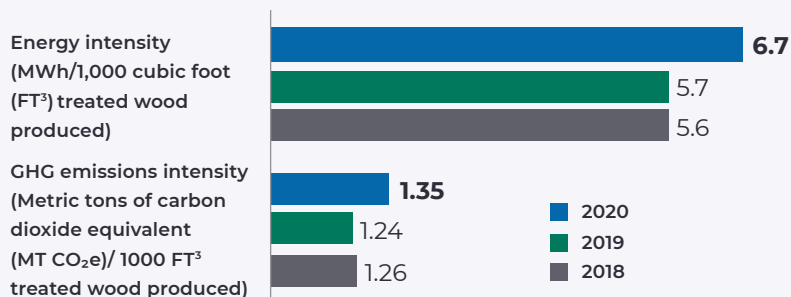
ENERGY MANAGEMENT AND GREENHOUSE GAS EMISSIONS

We recognize the impact that our energy demand has on the environment and we are committed to reducing our Scope 1 and 2 GHG emissions by improving production processes, adopting technology improvements that enhance efficiency and through alternative energy sources.

In 2020, we consumed 727,636 megawatt-hours (MWh) of energy, a 27% increase compared to 2019. This increase was primarily in direct energy usage from onsite fuel combustion, mobile equipment and boilers.

We are exploring opportunities that reduce the use of stationary fuel combustion onsite, such as in our boilers and kilns, as well as reducing reliance on purchased energy through renewable energy projects at our facilities.

ENERGY MANAGEMENT AND GHG EMISSIONS PERFORMANCE⁴



At our Silver Springs, Nevada wood treatment facility, we use onsite wind power to generate electricity. In 2020, we generated 76.9 MWh of electricity, of which 28.3 MWh was used onsite, and the remainder was sold back to the grid. We will continue to seek opportunities for increased energy efficiency, as we work to decrease our Scope 1 and 2 emissions. To help guide our initiatives, we are currently working to develop our data collection and tracking tools to improve visibility throughout our organization and allow for routine analysis of our resource consumption. This will enable us to better understand our impact and prioritize efficiency projects.

While the energy and GHG emission footprint from our operations remains the focus of our reduction efforts, in 2020 we initiated a new project that will help us expand our data capture to include our transportation division. Through acquisitions, Stella-Jones has built a Transportation and Logistics department, equipped with a fleet of 70 trucks, mainly used for the transportation of fibre products across the U.S. In 2020, we registered with the U.S. Environmental Protection Agency's (EPA) SmartWay Carrier program. By joining this program, we are required to submit data including fuel usage, vehicle type and distance travelled to generate our baseline transportation emissions profile for our fleet. Beyond this, we are also initiating discussions with freight carriers across North America, encouraging them to also join SmartWay. In addition, our Transportation and Logistics department continues to seek opportunities for route optimization, such as reducing the distance between points of delivery and new load pick ups to maximize fuel use efficiencies.

⁴Energy and GHG emissions performance data covers treatment facilities, peeling yards, and special services (tie grinding recycling, coal tar distillery, crane mat construction) in Canada and the U.S. It does not cover our transportation fleet, or energy use and associated emissions from sales or head offices. Emissions are calculated using the Greenhouse Gas Protocol, location-based figures using regional emission factors.

ENVIRONMENTAL COMPLIANCE

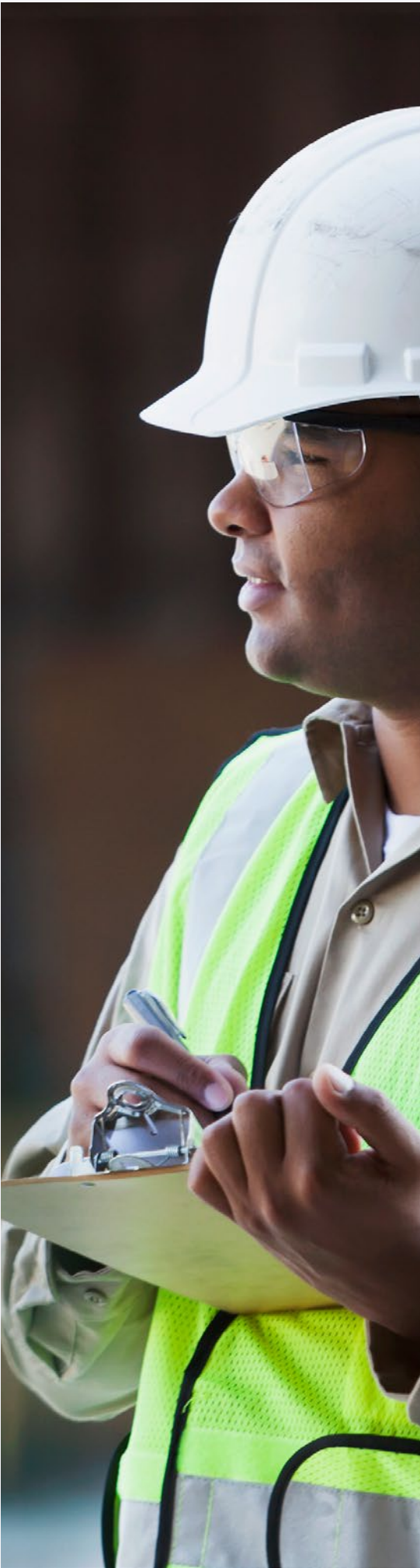
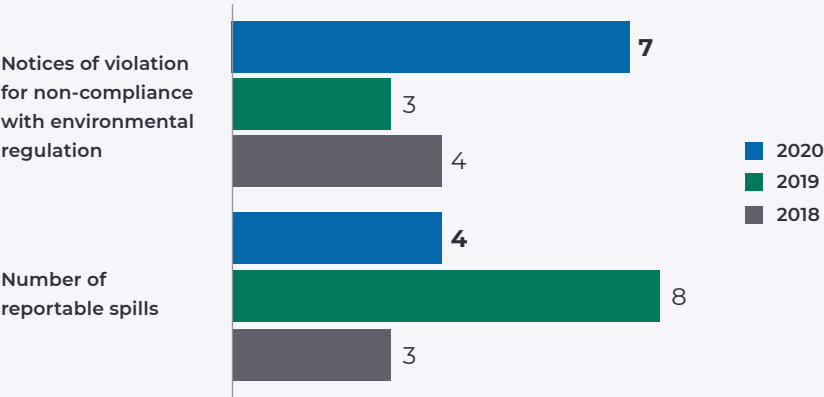
Operating in a heavily regulated industry, we are committed to complying with laws and regulations related to our operations by exhibiting strong governance structures and maintaining open communication with environmental regulators.

Our operations are subject to laws and regulations at local, provincial and state levels, as well as at the federal level that cover a range of aspects, such as water discharge, and air and soil quality. We take necessary measures to comply with these regulations by obtaining relevant environmental registrations, licences, permits and other approvals, as well as by carrying out required inspections and testing, and staying up-to-date in our environmental reporting.

All identified cases of non-compliance are investigated, and we take immediate corrective and preventative measures to avoid future reoccurrence. In 2020, a total of seven notices of non-compliance occurred at three of our 40 treating facilities:

- One out of date labelling of hazardous waste storage, which was rectified immediately.
- One exceedance of the permitted storage capacity for treated wood inventory. To close the violation, the facility modified its air permit in order to be able to increase onsite inventory.
- Five occasions at one facility when stormwater discharges had higher concentrations of total suspended solids than allowed by the discharge permit. This resulted in five separate notices of violation and a monetary penalty. In response, the facility constructed two stormwater retention ponds and has achieved full compliance with the permit.

COMPLIANCE MATTERS





SHIELD - Our Environmental Management System

Our integrated environmental, health and safety management system, SHIELD, is based on the ISO 14001 standard, and stands for Safety, Health, Improved Environment, Leading our Decisions. SHIELD tracks how the EHS Policy and environmental processes are implemented across our facilities. SHIELD is spearheaded by the Vice-President, Environment, Health and Safety, with the support of a North American-wide team of dedicated specialists.

As part of SHIELD, we have put processes in place to support early identification of any risks and hazards that could result in non-compliance due to a change at one of our sites or any existing operations, products, services or suppliers. These processes require that compliance with existing permits and regulations be confirmed prior to any operational changes.

Environmental risks found at the plant level are monitored using a Continuous Improvement Plan (CIP) to identify, rate and manage environmental risks. CIPs are mandated by SHIELD and require all risks to be profiled by risk of environmental impact, severity of the potential impact, potential increased pollutant emissions, and a review of all applicable environmental regulations to determine the significance of the environmental impacts. The determined significance dictates the priority of each aspect when setting corporate and facility-level targets and objectives.

Environmental impacts and risks with a potentially substantive financial or strategic impact are prioritized at the plant level CIP as “significant”. When rating risks, many aspects are considered, including the potential of the matter to impact multiple locations in the organization's facility network as well as its potential to impact customer and shareholder relations and overall reputation of the Company.

Learn more about our enterprise risk management within the [Governance of ESG-related risks](#) section.

EHS Scorecard

On an annual basis, we engage our facilities through the EHS Scorecard, a performance assessment that covers leading and lagging environmental and safety indicators. The EHS Scorecard incentivizes monthly tracking of various plant-level resource metrics, such that this data can be routinely reviewed and compared across locations.

At the end of the year, the President's SHIELD Award is given to the highest achieving plants, accompanied with a cash award that is donated to a charity of choice, local team lunches and other prizes. In 2020, our railway tie plant in Brierfield, Alabama, and our utility pole plant in Rison, Arkansas were recognized for their achievements with this award.



The Scorecard promotes a culture of awareness and accountability, paired with friendly competition amongst the various sites.



AIR QUALITY

Through the manufacturing process of our pressure-treated wood products, combustion emissions such as nitrogen oxides (NOx), sulfur oxides (SOx) and volatile organic compounds (VOCs) are released.

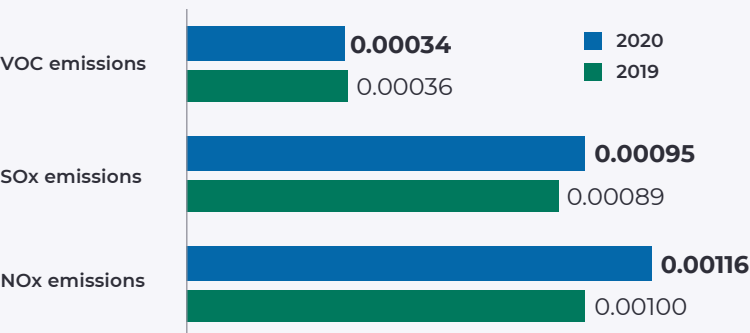
As part of our Air Quality Management Permit Program, we continuously measure and disclose all source emissions as required by our operating permits, submitting reports to government authorities to comply with local air quality regulations and permits. We work closely with our plant operators to identify and reduce air emissions where possible.

We recognize the importance of the communities we work in and commit to limiting impacts and maintaining safe environmental conditions, not only for our employees, but also for our neighbours. We have well-defined plans and procedures to respond to any emergency or environmental, health or safety incident. We maintain an open dialogue and collaborate with our neighbours to ensure their opinions and voices are heard.

In 2020, our VOC, SOx and NOx emissions from onsite fuel combustion increased, due to the increase in direct energy consumption. The VOC emissions intensity decreased 6.7%, while SOx and NOx emissions intensity increased by 5.6% and 15.2%, respectively. These changes reflect differences among emissions from the various fuel types used in onsite combustion at our locations.

AIR EMISSIONS INTENSITY

MT CO₂e/1000 FT³ treated wood produced



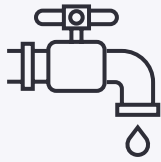
WATER MANAGEMENT

Water is an important resource requiring responsible management. Stella-Jones' facilities generate two types of water which must be managed appropriately – process water and stormwater.

Process water includes water used at our facilities in support of our operations. Stormwater is water from precipitation which has incidental contact with our processes and products as it passes through our facilities.

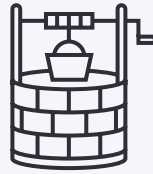
Process water used at our facilities is most commonly sourced from public water systems. While the most significant use occurs at facilities that use waterborne wood preservatives, water use occurs at all treatment facilities for cleaning, heating and cooling during treatment and operational processes, and to control emissions and dust. Water usage is tracked by each facility, and data is entered into our central database on a monthly basis.

WATER SOURCES AT OUR FACILITIES



52%

**of facilities
use public
water systems**



18%

**of facilities
use well water**

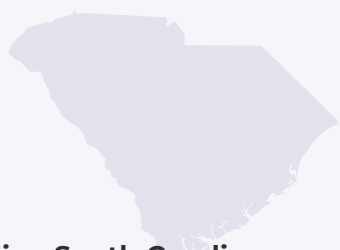


30%

**of facilities use
a combination
of storm water
with public water
systems or wells**

Currently, 50% of our wood treating facilities use waterborne preservatives. At these sites, water use correlates to the amount of treated wood produced, given that it is required in the treatment process to carry the preservative into the wood. Through the process, our objective is to facilitate a closed loop wood treatment process, reusing the water and waterborne preservative mixture to reduce water withdrawal and reuse the wood preservative. Any stormwater that accumulates inside treatment containment areas is reused, mixed with a new preservative solution and used during treatment as a replacement for freshwater withdrawal.

In 2019, we evaluated our presence in water-stressed areas using the World Resources Institute's (WRI) Aqueduct Water Risk Atlas Tool. This analysis determined that nine of our 40 facilities are located in regions designated as having significant regional baseline water stress. Of those nine facilities, three facilities use waterborne preservatives in their operations. These three facilities have been prioritized to identify opportunities for stormwater reuse in operations.



Whitmire, South Carolina

- Medium-to-high baseline water stress
- 4,287,678 gallons used in 2020
- Sourced from stormwater and well water



Eloy, Arizona

- Extremely high baseline water stress
- 1,460,000 gallons used in 2020
- Sourced from public water systems



Carseland, Alberta

- High baseline water stress
- 5,525,000 gallons used in 2020
- Sourced from well water systems

In 2020, water use intensity increased at the Whitmire, Eloy and Carseland facilities, compared to 2019. In all cases, this increase was due to an increase in production, or due to changes in local rainfall and changes in the treating protocol. For additional details of the water-stress assessment, visit our [2019 ESG Report](#).

We implement best management practices to ensure that stormwater is appropriately managed in compliance with environmental regulations and permits. All manufacturing facilities maintain stormwater management plans that detail the methods to be used to reduce or eliminate stormwater contact with wood treating products and feedstocks.

Process water which comes in contact with our wood preservatives must be managed appropriately in one of three ways:

- **Evaporated** — water is treated onsite to remove contaminants which are then reused and then the water is evaporated;
- **Onsite water treatment system** — the systems are designed to capture and remove contaminants to allow for reuse or for discharge; or
- **Discharged to municipality** — water is treated and discharged to a municipal water treatment system via government issued water permits.

Given the dependency of our facilities on water, reductions in consumption may not always be possible. However, we continue to measure and limit our consumption patterns where possible.



WASTE MANAGEMENT

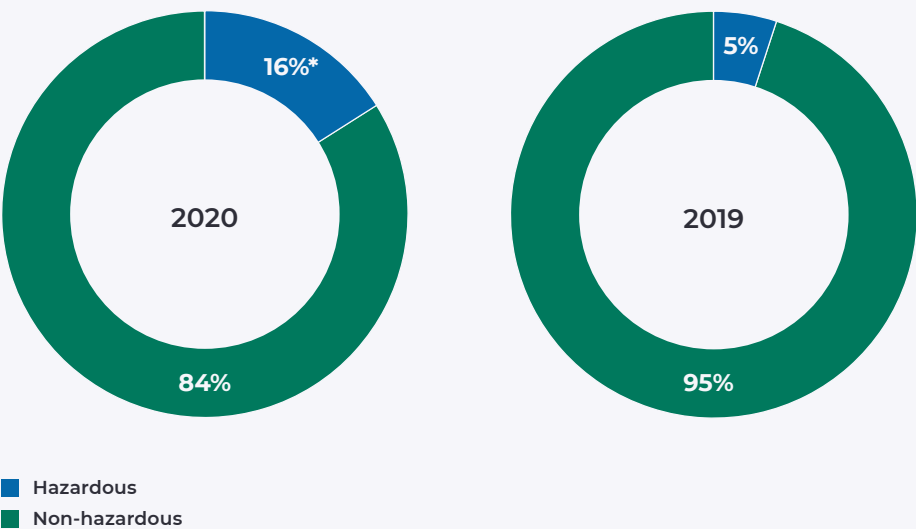
We strive to ‘close-the-loop’ for waste generated at our facilities, reusing as much as possible while diverting what we can from landfills.

Our waste composition comprises hazardous and non-hazardous waste from operations and remediation projects. Non-hazardous waste includes wood by-products and other manufacturing waste, waste generated by employees at plants and other sources. Hazardous waste consists primarily of spent wood preservative contaminated with dust, or metal and wood particles, as well as waste generated through remediation projects that must be disposed of due to the soil quality and presence of contaminants.

Where possible, non-hazardous wood by-products are used as biofuel in our onsite boilers, generating steam for our production processes, reducing our reliance on fossil fuels. Wood preservatives are reused in every instance possible, minimizing hazardous waste generation. Remaining hazardous waste is then shipped to government licensed and approved facilities where it is typically disposed of by way of incineration, energy recovery, stabilization or landfill. Similarly, waste from remediation projects is either recycled, where possible, or disposed of using government licensed and approved facilities. We work closely with our waste management suppliers to ensure that all waste is transported and treated appropriately, according to regulatory requirements to ensure safety and environmental responsibility.



WASTE GENERATION BY TYPE



*In years when we undertake land remediation, we can expect increased reported hazardous waste.



Land Remediation

As part of our product stewardship, we work with regulatory authorities to remediate impacts to the environment from historical wood treating operations, often from acquired sites that were not governed or controlled by today's rigorous standards, removing contaminants in the soil, groundwater, and surface water. Accordingly, in years when we undertake land remediation, we can expect more reported hazardous waste.

As of 31 December 2020, we have a reserve of \$12 million dedicated to site remediation projects, after having spent \$3 million during the 2020 calendar year. As Stella-Jones continues to update its plants and improve its operations in the future, we remain committed to remediating historic contamination to levels that protect human health and environment, and to work closely with regulatory authorities to achieve these objectives.





SECTION 4

Our Product Stewardship



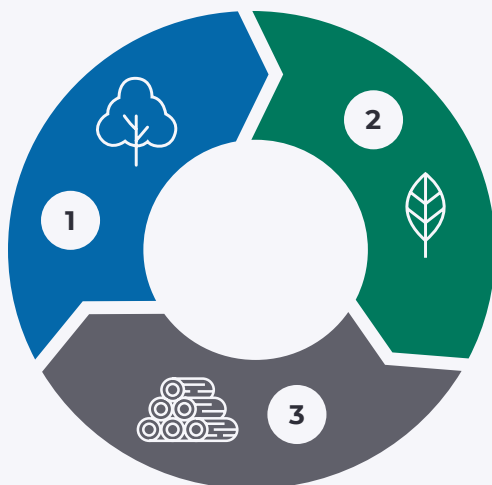
PRODUCT DESIGN AND LIFE CYCLE MANAGEMENT

As a manufacturer of treated wood products, we have an opportunity to support long-term carbon sequestration through the design and life cycle management of our products.

Harvesting and Replanting to Maximize Carbon Sequestration

Young and growing trees have the potential to sequester the highest levels of carbon dioxide from the atmosphere.⁵ As forests mature, the amount of carbon absorbed by trees slows until the tree dies naturally, and carbon is again released into the atmosphere

during the process of decomposition. Wood and other products made from harvested trees hold on to carbon, and treating wood with preservatives while replanting new trees helps to both prolong the sequestration of carbon and restart the cycle of growth.



Step 1

New trees are planted following harvest, and absorption continues.

Step 2

Young and growing trees absorb carbon.

Step 3

Wood is harvested and treated, preserving sequestration for lifetime of product.

The preservatives we use to treat our wood extends product longevity by anywhere from 35 to 60 or more years on average, depending on the wood species, preservative used and area of service. With a longer product lifetime, our customers can reduce the frequency of replacement, resulting in decreased demand to harvest new trees.

Several lifecycle analysis studies show that when compared to other materials, treated wood products have lower overall environmental impacts compared to alternative materials. For more information, please see our [2019 ESG Report](#).

In 2020 with the help of an external consultant, we developed a tool that helps us calculate the amount of carbon sequestered in our treated wood products.

Initial findings from the study show that between 2001 and 2020, Stella-Jones' business operations have sequestered 22.8 million MT CO₂e. This represents an annual average sequestration of 1.13 million MT CO₂e through our wood treatment process. To put the magnitude of this into perspective, our total Scope 1 and 2 emissions in 2020 were 146,447 MT CO₂e – roughly 13% of that which was sequestered in the same year.

This model helps us quantify the embodied carbon of our products, and demonstrate how treated wood has a smaller carbon footprint compared to alternative materials. As our business continues to grow in the coming years, we will contribute to even broader emissions reductions. It is our intent to continuously improve our products and strategies to increase total sequestration.

⁵Pugh, T. A., Lindeskog, M., Smith, B., Poulter, B., Arneth, A., Haverd, V., & Calle, L. (2019). Role of forest regrowth in global carbon sink dynamics. *Proceedings of the National Academy of Sciences*, 116 (10), 4382-4387.

End-of-Life Solutions for Treated Wood Products

At the end of product life, treated wood products can be reused, recycled or disposed of via landfills. Diversion options include repurpose for use in landscaping or in biofuel, as well as other functions depending on the preservatives used.

A range of rules and regulations govern end-of-life disposal. These vary widely across jurisdictions. In most cases across the U.S., disposal plans typically recommend that treated wood is reused in a similar application. Depending on the preservative,

in some cases, wood can be incinerated and used for energy recovery. For products that cannot be recycled, reused or recovered, in most of North America, treated wood is to be disposed of in lined landfills.⁶

While Stella-Jones is engaged in co-developing end-of-life solutions, product disposal or diversion decisions are the user's choice. We work with various stakeholders to explore opportunities for end-of-life diversion. In 2020, examples from our utility pole division include the following:



REUSE

After the customer moves out-of-service utility poles to their designated facility, Stella-Jones' subcontractors retrieve and identify materials which are suitable for reuse as other products. Any materials too small for reuse (less than 10% of total volume) are disposed of in accordance with applicable regulations.



ENERGY RECOVERY

After the customer notifies Stella-Jones of out-of-service poles, we, through our network of subcontractors, coordinate the collection and return of poles to a third-party, who uses the poles as fuel for incineration at a co-generation electric power plant.



⁶Morrell, J. J. (2017, February 4). Protection of Wood: A Global Perspective on the Future. In *Wood is Good*. Springer, Singapore. 213- 226.

MATERIAL SOURCING AND RESPONSIBLE SUPPLY CHAIN

We recognize the importance of sustainable management of forests and we commit to meeting the demands of our customers while providing products that uphold responsible sourcing practices.

The forest industry is regulated at the federal, provincial, state and local levels to promote harvesting timber for maximum sustained yield and biological maturity in order to protect and conserve ecological areas while promoting biodiversity. As the industry is well regulated, customers can have confidence that the products they purchase adhere to responsible forest management. At Stella-Jones, we commit ourselves to complying with all applicable forest management laws and regulations covering the jurisdictions in which we operate. Furthermore, we do not engage in any deforestation, nor do we convert forest to non-forest use. All the sites that we harvest from are replanted per governmental reforestation management requirements.

Supplier Profile

We work with over one thousand fibre suppliers across North America, ranging from small family owned businesses to large sawmills with greater volumes:

- **Utility poles:** Harvested or purchased from forest tenures, timber sales programs or private woodland owners.⁷
- **Railway ties, residential lumber and industrial products:** Purchased pre-cut from over a thousand sawmills across Canada and the U.S., many of which are small, family-owned businesses.

Forest Tenures

Forest tenures are used to supply utility poles, log trade volumes and other roundwood products. Annually, Stella-Jones may harvest 154,480m³ from forest tenures in British Columbia and Manitoba.

As an extended requirement of our procurement contracts, suppliers are required to comply with all applicable country, regional and local regulations and laws pertaining to sustainable forestry and forest management practices. Our buyers and foresters review our suppliers' efforts diligently and regularly perform monitoring and site-level reviews to ensure their cooperation. These include review of log origin with loggers and sawmills, encouraging mills to participate in regional and national forestry associations that promote sustainable forestry and forest management practices, and encouraging mills to work with loggers that have a Master Logger Certification.

Stella-Jones recognizes that as procurement efforts typically take place in close proximity to our facilities, local purchasing can have a significant impact on the rural communities in which we operate. For more information on how we support local communities through our procurement activities, see [**Supporting Economic Performance**](#).



⁷Timber sale refers to right to harvest a piece of land over a period of time following an auction.



Third-Party Certifications

Forestry certifications are used as a market-based tool to safeguard the world's forests and help companies and landowners improve their environmental performance while creating transparency in supply chains. In 2020, about 11% of the world's forest area, equivalent to 1 billion acres, was certified, with the United States and Canada accounting for approximately 9% and 40% of the world's certified forestland, respectively.⁸ At Stella-Jones, we collaborate with our retail customers to select third-party certified lumber. In 2020, approximately 83% of our residential lumber for the Canadian market by volume, and 88% in the U.S. market was procured from third-party certified sources, such as The Programme for the Endorsement of Forest Certification (PEFC) or Sustainable Forest Initiative® (SFI®).

Third-party forestry certifications are complex and require detailed and rigorous controls to complete. Smaller, family-owned operations, including many of our suppliers, may not have the resources to obtain third-party forestry certifications. While Stella-Jones does not require third-party forestry certification for all wood products, we work closely with suppliers to promote efficient, equitable and sustainable forest partnerships for improved protection and management of the lands we depend on. Furthermore, through our participation in multiple forestry, wood and manufacturing associations, we work closely with member mills and other groups that promote sustainable forest management practices.

⁸U.S. Endowment for Forestry and Communities (2020). The State of America's Forests: Certified Forests; and Government of Canada (2020). Forest certification in Canada.




PRODUCT RESPONSIBILITY

Treating wood with preservatives protects it from decay and pests through controlled pressure impregnation that repels wood-destroying organisms.

This protection helps to produce a high quality product that will last far longer than non-treated wood products, with a lower environmental footprint to alternative materials, such as steel or concrete.

Our objective is to produce a superior quality product that meets the demands of our customers. We work with our clients to meet their specifications, offering a variety of combinations of material and treatments to suit their needs.

Wood Preservatives Used in our Products

UTILITY POLES	
<ul style="list-style-type: none">• Chromated Copper Arsenate• Creosote• Copper Naphthenate• Pentachlorophenol	
RAILWAY TIES	
<ul style="list-style-type: none">• Creosote• Borate• Copper Naphthenate	
RESIDENTIAL LUMBER	
<ul style="list-style-type: none">• Micronized Copper Azole• Alkaline Copper Quaternary• Copper Azole	



Through both our own research and testing and through collaborative partnerships, we continue to broaden our wood preservative offerings. A recent example is our collaboration with a third-party manufacturer for the application of Dichloro-octoyl-isothiazolinone (DCOI) for wood utility poles preservation. A notable feature of this preservative is that it is not classified as a Restricted Use Pesticide. For each new preservative offering, we refresh our protocols in order to meet our Company's well-established standard for wood treatment.

We comply with all federal, state, local, and provincial laws and regulations specific to the products that we handle, including those from the U.S. Environmental Protection Agency and Canada's Pesticide Management Regulatory Agency. At our treating facilities, we implement the highest standards of safety and strictly control wood preservative storage and usage. Preservatives are stored onsite in specialized containers, and both the storage and treatment areas are placed within a secondary containment, to ensure that should any release occur, preservatives remain contained within our own systems.

Spill contingency plans are in place at all our facilities, outlining processes to control and clean up any incident including notifying authorities, where required. Once a cleanup is completed, a containment effectiveness evaluation and spill plans are undertaken, along with corrective actions to prevent any future reoccurrence.

Safety data sheets are provided to all our customers and are accessible to all workers, which outline all important information regarding the proper handling and use of wood preservatives to assure enduring health and safety and minimal environmental impact. Safety data sheets can also be found on our [Products Webpage](#).



**Through research,
testing and collaborative
partnerships, we continue
to broaden our wood
preservative offerings.**



INNOVATION

Innovation and technology are essential to addressing the challenges and needs of our customers, while also minimizing the environmental impacts of our products.

Our focus on innovation also enhances our core product offerings and capitalization of growth opportunities. Technology improvements play an important role in making our workplace safer and optimizing efficiencies. We have made significant investments in research and development to deliver innovations that address our customer challenges and generate growth for our business.

Electrifying Gas Dryers in Gatineau, Quebec

In 2020 we replaced three gas fired kilns at our Gatineau, QC plant with two more efficient kilns, powered by hydro electricity. The new kilns are 20% more efficient than steam powered units and 15% more efficient compared to those powered by natural gas. This change provides lower and more stable energy costs, improved energy efficiency and reduced annual maintenance – all reducing our environmental footprint as well as accelerating our return on investment.

Overall, these changes have reduced GHG emissions at this plant in 2020 by approximately 1,882 t CO₂e. We hope to expand this initiative to other facilities in the future.

Using Innovation to Promote Safety and Increase Efficiencies

Our focus on innovation and our ability to leverage technological improvements have allowed us to automate a number of our processes that have traditionally been more manual in nature, such as stacking and steel plating railway ties and pre-framing utility poles. We are constantly keeping abreast of technological advances to identify and implement efficiencies that can allow us to direct human talent to higher-value processes and procedures.

ROBOTIC STACKERS

Railway ties are delivered to our treatment plants, where they are temporarily stored for air drying prior to the treatment process. Traditionally, the stacking process uses a knuckle boom crane to position the ties and a ground employee to space the ties, typically using a 1'x1' wood spacer. This approach for stacking the ties can lead to bottlenecks that slow down the process and may expose employees to safety hazards during the stacking process. To date, we have invested in robotic stackers at four of our facilities to automate the stacking process, increase productivity, reduce costs and decrease the risk of injury. The implementation of robotic stackers has resulted in the following benefits:

- Elimination of fossil fuels required for the operation of knuckle boom cranes;
- Near elimination of injuries resulting from the stacking process;
- Reduction in maintenance costs, as robots require less maintenance than traditional machinery;
- Increased employee safety resulting from a decrease of exposure to moving parts and the stacking process; the robots operate in an interlocked cage and have safety mechanisms to cease operations if the cage door is open; and
- Increased stack stability and consistency, reducing potential hazards in the stack yard.

TIE PRE-PLATING

Historically, steel plates are fastened manually to railway ties. This process can be laborious and involves repetitive heavy lifting, bending and vibration from driving spikes by the individual completing the fastening. We automated the process at two of our facilities by developing a machine to complete the process of pre-plating by attaching the steel plates to the tie, eliminating the need for human intervention. This innovation has allowed us to redeploy our workers to processes where their labour is safer and of higher-value.

AUTOMATED FRAMING

Value-added services at our pole facilities include offering pre-framed utility poles and groundline preparation to enhance preservative penetration and pole life performance. In 2020, our team worked with automation experts to develop and validate a unique robotic solution to the framing process. In 2021, our Eugene, Oregon facility will be constructing a robotic line that is expected to replace the manual tasks, enhancing safety and efficiencies.

FIRE-RESISTANT WRAPPED POLES

With the increase in severity of wildfires, our utility pole division customers are seeking opportunities to increase their resiliency to possible fires. Through 2018 and 2019, our team developed an intumescent fire wrap to provide protection to utility poles in wildfires. For more information, please see our [Climate Change section](#).

Industry Collaboration

Working with others in the industry helps us further advance our ESG practices – finding new solutions to challenging problems, while also sharing the knowledge we acquired to build a better working world. Throughout our business, we collaborate with committees, technical institutes and universities, and industry working groups, including:

-
- American Association of Railroads
 - American Coke and Coal Chemicals Institute (ACCCI)
 - American Lumber Standards Committee
 - American National Standards Institute
 - American Railway Engineering and Maintenance-Of-Way Association
 - American Society of Civil Engineers (ASCE)
 - American Wood Protection Association
 - Appalachian Hardwood Utilization Group
 - Canadian Standards Institute
 - Clearfield County LEPC
 - Creosote Council
 - Dalhousie University
 - Electric Utility Industry Sustainable Supply Chain Association
 - Forest Products Laboratory
 - GoRail
 - International Research Group
 - Lake States Lumber Association
 - Mississippi State University - Wood Sciences
 - National Railroad Contractors Association
 - North American Wood Pole Council
 - Northwest Public Power Association
 - Oregon State University Environmental Performance of Treated Wood Research Cooperative
 - Oregon State University Utility Pole Research Cooperative
 - Pavement Coating Technology Council (PCTC)
 - Railway Tie Association
 - Real American Hardwood Promotion Coalition
 - Rural Utilities Service
 - Southern Pressure Treaters Association
 - The Engineered Wood Association (APA)
 - Timber Products Inspection
 - Treated Wood Council
 - Western Wood Preservers Institute
 - Wildfire Interdisciplinary Research Center of California
 - Wood Preservation Canada
 - Wood Quality Control, Inc. Pole Inspection
 - West Virginia University
 - University of Tennessee
 - Canadian Wood Council (CWC)





Working with others in the industry helps us further advance our ESG practices – finding new solutions to challenging problems, while also sharing the knowledge we acquire to build a better working world.







SECTION 5

Our People



MAINTAINING SAFE OPERATIONS UNDER COVID-19

As an essential business, all of Stella-Jones’ facilities have remained open and fully operational to serve vital industries throughout the COVID-19 pandemic.

From March 2020 onwards, our Human Resources team and health and safety professionals, with the support of all of our departments and the endorsement of senior management, put in place detailed sanitation and hygiene directives, distancing and testing, as well as protocols and procedures throughout the organization to provide our employees with the highest degree of assurance for their continued health and safety.

Throughout the year, our senior leadership team met frequently with the Board of Directors and exercised significant oversight and monitoring of the Company's efforts to reduce risks related to COVID-19, while safeguarding our shared values of integrity and accountability.

All non-production employees who were able to work from home were encouraged and equipped to do so. With an already strong culture of health and safety at our sites, the introduction of rigorous new precautions was well received and quickly implemented across our network. The ability to adapt quickly and effectively has proven our resilience and will leave a lasting impression on how we conduct business.

Through 2020, we did not experience any significant disruptions to operations due to COVID-19. While some employees have tested positive for COVID-19, our instituted protocols allowed us to continue operations without any wider outbreaks.

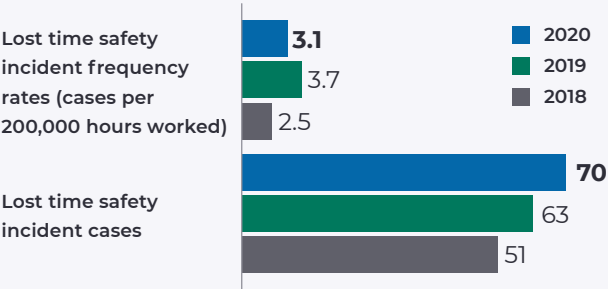
HEALTH AND SAFETY

Providing a safe and healthy working environment is paramount to our business.

As employees and other parties who work onsite may be exposed to various work-related hazards and risks, all employees, contractors and other visitors to our workplaces are responsible for following safe work protocols.

In 2020, we continued to improve in our lost time frequency rate. The most common types of injuries resulted from slips, trips and falls, and injuries from the use of hand tools. The increase in lost time cases is due to the increase in total hours worked between 2019 and 2020. Additionally, our incident rate is below the US OSHA Average Lost time (DART) frequency rate for 2019 and 2018 of 3.5.⁹

SAFETY PERFORMANCE⁹



⁹Health and safety performance data covers all employees and excludes contractors. Contractor health and safety data, which is being reported on for the first time in this Report, can be found in the Appendix.
¹⁰Industry average based on 2019 Bureau of Labor Statistics for the wood product manufacturing industry (NAICS 321xxx). Industry average rates for 2020 are not available as at the time of publishing this Report.



Environment Health and Safety Management System

Our integrated management system, Safety Health Improved Environment Leading our Decisions (SHIELD), helps to build the strong foundation of safety programs at the Company. It is applied to all workers and contractors performing work on behalf of Stella-Jones, is endorsed by senior management and represents the following commitments:

- Compliance with all applicable legal and other requirements related to environmental matters as well as health and safety hazards;
- Continuous improvement, pollution prevention and conformity with our environmental, health and safety requirements;
- Protection of employee and contractor health and safety, and the environment in which we operate;
- Communication and employee participation at all levels;
- Ongoing employee EHS training; and
- Effective assessments of the SHIELD management system using key performance indicators.

EHS Department Structure, Activities and Mandate

In 2020, we centralized the North American leadership of the Environment, Health and Safety role. This is now led by the Vice-President of EHS, streamlining decision making and enabling more fluid management of SHIELD across all worksites in Canada and the U.S. The Vice-President of EHS is supported by a team of full-time EHS professionals with over 20 years, on average, of practical EHS experience.

EHS personnel are responsible for carrying out EHS auditing and inspections, employee training, assistance in devising and implementing corrective actions, and for developing new or improving existing EHS policies, programs, procedures and guidance. In addition, nearly every wood treating facility in our network has a dedicated, on-site EHS resource.

EHS Employee Training Program

Employee training remains a key focus of SHIELD. It is important that each individual is primed for success by ensuring that they are knowledgeable and confident in carrying out the full duties of their positions. Internal audits are conducted regularly at each site to ensure that high levels of safety awareness and practices are maintained throughout all operations.

Training is deployed based on identified needs, recognized risks and hazards at each job site according to SHIELD requirements. Our EHS training program lists all required health and safety trainings, frequency details as well as the associated regulatory requirements.

Safety on the Road

Each truck in our transportation fleet is equipped with speed monitoring devices and dash cameras. This changes driver behaviour by reducing average speed and helps us understand the most common types of incidents that occur on the road. Using data collected from these two monitors, we are able to reward our drivers on a monthly, quarterly, and annual basis and to encourage safe driving habits.

In 2020, we celebrated the exceptional driving record of one of our drivers, who after 46 years on the road and driving over four million miles, is accident free.



HUMAN CAPITAL

Stella-Jones' success would not be possible without our over 2,250 dedicated employees.

To further promote our shared values, our Human Resources strategy focuses on creating a workplace that:

- Embraces change and welcomes diverse perspectives;
- Is respectful and inclusive;
- Rewards performance and promotes collaborative teamwork; and
- Prioritizes retention and cultivation of talent and fosters opportunities for career advancement.

OUR WORKFORCE IN 2020



In 2020, we initiated a Company-wide migration to our new human resources cloud-based application, Ceridian Dayforce. This new platform will centralize all human resources data onto one platform, including payroll, benefits, and workforce and talent management, enabling a more intuitive and accurate accounting of human capital management. The platform is also expected to fully automate and improve consistency for onboarding and training of new employees, and support a more interactive and connected experience, enabling access to important resources, such as vacation and tax forms all in one place. The migration is expected to be completed in 2022.



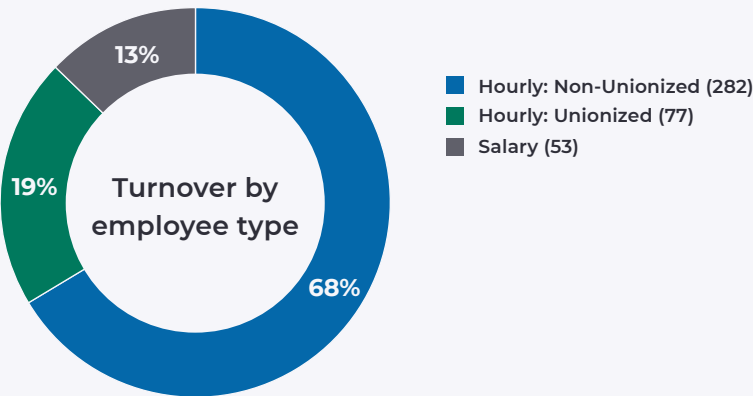
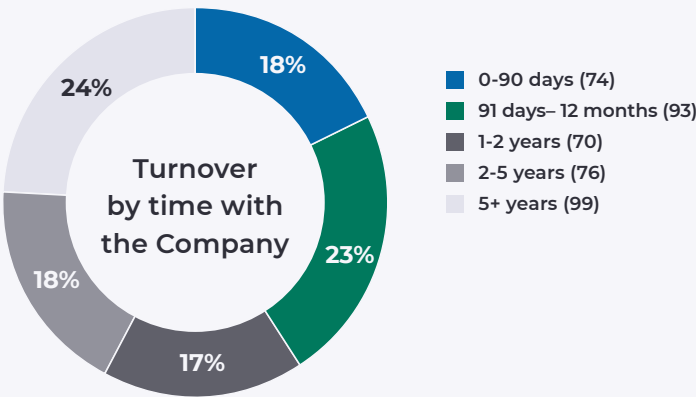
Recruitment and Retention

Stella-Jones seeks to recruit individuals who desire a working environment that inspires growth, recognizes dedication and rewards achievement.

Overall, our turnover rate remains consistent with previous years. Though the overall rate has not changed, there is variance at the category level, partially due to the expansion of production, requiring new afternoon and evening shifts, a common trend in the manufacturing industry. For a breakdown of turnover by time with the Company and by contract type, please see the [Appendix](#).

EMPLOYEE TURNOVER IN 2020

412 total



Employee Onboarding and Training

Once an individual confirms their employment with Stella-Jones, our Human Resources team appoints a contact point to walk through our values, key policies and procedures, and provides a copy of the Employee Handbook. Induction training for new employees at facilities typically will last two to three weeks in order to deliver a thorough orientation to the production environment.

Certain training programs were paused through 2020 as a result of the redirection of efforts to health and safety due to COVID-19 which was compounded by the suspension of travel and limitations on gatherings. Early in 2020, prior to travel restrictions, we hosted two multi-day Supervisor and Manager training sessions, covering topics such as EHS training, sales, employee engagement, spill response and sustainability initiatives. Furthermore, we are currently undergoing a system migration to a new ERP system that will centralize data across Canada and the U.S. (including vendor profiles, inventory and payment tracking, logistics, etc.), and many employees are receiving significant training to support the rollout.

Succession Planning

Early identification and planning for succession is critical to maintaining a skilled and agile workforce and key to managing human capital risk within our organization. Prior to 2020, in anticipation for the upcoming retirement of certain executives in critical roles, we took the opportunity to review business needs and consolidated business segments throughout the Company, evaluated leadership readiness and bench strength and expanded the scope and responsibility of several existing senior leadership functions. In addition, due to the early identification of possible impending leadership gaps, we were able to hone the development of high-potential managers and directors throughout the Company with opportunities to train and expand their skills, in order to ready them to be equipped to step into important roles with little or no disruption to the business.

Going forward, we will continue to dedicate our energy towards anticipating potential vacancies in principal, strategic and specialized positions to pinpoint the strongest succession candidates, communicate with them about their career aspirations and step-up professional training and developmental efforts. Doing so will increase the potential range of critical abilities to ensure we are readying high potential talent, simultaneously preparing the Company for long-term success. Succession planning is overseen by our Board, who receives annual updates and a succession plan report from the Vice-President, Human Resources, which identifies high-potential talent, their qualifications as they relate to future vacancies, and opportunities for training and support required to fill roles in the future.

Compensation and Benefits

Our employee benefit programs include a comprehensive health insurance plan (medical, dental, prescription and vision care) and employee assistance for services such as counseling, legal resources and financial resources (including retirement savings plans with employer contribution matching). In the U.S. and Canada, employees have opportunities for tuition assistance for accredited college courses that allow them to pursue education aligned with their job function and personal development plan.

In addition to providing health benefits, our team works in collaboration with insurance providers to obtain information on common non-work-related health risks at the site level. With this data, we can run various health campaigns, such as smoking cessation, healthy eating or exercise programs to promote preventative health measures and keep our employees mindful of positive and life-enriching practices.



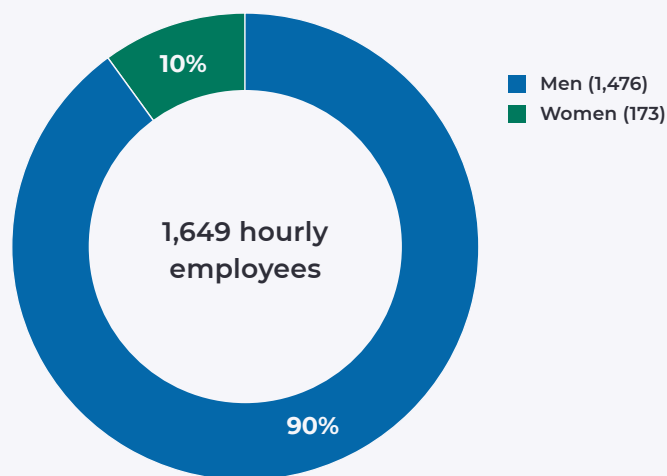
DIVERSITY & INCLUSION

We recognize the benefits of having a diverse workforce in bringing a range of perspectives and insights to our Company, contributing to increased productivity, creativity and overall engagement and improved culture.

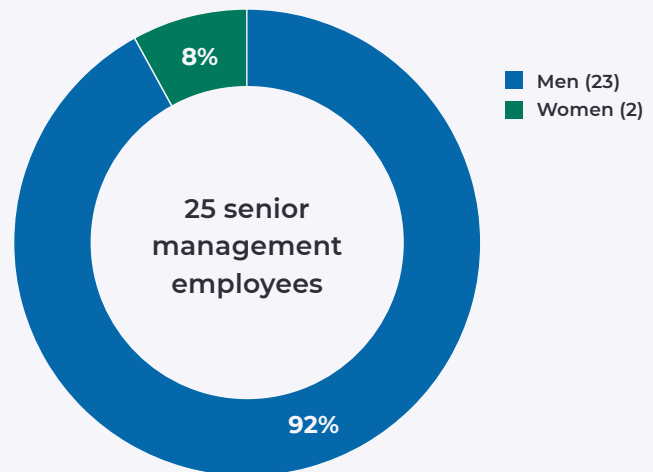
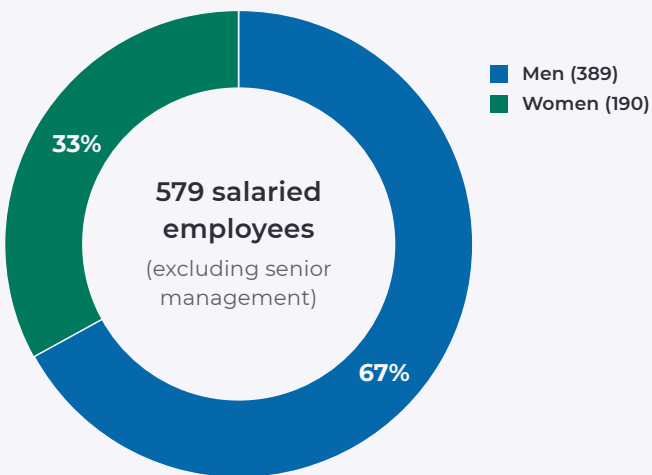
Stella-Jones is committed to an inclusive, accepting and respectful work environment where our employees are valued for their diverse backgrounds and perspectives, regardless of race, colour, religion, sex, sexual orientation, gender expression or identity, national origin, ancestry, age, mental or physical disability, veteran or military status or other diverse attributes. We are committed to treating our workers equally and promoting equity for all, while empowering our employees to develop as professionals, growing their personal talents and skillsets for success.

In our workforce, women account for 8% of employees at the senior management level, 33% of salaried employees (excluding senior management), and 10% of hourly employees.

EMPLOYEE DIVERSITY



Stella-Jones does not currently collect diversity metrics for employees in Canada related to race, ethnicity, or other minority groups.



Board Diversity Policy

The Company's Board of Directors recognizes the value and benefits of a Board that is composed of highly talented, experienced and diverse individuals.

Our Board Diversity Policy mandates that all nominations are to be made on merit, in the context of the competencies of each proposed member and the skills identified as being required by our Governance and Nomination Committee. While we do not have a target in place for Board diversity, as we seek to foremost consider the qualifications of candidates, regardless of gender, ethnicity, age and other dimensions, we consider criteria that promotes diversity and inclusion in our selection process. We give careful consideration to include qualified female candidates when making recommendations for nominees, in addition to other minority groups, and engage independent external advisors to assist in conducting candidate searches. In addition, as part of the annual performance evaluation of the effectiveness of the Board, its committees and individual directors, the Board considers diversity representation and other factors relevant to its effectiveness on an ongoing basis.

As of December 31, Stella-Jones' Board of Directors comprised nine members, three of whom are women. The Company's Chair of the Board and Chair of its Audit Committee are both women. Effective January 1, 2021, one additional woman was added to the Board, increasing the percentage of women from 33% to 40%. There are, at present, no Indigenous peoples, persons with disabilities or members of visible minorities on the Board.

Improving Diversity at Our Board Level

In late 2020, Ms. Anne Giardini was appointed to our Board of Directors, effective 1 January 2021. Ms. Giardini serves on numerous public and private Boards and brings in-depth knowledge and experience as Chair of various Health and Safety, Governance, Human Resources, Audit and Compensation Committees.





We are committed to providing discrimination- and harassment-free environments.



Maintaining a Safe and Fair Working Environment

We are an equal opportunity employer and our recruiting, hiring, training practices and promotions for all job titles reinforce our commitment to giving all qualified individuals a fair opportunity for employment. Employment and professional development decisions are based on business needs, job requirements and individual qualifications when selecting new or existing candidates. We are committed to providing discrimination- and harassment-free environments where all employees are respected and protected from unwelcome or degrading conduct that undermines either their psychological or physical dignity. Our workplace harassment policy is intended to foster a culture of inclusiveness by promoting mutual respect, as well as open and equitable treatment, communication and collaboration between all our people, everyday. For more information, please see Stella-Jones' **Workplace Discrimination, Harassment and Violence Prevention Policy**.

U.S. Affirmative Action Program

In addition to our internal corporate policies, Stella-Jones reflects diversity and inclusion through our U.S. Affirmative Action Program. This program allows us to recruit and develop our pool of qualified job candidates while reflecting the diversity of the communities we operate in, gathering and monitoring data related to individual race/ethnicity, gender, disability status and protected veteran status. This aids us in better selecting qualified applicants and employees for job positions, compensation increases and other terms and conditions of employment. In an effort to support this, all U.S. employees in management and supervisory roles receive training on the Affirmative Action program on a regular basis through annual compliance training.



SECTION 6

Our Governance Principles



CORPORATE GOVERNANCE

Strong governance is essential to Stella-Jones’ long-term growth and solid foundation. Our Board of Directors is responsible for monitoring, evaluating, and contributing to the strategic and operational direction of the Company.

COMPOSITION OF OUR BOARD OF DIRECTORS

9	Board Members (up from 8 in 2019)
89%	Independent Board Members (up from 88% in 2019)
33%	Female Board Members (down from 38% in 2019, increased to 40% as of January 2021)





Our Board Mandate sets out the Board's key responsibilities, including the adoption of a strategic plan, overseeing company performance, identification of principal risks, succession planning, internal controls, development of a disclosure and communications policy and assuring the integrity of the CEO. The Mandates of the Board and its Committees are reviewed and approved by the Board annually. To ensure effective management oversight, eight of nine members are independent: the sole non-independent member being the Company's CEO. Independent directors hold in-camera meetings at each regularly scheduled and special Board meeting, which provides ample and regular opportunity to discuss matters of importance 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 objective opinions. The Board has four Committees, all of which are composed solely of independent Directors:

- Audit Committee
- **Environmental, Health & Safety Committee** ←
- Remuneration Committee
- Governance and Nomination Committee

Expansion of EHS Committee Mandate

In 2020, we adjusted the Mandate of the Environmental, Health & Safety Committee to include all matters relating to corporate social responsibility (CSR). This adjustment expanded the committee's responsibilities to include advising and assisting the Board on matters relating to improved long-term objectives for improved CSR, the impact of CSR on the Company's long- and short-term business strategies and the allocation of corporate resources for effective CSR management. The EHS Committee also now holds the responsibility to review the Company's annual ESG Report prior to submission to the Board for approval and publication.

Board Renewal

Our philosophy is to continually enrich the quality of the Board by balancing the benefits of fresh ideas and perspectives of new directors with the more developed business knowledge of Stella-Jones that seasoned members have gained while serving on the Board. Acknowledging this, the Board Diversity Policy has established 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. The Board annually reviews and if advisable, modifies its Board Diversity Policy in order to maximize its effectiveness in reaching overall objectives. For more information on Board Diversity, please see [Diversity and Inclusion](#).

Our Chair of the Environmental, Health & Safety Committee

In 2020, Mr. Douglas Muzyka was appointed as Chair of the Board's EHS Committee. Bringing his exceptional technical skillset, wealth of experience and in-depth understanding of environmental, health and safety management systems to Stella-Jones.

In his role as Chair, Mr. Muzyka will ensure that the Committee's activities and priorities are consistent with and fulfill the Committee's mandate in order to enable it to fully and efficiently carryout its duties to better advance both the EHS Committee and ESG strategic direction of the Company.



Compensation Plans and Policies

The Remuneration Committee advises and assists the Board with policies regarding compensation benefits and salaries of senior management, as well as profit sharing and the allocation of long-term incentives. Based on a pay-for-performance philosophy, in 2019, the Board engaged an independent executive compensation advisory firm to explore trends in CEO and executive compensation to look at best elements of compensation mix, and to carry out a comprehensive review of the Company's programs and practices with a goal to develop a new CEO short-term incentive award and a Company-wide long-term incentive plan.



Following this review, in December of 2019, the Board of Directors adopted a new long-term incentive plan, a "Stock Unit Plan" (SUP) which was rolled out to employees during 2020. The SUP applies a "pay-for-performance" compensation philosophy applicable to the Company's executive team, where an important portion of their compensation is variable, at-risk and based on performance against predefined metrics. The SUP incorporates performance share units, is true performance vesting, and depends on meeting certain performance objectives rather than 100%-time alone vesting which characterized the Company's previous long-term incentive plan.

Management is therefore well aligned with the long-term objectives of Stella-Jones.

In addition, in 2020 we introduced our first advisory vote on executive compensation, or "Say on Pay." This allowed shareholders to vote on the remuneration of our executives and key design features of their compensation plans and was well received by our shareholders, who overwhelmingly voted in favour. Moving forward, this will now be an annual resolution brought to shareholders, enabling us to seek their feedback and ensure that we continue to meet the expectations of our important stakeholders.

BUSINESS ETHICS

Our Code of Business Conduct and Ethics (Code) outlines the standard of ethical behaviour and corporate conduct that we expect from our people.

The Code applies to all employees at all levels and sets out basic principles for how all employees shall conduct business and maintain relationships with fellow employees, customers, competitors, business partners and regulatory authorities. The Code incorporates Anti-Hedging and Anti-Bribery Policies that further support the Company's culture of integrity throughout its ranks.

Whistle Blowing Policy

We recognize the importance of protecting our employees by combatting unethical behaviour and misconduct, and thus we provide a company-wide anonymous whistle blowing mechanism through an online portal and hotline for employees who recognize compliance violations of the Code or who wish to report ethical concerns without fear of retaliation or intimidation. Any reports filed through the whistle blowing mechanism and corrective measures undertaken are reviewed quarterly with the Audit Committee.

Executive Clawback Compensation Policy

The Executive Officer Clawback Compensation Policy reinforces that the Company does not tolerate fraud, intentional misconduct or grossly negligent actions. The policy authorizes the Board to commission investigations and to seek reimbursement of both short- and longer- term incentives awarded to executive officers, past and present, in cases of serious misconduct.



**Ultimate governance
over ESG matters lies with
the Board's EHS Committee.**





GOVERNANCE OF ESG-RELATED RISKS

Ultimate governance over ESG matters lies with the Board's EHS Committee.

This Committee monitors issues related to the environment, health and safety, as well as matters relating to corporate social responsibility. Committee members meet on a regular basis with the President and CEO, the Vice-President, Risk Management and General Counsel, U.S. Operations, the Vice-President, Environment, Health and Safety, and the Vice-President, Research and Development who are supported by a team of environment, health and safety professionals, regional general managers, local plant managers, and dedicated health and safety supervisors. Together, they manage EHS matters and ensure that the Company's EHS programs and policies are carried out efficiently and in compliance with applicable legislation, in order to protect the environment, employees and the public.

The EHS Department provides a monthly report to senior management, including the President and CEO, with updates on all environmental projects, any environmental incidents or concerns, regulatory developments, and each facility's current EHS Scorecard progress, including compliance with environmental permits and applicable environmental regulations, for example, air pollutant emissions.

To further bolster governance of ESG matters, our intention is to dedicate a resource to spearhead the forward evolution of ESG priorities throughout the organization.

Risk Identification, Assessment and Management

In 2020, we expanded our Enterprise Risk Management (ERM) team and increased the company-wide visibility of the function with the creation of the Vice-President, Risk Management role with responsibility over the EHS, ERM and business continuity, and all legal aspects of risk management. The team works to ensure that the Company regularly and adequately assesses risks and opportunities that have the potential to impact the Company's overall objectives, including risks related to climate change.

In 2020, we also formalized our Internal Audit Mandate. Internal Audit is an independent and objective assurance and consulting function designed to enhance and protect the Company's value and improve its operations and system of internal controls. It assists the Company in accomplishing its objectives by bringing a systematic and disciplined approach to evaluate the adequacy and effectiveness of the Company's risk management, control and governance processes. The Internal Audit function is established by the Audit Committee of the Board of Directors and its responsibilities are defined by the Audit Committee as part of their oversight role.

SUPPORTING ECONOMIC PERFORMANCE

In line with the Company's business strategy, Stella-Jones seeks to provide long-term value creation, to both shareholders and the wider community.

Having generated \$2.6 billion in total sales in 2020, the Company's capital expenditures range from \$50-\$60 million annually to maintain the quality of our assets, the safety of our employees and the environment, as well as to support organic growth, innovation and productivity.

In our regular business activities, we are able to support rural communities through local procurement. Due to the nature of the forest industry and the size of many of our sawmill supplier's businesses, it can be challenging for suppliers to secure loans from traditional banks. Since 2008, Stella-Jones has offered small business loans to select railway tie fibre suppliers to invest in timber or make upgrades to facilities that in turn, increase efficiencies and production volume. In 2020, Stella-Jones advanced loans to 21 sawmills.

For more information on economic value generated and distributed, please see [Stella-Jones 2020 Annual Report](#).

Our Railway Tie Supplier Profile

We source fibre from over 1,000 suppliers to satisfy the requirements of our railway tie division. The majority (70%) of our total spend on wood originates from within 150 miles of a Stella-Jones facility, and the majority of the mills come from multigenerational family ownership.

Most of these mills are located within rural communities, of which local sawmills are a pillar in their community for employment.





Looking forward

In 2021, we will continue to focus our efforts in areas that matter most - from a strategic and tactical level.

Having greater consensus on our ESG priorities, we are looking to set directional goals and targets aligned to our vision areas, including energy and GHG emissions targets. In addition, we have mapped the next steps for ESG integration across several dimensions, including our governance structures, value chain, stakeholder engagement and in our policies. As we mature, so will our ESG reporting. We look to implement the recommendations set forth by the TCFD, including sharing the initial findings from our climate change scenario analysis.



Our team is energized, and looking forward to delivering on the next stage of our ESG journey.



APPENDIX

Performance Data



ENVIRONMENTAL PERFORMANCE DATA				
Operational data	Unit	2020	2019	2018
Sales	\$ million	2,551	2,189 ¹	2,144
Treated wood production	1,000 FT ³	108,335	100,562 ²	96,615
Energy and GHG emissions				
Energy use ³	MWh	727,636	571,227	542,169
Direct energy	MWh	641,586	488,398	467,269
Indirect energy	MWh	86,050	82,830	74,900
Energy intensity by production	MWh/1,000 FT ³	6.7	5.7 ⁴	5.4
Energy intensity by sales	MWh/\$ million revenue	285.2	261.0	255.3
GHG (scope 1 and 2) emissions ⁵	MTCO ₂ e	146,447	124,949	121,345
GHG (Scope 1) emissions	MTCO ₂ e	118,529	99,720	97,434
GHG (Scope 2) emissions	MTCO ₂ e	27,918	25,230	23,911
GHG intensity by sales	tCO ₂ e/1,000 FT ³	57.44	57.1 ⁶	57.1
GHG emission intensity by production	tCO ₂ e/1,000 FT ³	1.35	1.24 ⁷	1.26
Air emissions				
VOC emissions	MT	37	36	32
VOC emission intensity by production	MT/1,000 FT ³	0.00034	0.00036	0.00032
SOx emissions	MT	102	90	NPT ⁸
SOx emission intensity by production	MT/1,000 FT ³	0.00095	0.00089	NPT
NOx emissions	MT	125	101	NPT
NOx emission intensity by production	MT/1,000 FT ³	0.00116	0.00100	NPT
Water footprint at priority facilities ⁹				
Eloy, AZ	Gallons	1,460,000	1,272,000	NPT
Carseland, AB	Gallons	5,525,000	967,580	NPT
Whitmire, SC	Gallons	4,287,678	3,605,021	NPT

¹Restatement: Sales figures adjusted to conform to the current year's presentation.

²Restatement: Valued updated from 102,083 FT³ in 2019, due to improvements in data collection in 2020.

³Total energy use is equal to the sum of direct and indirect energy. Direct energy is primary energy consumed onsite by Stella-Jones operated facilities and includes energy used from fossil fuels (natural gas, propane, diesel). Indirect energy includes imported electricity, steam, heating and cooling from third-parties and excludes energy used from self-generated renewable sources.

⁴Restatement: Valued updated from 5.6 MWh/1,000 FT³ in 2019, due to update in sales figures from 2019.

⁵Scope 1 and scope 2 emissions from direct and indirect energy sources.

⁶Restatement: Valued updated from 57.6 tCO₂e/\$ million revenue in 2019, due to update to sales figures in 2019.

⁷Restatement: Valued updated from 1.22 tCO₂e/1,000 FT³ in 2019, due to updated to treated wood production figures.

⁸NPT: not previously tracked.

⁹Facilities using waterborne preservatives and are located in areas with baseline water stress.

Operational data	Unit	2020	2019	2018
Waste management				
Total waste generated ¹⁰	MT	10,949	32,694 ¹¹	10,909
Total weight of hazardous waste	MT	1,794	1,686 ¹²	1,547
Total weight of non-hazardous waste	MT	9,155	31,008	9,362
Landfilled waste	MT	9,391	15,016	8,045
Waste intensity by sales	MT/\$ million revenue	4.3	14.9	NPT
Waste intensity by production	MT/1,000 FT ³	0.1	0.3	NPT
Environmental compliance				
Reportable spills	Number	4	8	3
Notices of violation for non-compliance with environmental regulations	Number	7	3	4

SOCIAL PERFORMANCE DATA					
Employment	Unit	2020	2019	2018	
Total employees	Number	2,253	2,186	2,126	
Female employees	Number	366	354	329	
	%	16	16	16	
Male employees	Number	1,887	1,841	1,797	
	%	84	84	84	
Unionized employees ¹³	Number	404	392	326	
	%	18	18	20	
Gender diversity by employee category and age					
Hourly	Male	<30	287	NPT	NPT
		30-50	673	NPT	NPT
		over 50	516	NPT	NPT
	Female	<30	29	NPT	NPT
		30-50	76	NPT	NPT
		over 50	68	NPT	NPT
Salaried (excluding Senior Management)	Male	<30	19	NPT	NPT
		30-50	187	NPT	NPT
		over 50	183	NPT	NPT
	Female	<30	15	NPT	NPT
		30-50	91	NPT	NPT
		over 50	84	NPT	NPT

¹⁰Total waste generated reflects the sum of hazardous and non-hazardous waste generated throughout Stella-Jones' operations.

¹¹Restatement: Valued updated from 32,667 MT in 2019, due to improvements in data collection in 2020.

¹²Restatement: Valued updated from 1,659 MT in 2019, due to improvements in data collection in 2020.

¹³Unionized workforce data is only applicable in areas where there is a unionized environment.

Employment	Unit		2020	2019	2018
Salaried (Senior Management)	Male	<30	0	NPT	NPT
		30-50	6	NPT	NPT
		over 50	17	NPT	NPT
	Female	<30	0	NPT	NPT
		30-50	0	NPT	NPT
		over 50	2	NPT	NPT
New hires and employee turnover					
New hires	Number		480	494	NPT
	%		21	23	NPT
Turnover	Number		412	415	NPT
	%		18	19	18
Turnover by time with the Company and contract type					
0-90 days	Number		74	92	NPT
	%		18	22	NPT
91 days–12 months	Number		93	80	NPT
	%		23	19	NPT
1-2 years	Number		70	60	NPT
	%		17	14	NPT
2-5 years	Number		76	67	NPT
	%		18	16	NPT
5+ years	Number		99	116	NPT
	%		24	28	NPT
Salary	Number		53	50	NPT
	%		13	12	NPT
Hourly Unionized	Number		77	45	NPT
	%		19	11	NPT
Hourly Non-Unionized	Number		282	320	NPT
	%		68	77	NPT

Employment	Unit	2020	2019	2018
Health, safety and well-being				
Employees				
Fatalities	Number	0	0	0
Lost time injury cases ¹⁴	Number	70	63	51
Lost time injury frequency rate	Injuries/200,000 hours worked	3.1	3.7	2.5
Contractors¹⁵				
Fatalities	Number	0	0	0
Lost time injury cases	Number	5	3	3

GOVERNANCE PERFORMANCE				
Governance		2020	2019	2018
Board of Directors	Number	9	8	9
Of which are independent from Management	Number	8	7	7
	%	88	88	78
Of which are women	Number	3	3	4
	%	33	38	44

¹⁴Based on DART (days away, restricted or transferred), a safety metric required by the United States Occupational Safety and Health Administration. Lost time incident refers to injuries that result in days away, restricted duty or transferred to a new job type. Lost time injury frequency rate is calculated as (total number of recordable injuries and illnesses that caused a worker to be away, restricted or transferred x 200,000) / total number of hours worked by all employees (200,000 represents the number of hours that 100 employees will work over a 50-week span (leaving out two weeks to account for holidays), assuming a 40-hour work week).

¹⁵Contractor health and safety data reported for the first time in this Report. Contractor data is extracted from ARMOR. Contractor data in this Report covers U.S. facilities only, and will expand to Canadian facilities in 2021.



APPENDIX

GRI and SASB Content Index



This Report has been prepared referencing the GRI Standards and SASB's Building Products and Furnishings Standard.

Please find the below combined Content Index indicating the relevant standards referenced in the preparation of this Report.

GENERAL DISCLOSURES

Standard	Number	Disclosure	Location and notes
102: General disclosures 2016	102-1	Name of the organization	Stella-Jones Inc.
	102-2	Activities, brands, products, and services	Our Business (pg. 10-12) 2020 Annual Report (pg. 9-17) More information about Stella-Jones can be found on our <u>Company webpage</u> .
	102-3	Location of headquarters	Stella-Jones Inc. 3100 de la Côte-Vertu Blvd. Suite 300 Saint-Laurent, Québec.
	102-4	Location of operations	Our Business (pg. 15) 2020 Annual Report (pg. 94-96) More information about Stella-Jones can be found on our <u>Company webpage</u> .
	102-5	Ownership and legal form	Stella-Jones Inc. is a publicly traded Company, listed on the Toronto Stock Exchange (TSX: SJ).
	102-6	Markets served	Our Business (pg. 11-15) 2020 Annual Report (pg. 27)
	102-7	Scale of the organization	Our Business (pg. 12, 15) Our People (pg. 53) Appendix (pg. 73-74) 2020 Annual Report (pg. 2-3, 30)
	102-8	Information on employees and other workers	Our People (pg. 53-57) Appendix (pg. 73-74)
	102-9	Supply chain	Our Business (pg. 14) Our Product Stewardship (pg. 40-41) Our Governance Principles (pg. 68)
	102-10	Significant changes to the organization and its supply chain	2020 Annual Report (pg. 48)
	102-11	Precautionary Principle or approach	ESG at Stella-Jones (pg. 18-21) Our Environmental Commitment (pg. 28-29) For more information, please see the <u>Mandate of the Environmental, Health & Safety Committee</u> .
	102-12	External initiatives	Our Product Stewardship (pg. 46)
	102-13	Membership of associations	Our Product Stewardship (pg. 46)
	102-14	Statement from senior decision-maker	Message from the President & CEO (pg. 6-7) Message from the Chair of Our EHS Committee (pg. 8-9)
	102-16	Ethics and integrity	Our Governance Principles (pg. 66) For more information, please see our <u>Code of Business Conduct and Ethics</u> .
	102-18	Governance structure	Our Governance Principles (pg. 62-64) 2020 Annual Report (pg. 93) Our Board of Directors can be found on our <u>Governance webpage</u> .

Standard	Number	Disclosure	Location and notes
102: General disclosures 2016	102-40	List of stakeholder groups	ESG at Stella-Jones (pg. 18-19)
	102-41	Collective bargaining agreements	Our People (pg. 53-54) Appendix (pg. 73-74)
	102-42	Identifying and selecting stakeholders	ESG at Stella-Jones (pg. 18-21)
	102-43	Approach to stakeholder engagement	
	102-44	Key topics and concerns raised	
	102-45	Entities included in the consolidated financial statements	2020 Annual Report (pg. 50-58)
	102-46	Defining report content and topic Boundaries	ESG at Stella-Jones (pg. 18-21)
	102-47	List of material topics	ESG at Stella-Jones (pg. 20-21)
	102-48	Restatements of information	<ul style="list-style-type: none"> • 2019 sales figures updated to confirm to the current year's presentation. For more information, see the 2020 Annual Report. • 2019 treated wood production updated due to improvements in data collection. • 2019 intensity figures, due to updates to 2019 sales figures and treated wood production. • 2019 total waste generated and total weight of hazardous waste generated, due to improvements in data collection in 2020.
	102-49	Changes in reporting	ESG at Stella-Jones (pg. 18-21)
	102-50	Reporting period	January 1 – December 31, 2020
	102-51	Date of most recent report	November 2020
	102-52	Reporting cycle	Moving forward, reports will be issued annually.
	102-53	Contact point for questions regarding the report	Éric Vachon, CPA, CA President and CEO evachon@stella-jones.com
	102-54	Claims of reporting in accordance with the GRI Standards	This report references GRI Standards: Core.
	102-55	GRI content index	Appendix (pg. 76-84)
	102-56	External assurance	Stella-Jones' 2020 ESG Report has not been externally assured.
SASB Building Products & Furnishings	CG-BF-000.A	Annual production	Appendix (pg. 72)
	CG-BF-000.B	Area of manufacturing facilities	<p>Area of manufacturing facilities is not tracked. For information on the number and location of treatment facilities, see references below.</p> <p>Our Business (pg. 14-15)</p> <p>2020 Annual Report (pg. 94-96)</p>

TOPIC-SPECIFIC-DISCLOSURES			
Standard	Number	Disclosure	Location and notes
ECONOMIC & GOVERNANCE			
Economic performance			
GRI 103: Management approach 2016	103-1	Explanation of the material topic and its Boundary	ESG at Stella-Jones (pg. 18-21) Our Governance Principles (pg. 68) 2020 Annual Report (pg. 53-57)
	103-2	The management approach and its components	
	103-3	Evaluation of the management approach	
GRI 201: Economic performance 2016	201-1	Direct economic value generated and distributed	
Governance of ESG-related risks			
GRI 103: Management approach 2016	103-1	Explanation of the material topic and its Boundary	ESG at Stella-Jones (pg. 18-21) Our Governance Principles (pg. 63, 67)
	103-2	The management approach and its components	
	103-3	Evaluation of the management approach	
General disclosures	102-20	Executive-level responsibility for economic, environmental and social topics	
ENVIRONMENTAL			
Climate change (including energy management and GHG emissions)			
GRI 103: Management approach 2016	103-1	Explanation of the material topic and its Boundary	ESG at Stella-Jones (pg. 18-21) Our Environmental Commitment (pg. 24-27)
	103-2	The management approach and its components	
	103-3	Evaluation of the management approach	
GRI 302: Energy 2016	302-1	Energy consumption within the organization	Our Environmental Commitment (pg. 24-27) Appendix (pg. 72)
	302-2	Energy consumption outside the organization	
	302-3	Energy Intensity	
GRI 305: Emissions 2016	305-1	Direct (Scope 1) GHG emissions	Our Environmental Commitment (pg. 27) Appendix (pg. 72)
	305-2	Energy Indirect (Scope 2) GHG emissions	
SASB Building Products & Furnishing	CG-BF-130a.1	Total energy consumed, percentage grid electricity, and percentage renewable	Our Environmental Commitment (pg. 27) Appendix (pg. 72)

Standard	Number	Disclosure	Location and notes
Water Management			
GRI 103: Management approach 2016	103-1	Explanation of the material topic and its Boundary	ESG at Stella-Jones (pg. 18-21) Our Environmental Commitment (pg. 31-32) Appendix (pg. 72)
	103-2	The management approach and its components	
	103-3	Evaluation of the management approach	
GRI 303: Water and effluents 2018	303-1	Interactions with water as a shared resource	
	303-2	Management of water discharge-related impacts	
	303-3	Water withdrawal	
Air Quality			
GRI 103: Management approach 2016	103-1	Explanation of the material topic and its Boundary	ESG at Stella-Jones (pg. 18-21) Our Environmental Commitment (pg. 30)
	103-2	The management approach and its components	
	103-3	Evaluation of the management approach	
GRI 305: Emissions 2016	305-7	Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions	Our Environmental Commitment (pg. 30) Appendix (pg. 72)
Product design and life cycle management			
GRI 103: Management approach 2016	103-1	Explanation of the material topic and its Boundary	ESG at Stella-Jones (pg. 18-21)
	103-2	The management approach and its components	
	103-3	Evaluation of the management approach	
SASB Building Products & Furnishings	CG-BF-410a.1	Description of efforts to manage product lifecycle impacts and meet demand for sustainable products	Our Product Stewardship (pg. 38-39) Weight of end-of-life material recovered and percentage of recovered materials recycled is not measured.
	CG-BF-410a.2	Weight of end-of-life material recovered, and percentage of recovered materials recycled	

TOPIC-SPECIFIC-DISCLOSURES

Standard	Number	Disclosure	Location and notes
Material sourcing and responsible supply chain			
GRI 103: Management approach 2016	103-1	Explanation of the material topic and its Boundary	ESG at Stella-Jones (pg. 18-21) Our Product Stewardship (pg. 40-41) Residential lumber from third-party certified sources (e.g. FSC® or SFI®) amounted to approximately 83% in Canada, and 88% in the U.S.
	103-2	The management approach and its components	
	103-3	Evaluation of the management approach	
SASB Building Products & Furnishings	CG-BF-430a.1.	(1) Total weight of wood fiber materials purchased, (2) percentage from third-party certified forestlands, (3) percentage by standard, and (4) percentage certified to other wood fiber standards, (5) percentage by standard	
Waste management			
GRI 103: Management approach 2016	103-1	Explanation of the material topic and its Boundary	ESG at Stella-Jones (pg. 18-21) Our Environmental Commitment (pg. 34-35)
	103-2	The management approach and its components	
	103-3	Evaluation of the management approach	
GRI 306: Waste 2020	306-1	Waste generation and significant waste-related impacts	Our Environmental Commitment (pg. 34-35) Appendix (pg. 73)
	306-2	Management of significant waste-related impact	
	306-5	Waste directed to disposal	
Environmental Compliance			
GRI 103: Management approach	103-1	Explanation of the material topic and its Boundary	ESG at Stella-Jones (pg. 18-21) Our Environmental Commitment (pg. 28-29)
	103-2	The management approach and its components	
	103-3	Evaluation of the management approach	
GRI 307: Environmental compliance 2016	307-1	Non-compliance with environmental laws and regulations	Our Environmental Commitment (pg. 28) Appendix (pg. 73)

SOCIAL			
Standard	Number	Disclosure	Location and notes
Human capital			
GRI 103: Management approach 2016	103-1	Explanation of the material topic and its Boundary	ESG at Stella-Jones (pg. 18-21) Our People (pg. 53-55)
	103-2	The management approach and its components	
	103-3	Evaluation of the management approach	
GRI 401: Employment 2016	401-1	Employee turnover	Our People (pg. 54) Appendix (pg. 74)
Health, safety and well-being			
GRI 103: Management approach 2016	103-1	Explanation of the material topic and its Boundary	ESG at Stella-Jones (pg. 18-21) Our Product Stewardship (pg. 42-43) Our People (pg. 50-52) Appendix (pg. 75)
	103-2	The management approach and its components	
	103-3	Evaluation of the management approach	
GRI 403: Occupational health and safety 2018	403-1	Occupational health and safety management system	
	403-2	Hazard identification, risk assessment, and incident investigation	
	403-3	Occupational health services	
	403-4	Worker participation, consultation, and communication on occupational health and safety	
	403-5	Worker training on occupational health and safety	
	403-6	Promotion of worker health	
	403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	
	403-9	Work-related injuries	
SASB Building Products & Furnishings	CG-BF-250a.1	Discussion of processes to assess and manage risks and/or hazards associated with chemicals in products	
	CG-BF-250a.2	Percentage of eligible products meeting volatile organic compound (VOC) emissions and content standards	

TOPIC-SPECIFIC-DISCLOSURES			
Standard	Number	Disclosure	Location and notes
Diversity and inclusion			
GRI 103: Management approach 2016	103-1	Explanation of the material topic and its Boundary	ESG at Stella-Jones (pg. 18-21) Our People (pg. 56-58) For more information, please refer to our <u>Board Diversity Policy</u> .
	103-2	The management approach and its components	
	103-3	Evaluation of the management approach	
GRI 405: Diversity and equal opportunity 2016	405-1	Diversity of Governance bodies and employees	Our People (pg. 56-58) Appendix (pg. 73-75)
Product responsibility			
GRI 103: Management approach 2016	103-1	Explanation of the material topic and its Boundary	ESG at Stella-Jones (pg. 18-21) Our Product Stewardship (pg. 42-43)
	103-2	The management approach and its components	
	103-3	Evaluation of the management approach	
Topic-specific disclosure	See “Health, safety and well-being”		



CONTACT

Éric Vachon, CPA, CA

President and CEO

evachon@stella-jones.com

stella-jones.com

