

ENVIRONMENTAL, SOCIAL & GOVERNANCE (ESG) REPORT

2021



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ABOUT THIS REPORT

Reporting Scope and Boundary

This ESG Report (“Report”) provides an overview of our Company and its progress and commitment to sustainable development in North America from 1 January 2021 to 31 December 2021. References to “Stella-Jones”, “we”, “our” or “Company” refer to Stella-Jones Inc. and its operating subsidiaries unless indicated otherwise.

The Report has been reviewed and approved for publication by our executive leadership team and Board of Directors, including the Environment, Health and Safety (EHS) Committee of the Board. The Report is available in both English and French.

We have prepared the Report referencing the Sustainability Accounting Standards Board (SASB), the Global Reporting Initiative (GRI) Standards, and the Task Force on Climate-related Financial Disclosures (TCFD). See the Appendix at the end of this Report for details. Previous ESG Reports can be found on the [Stella-Jones Investor Relations page](#).

All amounts expressed in this Report are in Canadian dollars, except as otherwise specified.




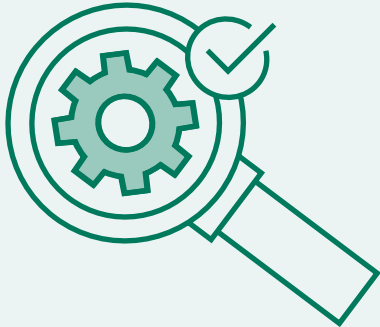
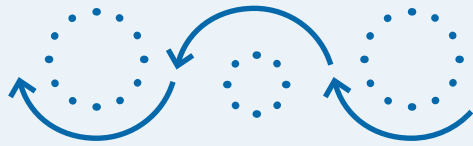

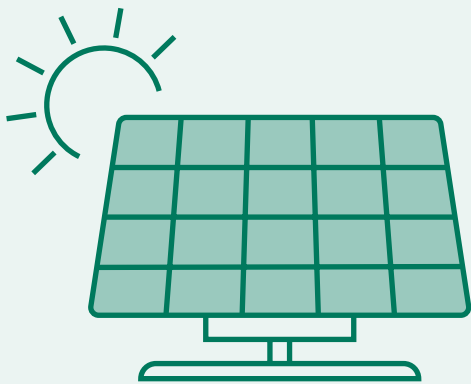


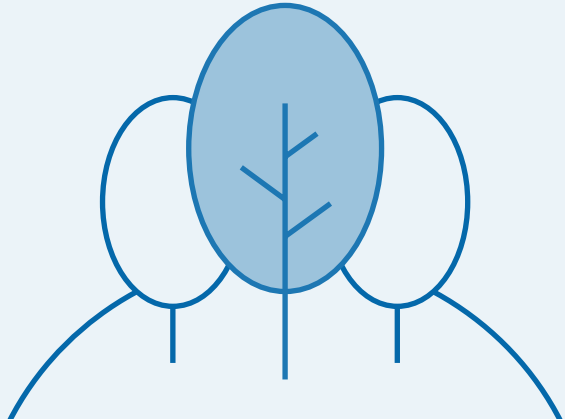




2021 ESG HIGHLIGHTS

Integrating ESG into all aspects of our business is crucial to ensure a livable planet and the long-term success of Stella-Jones. We are committed to maintaining the highest standards in environment, health, and safety compliance and in the development of our workforce.

As an organization, we prioritize continuous improvement and have built on the ESG foundation laid over the last five years.

The ESG highlights for 2021 set out below illustrate our increased focus on each of our four pillars:

OUR PEOPLE	ENVIRONMENTAL COMMITMENT	PRODUCT STEWARDSHIP	GOVERNANCE PRINCIPLES
<p>40% women on the Board</p> <p>exceeded 30% Board of Directors gender diversity target.</p> 	<p>2°</p> <p>physical risk scenario analysis completed.</p> 	<p>2.52M metric tonnes of CO₂e</p> <p>sequestered through our wood products in 2021.</p> 	<p>TCFD-aligned</p> <p>disclosures added this year.</p> 
<p>SHIELD rollout extends into Canada</p> <p>our environment, health, and safety management program.</p> <p>Community engagement</p> <p>added as a material topic following stakeholder feedback.</p>	 <p>Solar analysis for ten sites</p> <p>with full design and engineering completed for the first site installation.</p>	<p>Supported safety upgrades</p> <p>at three sawmills through small business loans and long-term supply commitments.</p> <p>Sustainable procurement certification</p> <p>maintained for our residential lumber.</p>	 <p>Indigenous Peoples</p> <p>identified as a priority.</p>
 <p>Streamlined HR processes</p> <p>through the planning and implementation of our new Human Resource Information System (HRIS).</p>	<p>\$1.6M</p> <p>invested in voluntary land remediation programs.</p> <p>GHG data</p> <p>reported from all wood treatment facilities.</p>	<p>750K* trees planted in our managed forest tenures.</p> <p><small>*approximately</small></p> 	<p>Board skills matrix</p> <p>and self-assessment completed.</p>  <p>Cyber security</p> <p>maturity assessment completed.</p> 



We are committed to continuously improving our sustainability practices through learning, training and data collection. Because when we know better, we can do better.

A MESSAGE FROM OUR
PRESIDENT & CEO

I am pleased to share Stella-Jones’ 2021 ESG Report, which highlights the advances we have made on our commitment to continuous improvement across our four ESG pillars: **Our People, Environmental Commitment, Product Stewardship, and Governance Principles.**

A noteworthy success in 2021 was our expanded implementation of the Safety Health Improved Environment Leading our Decisions (SHIELD) program at our Canadian facilities. SHIELD is an integrated environmental, health and safety management system that tracks EHS data across our organization. This broadened implementation allowed us to harmonize our processes across Canada and the United States, and markedly improved our data collection and reporting capabilities. This undertaking was an important achievement for our Company, as it moved us away from plants self-reporting on individualized metrics, and towards the collection of increasingly standardized data. Our teams can now more accurately track and assess progress on health and safety metrics to maintain our company-wide commitment to the security and well-being of our people. We will continue this roll-out to achieve complete integration across Stella-Jones with the expectation that better visibility will drive actions to make a meaningful improvement in our safety performance.

As the world continues to evolve, our aim is to stay ahead of emerging environmental and operational topics. We invest annually in capital expenditures to maintain, improve and modernize our asset base to achieve greater operational efficiencies and safety standards. Our research

and development activities also have annual recurring investments, ensuring we lead wood treating practices by reducing the amount of energy and natural resources expended, while increasing product quality and throughput for our customers. We also carried out various renewable energy assessments, including solar, to reduce our dependence on fossil fuels across our operations.

Our products are the keystone of our business, and in 2021 we pursued testing and refining of our current treatment process to continue delivering the highest quality to our customers. In light of challenges on the fibre procurement front, we leveraged our strong relationships with our supply partners to secure access to material. Considering wood fibre’s inherent properties, we are proud to offer a product that is the optimal choice in terms of cost and environmental impact.

Staying abreast of the ever-evolving landscape of information technology (IT), we understand the importance of establishing sound architecture to ensure regulatory compliance for our business, as well as safeguarding data from potential security threats. We therefore included cyber security as a topic within the Governance section of this Report to enable our stakeholders to gain further insight into the measures we are taking to protect our information and that of our stakeholders. In 2021, we engaged a third party to complete a cyber security maturity assessment of the organization, expanded the Board’s Audit Committee mandate to include oversight of IT security initiatives and deployed mandatory cyber security training for employees covering fundamentals for information security.



This year, we also added the topics of Indigenous Peoples and Community Engagement to our Report. These are both key areas of focus for Stella-Jones and are integral to demonstrating how we will better engage with and support local communities. We have committed to further improving our relations with Indigenous Peoples through the drafting and upcoming publication of an Indigenous Peoples Policy. The objective of this Policy is to identify opportunities for education and enlightenment for our internal leadership, while providing employment, supply chain involvement, and knowledge-sharing opportunities as well as economic benefits to surrounding Indigenous communities. With regards to Community Engagement, we have committed to tracking the work we have done in different areas of our network to better understand our current level of engagement and continue to improve on these efforts year-over-year.

Over this past year, we have identified a need for additional resources to increase oversight of and better communicate our ESG efforts within our organization. The roles identified included a Senior Director of ESG and a Director of Corporate Communications, as well as additional Health and Safety Coordinators on the ground at our facilities. By expanding our internal capacity in these areas, we will continue to build on the ESG momentum gained in 2021.

From an economic perspective, Stella-Jones delivered a strong performance, increasing sales for a 21st consecutive year. The Company benefitted from the strength and stability of its infrastructure-related product categories and its expertise in the residential lumber business. Looking ahead, we continue to remain steadfast in solidifying our leadership position across our core product categories and are grateful for the work of all our employees who helped us produce another successful year.

ÉRIC VACHON
President and CEO, Stella-Jones Inc.



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Throughout the following pages, I welcome you to learn more about Stella-Jones’ commitment to continuous improvement in ESG as we continue to build on the strong fundamentals that are the fabric of our resiliency and enduring success.



The future presents a rich opportunity for Stella-Jones to continue delivering on its commitment to ESG.

A MESSAGE FROM THE

ENVIRONMENTAL, HEALTH & SAFETY (EHS) COMMITTEE CHAIR

2021 was underscored by a continued focus on improving performance across the organization and I am pleased to reflect on the past year’s progress on ESG and EHS priorities at Stella-Jones.

In 2021, the EHS Committee focused on further developing the ESG agenda, building upon the strong foundation Stella-Jones has established and moving towards setting credible goals and targets. The Committee’s mandate ensures progress on ESG has a dedicated focus and we work to broaden the impact across the organization by disseminating ESG into other Board level processes and Committees as required, namely our Audit and Remuneration Committees. The EHS Committee supported the hiring of specialized personnel in manufacturing and emerging areas of the business such as EHS, ESG, and Corporate Communications. The Committee also formally welcomed Board member Simon Pelletier to the EHS Committee, further strengthening our expertise in industrial manufacturing.

To build on the progress established in 2020 regarding our SHIELD initiative, the EHS Committee monitored and supported the programs’ expansion and implementation at all Canadian facilities in 2021. This has brought a more fulsome level of understanding to our safety environment, and better quantification of our safety performance, controls, and risks. With stronger data capture in place, SHIELD will accelerate improved safety outcomes for our people.

On issues such as climate change, Stella-Jones has a unique opportunity to meaningfully contribute to positive climate outcomes through the carbon sequestration potential and increased life cycle of our products. Our innovation capabilities are a

strength as we continue to seek ways to improve on the quality of our products, while reducing our operational impact. We further commit to gaining a deeper understanding of the full life cycle of our products and their impact on climate and the planet.

As the EHS Committee looks forward, our team strives to maintain our approach of continuous improvement to advance ESG at Stella-Jones. To support this ambition, we are increasing our meeting frequency to allow a concentrated focus on ESG and timely support for the achievement of ESG goals.

The future presents a rich opportunity for Stella-Jones to continue delivering on its commitment to ESG, and we look forward to building on our progress and contributing to greater positive action in the years to come.



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



OUR BUSINESS



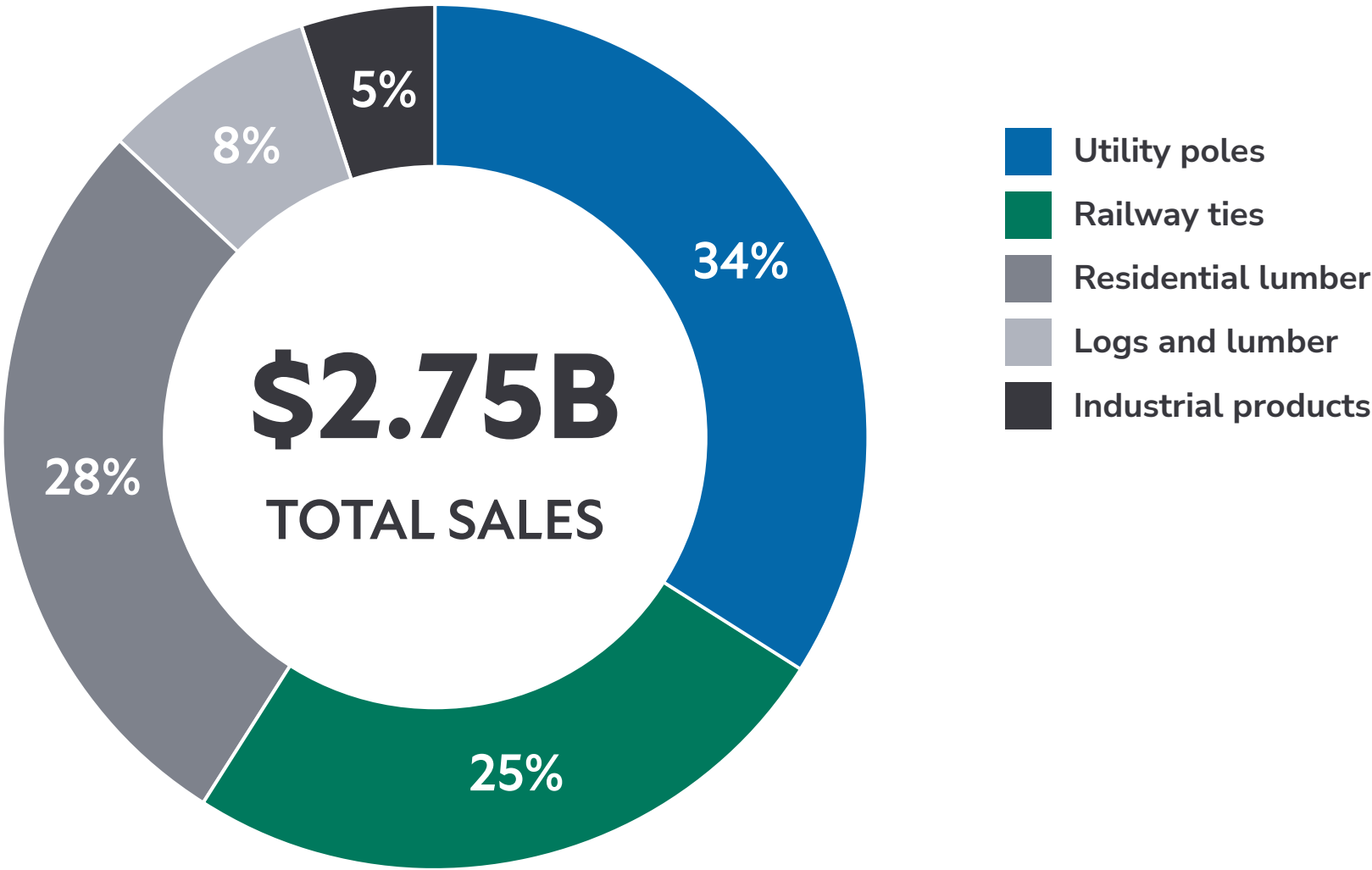


Stella-Jones is North America’s leading producer of pressure-treated wood products.

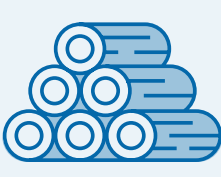
ABOUT STELLA-JONES

We supply the continent’s major electrical utilities and telecommunication companies with wood utility poles and North America’s Class 1, short line and commercial railroad operators with railway ties and timbers.

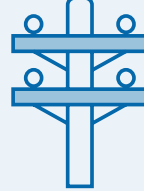
Stella-Jones also provides industrial products, which include wood for railway bridges and crossings, marine and foundation pilings, and construction timbers. Additionally, the Company manufactures and distributes premium treated residential lumber and accessories to Canadian and American retailers for indoor and outdoor applications, with a significant portion of the business devoted to servicing the Canadian market through its national manufacturing and distribution network.



2,400+ Stella-Jones employees



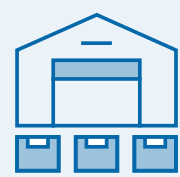
42 Wood-treating facilities



12 Pole peeling facilities



1 Coal tar distillery



69 Distribution and inventory yards

All figures as of December 31, 2021. All dollar amounts are presented in Canadian currency.



OUR VISION

At Stella-Jones, our vision is clear: we deliver premium value to our clients by providing the best available products and services in the wood preserving industry.

We continuously seek to improve our operations and recognize that in doing so, we must proactively assess the impacts we have on our customers and stakeholders, our people, the communities in which we operate, and the environment. By adhering to a core set of principles and pursuing strategic growth, we have positioned ourselves as a strong and reliable supplier of treated wood products to our customers and as a leader in the North American wood preserving industry.

OUR MISSION

Stella-Jones aims to be the performance leader in the industries in which we operate, acting with exemplary corporate citizenship and integrity, while adhering to rigorous standards of environmental and social responsibility and governance.

OUR VALUES

Our core values make up the backbone of our Company.

All our employees, from those spread throughout our network of manufacturing facilities and distribution yards to those in our corporate headquarters, embody these values in all facets of their everyday work. Stella-Jones is committed to providing a safe, respectful, inclusive, and productive environment for its employees.

Integrity

We stick to our word. We act with honesty and integrity in all interactions with employees, clients, suppliers, and the public, and adhere to the highest standards of professional behavior 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 providing superior service and premium products.

Perseverance

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

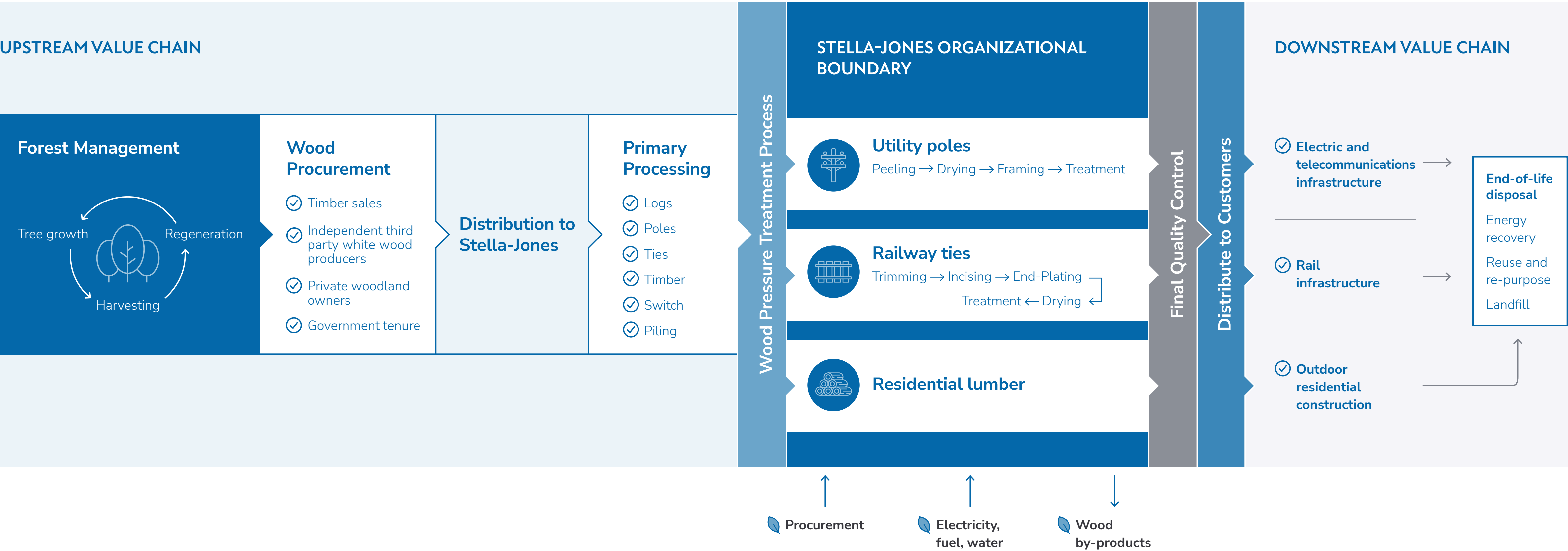


Stella-Jones is committed to providing a safe, respectful, inclusive, and productive environment for its employees.

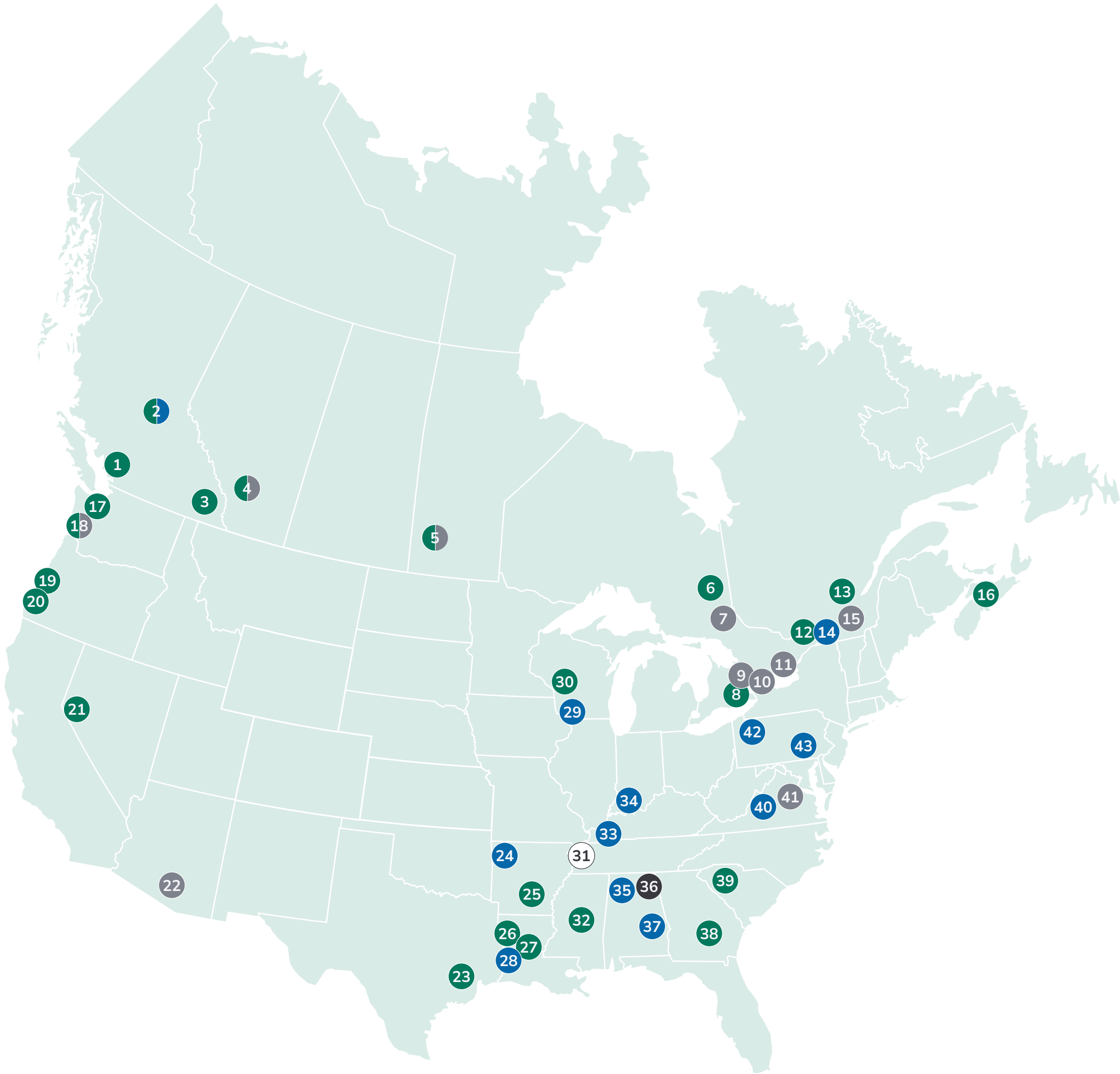


SUMMARY OF OPERATIONS

Our network is made up of strategically placed production facilities coupled with multiple distribution yards which enable us to meet customer demand with speed and agility.



Forest Management is within Stella-Jones organizational boundary for our managed tenure in British Columbia.



OUR CONTINENTAL NETWORK

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.

- Utility Poles
- Railway Ties
- Residential Lumber
- Coal Tar Distillery
- 2021 Acquisitions of Cahaba Pressure Treated Forest Products and Cahaba Timber (Utility Poles)

1. New Westminster, BC

2. Prince George, BC

3. Galloway, BC

4. Carseland, AB

5. Neepawa, MB

6. Kirkland Lake, ON

7. South River, ON

8. Guelph, ON

9. Shelburne, ON

10. Stouffville, ON

11. Peterborough, ON

12. Gatineau, QC

13. Rivière-Rouge, QC

14. Delson, QC

15. Sorel-Tracy, QC

16. Truro, NS

17. Arlington, WA

18. Tacoma, WA

19. Sheridan, OR

20. Eugene, OR

21. Silver Springs, NV

22. Eloy, AZ

23. Lufkin, TX

24. Russellville, AR

25. Rison, AR

26. Converse, LA

27. Pineville, LA

28. Alexandria, LA

29. Bangor, WI

30. Cameron, WI

31. Memphis, TN

32. Scooba, MS

33. Fulton, KY

34. Winslow, IN

35. Montevallo, AL

36. Brierfield, AL

37. Clanton, AL

38. Cordele, GA

39. Whitmire, SC

40. Goshen, VA

41. Warsaw, VA

42. Dubois, PA

43. McAlisterville, PA
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APPROACH TO ESG





Our leadership team is committed to continuous improvement in all aspects of our business.



Throughout this year's Report, you will see commitments we have made in previous years as well the progress we've made, along with the forward-looking objectives under each of our four ESG pillars.

ESG is overseen by the Environmental, Health and Safety (EHS) Committee of our Board and managed on a day-to-day basis by our executive and senior leadership teams.

Together, the EHS Committee and executive and senior leadership teams are responsible for evaluating and preparing for ESG-related risks and opportunities that may arise and impact our business. This year, the position of Senior Director, ESG was approved by the President and CEO to increase ESG governance across the business.¹





As North America's leading supplier and producer of industrial and residential treated wood products, we understand the scale of impact our value chain has on the planet, and we are committed to continually improving our performance for the benefit of society today and into the future. Integration of ESG considerations into our daily business decisions and strategies will make us a more resilient and agile business in the long-term, improving our performance and motivating our people. Business success depends on our ability to operate in a sustainable, environmentally, and socially responsible manner. We recognize ESG as a business-driver, enabling our Company not only to exceed industry standards for environmental compliance, but as a mechanism for improving our operations, mitigating risk, and creating long-term value for the communities we work in.

¹Role approved in 2021 and filled in 2022.



FOUR PILLARS OF ESG

The material topics below are central to our ESG strategy, representing high priority topics to our stakeholders, and where we can have significant impact.

OUR PEOPLE	ENVIRONMENTAL COMMITMENT	PRODUCT STEWARDSHIP	GOVERNANCE PRINCIPLES
<p>Creating a safe and healthy workplace that promotes responsibility and respect. We foster an environment of inclusivity and collaboration that empowers employees to achieve business, professional and personal goals, ensuring training and succession plans to facilitate knowledge transfer and drive diversity across the business.</p> <p>Material topics:</p> <ul style="list-style-type: none">• Health and safety• Human capital• Diversity, equity, and inclusion• Community engagement	<p>We commit to implementing effective environmental management that protects the environment and ensures regulatory compliance. We will pursue opportunities to improve the use and management of natural resources to maximize our manufacturing efficiency and reduce our environmental impact.</p> <p>Material topics:</p> <ul style="list-style-type: none">• Climate change• Energy management and GHG emissions• Environmental compliance• Air quality• Water management• Waste management	<p>We create products that contribute to long-term carbon sequestration, while promoting sustainable forest management across our value chain. We prioritize continuous improvement through innovation to ensure our products are manufactured responsibly, while meeting customer needs for durability and enhancing our customer offering.</p> <p>Material topics:</p> <ul style="list-style-type: none">• Material sourcing and responsible supply chain• Product life cycle management• Product responsibility• Innovation	<p>We integrate ESG considerations in our decision-making processes and our enterprise risk management (ERM) framework, while committing to operating ethically and with integrity.</p> <p>Material topics:</p> <ul style="list-style-type: none">• Corporate governance• Business ethics• Governance of ESG-related risks• Indigenous Peoples• Economic performance
			



MATERIALITY PROCESS

In 2019, a third party was engaged to support a materiality assessment which helped identify material topics under each of the four ESG pillars at Stella-Jones.

These topics were identified through the development of a universe of topics and reviewing peer reports and sustainability reporting frameworks such as GRI, SASB, and TCFD. To rank and prioritize the list of material topics, 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 to provide feedback. Findings were consolidated and shared with our ESG report steering committee, including our President and CEO, to validate our list of material ESG topics. This year, two material topics were added: Indigenous Peoples and Community Engagement. These ESG topics were identified over the course of the year as material by internal stakeholders and have been included to reflect increased focus in these areas by Stella-Jones.

At Stella-Jones, we strive to position our activities and practices to align with the values of our stakeholders, using our ESG topics to measure and guide our impact, while positioning our Company for long-term, sustainable growth. Going forward, Stella-Jones will seek to review the material topics with stakeholders periodically to capture any changes in stakeholder expectations as they evolve and ensure ESG issues are being properly managed and accounted for in business decision-making. Our intent is to continue to build on the ESG topics most valued by our stakeholders, understanding that these topics may shift and evolve over time.



We strive to position our activities and practices to align with the values of our stakeholders.

INDUSTRY COLLABORATION

To further advance our understanding of key ESG topics and developments across our industry, we are an active member in several industry associations. Employees at Stella-Jones also hold governance positions across many of these associations, which allows us to collaborate on important topics and projects for our industry.

Industry associations where we hold governance positions include:

- American Railway Engineering and Maintenance-Of-Way Association
- American Wood Protection Association
- Creosote Council
- GoRail
- Lake States Lumber Association
- National Railroad Contractors Association
- Pennsylvania Forest Products Association
- Railway Tie Association
- Real American Hardwood Promotion Coalition
- Treated Wood Council
- Canadian Wood Preservation Association and Wood Preservation Canada
- Western Wood Preservers Institute

Industry associations where we are active members:

- American Association of Railroads
- American Lumber Standards Committee
- American National Standards Institute
- Appalachian Hardwood Utilization Group
- Canadian Institute of Treated Wood
- Canadian Standards Institute
- Clearfield County LEPC
- Electric Utility Industry Sustainable Supply Chain Association
- Forest Products Laboratory
- International Research Group
- Mississippi State University - Wood Sciences
- 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
- Rural Utilities Service
- Southern Pressure Treaters Association
- Timber Products Inspection
- Wood Quality Control, Inc. Pole Inspection
- West Virginia University
- University of Tennessee
- Canadian Wood Council



OUR PEOPLE





OUR COMMITMENT

- Expand SHIELD program to all facilities.
- Provide a discrimination and harassment-free environment.
- 2021 DART (Days Away, Restricted, or Transferred) goal of 1.9.
- 2021 TRR (Total Recordable Rate) goal of 3.8.
- 30% Board gender diversity target.

2021 PROGRESS

- Continued to roll-out SHIELD to all facilities in Canada.
- 1 report of discrimination received, investigated and closed.
- DART rate of 3.3 in 2021.
- TRR rate of 4.6 in 2021.
- Achieved 40% women on the Board, exceeding the 30% Board gender diversity target.

LOOKING FORWARD

- Complete the roll-out of SHIELD to all facilities.
- Continue training employees on harassment, discrimination and violence prevention.
- Harmonize the anti-harassment and discrimination policies between U.S. and Canada.
- A continued focus on leading indicators and hazard identification to meet our DART target, as we strive towards the goal of eliminating all injuries.
- Continue to explore ways to expand Board diversity.
- Work towards capturing diversity statistics for the entire organization and develop strategies to recruit and develop talent from diverse backgrounds.



HEALTH AND SAFETY

Our focus this year was the continued roll-out and consistent implementation of our in-house environmental, health and safety program – Safety Health Improved Environment Leading our Decisions (SHIELD).

Employee and contractor health and safety is a top priority to our business operations. This year, we continued the implementation of SHIELD at our Canadian facilities. After many years of growth in the safety programs covered by SHIELD, we focused this year on ensuring consistent application of the program and procedures across the business.

Environmental Health and Safety Management

SHIELD is an integrated environmental, health and safety management system that applies to all workers and contractors. SHIELD is based on the ISO 14001 standard, with policies and programs rolled out at the corporate level and feedback incorporated from our site staff who then implement processes to meet the program requirements. SHIELD enables Stella-Jones to track EHS implementation and effectiveness across our organization and is overseen by the Vice-President of Environment, Health, and Safety, who is supported by a team in Canada and the U.S.

To ensure the programs within SHIELD are effective, we have two SHIELD Steering Committees (one for the U.S. and one for Canada) that are responsible for reviewing and guiding the SHIELD program. These Steering Committees are comprised of company Vice-Presidents who provide feedback to management before programs are rolled out. Each facility also has a SHIELD Committee which is the key point of contact for employees to raise any questions or concerns.

Corrective Measures and Response to Contractor Fatality

In April 2021, a contractor suffered a fatal injury while servicing a pneumatic forklift tire at a Stella-Jones facility. The tragedy occurred when the metal retainer ring of the wheel rim detached during tire inflation, striking the contractor. This standard procedure is regulated by Occupational Safety and Health Administration (OSHA) in the U.S., and all on-site contractors and service providers performing this task for Stella-Jones are required to comply with all OSHA regulations and Stella-Jones' safety requirements, including proof of competency, training, and qualifications. In response to this tragic event and to avoid recurrence, Stella-Jones' made several improvements to the requirements for contractors servicing pneumatic tires, including upgrading the existing procedures to a full pneumatic tire program. Mandatory at all Stella-Jones facilities across the United States, this full program prohibits contractors from servicing pneumatic tires on-site and includes new controls for the demounting, storage and installation of pressurized tire and rim assemblies. Servicing pneumatic tires off-site is typically preferred over on-site, due to the use of fixed equipment designed for the task. When off-site servicing is not feasible, contractors must complete a Job Site Orientation (JSO) form with the Stella-Jones Facility Manager or EHS Representative and ensure OSHA compliant tools and devices are used. We aim for these measures to further strengthen protection for contractors and our employees and ultimately prevent such incidents from reoccurring.





Expanded EHS Department

A new Senior Manager, Health and Safety Canada role was added in 2021, responsible for oversight and improving the consistency of the SHIELD implementation at our Canadian locations.

To further enhance the efficiency of the Health and Safety department, Stella-Jones authorized the creation of five new advisor roles, filling two of these positions in 2021. We will continue filling these roles to expand the department in 2022.

Hazard Identification

At Stella-Jones, we use a system called ARMOR to track all incident reporting and associated corrective actions. ARMOR serves as a single point where management can review reports and follow-up actions; the system also serves as a tool for the Company to identify primary hazards across our operations to help drive the development of goals and programs. Our two cardinal rules – Lock-Out, Tag-Out (LOTO) and Hot Work were both developed based on the hazard identification process as the most hazardous job types we see in our operations.

Cardinal Rules:²

A cardinal rule is one that, if broken, results in the termination of the violating employee's employment. The reason for Cardinal Rules is that the potential risks resulting from violations of LOTO, and Hot Work are so severe that infractions cannot be tolerated.

EHS Scorecard

Our EHS Scorecard is a tool used at our facilities to assess and observe a variety of environmental and safety indicators. Each year, the scorecard focuses on different elements as determined by the review of the previous years' EHS performance. In 2021, there were three leading indicators for safety observations: power industrial equipment, kiln operations for our pole plants, and safety training. The EHS team reviews each facility's scorecard performance every month, and annually, the top performing site is presented with the President's SHIELD Award. Historically, only treating facilities have measured their performance using the EHS scorecard, however, our goal is to develop a unified scorecard that can be used by all our manufacturing facilities, including both treating and peeling operations.



I am proud of the way our employees continue to embrace the SHIELD program which is strengthening the consistency of environment, health and safety management throughout the company. Nothing is more important than the safety and well-being of our employees, contractors, and neighbours.

Patrick Stark
Vice-President, Environment, Health, and Safety



COVID-19 Response

As health and safety is well-entrenched throughout our organization, implementing COVID-19 precautions was a natural extension for the business and employees. As the pandemic continued into its second year, we complied with all applicable health mandates, maintained our case tracking and reporting methodology for those who became ill with the virus and continued to promote a culture of teamwork and respect across the organization. Our Human Resources (HR) team continued monthly communications to implement the recommendations from the Centers for Disease Control and Prevention (CDC) in the U.S. and Health Canada so that our employees were kept informed of government-recommended guidelines for staying healthy.

²The Cardinal Rules currently only apply at our U.S. facilities. The rule assumes that the employee has been properly trained on the rule and its application.



Highlight Story

Improving Safety Through Automation: Robotic Stackers

Robotic stackers have previously been used at four of our facilities to increase the safety and efficiency of the railroad tie stacking process. This year, we continued the roll out of this initiative to our Bangor, Wisconsin facility.

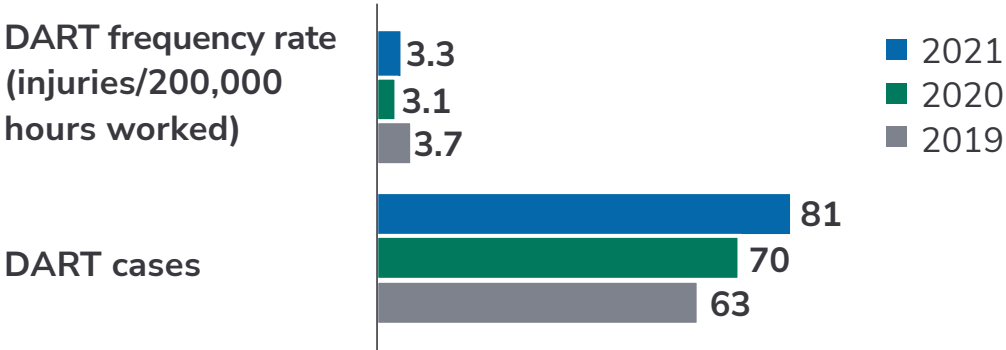
Implementing robotic stackers in our operations has numerous benefits:

- Increased operational efficiency while reducing worker exposure to safety hazards;
- Enhanced safety controls because the robots operate in an enclosed area preventing contact with workers and cease operating if the cage door is opened; and
- Increased stability of tie stacks, reducing potential hazards in the stack yard.

As equipment is upgraded, a management of change process is undertaken which provides management the opportunity to review new equipment for improved safety controls. Currently, our management of change process solely applies in the U.S., but we are working towards implementation across all jurisdictions as SHIELD becomes fully integrated.

Safety Performance

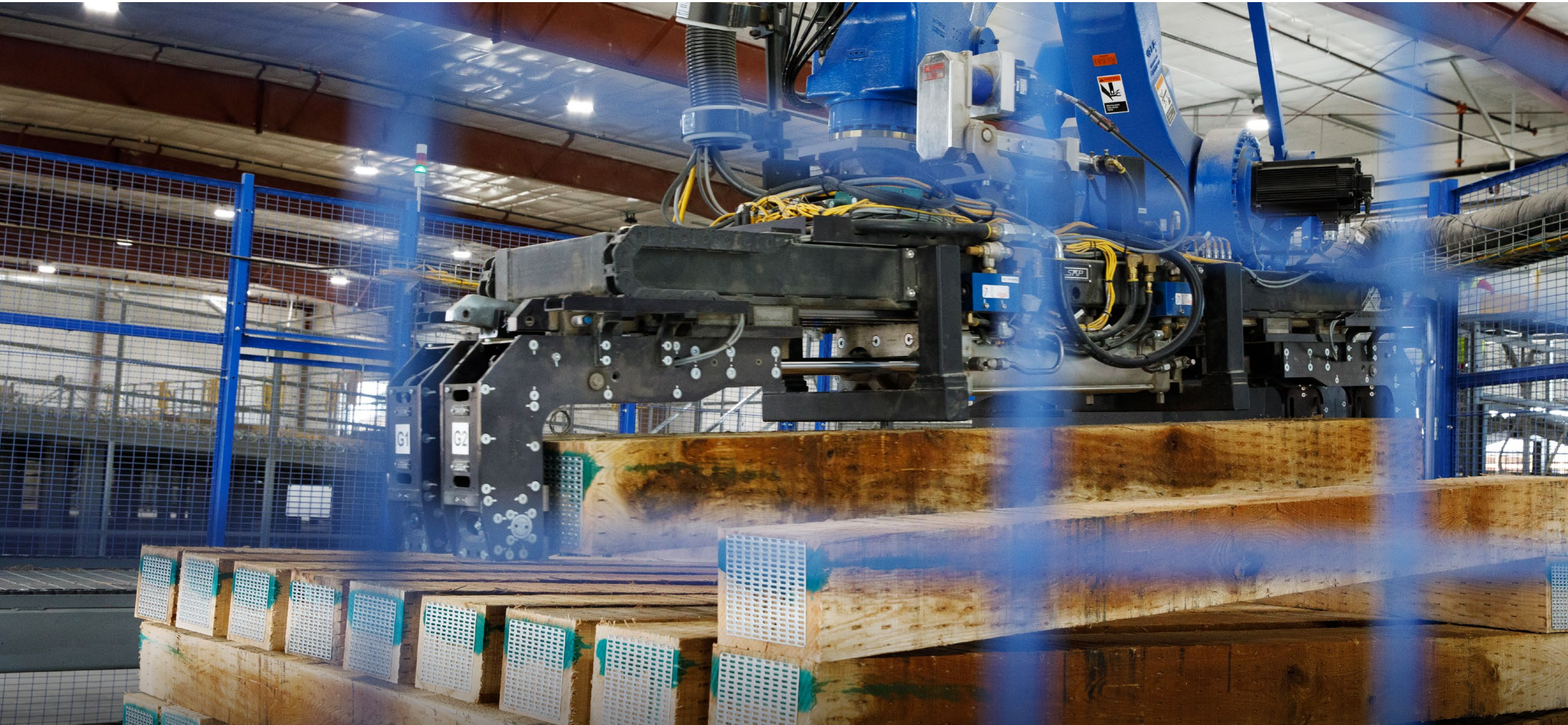
Our SHIELD program demands timely and accurate reporting of all safety events. As more data is captured, it is inevitable that our numbers initially increase. That said, our focus remains on a reduction of workplace injuries, and we believe the implementation of SHIELD across all facilities will help further a culture of safety so that over time incidents decrease.



Top Three Injuries by Job Types in 2021

(U.S. and Canada combined)

1. Injuries resulting from falls, slips or trips
2. Caught in, under or between objects being handled
3. Injuries from the use of hand tools





Employees are the driving force behind Stella-Jones, and we are committed to ensuring an inclusive and engaging workplace where everyone has the opportunity to grow and develop.

Marcell Driessen
Vice-President Human Resources

HUMAN CAPITAL

Safe and Healthy Work Environment

Our employees are the core of our success at Stella-Jones, and we are focused on enabling a safe and healthy work environment. This year we have undertaken numerous activities to further improve the experience of our employees and to provide them with the resources necessary to ensure they are safe and well. This includes the development of a successful teleworking policy, an improved hiring strategy, and the roll-out of our HRIS.

Over the course of the year, our organizational recruitment strategy adapted to the demands of our value chain, with a recognized need to hire specialized resources who could support the evolving requirements of our business. With this strategy in mind, our team is hiring to increase expertise in specific areas to create a specialized workforce with individuals who are well-versed in key functional areas.

Engaging with Our Employees

Giving voice to our employees at all levels is important to how we grow and improve as a company. Despite the challenge of travel restrictions in 2021, we held two roundtable discussions between those working at the plants and individuals within our HR department to solicit feedback. The discussion allowed us to assess what was working well and identify potential areas for improvement. This is part of our proactive approach to understanding the changing needs in our workforce.

Staying Competitive

As an organization operating in an evolving labour market, we learned to be creative and adaptive to ensure we continue to recruit, retain, and develop our valuable people. To do this, we engaged a third party to complete a compensation benchmarking study for our employees. Based on this analysis, we established targeted sign-on, retention, and referral bonuses to enable us to maintain our position as a strategically competitive company.

We also stayed employee focused by developing a teleworking policy. While creating this policy, our people were top of mind as we identified the need to adapt to a new way of working. We rolled out the teleworking policy that allows remote work up to two days per week for select roles. In addition to this policy, we provided employees an allowance to purchase certain office equipment to enable them to create an effective work environment at home.

As a company that has grown significantly through acquisitions, retaining employees from acquired businesses is vital to our ongoing success. Employees in the companies we acquire have irreplaceable knowledge and experience within their business and operating context, and ensuring a smooth transition is a top priority. In 2021, we acquired a wood pole treating facility in Brierfield, Alabama. Our HR and management teams were onsite at closing and the days that followed to meet our new employees and ensure clear communication regarding critical information and expectations in the transfer process. At Brierfield, we held a Thanksgiving lunch with the site employees and management, as well as a meet and greet with the Stella-Jones' President and CEO, to offer our new team members an opportunity to meet with key leaders in the organization. Our proven success in retaining employees through acquisitions is a strength of our process.



Digital Transformation in HR

As we have grown in number of employees, so too has our need for improved HR tools and systems. Our HRIS was introduced at a very opportune time. The program has unified three separate HR platforms into a streamlined offering that will enable the paperless delivery of HR processes including payroll, benefits, recruitment, and employee self-service, while focusing on compliance with data privacy laws. To support our success in navigating the changing recruiting landscape, the new system will enable simplified communication with employees, improved access to data and analytics, and an effective flow of processes. After the initial implementation, we will assess the continued roll-out for other modules including training and development, in pursuit of an integrated employee experience from candidate through to retirement.

Training and Development

To continually improve the skillset of our people, we provided training in various forms to support our employees on their learning journeys. Our learning management system administers desktop training where salaried employees are assigned modules focusing on a variety of workplace fundamentals. These learnings are assigned on an on-going basis and support our goal of access to educational opportunities for our employees. Across the company, we intend to make our learning and development program increasingly comprehensive. As Stella-Jones has activities in Quebec, we offer employees the option to participate in language classes so they can refine their communication skills in both French and English. In certain cases we may provide tuition assistance to undertake career-related educational courses for employees that have worked full time for three or more years, conditional to maintaining a minimum grade point average. This initiative supports our strategy of hiring and upskilling our talent to have a depth of knowledge in niche areas across the business.

Benefit Programs

Our employee benefit programs include a comprehensive health insurance plan (medical, dental, prescription, and vision care), employee benefits (including retirement savings plans with employer contribution matching and employee share purchase programs). As 2021 continued to be a time of uncertainty, we focused on programs and services to assist our employees with mental health and well-being, personal issues, health needs, and financial questions. Additional programs at Stella-Jones include our wellness campaigns where, based on need, programs may be developed to help combat localized issues such as smoking and obesity.

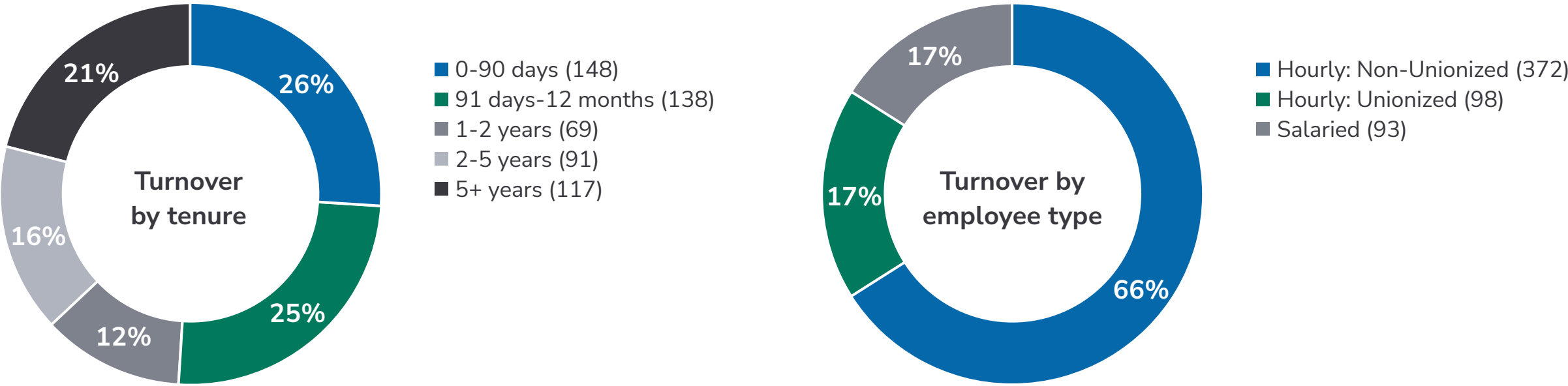
Succession Planning

Our succession planning fosters the preparation of our future leaders. Early identification and planning for succession within our senior leadership is critical to maintaining a skilled and agile workforce and managing human capital risks within our organization. By reviewing our talent and identifying emerging leaders, we have been able to train and develop select individuals to mitigate any loss of knowledge as key employees retire. In 2021, there were multiple promotions as part of our succession planning process, enabling the orderly transition of our team and continued support to our customers.

OUR WORKFORCE IN 2021



EMPLOYEE TURNOVER





DIVERSITY, EQUITY, AND INCLUSION (DEI)

At Stella-Jones, we support a diverse workforce that encourages input from different backgrounds, abilities, and experiences.

We strive to promote a culture where people at all levels respect and value the individuals they work alongside. By establishing a positive community, Stella-Jones aims to drive corporate innovation, increase employee engagement and retention, resulting in a better outcome for all.

To support our goal of establishing an organization that reflects our value chain and the communities within which we operate, representative data can help us understand where there are gaps in the diverse makeup of our people. While the data is available in the U.S., with the help of our new HRIS, we are working towards better understanding the composition of diversity at each level of the organization across all jurisdictions.

To improve DEI education, we have put a focus on learning. As such, we have implemented mandatory DEI training for employees to complete on an on-going basis.

Board Diversity Policy

We place significant importance on having a Board of Directors that is comprised of highly knowledgeable, experienced, and diverse individuals. We recognize the benefits that diversity can bring in promoting the inclusion of different perspectives and ideas while improving oversight and the quality of decision making. A truly diverse Board will include differences in skills, professional and industry experience, race, ethnicity, gender and will encourage the use of Canada's two official languages. These differences will be considered in determining the optimum composition of our Board.

Through our Board Diversity Policy, we ensure each Board member achieves their position based on merit in the context of their talents, experience, personal skills, character, and qualities with regard to the Company's skills and competency matrix ("Skills Matrix") as periodically determined by the Board's Governance and Nomination Committee, and we will fill gaps identified in the Skills Matrix to achieve optimum Board composition.

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 we believe a variety of perspectives are in part informed by people's diverse backgrounds and experiences, we require that at least 30% of the Board be gender diverse. In 2021, we exceeded this target with 40% women on the Board, including both the Chair of the Board and the Chair of the Audit Committee. Our goal is to continue to explore opportunities to increase the breadth of Board diversity.



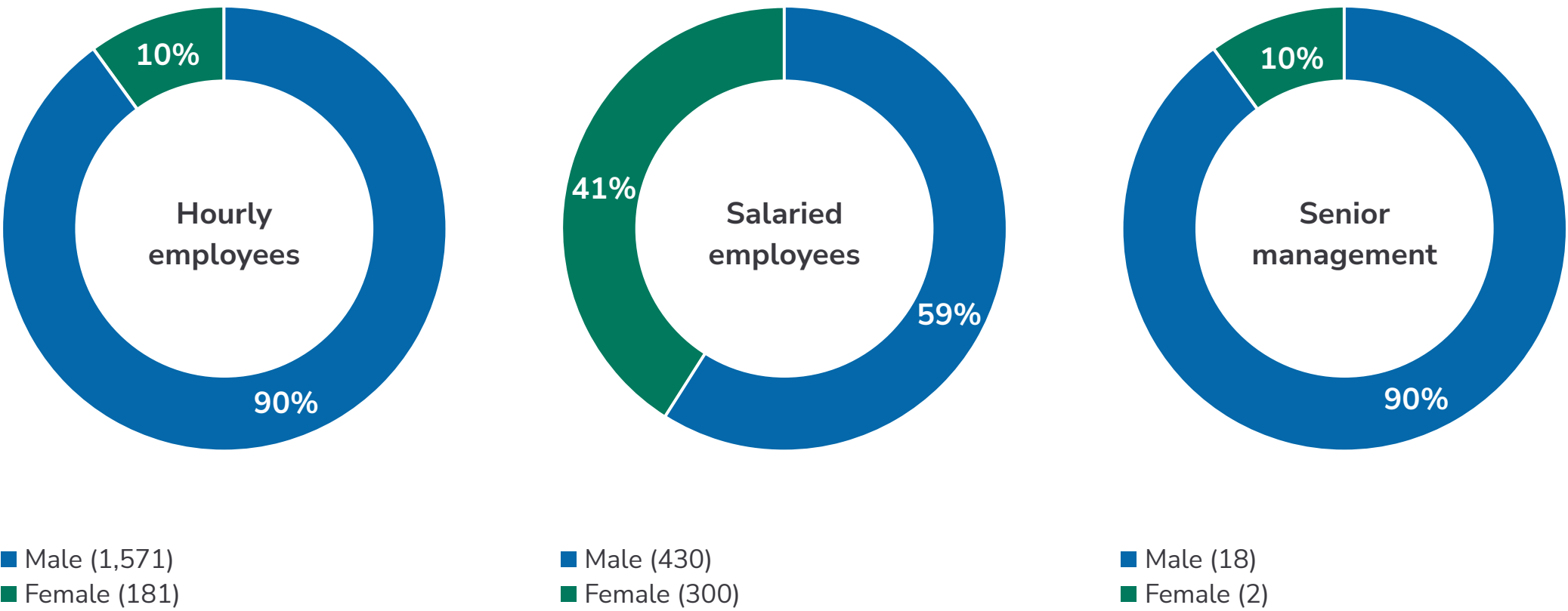
Anti-Discrimination, Harassment and Violence Prevention

At Stella-Jones, providing a safe work environment free of discrimination, harassment, and violence is a responsibility we take seriously. Our workplace Discrimination, Harassment, and Violence Prevention Policy is implemented at our facilities and reviewed and signed by the President and CEO annually. Change highlight to this: This policy is made available to all employees through the employee handbook, company website, and is posted at each location for visibility. Employees can anonymously report contraventions of the Policy or any incident of discrimination, violence, or harassment through our anonymous online whistleblowing portal. In 2021, there was one incident of discrimination reported through our online portal, which was investigated, and corrective actions put in place. The Audit Committee reviews all summary whistleblower reports and corrective actions quarterly.

U.S. Affirmative Action Plan

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 a 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 selecting qualified applicants and employees for job positions, compensation increases and other terms and conditions of employment. 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.

EMPLOYEE GENDER DIVERSITY





COMMUNITY ENGAGEMENT

At Stella-Jones, community engagement is led at the local, facility level. Our employees are best placed to engage with the issues and initiatives that matter most to their communities and support causes close to home. We strive to be present in our communities, building positive relationships by giving back and getting involved in causes that matter.

Stakeholder and community engagement is a crucial part of our approach to ESG. We understand our responsibility to our communities, neighbours, and local environments, and we will continue to pursue effective ways to deliver meaningful impact.

We understand our responsibility to our:

Communities

Neighbours

Local environments

Committed to Our Communities

Stella-Jones’ charitable giving and employee volunteer hours support over 90 different organizations. The range of causes supported includes Indigenous and cultural initiatives, museums, schooling and sporting events, hospitals, veteran organizations, women’s health, domestic violence support, family initiatives and food banks. In addition to financial support, many facilities also show support with in-kind donations of wood to various causes. The donation of poles, for example, goes towards events such as county festivals, landscaping for parks and gardens, and even museums.

Supporting our First Responders

After tornadoes devastated the Cayce volunteer fire department in Fulton County in Kentucky, Stella-Jones donated \$65,000 to help get the department back up and running. The department, which serves 1,500 people in Western Kentucky, including the Stella-Jones Fulton facility, lost all four of their fire trucks and all equipment. Our employees and their communities rely on fire departments such as Cayce as the first line of help for incidents, fires, and other emergencies. We were pleased to support the local fire department and their role in helping the community rebuild together.

Student Engagement

Establishing relationships with our local universities and colleges is an important part of promoting career opportunities at Stella-Jones and across our industry. Our team is engaged in long-standing relationships with universities and technical trade schools and meets regularly with faculty and student organizations to discuss our work and promote internship and job opportunities. Our relationship with schools and students is critical to ensure we continue to grow and develop people and skills for the future.

Supporting Indigenous Communities

We engage with numerous Indigenous communities on an informal, on-going basis. Our operations in British Columbia are near or within Indigenous Peoples’ traditional territories, and as such we seek to build respectful and mutually beneficial relationships. In 2021, we supported the following important Indigenous cultural projects through in-kind donations of wood:

- In the Columbia-Shuswap region of British Columbia, 100 cedar posts were donated to the Secwepemc Landmarks project. The cedar posts mark the 100 trailheads on the trail systems throughout the region and serve as a reminder of Secwepemc communities’ relationship to the region’s land and waters. Students from the local Shuswap Middle School carved the posts with guidance from Secwepemc carvers Hop You and Vern Clemah and Secwepemc storyteller Kenthen Thomas.
- Stella-Jones’ Prince George facility in British Columbia donated cedar posts to the Takla First Nation’s Uze De’ya Youth program. The posts were used in the youth totem carving competition.



Highlight Story

Bedding for Farm Animals

As part of our philosophy to value all wood by-products, certain Stella-Jones facilities that do not have an onsite use for pre-treatment trimming by-products including sawdust, shavings, or bark, donate or sell these materials to neighbouring farms, where the material is used as bedding for animals.





ENVIRONMENTAL COMMITMENT





OUR COMMITMENT

- Align reporting to Task Force on Climate-related Financial Disclosures (TCFD).
- Seek opportunities to reduce our Scope 1 and 2 greenhouse gas (GHG) emissions.
- Set GHG emissions reduction targets.
- Comply with applicable laws and regulations.

2021 PROGRESS

- Completed a 2° physical risk scenario analysis for Stella-Jones wood-treatment facilities.
- Conducted a detailed solar analysis for ten sites, with full design and engineering completed for the first site installation.
- Continued the roll-out of our GHG data collection and reporting system which is now in operation at 48 sites including all wood treatment facilities.
- Six instances of non-compliance were reported to the relevant authorities.

LOOKING FORWARD

- Work towards aligning with TCFD recommendations in the coming years.
- Complete installation at the first site identified in the solar analysis by the end of 2022 and commence planning for the continued roll-out.
- Commence site specific energy efficiency audits to help target energy management initiatives.
- Complete the roll-out of the data collection software for remaining sites, working towards a complete baseline for our Scope 1 and 2 GHG emissions.
- Focus on continual improvement and work towards achieving zero non-compliances.



CLIMATE CHANGE

As a manufacturer of treated wood products, we are uniquely positioned to contribute to tackling climate change through the long-term carbon sequestration of our products. We also recognize our responsibility to actively work to reduce emissions from our operations and support collaborative approaches to climate mitigation solutions across our value chain.

As Stella-Jones evolves to meet the demands of our customers and other stakeholders, we have committed to disclose qualitative climate-related risks and opportunities aligning with the Task Force on Climate-related Financial Disclosures (TCFD) recommendations. Assessing our organization through this lens enables more informed decision-making based on climate-related scenarios and through disclosing on metrics and targets, strategy, risk management, and governance, we enhance our transparency for all stakeholders.



We are pleased to release our first set of TCFD-aligned disclosures in this Report, reinforcing Stella-Jones’ commitment to transparency on Environmental, Social, Governance matters, while underscoring our ongoing work towards setting a credible GHG reduction target.

James Kenner
Vice President, Risk Management & General Counsel
U.S. Operations

Governance

Stella-Jones’ Board of Directors is responsible for the oversight and governance of climate-related risks and opportunities. The Board provides strategic guidance to the Company to ensure these topics are appropriately considered within business decision making. Our President and CEO holds the highest level of organizational responsibility for the management of these topics, sets the vision for climate change-related performance, and ensures adequate resources for the attainment of organizational priorities related to our climate change response. Our ERM and EHS professionals evaluate material climate-related risks on a regular basis.

Strategy

Our business strategy may in the future be impacted by both physical and transitional risks related to climate change. Weather related risks vary by location, but extreme heat and wind related risks such as tornadoes and tropical storms could impact certain facilities through increased downtime and workforce productivity. These risks are those that have been identified as having the potential to impact our business over the long-term.

Our ERM team supports business continuity readiness and response associated with physical risks, including extreme weather events and rising temperatures. Our strategy to mitigate potential impacts involves crisis response procedures and the identification of production shifting tactics. We have identified several opportunities related to climate impacts, including the role our products can play in climate mitigation solutions through the forest cycle and the increased need for our products and technologies including our intumescent fire-resistant pole wrap for our customers located in fire-prone areas. In addition, we see potential for increased demand for our products as utility and rail customers seek to build resiliency into their infrastructure, including more frequent maintenance and replacement.

Risk Management

In 2021, we undertook our first 2°C climate change risk assessment in line with TCFD recommendations to identify climate-related risks and opportunities that have the potential to impact our operations. The analysis will serve as the baseline analysis for future assessments, and the results will be incorporated into the facility level Business Continuity Plans (BCPs). We aim to build upon this first physical risk assessment to complete a quantitative climate-related transitional risk assessment that also looks at the upstream and downstream financial impacts to our business and identifies recommendations.

Our BCP process has been developed to incorporate the identified risks to minimize financial losses, protect our employees, and ensure continuity of product supply to customers. The ERM team completes an organization-wide review of climate-related risks, including both physical and transitional risks, on a semi-annual basis, and presents this along with all other identified business risks to the Board of Directors. Moving forward, we will work towards including quantitative financial impacts in the review of transitional risks as per TCFD recommendations.

Metrics and Targets

We currently track our emissions intensity in carbon dioxide equivalent (CO₂e) per cubic foot (ft³) of treated product. This emissions intensity is an indicator of our overall efficiency and allows for GHG benchmarking at our facilities. We are committed to improving the completeness and accuracy of our GHG inventory, including understanding our Scope 3 emissions by the end of 2023, and working towards a credible baseline for future GHG reduction targets. We will also complete a boundary assessment to ensure completeness and accuracy of GHG data capture and will set GHG reduction targets for Scopes 1 and 2 within two years.





ENERGY MANAGEMENT AND GREENHOUSE GAS EMISSIONS

Our organization is committed to reducing our Scope 1 and 2 GHG emissions through improved energy efficiency in the production and distribution of products to our customers.

Energy management programs are site-specific and have included energy-efficient upgrades of equipment, capital investment in electric kilns that replaced less efficient gas-fired kilns, as well as utilization of waste wood in our wood boilers for treatment processes. Looking forward, we hope to centralize the management of energy efficiency programs and strive for increased renewable energy usage across the business.

Energy Management and Data Collection

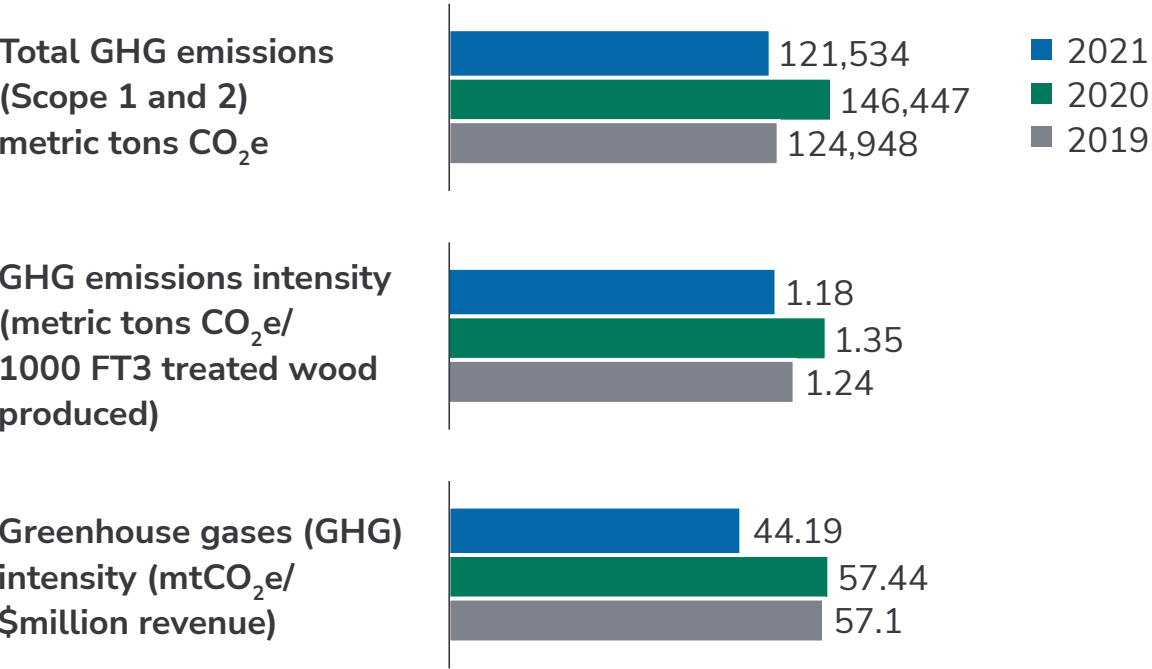
To support continuous improvement, Stella-Jones has committed to directing corporate efforts toward developing data collection mechanisms to track the use of energy and GHGs emitted across our facilities. In 2021, our data collection software was rolled out to our Canadian facilities and now covers all wood treatment facilities across the U.S. and Canada. The focus for 2022 will be to ensure the data is complete and of high quality as we work towards auditing the data and establishing our baseline for setting Scope 1 and 2 GHG emissions reduction targets.

Renewable Energy

As our organization endeavors to decrease its environmental footprint, we have explored various forms of renewable energy to increase the sustainability of our processes and products. In 2021, we undertook a solar assessment that identifies the availability of solar radiation resources for developing, deploying, and operating cost-effective solar energy technologies. A third party reviewed 39 sites on high-level financial and solar resource availability. Upon analysis, the team identified ten sites which were subsequently assessed based on electricity market costs, solar energy credits and other factors. A prioritized list of sites was identified as candidates for solar power installation with the design and planning having been completed in 2021. Our aim is to complete installation at the pilot site in 2022.

To further increase the amount of energy we derive from sustainable sources, our sites use biomass in the form of wood off-cuts from the trimming process to fuel boilers at Stella-Jones facilities. This energy source enables the residual resources to be used as direct energy and represents our organization’s waste-to-energy approach. Using the wood by-product on site also avoids emissions associated with transport and disposal. In 2021, 35% of our total energy use came from wood biomass.

ENERGY MANAGEMENT AND GHG EMISSIONS





ENVIRONMENTAL COMPLIANCE

Operating in a heavily regulated industry in both our U.S. and Canadian jurisdictions, it is imperative that Stella-Jones ensures compliance with all applicable laws and regulations.

Our dedicated EHS staff keep us informed and up to date on regulations impacting our business and our operations staff are responsible for complying with our environmental registrations, licenses, permits, and approvals. To maintain compliance, we carry out timely inspections of all sites and complete required testing to meet all reporting obligations.

Environmental Risk and Hazard Control

Environmental aspects are reviewed at each facility to determine the level of significance. The determination is documented in the facility-specific Continuous Improvement Plan (CIP) with significant hazards and aspect requiring objectives and targets for control and mitigation. The monitoring and measurement of each environmental aspect or hazard are reviewed annually along with the identified control. The CIP annual objectives and targets identify the improvement projects and helps the organization track our progress. Projects completed as part of the CIP in 2021 were wide and varied; below is a snapshot of some examples:

- LED lighting upgrades to improve energy efficiency;
- New winter cleaning methods for drip pads;
- New design for pallet cages for chemical drums to reduce spill risk during transfer; and
- Improved recycling options for plastic banding.

Environmental Incidents

Stella-Jones works diligently to prevent all environmental incidents. While this is our ambition, three reportable spills occurred in 2021, all of which were immediately contained, and all contaminated material properly disposed. One spill occurred within the wood treating operation, and the other two spills were releases of hydraulic fluid from onsite mobile equipment and a third-party truck. All incidents were thoroughly investigated, corrective actions were put in place, and there was no further action by regulating authorities.

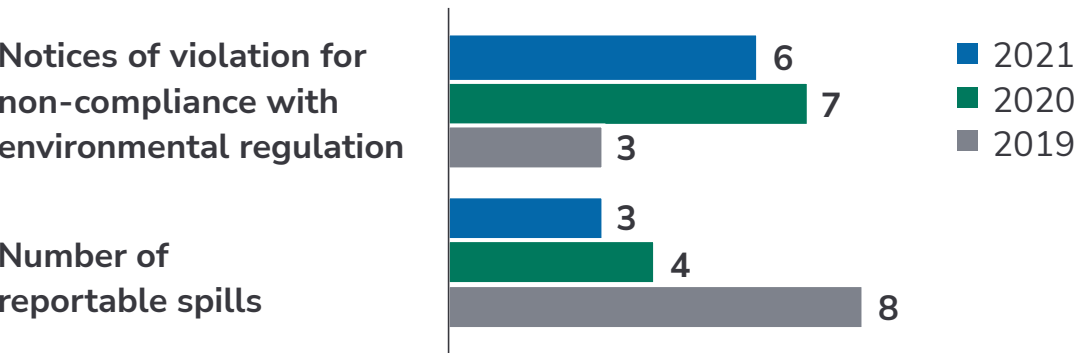
In 2021, Stella-Jones also received six notices of violation for environmental noncompliance. Three of the notices of violation were related to hazardous waste storage, one was due to stormwater pollution prevention plan documentation, and two were related to air quality concerns. While there was only a modest improvement in our regulatory compliance as compared with 2020, the decrease in violations documented year-over-year is demonstrative of Stella-Jones’ dedication to improvement.

To prevent reoccurrence, we investigate all environmental incidents and cases of non-compliance and take corrective and preventive measures immediately following an incident. Results of corrective and preventative actions are reported to regulatory authorities when and as required by applicable regulations.

Land Remediation

Our participation in voluntary land remediation programs is part of our commitment to act as environmental stewards in our local communities. The clean-up and redevelopment of previously contaminated sites helps reinvigorate communities and improve public health and safety. Most sites where land remediation is necessary is from contamination that occurred prior to Stella-Jones’ acquisition, and we undertake the remediation voluntarily. In 2021, we spent over \$1.6 million on land remediation programs as part of our commitment to improving environmental outcomes.

ENVIRONMENTAL COMPLIANCE



Highlight Story

Voluntary Land Remediation in West Virginia

In 2021, Stella-Jones voluntary site remediation project in Spencer, West Virginia was completed with the project moving into the monitoring phase. The project, which took over three years to complete and cost over \$5.2 million, helped remediate land that was contaminated prior to Stella-Jones’ acquisition of the former wood treating facility. The remediation program involved the removal and disposal of over 25,000 tons of impacted soil. The site undergoes semi-annual inspections as part of our continuing obligations.





AIR QUALITY

Our production process involves treating wood and results in air emissions that include nitrogen oxides (NOx), sulfur oxides (SOx), and volatile organic compounds (VOCs). We recognize the importance of limiting the air emission impacts and maintaining safe environmental conditions for our employees and the communities in which we operate.

As a part of our compliance requirements with air quality permits and regulations, our facilities identify, quantify, and disclose all sources of air emissions to government authorities and implement air emission control devices and processes to limit air pollutant emissions to the extent possible. We seek to maintain an open dialogue and collaborate with our different stakeholders on the topic of air quality to ensure any concerns are addressed efficiently and effectively.

Our SOx and NOx emissions decreased in 2021, both in absolute terms and on a per cubic foot of treated wood produced. As these numbers are calculated based on the amount and type of fuel used on site, they directly correlate to changes in consumption.



WATER

As a Company, we are aware of our reliance on water as a critical resource for our water-based treatment processes.

Water is an essential component of our daily activities, and with three wood treating facilities located within areas of high water-stress, it is a resource we continually monitor. We have dedicated EHS staff who aim to reduce freshwater needs in our treatment process through capture and re-use, as well as use of stormwater when possible. In addition to being necessary to treat our products, water is also used for dust and emission controls, process steam heating, and cooling.

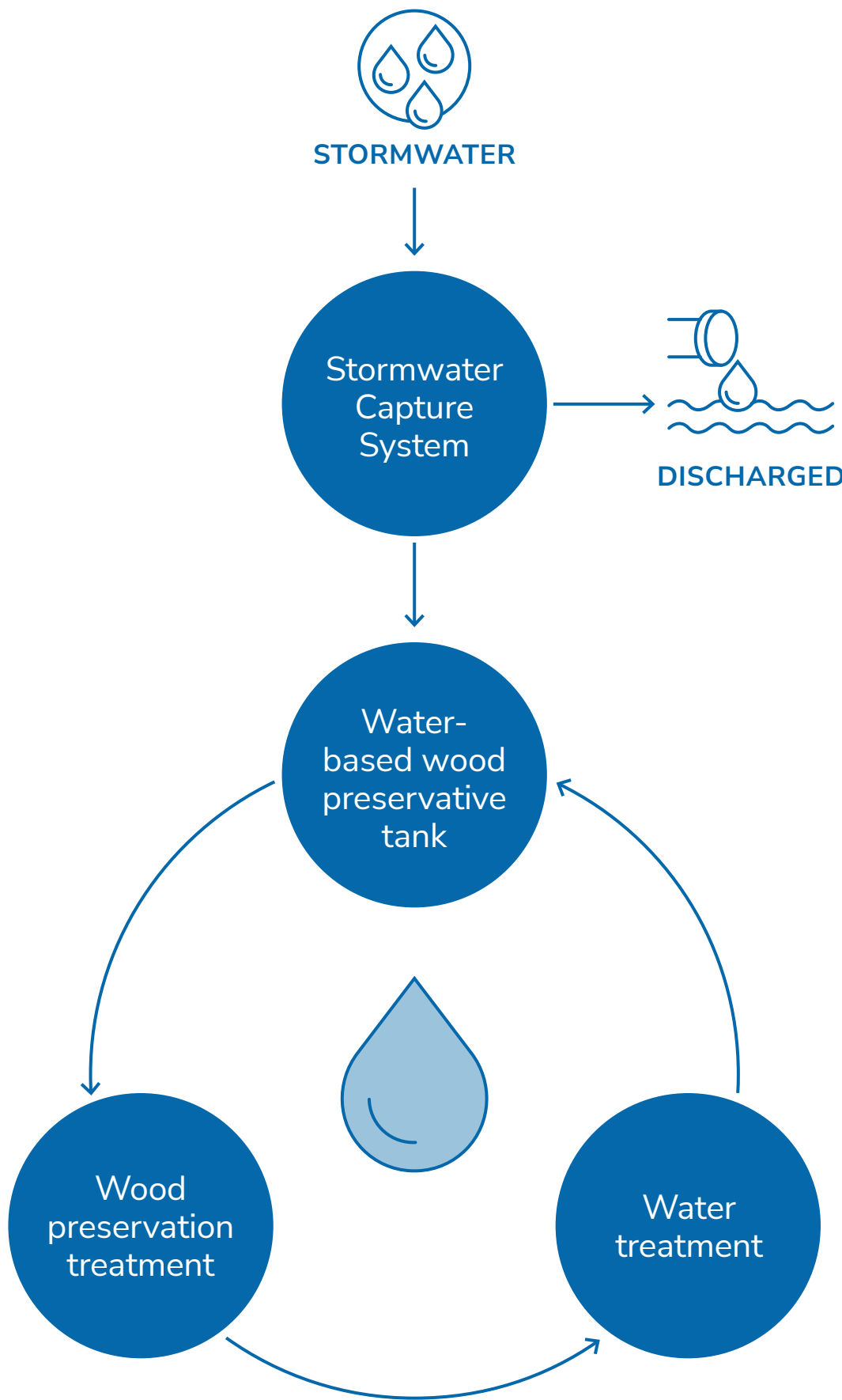
Wastewater Management

The primary objective of wastewater management at Stella-Jones is to reclaim and reuse as much water as possible. Water from the treatment process is recycled, which means capturing and returning it to the same process before any evaporation or diversion occurs. Additionally, we use stormwater within treatment processes at our facilities when possible. Stormwater is regulated through permits and requires inspections and tests for quality and contaminants. As a part of our wastewater management operations, all the water generated from precipitation, cleaning, or used in operations is treated and cleaned of potential wood preservatives and other contaminants prior to being released to the environment in compliance with the required permit or reused in other organizational activities.

Water-Related Risks

As there are three wood treatment facilities located in water-stressed areas, it is integral to maintain an understanding of the water-related risks at the facility level. Operations located in water-stressed areas are identified using the World Resources Institute’s (WRI) Aqueduct Water Risk Atlas Tool. To reduce our water footprint at facilities that use waterborne preservatives and are in areas with baseline water-stress, we look for opportunities to reuse as much stormwater as possible in our operations.

STORMWATER MANAGEMENT PROCESS*



*Illustrates options for wastewater reuse. Process may differ between sites.



Highlight Story

Stormwater Upgrades

In 2021, our Dubois, Pennsylvania facility completed an upgrade to its stormwater management system. The upgrade included installing a new impermeable concrete runoff area to direct stormwater across the site with eight filter socks at strategic locations that help reduce sediment outflow. This was one of four sites that undertook stormwater management upgrades. Our New Westminster, British Columbia site contracted with a third-party water treatment design and engineering company to design upgrades to their existing wastewater treatment system to help contend with increased production and more extreme rain events. We completed the bench scale testing along with the engineering assessment to be used in the conceptual engineering and design work. New Westminster’s water treatment plant currently treats 450 cubic meters of stormwater annually for use as make-up water in the treatment process.



WASTE MANAGEMENT

At Stella-Jones, we make every effort to reduce or eliminate the waste produced by our operations and we are diligent in our approach to producing and discarding waste.

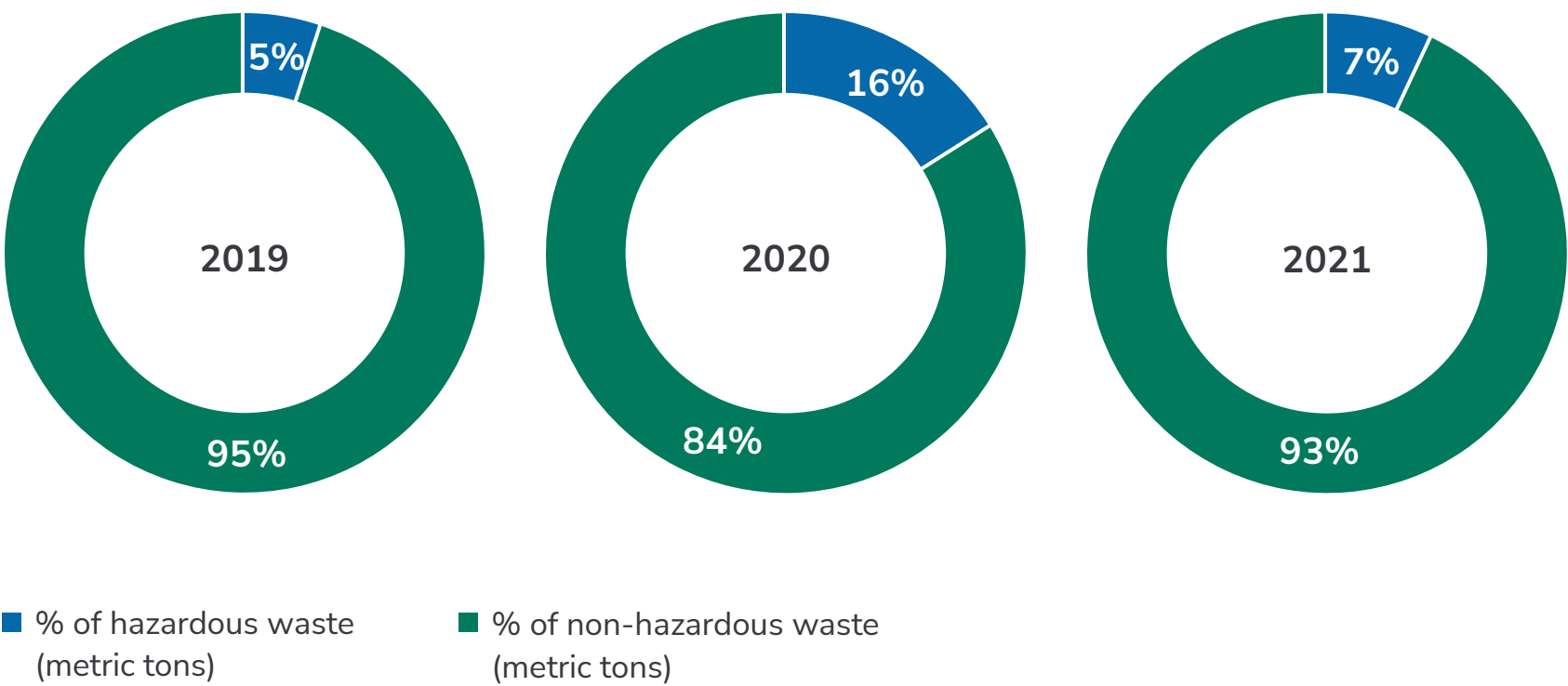
We actively collaborate with our waste management suppliers to ensure safe and responsible disposal of hazardous materials, carefully transporting, treating, recycling or disposing of waste per regulatory requirements. Our waste management processes include disposing of products via energy recovery, incineration, stabilization, or landfill at government-licensed and approved facilities.

In pursuit of circular economy principles, where products are re-used, re-manufactured, and recycled, we seek opportunities to value our by-products and find new and meaningful uses for them. Our wood by-products are used in a variety of ways depending on the options available near our facilities. Ten sites use wood by-products as biofuel in onsite boilers, generating steam for our production processes. This is a carbon-friendly process, thanks to the carbon sequestered in the growing of the tree and the prevention of landfill emissions from the disposal. We also sell untreated wood cut-offs and bark as mulch for garden and landscaping projects, sawdust as bedding for farm animals, wood pellets for biomass co-generation plants and even to producers of biochar.

Improving our Data Capture

To maintain our commitment to keeping an accurate and full dataset, we aim to document and track the quantities of our waste by end use, including re-use and repurposing. This is a new dataset that we will continue to use to improve our tracking and understanding of our various waste streams.

WASTE GENERATION BY TYPE



WOOD BY-PRODUCTS



These percentages are on a per-site basis and not actual quantities of wood by-product.



Highlight Story

Survey Stake By-Product

Valorizing our wood by-products takes many different shapes and forms across our Company. Our Neepawa facility in Manitoba, sells untreated wood by-product to a local company that creates survey stakes for surveying land boundaries. This is just one example of the creative ways we seek useful end-of-life applications for our materials as an alternative to becoming unnecessary waste streams.





PRODUCT STEWARDSHIP





OUR COMMITMENT

- Identify opportunities to increase sustainability across our value chain.
- Comply with all applicable forest management laws and regulations.

2021 PROGRESS

- Supported safety upgrades at three sawmills through small business loans and long-term supply commitments.
- Zero violations of applicable laws and regulations in the 28,000 hectares of managed forest lands in British Columbia.

LOOKING FORWARD

- Formalize our supply chain engagement process.
- Engage with our stakeholders on responsible forest stewardship, seeking to improve knowledge and sharing of best practices.



MATERIAL SOURCING AND RESPONSIBLE SUPPLY CHAIN

Wood fibre is the primary material in our products, making sustainable forest management essential to our business.

We recognize the importance of our forest management practices on the environment from the areas in which we source fibre, and we seek to implement responsible procurement practices across our value chain.

Responsible Procurement

At Stella-Jones, we centre our sourcing around local procurement where possible to support the communities in which we operate. This model also allows us to respond to customer demand with agility and efficiency. We procure railway ties from over 1,000 sawmills, with 90% of them situated within 150 miles of a Stella-Jones facility. This year, we continued the implementation of our Log Inventory Management System (LIMS) timber procurement program, which is a pre-requisite for any future supplier management program.

Fibre Supply

In 2021, we faced challenges in our fibre supply due to the high demand on forest products for construction and inelasticity in the workforce due to the ongoing Covid-19 pandemic. We saw the availability of fibre across multiple tree species be impacted directly and indirectly by local and federal timber policies that convert working forests to unmanaged forests. Timber harvesting, targeting carbon storage at biologically sustained yield, promotes maximum carbon storage and reduces the risk of catastrophic fire associated with the fuel load buildup with no management. Annually, wildfires now compete with passenger car emissions as a significant source of greenhouse gases in North America. Climate change impacts like drought, wildfires, pests and diseases will have an impact on the certainty of wood supply but can be mitigated through sound public policy and responsibly managed forests. Our strategic vendor relationships help mitigate the risk to our business and our teams continually update and review our strategic sourcing and growth plans across tree species and product lines.

Read more about climate change related risks to our business in the [Appendix](#).



Third-Party Certifications

We navigate a complex system for certification, while ensuring that all our suppliers comply with applicable national and local regulations, including industry-specific environmental regulations that promote harvesting timber at maximum sustained yield and biological maturity. In 2021, approximately 84% of our residential lumber for the Canadian market by volume, and 90% in the U.S. market was procured from third-party certified sources such as Forest Stewardship Council® (FSC®) or Sustainable Forest Initiative® (SFI®).

Supplier Profile

Utility poles – Harvested or purchased from forest tenures, timber sales programs, or private woodland owners.

Railway ties, residential lumber, and industrial products – Purchased pre-cut from over 1,000 sawmills in North America, many of which are small, family-owned businesses.

Supporting our Supply Partners

In 2021, we advanced 30 sawmills a total of \$5.5 million. These loans are critical for our suppliers to maintain operations and for Stella-Jones to ensure continuity of our wood supply. Providing small business loans is part of our commitment to be a responsible supply chain partner and work with our suppliers on opportunities to improve efficiencies. One of the sawmills in North Alabama used the loan to upgrade their equipment to increase production for Stella-Jones. Another, in Mississippi, upgraded their rail spur, which now allows lumber from this sawmill to be transported to almost any one of our locations, resulting in increased procurement from this facility. Independently, three other sawmills have installed robotic stacker equipment, greatly improving the safe handling of ties, an important focus for our business.



Highlight Story

B.C. Forest Tenures

We manage 28,000 hectares of forest land over four different areas across British Columbia. Each year, we harvest 135,000 cubic metres (m³) of timber, equivalent to just 1.6% of our managed land area. These management areas are harvested on a five-year plan, planting approximately 750,000 trees annually. Tenure management practices include planning, development, harvesting, silviculture, and stand tending. All foresters working on our tenures are Registered Forestry Professionals, which is a requirement for all foresters practicing in B.C. Our forest stewardship plans comply with the *Forest and Range Practices Act*.



28K hectares
of land managed



1.6%
of land harvested annually



750K
trees planted annually



Stella-Jones would like to thank our suppliers for their continued support. Their hard work provides the raw materials we use to produce the best products in the industry. The relationships we maintain with our vast network of suppliers have been critical to our success as we work together to navigate the post-pandemic landscape. Stella-Jones takes great pride in working with its suppliers to provide the highest quality products, while improving efficiencies and employee safety.

Jason Dallas
Vice-President Railway Tie Procurement




PRODUCT LIFE CYCLE MANAGEMENT

Forests have a significant role to play in mitigating climate change. As a major manufacturer of treated wood products, we have an opportunity to reduce carbon in the atmosphere through sustainable forest management, increase long-term carbon sequestration in treated wood products, and improve end-of-life management by prioritizing reuse and recycling over disposal.

Life Cycle Assessment (LCA)

A review of existing life cycle assessment studies on wood treated products concluded that compared to other product alternatives (concrete/steel poles, or concrete railway ties), treated wood products have a lower environmental impact. Our carbon sequestration tool, developed with the help of external consultants in 2020, calculates our 2021 production sequestered 2.52 million mt of CO₂e through our wood treatment process.

To increase the lifespan of our products, we treat wood with preservatives. This typically results in a lifespan of between 35-60 years depending on the use, wood species, preservative, and area of service. This longer lifespan due to treatment also contributes to a higher carbon sequestration within the carbon life cycle. We are continually looking at ways to increase our product lifespan, in turn improving the customer experience. When our ties and poles reach the final phase of the life cycle, there are several end-of-life solutions available to our customers including repurposing in landscaping, use in biochar product and biofuels.



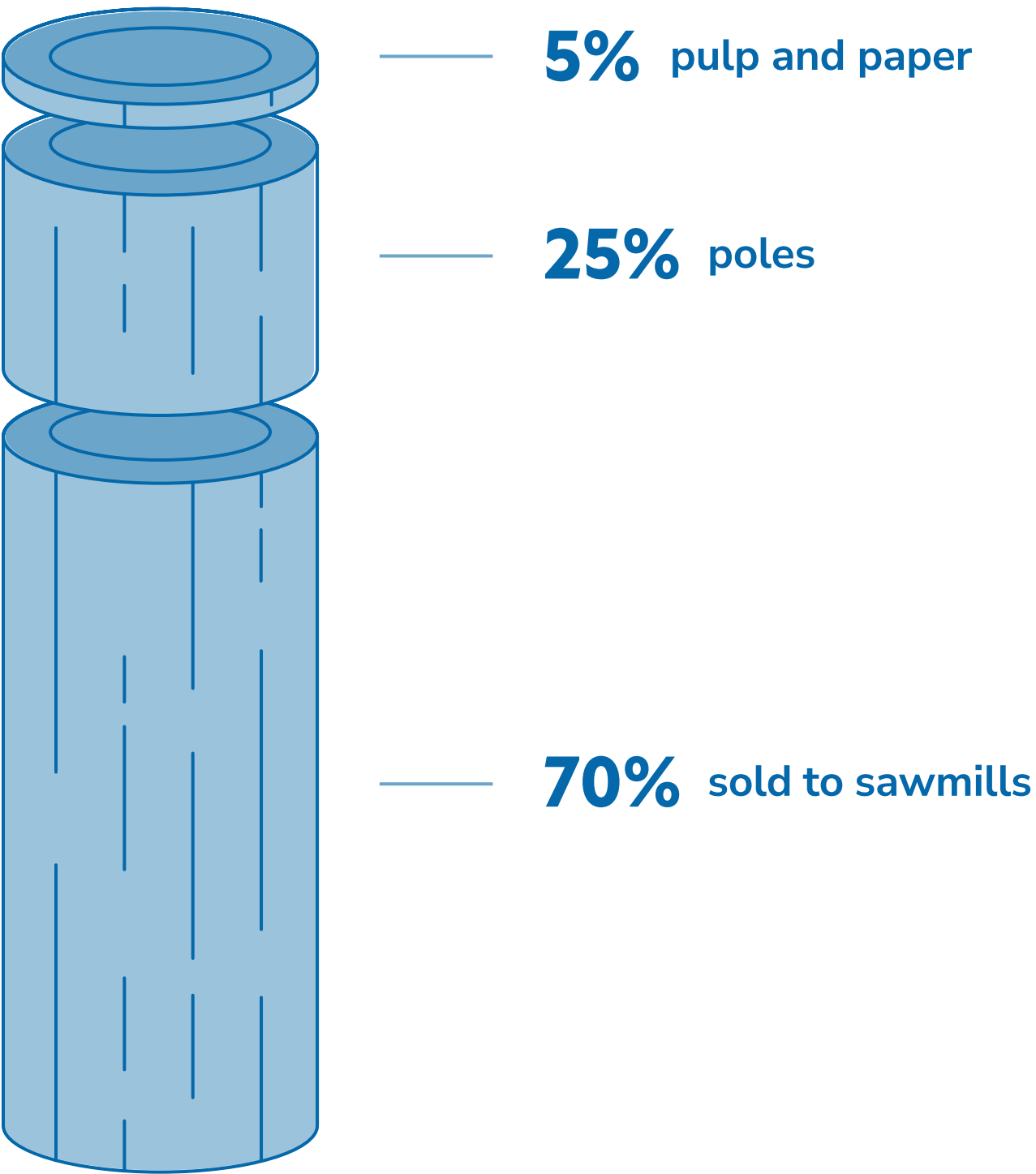
2.52M

metric tonnes of CO₂e sequestered through our wood products in 2021

Use of Biodiesel

Biodiesel is used as a carrier oil for the oil-based treatment processes at our operations. Biodiesel offers various benefits in our processes such as odour management, increased flash point, and increased solvency of the preservative. Our teams are continuously looking for more sustainable alternatives to the preservatives and oils used in our processes.

HOW A MANAGED FOREST IS USED



Highlight Story

Non-Destructive Testing

At Stella-Jones, we have undertaken research for non-destructive testing for utility pole monitoring. The new test method assesses mechanical and physical properties without damaging or altering the pole integrity. The electrically induced radiation-based test method removes the need to bore holes into the wood for analysis, which avoids impacts on pole strength and potential wastage of the pole. This pole monitoring includes testing for moisture content, load bearing capacity, and treatment depletion, helping customers better understand the life span of the in-service poles and supporting improved accuracy of maintenance planning and replacement forecasting.





PRODUCT RESPONSIBILITY

Our wood treatment processes and products directly contribute to forest sustainability.

By increasing a product’s life span, we ensure sustainable harvesting schedules and maximize the usefulness of our wood resources. Our preservative system is optimized to ensure efficient use of chemicals with optimal outcomes for product quality and durability.

Treatment Preservatives

Treating wood with preservatives protects it from decay and pests through controlled pressure impregnation that repels wood-destroying organisms. The preservatives used in our treatment process comply with all regulations specific to our products, including from the U.S. Environmental Protection Agency and Canada’s Pesticide Management Regulatory Agency. At Stella-Jones, we take a risk-based approach to chemicals management based on the specific hazard information and exposure of each individual product. Our SHIELD program covers employee training on safe preservative handling. Safety Data Sheets (SDS) are provided to all our customers and are accessible to all workers. This important information outlines the proper handling and use of treated wood to ensure enduring health and safety and minimal environmental impact. SDS’s can also be found on our [safety data sheets webpage](#).

Quality Assurance

Stella-Jones strives for continuous improvement in quality assurance and management systems with the goal to supply customers with products that meet or exceed specified requirements and/or industry standards. A quality product is one that complies with the terms of the sales contract and applicable specifications. In addition, a quality product must comply with all relevant regulations regarding safety, health hazards and environmental protection. Beyond the minimum quality requirements, aesthetic acceptability of the products must be achieved.

It is the policy of Stella-Jones to fully comply with these concepts of quality, and the Company’s senior management is fully committed to devoting the resources necessary to achieve these objectives.

All treatment facilities have third-party or in-house quality control. Products are assessed for defects to meet specification requirements, and from a treatment retention perspective, to verify the chemical content of the finished product. In the United States, utility poles must meet the American Wood Protection Association (AWPA) standard and in Canada, the Canada Standards Association (CSA).



INNOVATION

Innovation is core to Stella-Jones’ operations and our pursuit of continuous improvement. Our ongoing focus on innovation has allowed us to increase efficiencies to respond to customer demand with increased agility, all while reducing the environmental impact of our products.

Innovative Products

Our research and development team members are continuously exploring options for alternative preservatives to improve environmental outcomes and product quality. Through a collaboration with a third-party manufacturer, we have expanded our preservative offering with Dichloro-Octoyl-Isothiazolinone (DCOI). DCOI is the first oil borne preservative to be approved for wood poles in over a decade and requires less preservative per treatment for the same product durability as existing preservatives. In 2021, our Arlington, Washington facility piloted the new preservative with a positive response from customers and overall satisfaction with the finished product quality.

Fire-Resistant Wrapped Poles

Increased incidents of wildfire across North America have led to a growing demand for fire protection and resiliency in electric utility infrastructure. In response to this emerging need from our utility customers, our team developed and introduced our fire-resistant pole wrap in 2019. This innovative product offers significant protection against fire damage. Our fire-resistant pole wrap has been a successful product development that is experiencing organic sales growth as customers in wildfire prone areas seek to build resiliency into their infrastructure.



Our facility has gone through an immense amount of work testing the DCOI preservative and refining the treatment process. We will continue to be a resource for the rest of the organization as we share our learnings and help ensure a successful roll-out of this important new product offering.

Anna Colwell
Plant Manager, Arlington, Washington



Safety Innovation

An automated lumber package wrapping machine was installed at our Shelburne, Ontario facility in 2021. The automated system can wrap and process material more quickly than was previously accomplished through the manual wrapping process. This has allowed us to improve safety through the automation of a manual and repetitive process as well as decrease the turnaround time for product post treatment. The system also improves consistency and stability of the lumber packages and eliminates the staples previously used, which reduces the waste for our customers at the point of unwrapping.



Highlight Story

Cross Tie Trimmer at Bangor Facility

In 2021, we added a new cross tie trimmer at our Bangor, Wisconsin facility that provides multiple benefits:

- Improves safety for employees, removing the hazard of this high-risk task; and
- Increases production by processing 15% more ties per day.

We are also increasing the impact of our innovation across the value chain: three suppliers have implemented the robotic tie stackers at their facilities. This adoption comes following collaboration and continued dialogue with our supply chain; sharing our advancements in innovation to benefit those we serve and partner with.





GOVERNANCE PRINCIPLES





OUR COMMITMENT

- Expand the EHS Board Committee mandate to include specific ESG priority risks.
- Embed climate change risk into our Company planning and decision-making processes.
- Implement an Indigenous Peoples Policy (IPP).

2021 PROGRESS

- Conducted stakeholder interviews with Board members, investors, and internal subject matter experts.
- Completed a Board skills matrix and self-assessment to identify key required competencies and knowledge and expertise proficiencies.
- Designed the facility level business continuity plan to complement the ERM and BCP process for the Group.
- Inclusion of expanded ESG risk categories in the annual ERM process with the annual risk report reviewed by the Board.
- Initiated research for the development of an IPP.

LOOKING FORWARD

- Improve our understanding of our stakeholders' ESG priorities by conducting a comprehensive materiality assessment.
- Continue Board-level ESG education.
- Formal adoption and publication of an IPP supported by education of senior leaders and awareness throughout the organization, beginning the strategic steps towards execution of the IPP.
- In alignment with the TCFD recommendations:
 - Continue the facility level BCP roll-out with inclusion of the climate change scenario physical risks.
 - Formalize the inclusion of transitional climate risk in our strategic decision-making and planning process.



CORPORATE GOVERNANCE

Strong corporate governance is a core principle at Stella-Jones. We believe governance foundations are critical to achieve our long-term sustainability goals.

The Board

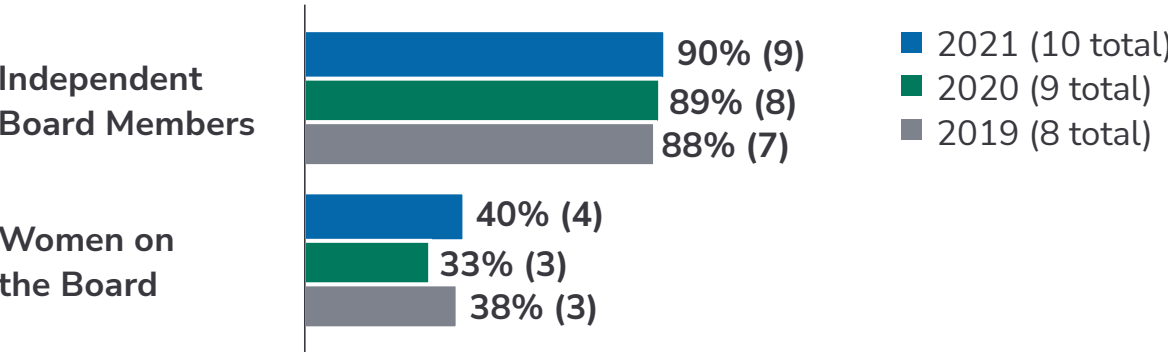
The Board is responsible for monitoring, evaluating, and contributing to the strategic and operational direction of the Company. The Board meets at five scheduled points throughout the year to approve financial statements and budget items and to address matters of importance throughout the year as they arise. Our Board mandate is reviewed annually and updated as required. The mandate details the Board’s key responsibilities, including the adoption of a strategic plan, identification of principal risks, succession planning, internal controls, development of a communication policy and assuring the integrity of the President and CEO. An independent Board of Directors is crucial to effective management oversight, and nine out of ten Board members are independent from management. Independent members meet regularly at each Board meeting without the presence of management. Additional perspectives are also provided to support the Board on many issues through four Committees:

- 1. Audit Committee;
- 2. Environmental, Health & Safety Committee;
- 3. Remuneration Committee; and
- 4. Governance and Nomination Committee.

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 that longer-serving, 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. In 2021, our 15-year limit tenure policy was exercised, and consequently one longtime member did not stand for nomination at the May 2022 Annual Shareholders meeting, enabling the appointment of a new Board member and the reintroduction of fresh perspectives and new opportunities on the Board.

GOVERNANCE STRUCTURE



Highlight Story

Skills Matrix Assessment for Board

In 2021, in the context of an in-depth Board composition review, we developed a skills matrix and self-assessment for the Board in order to identify and define key required competencies, relevant knowledge and expertise proficiencies. This exercise provided us with a comprehensive understanding of the unique and diverse skillsets of our Board members and potential knowledge or skills gaps we may have, in order to better address our needs when seeking future candidates.



Solid and entrenched corporate governance builds trust. Employees trust their managers when they are examples of consistent integrity, and our investors trust us when they know we report our results with transparency and honesty. We all perform better when we have faith in each other.

Marla Eichenbaum
Vice President, General Counsel and Secretary



BUSINESS ETHICS

Our Code of Business Conduct and Ethics (Code) outlines the standard of ethical behavior and corporate conduct that we expect from our people and those working on our behalf.

The Code applies to all employees at all levels and sets out basic principles in which all employees shall conduct business and maintain relationships with fellow employees, customers, competitors, business partners and regulatory authorities. It incorporates Anti-Hedging and Anti-Bribery Policies, to further bolster the Company’s culture of integrity throughout its ranks. The Code is provided to all new employees, is circulated quarterly and is on display at every facility.

Whistleblowing Policy

We recognize the importance of protecting our employees by combatting unethical behavior and misconduct. We achieve this by providing a [Company-wide anonymous whistleblowing 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. The Whistleblowing Policy is circulated quarterly, provided to new employees and is on display at every facility.

More information on our various corporate policies can be found in the [Corporate Governance section of our website](#).



GOVERNANCE OF ESG-RELATED RISKS

Responsibility and accountability for risk are incorporated into all levels of our organization as we strive to integrate risk management into our decision-making and strategy. It is imperative that we continue to improve consistency of risk culture across our Company.

In 2020, the EHS Committee mandate was expanded to include matters relating to ESG. In 2021, we progressed by conducting stakeholder interviews with Board members, investors, and subject matter experts internally to gain insight on stakeholder priorities. Looking forward, we will continually improve our understanding of our stakeholders’ ESG priorities by conducting regular materiality assessments.

Business Continuity Planning

This year, we focused on implementing controls for our priority risks and designed a formal BCP process. We will continue to formalize our BCP processes at the facility level which will address site-specific considerations. This year, we also identified autoclaves and boilers as critical equipment for operations. This resulted in the formalization of our autoclave integrity testing program, which is being rolled out across facilities. Integrity testing is best practice, helping establish repair requirements, ensuring continued reliability for our customers, and safeguarding our employees in the case of failure during treatment. Going forward, we are working to have contingency plans in place for all critical equipment including temporary workarounds and restoration or replacement plans. We were also able to identify and account for supply chain challenges unique to this year, such as increased delivery times to ensure mitigation plans were in place to prevent disruptions to production.

Climate change physical risks were also incorporated into the facility BCPs, with examples such as hazards brought on by climate-related changes in weather. The purpose of this is to improve emergency response planning, improve the resiliency of existing capital assets, and create capital improvement plans to help mitigate climate-related risks.



Risk Management

Risk management is overseen by our Board, the Board Committees, and the ERM committee with the goal of defining and mitigating the principal risks to our business, including ESG-related risks. The ERM committee is a non-Board Committee composed primarily of members of senior management. Our Company-wide risk register is organized into categories and risk owners develop mitigation plans and controls. Each risk can be traced to a strategic objective to articulate how each risk has the potential to impact overall strategy execution. We evaluate risks for potential impact on ESG performance and risks are prioritized based on severity and likelihood of impact.

Cyber Security And Data Privacy

At Stella-Jones, we understand the importance of cyber security to protect our systems and sensitive information from loss or theft, including the securing of personal data. In 2021, we engaged a third party to complete a cyber security maturity assessment of the organization and expanded the Board’s Audit Committee mandate to include oversight of IT security initiatives. We also established a management level IT Security Committee to review, prioritize, and approve the IT Security Program. Cyber security training for employees covers fundamentals for information security, phishing, access controls, and incident reporting processes. The training is mandatory for all employees and independent consultants.



Highlight Story

Increased Governance over ESG and Communications

In 2021, our President and CEO approved the position of Senior Director, ESG to oversee ESG strategy. The addition of this role to oversee all ESG-related risks and opportunities to the business illustrates our increased focus and diligence on ensuring our operations align with our ESG-centric values. We also approved a Director, Corporate Communications role that was created to enhance our existing internal and external communications strategy in relation to all stakeholders.



INDIGENOUS PEOPLES

Indigenous engagement and enhanced cultural understanding by management and decision makers are key to Stella-Jones’ mission to be a responsible corporate citizen and to establish a harmonious relationship through shared values of diversity, sustainability, and respect for natural resources.

Indigenous Peoples Policy

We have committed to creating a formal Indigenous Peoples Policy (IPP) that is reflective of our values to promote cultural understanding, collaborative decision making and natural engagement. Our leadership team has commenced background research and cultural learning to take the initial steps of Stella-Jones’ journey in Indigenous engagement. We value and recognize the constitutionally protected rights and treaties of Indigenous Peoples including the principles laid out in the United Nations Declaration for the Rights of Indigenous Peoples (UNDRIP), and the Truth and Reconciliation Commission of Canada: Calls to Action. Our IPP aims to incorporate these principles to drive our engagement in a culturally sensitive and meaningful manner.



Highlight Story

Indigenous Engagement in B.C.

In British Columbia, Canada, we operate near and within Indigenous Peoples’ territories. Our forestry teams engage with numerous Indigenous Communities when designing and implementing our forest stewardship plans. As traditional landowners with a profound connection to land and waters, this engagement and consultation process is essential. Our engagement also includes support through donations to Indigenous communities and cultural initiatives in the region.

Looking forward,
we are committed
to taking significant
steps to improve our
engagement and
relationships with
Indigenous Peoples.





ECONOMIC PERFORMANCE

Stella-Jones is a wood treating industry leader, generating significant value, and distributing this value to stakeholders, including local communities via procurement.

In 2021, we generated \$2.75 billion in total sales and recorded increased sales for a 21st consecutive year. Our strong cash flow has allowed us to fund investment in our business and grow our dividend for a 17th consecutive year. Due to the nature of our industry, we have a unique opportunity to support communities through our business activities. In 2021, 90% of our product came from local sawmills. We advanced 30 small business loans to local sawmills, assisting with investments in timber or facility upgrades that will in turn increase efficiencies and production volume in our industry.

Stella-Jones’ direct economic value generated and distributed on an accrual basis in the reporting period, including, as applicable, revenues, operating costs, employee wages and benefits, and payments to providers of capital, can be found in the Company’s Annual Report.



Highlight Story

Supply Chain Unpredictability

In 2021, supply chain unpredictability and the exceptional rise in the market price of lumber resulted in challenges felt across our industry. Through our strong fundamentals and resilient business model, we persevered through these challenges and maintained a healthy economic position while remaining committed to our values of sustainability and corporate responsibility.





APPENDIX



APPENDIX I

ACRONYMS

ACRONYM	DEFINITION
AWPA	American Wood Protection Association
BCP	Business Continuity Plan
CDC	Centers for Disease Control and Prevention
CDP	Formerly known as 'Climate Disclosure Project
CIP	Continuous Improvement Plan
CO _{2e}	Carbon dioxide equivalent
CSA	Canada Standards Association
CWC	Canadian Wood Council
DART	Days Away, Restricted, or Transferred
DCOI	Dichloro-octoyl-isothiazolinone
DEI	Diversity, equity and inclusion
EHS	Environment, Health, and Safety
ERM	Enterprise Risk Management
ESG	Environmental, Social, and Governance
ft ³	Cubic feet
FSC®	Forest Stewardship Council®
GHG	Greenhouse gas
GRI	Global Reporting Initiative
HR	Human Resources
HRIS	Human Resource Information System
IPP	Indigenous Peoples Policy

ACRONYM	DEFINITION
IT	Information technology
JSO	Job Site Orientation
LCA	Life cycle assessment
LIMS	Log Inventory Management System
LOTO	Lock-Out, Tag-Out
m ³	Cubic metres
MT	Metric Tons
MWh	Megawatt hour
NPT	Not previously tracked
NOx	Nitrogen oxides
OSHA	Occupational Safety and Health Administration
SASB	Sustainability Accounting Standards Board
SDS	Safety Data Sheet
SFI®	Sustainable Forest Initiative®
SHIELD	Safety Health Improved Environment Leading our Decisions
SOx	Sulfur oxides
TCFD	Task Force on Climate-Related Financial Disclosures
TRR	Total Recordable Rate
UNDRIP	United Nations Declaration for the Rights of Indigenous Peoples
VOC	Volatile organic compounds
WRI	World Resources Institute

APPENDIX II

PERFORMANCE DATA¹

ENVIRONMENTAL PERFORMANCE DATA				
	Unit	2021	2020	2019
Operational Data				
Sales	\$ million	2,750	2,551	2,189
Treated wood production	1,000 FT ³	102,931	108,335	100,562
Energy and GHG Emissions				
Energy use ²	MWh	568,240	727,636	571,228
Direct energy use	MWh	479,346	641,586	488,398
Indirect energy use	MWh	88,894	86,050	82,830
Energy intensity by production	MWh/1,000 FT ³	5.5	6.7	5.7
Energy intensity by sales	MWh/\$ million revenue	206.6	285.2	261.0
GHG (Scope 1 and 2) emissions ³	MT CO ₂ e	121,534	146,447	124,948
GHG (Scope 1) emissions	MT CO ₂ e	95,886	118,529	99,719
GHG (Scope 2) emissions	MT CO ₂ e	25,648	27,918	25,229
GHG intensity by sales	tCO ₂ e/\$ million revenue	44.2	57.4	57.1
GHG intensity by production	tCO ₂ e/1,000 FT ³	1.2	1.4	1.2
Air Emissions ⁴				
SO _x emissions	MT	68	102	90
SO _x emission intensity by production	MT/1,000 FT ³	0.0007	0.001	0.0009
NO _x emissions	MT	106	125	101
NO _x emission intensity by production	MT/1,000 FT ³	0.001	0.001	0.001

	Unit	2021	2020	2019
Material Sourcing and Responsible Supply Chain				
Hectares of sustainably managed forest in British Columbia	Hectares (ha)	28,000	NPT	NPT
Residential lumber purchased from certified sources in the U.S.	% of purchased lumber in U.S.	90	NPT	NPT
Residential lumber purchased from certified sources in Canada	% of purchased lumber in Canada	84	NPT	NPT
Railway tie suppliers from local communities	% of total tie suppliers	90	NPT	NPT
Water Footprint at Priority Facilities ⁴				
Eloy, AZ	Gallons	1,310,000	1,460,000	1,272,000
Carseland, AB	Gallons	853,011 ⁵	1,395,581 ⁶	967,580
Whitmire, SC	Gallons	3,947,915	4,287,678	3,605,021

¹ Totals throughout data may not equate to 100% due to rounding, where applicable.

² Total energy use is equal to the sum of direct and indirect energy. Direct energy is primary energy consumed on-site 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.

³ Scope 1 and scope 2 emissions from direct and indirect energy sources.

⁴ Facilities using waterborne preservatives and are located in areas with baseline water stress.

⁵ Variance from 2020-2021 due to efficiency related to increased production.

⁶ Restatement: 2020 figure incorrectly was in litres, incorrectly reported as gallons.

APPENDIX II – PERFORMANCE DATA¹

ENVIRONMENTAL PERFORMANCE DATA				
	Unit	2021	2020	2019
Water Management				
Facilities using public water systems	%	55	52	NPT
Facilities using well water	%	20	18	NPT
Facilities using a combination of stormwater with public water systems or wells	%	25	30	NPT
Total water consumed	Gallons	108,374,718	NPT	NPT
Total water consumed from municipal sources	Gallons	77,672,230	NPT	NPT
Water from municipal sources	%	72	NPT	NPT
Total water consumed from site sources	Gallons	30,604,404	NPT	NPT
Water from site sources ⁷	%	28	NPT	NPT
Waste Management				
Total waste generated ⁸	MT	11,673	10,949	32,694
Total weight of hazardous waste	MT	839	1,794	1,686
Total weight of non-hazardous waste	MT	10,834	9,155	31,008
Waste sent to landfills	MT	6,258	9,391	15,016
Waste intensity by sales	MT/\$ million revenue	4.2	4.3	14.9
Waste intensity by production	MT//1,000 FT ³	0.1	0.1	0.3
Environmental Compliance				
Reportable spills	Number	3	4	8
Notices of violation for non-compliance with environmental regulation	Number	6	7	3

SOCIAL PERFORMANCE DATA					
	Unit		2021	2020	2019
Employment					
Total employees	Number		2,402	2,253	2,186
Female employees	Number		383	366	354
	%		16	16	16
Male employees	Number		2,019	1,887	1,841
	%		84	84	84
Unionized employees ⁹	Number		416	404	392
	%		17	18	18
Gender Diversity by Employee Category and Age					
Hourly	Male	< 30	297	287	NPT
		30-50	714	673	NPT
		over 50	560	516	NPT
	Female	< 30	29	29	NPT
		30-50	73	76	NPT
		over 50	79	68	NPT
Salaried (excluding Senior Management)	Male	< 30	25	19	NPT
		30-50	209	187	NPT
		over 50	196	183	NPT
	Female	< 30	13	15	NPT
		30-50	107	91	NPT
		over 50	80	84	NPT

⁷Site sources include wells, ponds, rainwater or reclaimed stormwater.

⁸Total waste generated reflects the sum of hazardous and non-hazardous waste generated throughout Stella-Jones’ operations.

⁹Unionized workforce data is only applicable in areas where there is a unionized environment.

APPENDIX II – PERFORMANCE DATA¹

SOCIAL PERFORMANCE DATA					
	Unit		2021	2020	2019
Salaried (Senior Management)	Male	< 30	0	0	NPT
		30-50	4	6	NPT
		over 50	14	17	NPT
	Female	< 30	0	0	NPT
		30-50	0	0	NPT
		over 50	2	2	NPT
U.S. Employee Breakdown					
Asian	%		0.5	NPT	NPT
Black	%		13.1	NPT	NPT
Hispanic	%		5.4	NPT	NPT
American Indian	%		1.4	NPT	NPT
Hawaiian	%		0.4	NPT	NPT
Two or more	%		2.5	NPT	NPT
White	%		76.7	NPT	NPT
Veteran	%		4.5	NPT	NPT
Person with a disability	%		8.4	NPT	NPT
New Hires and Employee Turnover					
New hires	Number		713	480	494
	%		30	21	23
Turnover	Number		563	412	415
	%		23	18	19

	Unit	2021	2020	2019
Turnover by Time with the Company and Contract Type				
0-90 days	Number	148	74	92
	%	26	18	22
91 days – 12 months	Number	138	93	80
	%	25	23	19
1-2 years	Number	69	70	60
	%	12	17	14
2-5 years	Number	91	76	67
	%	16	18	16
5+ years	Number	117	99	116
	%	21	24	28
Salary	Number	93	53	50
	%	17	13	12
Hourly Unionized	Number	98	77	45
	%	17	19	11
Hourly Non-Unionized	Number	372	282	320
	%	66	68	77

APPENDIX II – PERFORMANCE DATA¹

SOCIAL PERFORMANCE DATA				
Unit		2021	2020	2019
Health, Safety and Well-Being				
Employees				
Fatalities	Number	0	0	0
DART cases ¹⁰	Number	81	70	63
DART frequency rate	Injuries/200,000 hour worked	3.3	3.1	3.7
Contractors ¹¹				
Fatalities	Number	1	0	NPT
Lost time injury cases	Number	17	5	3

GOVERNANCE PERFORMANCE DATA				
Unit		2021	2020	2019
Governance				
Board of Directors	Number	10	9	8
Independent members on the Board	Number	9	8	7
	%	90	89	88
Women representation on the Board	Number	4	3	3
	%	40	33	38

¹⁰Based 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).

¹¹Contractor data is extracted from ARMOR, categorized as a third-party injury. It is anticipated that numbers are likely to increase in future reports due to enhancements in data collection. 2019 data covers U.S. injuries only, and 2020 includes U.S. and a portion of Canadian facilities. The increase in Contractor lost time injury cases in 2021 was due to improved reporting from facilities.



APPENDIX III

GRI, SASB AND TCFD CONTENT INDEX

This Report has been prepared referencing the GRI Standards, SASB’s Building Products and Furnishings Standard and TCFD. 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. 7-10) 2021 Annual Report (pg. 12-17) More information about Stella-Jones can be found on our Company webpage .
	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. 11) 2021 Annual Report (pg. 106-108) More information about Stella-Jones can be found on our Company webpage .
	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. 8-9) 2021 Annual Report (pg. 22-23)
	102-7	Scale of the organization	Our Business (pg. 8,11) Appendix (pg. 50-51) 2021 Annual Report (pg. 29)
	102-8	Information on employees and other workers	Our People (pg. 18-19, 22, 24) Appendix (pg. 50-52)

Standard	Number	Disclosure	Location and Notes
102: General disclosures 2016	102-9	Supply chain	Product Stewardship (pg. 35-36)
	102-10	Significant changes to the organization and its supply chain	2021 Annual Report (pg. 51)
	102-11	Precautionary Principle or approach	ESG at Stella-Jones (pg. 13-15) Environmental Commitment (pg. 27-33) For more information, please see the Mandate of the Environmental, Health & Safety Committee
	102-12	External initiatives	Product Stewardship (pg. 35-36)
	102-13	Membership of associations	Industry Collaboration (pg. 15)
	102-14	Statement from senior decision-maker	Message from the President and CEO (pg. 4-5) Message from the Chair of Our EHS Committee (pg. 6)
	102-16	Ethics and integrity	Governance Principles (pg. 43) For more information, please see our Code of Business Conduct and Ethics
	102-18	Governance Structure	Governance Principles (pg. 42) 2021 Annual Report (pg. 103) Our Board of Directors can be found on our Governance webpage



APPENDIX III – GRI, SASB AND TCFD CONTENT INDEX

GENERAL DISCLOSURES			
Standard	Number	Disclosure	Location and Notes
102: General disclosures 2016	102-40	List of stakeholder groups	Materiality Process at Stella-Jones (pg. 15)
	102-41	Collective bargaining agreements	Our People (pg. 22) Appendix (pg. 50)
	102-42	Identifying and selecting stakeholders	Materiality Process at Stella-Jones (pg. 15)
	102-43	Approach to stakeholder engagement	
	102-44	Key topics and concerns raised	
	102-45	Entities included in the consolidated financial statements	2021 Annual Report (pg. 58-63)
	102-46	Defining report content and topic Boundaries	Contents (pg. 2), Approach to ESG (pg. 14)
	102-47	List of material topics	ESG at Stella-Jones (pg. 14)
	102-48	Restatements of information	2020 water footprint figure for Carseland, AB facility was in litres, incorrectly reported as gallons.
	102-49	Changes in reporting	ESG at Stella-Jones (pg. 13-15)
	102-50	Reporting period	January 1 – December 31, 2021
	102-51	Date of most recent report	November 2021
	102-52	Reporting cycle	January 1, 2021 – December 31, 2021

Standard	Number	Disclosure	Location and Notes
102: General disclosures 2016	102-53	Contact point for questions regarding the report	Stella-Jones Corporate Communications communications@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. 53-57)
	102-56	External assurance	Stella-Jones' 2021 ESG Report has not been externally assured.
GRI 103: Management approach 2016	103-1	Explanation of the material topic and its Boundary	ESG at Stella-Jones (pg. 14) Materiality Process at Stella-Jones (pg. 15)
	103-2	The management approach and its components	For topic boundary and description, refer to the corresponding section of the report for each material topic.
	103-3	Evaluation of the management approach	
SASB Building Products & Furnishings	CG-BF-000.A	Annual production	Appendix (pg. 49)
	CG-BF-000.A	Area of manufacturing facilities	Area of manufacturing facilities is not tracked. For information on the number and location of treatment facilities, see references below. Our Business (pg. 11) 2021 Annual Report (pg. 106-108)

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TOPIC-SPECIFIC-DISCLOSURES			
Standard	Number	Disclosure	Location and Notes
ECONOMIC & GOVERNANCE			
Economic Performance			
GRI 201: Economic performance 2016	201-1	Direct economic value generated and distributed	2021 Annual Report (pg. 59-62)
Corporate Governance			
General disclosures	102-19	Delegating authority	Approach to ESG (pg. 13)
Governance of ESG-Related Risks			
General disclosures	102-20	Executive-level responsibility for economic, environmental and social topics	Approach to ESG (pg. 13)
Business Ethics			
General disclosures	102-17	Mechanisms for advice and concerns about ethics	Whistleblowing Policy (pg. 43)
Indigenous Peoples			
Topic-specific disclosure	See Indigenous Peoples (pg. 45) for information on engagements with Indigenous Peoples, and on the creation of our Indigenous Peoples Policy		
	See Community Engagement (pg. 25) and Supporting Indigenous Communities (pg. 25)		
Topic-specific disclosure	See Innovation (pg. 39) and Safety Innovation (pg. 39)		
ENVIRONMENTAL			
Climate Change (Including Energy Management and GHG Emissions)			
GRI 302: Energy 2016	302-1	Energy Consumption within the Organization	Environmental Commitment (pg. 29)
	302-2	Energy Consumption outside the Organization	Appendix (pg. 49)

Standard	Number	Disclosure	Location and Notes
GRI 302: Energy 2016	302-3	Energy Intensity	Environmental Commitment (pg. 29) Appendix (pg. 49)
GRI 305: Emissions 2016	305-1	Direct (Scope 1) GHG emissions	Environmental Commitment (pg. 29)
	305-2	Energy Indirect (Scope 2) GHG emissions	Appendix (pg. 49)
SASB Building Products & Furnishings	CG-BF-130a.1	Total energy consumed, percentage grid electricity, and percentage renewable	Environmental Commitment (pg. 29) Appendix (pg. 49)
Water Management			
GRI 303: Water and effluents 2018	303-1	Interactions with water as a shared resource	Environmental Commitment (pg. 32) Appendix (pg. 49-50)
	303-2	Management of water discharge-related impacts	
	303-3	Water withdrawal	
Air Quality			
GRI 305: Emissions 2016	305-7	Nitrogen oxides (NOX), sulfur oxides (SOX), and other significant air emissions	Environmental Commitment (pg. 31) Appendix (pg. 49)
Product Design and Life Cycle Management			
SASB Building Products & Furnishings	CG-BF-410a.1	Description of efforts to manage product lifecycle impacts and meet demand for sustainable products	Product Stewardship (pg. 35-38) 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	

APPENDIX III – GRI, SASB AND TCFD CONTENT INDEX

TOPIC-SPECIFIC-DISCLOSURES			
Standard	Number	Disclosure	Location and Notes
Material Sourcing and Responsible Supply Chain			
SASB Building Products & Furnishings	CG-BF-430a.1.	(1) Total weight of wood fibre materials purchased, (2) percentage from third-party certified forestlands, (3) percentage by standard, and (4) percentage certified to other wood fibre standards, (5) percentage by standard	Residential lumber from third-party certified sources (e.g. FSC® or SFI®) amounted to approximately 84% in Canada, and 90% in the U.S.
Product Responsibility			
Topic-specific disclosure	See Product Responsibility (pg. 38)		
Waste Responsibility			
GRI 306: Waste 2020	306-1	Waste generation and significant waste-related impacts	Environmental Commitment (pg. 33) Appendix (pg. 50)
	306-2	Management of significant waste-related impact	
	306-5	Waste directed to disposal	
Product Responsibility			
GRI 307: Environmental compliance 2016	307-1	Non-compliance with environmental laws and regulations	Environmental Commitment (pg. 30) Appendix (pg. 50)
SOCIAL			
Human Capital			
GRI 401: Employment 2016	401-1	Employee turnover	Our People (pg. 22) Appendix (pg. 51)

Standard	Number	Disclosure	Location and Notes
Health, Safety and Well-Being			
GRI 403: Occupational health and safety 2018	403-1	Occupational health and safety management system	Our People (pg. 18-20) Appendix (pg. 52)
	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	
SASB Building Products & Furnishings	CG-BF-250a.1	Discussion of processes to assess and manage risks and/or hazards associated with chemicals in products	Product Stewardship (pg. 37-38)

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TOPIC-SPECIFIC-DISCLOSURES			
Standard	Number	Disclosure	Location and Notes
Diversity, Equity, and Inclusion			
GRI 405: Diversity and equal opportunity 2016	405-1	Diversity of Governance bodies and employees	Our People (pg. 24) Governance Principles (pg. 42) Appendix (pg. 52) For more information, please refer to our Board Diversity Policy
GRI 406: Non-discrimination	406-1	Incidents of discrimination and corrective actions taken	Our People (pg. 24) Upon investigation, the one reported incident was found to be unsubstantiated.
Community Engagement			
Topic-specific disclosure	See Community Engagement (pg. 25)		

TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES (TCFD)	
Pillar	Location and Notes
Governance	Mandate of the Board of Directors
	Mandate of the Environment, Health and Safety Committee
	Annual Report pg. 10
	Climate Change (pg. 28)
Strategy	Climate Change (pg. 28) 2021 CDP Report: Home - CDP
Risk management	Climate Change (pg. 28) 2021 CDP Report: Home - CDP
Metrics and targets	Climate Change (pg. 28-29) 2021 CDP Report: Home - CDP



We welcome your questions and feedback on our 2021 ESG Report: communications@stella-jones.com.

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