



ANNUAL INFORMATION FORM

For the financial year ended December 31, 2021

March 14, 2022

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ITEM 1 DATE OF ANNUAL INFORMATION FORM

This Annual Information Form (“AIF”) is dated as of March 14, 2022. Unless otherwise indicated, the information contained in this AIF is stated as at December 31, 2021.

ITEM 2 CORPORATE STRUCTURE

2.1 NAME AND INCORPORATION

Stella-Jones Inc. (“SJI”) was incorporated as 2865165 Canada Inc. on October 26, 1992 under the *Canada Business Corporations Act* and changed its name to Stella-Jones Inc. on February 19, 1993. SJI’s Articles were amended on March 31, 1994 to delete private company restrictions. The Articles were again amended on June 13, 1994, subdividing all 100,001 common shares issued and outstanding into 6,200,000 common shares redesignated “Common Shares”, creating Preferred Shares, issuable in series, cancelling all authorized but non-issued preferred shares and creating the Series 1 Preferred Shares. On May 27, 1996, SJI’s Articles were further amended to add a provision to the effect that the directors may appoint a limited number of additional directors to hold office until the close of the next annual meeting of shareholders. On January 1, 2014, SJI filed Articles of Amalgamation evidencing its amalgamation with its wholly-owned subsidiary, I.P.B. – W.P.I. International Inc. On January 1, 2015, SJI filed Articles of Amalgamation evidencing its amalgamation with its wholly owned subsidiaries, Stella-Jones Canada Inc. and Guelph Utility Pole Company Ltd. On January 1, 2016, SJI filed Articles of Amalgamation evidencing its amalgamation with its wholly owned subsidiaries, Ram Forest Group Inc., Ramfor Lumber Inc., Ram Forest Products Inc. and Trent Timber Treating Ltd. On May 12, 2017, Stella-Jones filed Articles of Amendment to increase the minimum and maximum number of directors to three and twelve, respectively.

The registered office of SJI is located at 3100 de la Côte-Vertu Blvd., Suite 300, Montréal, Québec, H4R 2J8.

2.2 INTERCORPORATE RELATIONSHIPS

As at December 31, 2021, Stella-Jones Corporation (“SJ Corporation”), Stella-Jones U.S. Holding Corporation (“SJ Holding”), Cahaba Pressure Treated Forest Products, Inc. (“Cahaba Pressure”) and Cahaba Timber, Inc. (“Cahaba Timber”) were the principal subsidiaries of the Company.

Name of Subsidiary	Percentage of Voting Shares Owned by the Company	Jurisdiction of Incorporation
SJ Corporation	100%	Delaware
SJ Holding	100%	Delaware
Cahaba Pressure	100%	Alabama
Cahaba Timber	100%	Alabama

ITEM 3 GENERAL DEVELOPMENT OF THE BUSINESS

Unless the context dictates otherwise, “Stella-Jones”, “SJI” and “the Company” mean Stella-Jones Inc. and its subsidiaries.

3.1 THREE YEAR HISTORY

Stella-Jones Inc. (TSX: SJ) is North America’s leading producer of pressure-treated wood products. It supplies all 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, construction timbers and coal tar-based products. Approximately 70% of the Company’s sales are derived from infrastructure-related product categories.

Additionally, the Company manufactures and distributes premium residential lumber and accessories to Canadian and American retailers for outdoor applications, with a significant portion of the business devoted to servicing the Canadian market through its national manufacturing and distribution network.

On April 1, 2019, the Company completed the acquisition of substantially all of the assets of Shelburne Wood Protection Ltd. ("SWP"), located in Shelburne, Ontario. The SWP plant is specialized in the treatment of residential lumber. Total consideration for the acquisition was approximately \$9.2 million, of which \$8.5 million was financed through the Company's syndicated credit facilities and \$0.7 million was recorded as a balance of purchase price. The balance of purchase price bore no interest, was paid to the seller in two equal amounts on the first and second anniversaries of the transaction and was recorded at fair value using an effective interest rate of 3.31 %. The SWP acquisition has been accounted for as an acquisition of a group of assets.

On November 19, 2021, the Company completed the acquisition of the shares of Cahaba Pressure. The purchase price totaled US\$66 million, including working capital, which was estimated at US\$8 million. Cahaba Pressure manufactures, distributes and sells treated and untreated wood poles, crossties and posts and provides custom treating services, primarily utilizing creosote, copper naphthenate ("CuNap") and pentachlorophenol at its wood treating facility in Brierfield, Alabama. The Company financed the acquisition through its existing credit facilities. As this was not a significant acquisition for the purposes of Part 8 of National Instrument 51-102, Form 51-102 F4 (Business Acquisition Report) was not filed with respect of this acquisition.

On November 19, 2021, the Company completed the acquisition of the shares of Cahaba Timber, a well-established producer of treated poles and pilings, primarily using CCA, CCA ET Clear and CCA ET Brown that also engages in raw material procurement at its treating operations in Brierfield, Alabama. The purchase price totaled US\$36.5 million, including working capital estimated at US\$4 million. The Cahaba Timber transaction was financed with the Company's existing credit facilities. As this was not a significant acquisition for the purposes of Part 8 of National Instrument 51-102, Form 51-102 F4 (Business Acquisition Report) was not filed in respect thereto.

ITEM 4 DESCRIPTION OF THE BUSINESS

4.1 GENERAL

The Company operates within two business segments, the production and sale of pressure treated wood for several different product groups (described below) and logs and lumber. Wood treating facilities are located in the Canadian provinces of Alberta, British Columbia, Manitoba, Nova Scotia, Ontario, Québec, and the states of Alabama, Arizona, Arkansas, Georgia, Indiana, Kentucky, Louisiana, Mississippi, Nevada, Oregon, Pennsylvania, South Carolina, Texas, Virginia, Washington, and Wisconsin in the United States. Additionally, the Company distills coal tar and distributes products from that process at its Memphis, Tennessee distillery.

4.2 DESCRIPTION OF PRODUCT GROUPS AND SERVICES

Utility Poles

Customers for transmission and distribution poles are predominantly regional telecommunication and electric utility companies. Although there exist alternative transmission methods, treated wood poles are the preferred method due to their durability (poles could typically last from 40 to 50 years or longer) and their relatively low cost of purchase, installation and maintenance. Furthermore, wood poles can be easily drilled and crosscut and allow greater ease for servicing by line workers. Steel, concrete and composite poles are more expensive than wood poles in most sizes and applications. Due to their higher cost and characteristics such as conductivity, potential for corrosion, as well as poor serviceability, flexibility and workability (drilling, machining, climbing), wood poles continue to be the preferred choice of most utilities.

Underground cabling is used mainly in urban centers where existing underground infrastructures exist but is less preferred in rural areas due to the higher cost and difficult accessibility. In 2020, the Company began to offer utility poles applied with an intumescent fire-resistant wrap. This provides added protection and prolonged service life to the product in areas prone to wildfires and has gained favour with utilities looking to harden their grid against the increase in severity and frequency of fires.

Railway Ties

Since railway products must have a high resistance to wear and decay, a creosote-based treatment is required to provide the maximum protection.

Demand for railway ties is comprised primarily of replacement requirements with occasional activity in new track construction. Capital expenditures on track and infrastructure improvements should remain solid in the years to come.

A relatively stable volume of new ties is required for maintenance purposes, as management estimates that approximately 1.5% to 3.0% of all ties on active railway lines are in need of replacement every year. In addition to servicing the demands of the Class 1 railroads for railway ties and timbers, the Company also sells to many short line railroads, commercial railroad operators and to contractors that install and repair rail lines.

Residential Lumber

This category consists primarily of pressure treated consumer lumber for use in patios, decks, fences and other outdoor applications, as well as the distribution of wood and wood alternative accessories. The Company provides residential lumber throughout Canada as well as in the U.S. Pacific Northwest and Alaska.

Industrial Products

These products include railway bridge and crossing timbers, foundation and marine piling construction timbers, crane mats, fence posts and highway guardrail posts.

The Company also manufactures the wood preservative, creosote, for use in its wood treating activities, as well as other coal tar-based products such as roof pitch and road tar, which are sold to third party customers.

Logs and Lumber

In this segment, logs comprise the sale of logs harvested in the course of the Company's procurement process which are determined to be unsuitable for use as utility poles. Additionally, in the course of procuring sufficient competitively priced residential lumber volume, the Company engages in reselling excess lumber into local home-building markets.

4.3 DESCRIPTION OF MANUFACTURING PROCESS

Preservation is the process by which wood is protected against decay and pests through controlled pressure impregnation with preservatives that are resistant to wood destroying organisms.

The manufacturing process involves at least two stages: drying and impregnation with preservatives through hydraulic pressure. The preservatives, all of which are approved by Health Canada and the United States Environmental Protection Agency, are either oil-based or water-based. The raw materials consist of wood and preservatives.

In the first phase of treatment, excessive moisture in the wood is reduced prior to impregnation with the preservative. This is accomplished by air-seasoning, kiln drying or through a "conditioning process" in the treatment cylinder itself.

In the second phase, treatment is performed on batches of wood that are similar in species, shape and moisture content. Such batches are inserted into the treatment cylinder, where either a vacuum or a pressurized condition is created prior to the admission of the preservative. Following the admission of the preservative, hydraulic pressure is maintained in the treatment cylinder until the wood has absorbed the preservative to a pre-determined amount. Upon completion of the absorption process, excess preservative is returned to the storage tanks and a few remaining process steps are taken to avoid preservative concentrations on wood surfaces prior to removal from the treatment cylinder.

4.4 MANUFACTURING OPERATIONS

The Company operates 16 wood treating facilities in Canada and 26 wood treating facilities in the United States. In Canada, the facilities are located in Carseland (Alberta), Galloway, New Westminster and Prince George (British Columbia), Neepawa (Manitoba), Truro (Nova Scotia), Stouffville, Guelph, Peterborough, Shelburne, Kirkland Lake and South River (Ontario), Delson, Gatineau, Rivière-Rouge and Sorel-Tracy (Québec). In the United States, the facilities are located in Brierfield, Clanton and Montevallo (Alabama), Eloy (Arizona), Rison and Russellville (Arkansas), Cordele (Georgia), Winslow (Indiana), Fulton (Kentucky), Alexandria, Converse and Pineville (Louisiana), Scooba (Mississippi), Silver Springs (Nevada), Eugene and Sheridan (Oregon), Dubois and McAlister (Pennsylvania), Whitmire (South Carolina), Lufkin (Texas), Goshen and Warsaw (Virginia), Arlington and Tacoma (Washington), and Bangor and Cameron (Wisconsin).

The wood preservative, creosote, is produced at the Company's coal tar distillery in Memphis, Tennessee.

The Company is complemented by an extensive distribution network across North America, operates 12 pole peeling facilities in Canada and in the United States, and is serviced by numerous pole peeling sites operated by third parties in both Canada and the United States.

Carseland, Alberta

Constructed in 1978, the Carseland facility is situated on a 64-hectare site of which 32 hectares are utilized for the production and storage of utility poles and residential lumber. The operation includes a state-of-the-art Pentachlorophenol ("PCP") pressure system, a Micronized Copper Azole ("MCA") water-borne pressure system, along with two drying/stabilization chambers. In addition, there is a pole butt treating tank, an incising/grading line and an automated lumber packaging line. Total annual treating capacity is approximately 147,000 cubic metres. The plant's location is well situated to provide utility poles to Western Canada and U.S. markets and is supported by a long-established forestry operation headquartered at Salmon Arm, British Columbia, which manages the Company's forest tenures in British Columbia.

In 2021, capital expenditures approximating \$390,000 were devoted to the facility, mainly for the purchase and upgrade of pole peelers and the expansion of the lumberyard.

The Salmon Arm forestry operation saw capital expenditures of approximately \$1.2 million in 2021, primarily for the purchase of a log inventory and management system software and a weigh scale operations management software as well as for the construction of forestry roads.

Galloway, British Columbia

Located in Galloway, British Columbia, the 15-hectare site is used to manufacture utility poles, with key processes of peeling, incising, framing and treating. The facility conducts thermal and pressure treating and is equipped with an oil-based pressure treating cylinder and a butt-treating tank. Total annual production capacity approximates 55,500 cubic metres.

There were no capital expenditures devoted to the Galloway facility during the year ended December 31, 2021.

New Westminster, British Columbia

The New Westminster facility is situated on approximately 31 hectares of land. The plant operates four oil cylinders, one water-borne cylinder and a fixation chamber, with a total annual production capacity of over 88,000 cubic metres. The plant is also equipped with a pole peeler and a double track dry kiln. The plant produces mainly poles and piling, primarily for the North American market and is located near Vancouver on both the Canadian Pacific Rail system and the Burlington Northern Santa Fe main lines. It has easy truck access to Western North American markets in addition to Western ports for offshore export shipping.

For the year ended December 31, 2021, capital improvements amounted to approximately \$1,450,000, primarily for treating cylinder track replacement, yard road repairs and to complete the replacement of a Chromated Copper Arsenate (“CCA”) treating cylinder.

Prince George, British Columbia

The Prince George plant operates on 31 hectares and operates two oil cylinders, one water-borne cylinder, a dry kiln and a fixation chamber. The total annual treating capacity is approximately 58,750 cubic metres. The facility also includes a pole peeler, a railway tie mill and a pole grading and framing line. The plant produces mainly poles and crossties to serve Canadian utilities and railway sectors. A spur line in the plant connects to the Canadian National Railway Company main line. Truck access is available to British Columbia ports for offshore shipments.

Capital expenditures of approximately \$95,000 during the year were devoted primarily to a tank replacement and drip pad maintenance.

Neepawa, Manitoba

This 12-hectare property located in Neepawa, Manitoba produces treated lumber, treated posts and poles for agricultural applications, as well as utility poles. Treatment is conducted in two water-borne treating cylinders using CCA and MCA. Total annual treating capacity is approximately 115,000 cubic metres.

Capital expenditures carried out in 2021 totalled approximately \$375,000, primarily for upgrades to the shop and maintenance building and piping replacement for the MCA storage tank.

Truro, Nova Scotia

This facility operates on just over 27 hectares of land, includes one oil-based cylinder and three water-borne preservative cylinders, giving a combined annual treating capacity of approximately 70,000 cubic metres. The facility also includes a lumber/timber framing and incising line and a fully equipped research laboratory.

In 2021, there were approximately \$257,000 in capital expenditures at the facility, devoted primarily to continue the conversion of a former creosote cylinder to CCA and to carry out repairs on another cylinder also dedicated to CCA and on the main steam line.

The plant currently produces a broad range of products, serving the utilities, telecommunications and industrial markets. It is located along the Canadian National Railway Company main line, with easy truck access to domestic and United States markets and major eastern ports for offshore export shipments.

Kirkland Lake, Ontario

The Kirkland Lake facility is comprised of approximately 378 hectares of land of which 25 hectares are utilized for the production and storage of utility poles. The facility includes two oil-based pressure treatment cylinders, a pole peeler and a kiln. Total annual production capacity is estimated to be 20,000 cubic meters per year.

The Kirkland Lake facility borders to the north and east the Ontario Northland Railway system allowing for easy transportation of treated utility poles to the central and Western Canadian utility sector.

Capital expenditures of approximately \$3.4 million during 2021 were devoted primarily to recommissioning the facility and bringing it back onto the Company's treated wood manufacturing network, as the facility had not been in operation (apart from peeling operations) following its purchase as part of a multi-plant acquisition in 2016.

Shelburne, Ontario

Acquired in 2019 and operating on approximately 12 hectares of land, the Shelburne facility specializes in the manufacture of residential lumber, producing approximately 230,000 cubic metres annually. The plant is equipped with a lumber grading and stacking line, and includes two treating cylinders using the MCA preservative, as well as a bagging line and a drying bay for treated residential lumber.

Capital expenditures at the facility amounted to \$7.7 million in 2021, primarily devoted to the purchase of neighbouring land, the second phase of stormwater system upgrades and an automated lumber wrapping machine.

Stouffville, Ontario

The Stouffville facility operates on approximately six hectares of land and is equipped with four treating cylinders using the MCA preservative. It also contains a wood milling plant, a lumber grading and stacking line and a kiln to thaw frozen lumber in winter. The facility produces approximately 230,000 cubic metres of residential lumber annually. Offices for accounting, operations and sales personnel are also located on site.

The facility produces premium grade pressure treated residential lumber for the construction of outdoor decks and fences, milled wood accessories such as wood balusters and stair stringers to enhance outdoor fences and decks, as well as railing systems for the retail building materials industry.

Capital expenditures at the Stouffville facility for the year ended December 31, 2021 amounted to approximately \$624,000, which mainly included a new septic sewer system, equipment upgrades in the treating plant and a treating plant building expansion.

Guelph, Ontario

Specializing in the treatment of utility poles, the Guelph facility operates on approximately 11 hectares of land. The plant has three cylinders dedicated to water-borne preservatives, four dry kilns and two fixation chambers for the CCA treating process, where total annual treating capacity approaches 160,000 cubic metres. The facility also includes an incising/framing line. The plant benefits from access to a rail loading and unloading facility within minutes of the plant.

In 2021, approximately \$74,000 in capital expenditures were devoted primarily to retrofitting lumber carts.

Peterborough, Ontario

The Peterborough plant operates on approximately six hectares of land and includes a wood treating plant, a lumber grading and stacking line as well as a dry kiln. The facility produces approximately 130,000 cubic metres of residential lumber annually, with a total of four treating cylinders dedicated to MCA preservative.

Capital expenditures devoted to the facility during the year totalled approximately \$1.6 million, relating primarily to the shipping office upgrades, the treating plant building expansion and paving at the facility.

South River, Ontario

This 14-hectare property includes an operational area of approximately seven hectares. The site, which specializes primarily in residential lumber, includes two pressure treating cylinders using the MCA preservative as well as a grading and stacking lumber line and maintenance shop. Annual treating capacity approaches 85,000 cubic metres.

Capital expenditures at the South River facility totalled approximately \$181,000 during the year, primarily for work on the MCA preservative tank and the related compressor, as well as to refurbish lumber carts.

Delson, Québec

The Delson plant operates on 66 hectares of land and includes three oil cylinders, two water-borne cylinders and two dry kilns. The total annual treating capacity approaches 280,000 cubic metres. The plant has two railway tie mills and a switch tie mill, which includes inspection, cutting, incising and plating stations.

For the year ended December 31, 2021, capital expenditures at the Delson plant totalled approximately \$224,000. The major portion of these expenditures were devoted to kiln repairs and upgrades to the tie building as well as for a fire suppression system.

The Delson plant is located within minutes of Montréal, with sidings on both the Canadian National Railway Company and Canadian Pacific Railway main lines.

Gatineau, Québec

The Gatineau plant has a total annual treating capacity of approximately 60,000 cubic metres, operates on eight hectares of land and has a water-borne preservative cylinder, two high efficiency dry kilns, two fixation chambers and a pole peeler. The plant is located approximately 30 kilometres east of Gatineau, Québec and specializes in the production of CCA treated utility poles.

Capital improvements totalled approximately \$1.3 million at the Gatineau facility during the year ended December 31, 2021, primarily for completing the new electrical kiln project, automation upgrades, a stormwater management project and office upgrades.

Rivière-Rouge, Québec

The facility operates on approximately 16 hectares of land and specializes in the production of utility poles treated with water-borne preservative. The site includes two treating cylinders, two fixation chambers, two dry kilns as well as a pole peeler and has an annual treating capacity of approximately 60,000 cubic metres.

During the year ended December 31, 2021, approximately \$116,000 was devoted to adding extra tanks for the PEG additive offered as an option to the Company's customers for CCA treated utility poles.

Sorel-Tracy, Québec

The Sorel-Tracy plant has a total annual treating capacity of approximately 120,000 cubic metres, operates on nine hectares of land and is equipped with two water-borne preservative cylinders (MCA) and a drying chamber for treated lumber. The plant specializes in treated residential lumber and specialty products.

For the year ended December 31, 2021, capital expenditures totalling approximately \$1.0 million were dedicated to lay out a new distribution centre and to complete the expansion of the facility's treating building.

Montevallo, Alabama

Located in Shelby County, Alabama, this facility operates on a 24-hectare parcel of land and specializes in the manufacture of creosote, CuNap and borate treated railway ties. The facility includes seven creosote pressure treating cylinders, providing annual treating capacity of approximately 256,000 cubic metres, as

well as a prefabrication department which can produce flange, crossing and bridge timbers. The plant also has an equipment maintenance facility and offices for personnel.

For the year ended December 31, 2021, capital expenditures amounted to approximately US\$381,000, primarily for treating plant upgrades including environmental, health and safety enhancements as well as upgrades to the wood hog infeed.

Brierfield, Alabama

In operation since 1964 and purchased by the Company in November of 2021, the facility is located in Brierfield, Bibb County, Alabama. The approximately 86-hectare property consists of two adjoining parcels; the western parcel owned by Cahaba Timber and the eastern parcel owned by Cahaba Pressure. The combined facilities include separate treating plants for Penta, creosote, CCA and CuNap, a tie mill, maintenance shops, two framing sheds, a dry kiln area, a wood fired boiler, a borate dip treating tank and a laboratory. The facility operates two pole-peeling machines, four dry kilns and seven wood treating cylinders: two creosote, two Penta, two CuNap and one CCA.

The facility produces pressure treated wood poles, piling and posts. The primary operations include debarking, trimming, grading, framing, and treating poles.

Purchased by the Company late in 2021, there were no capital expenditures devoted to the facility during the year.

Clanton, Alabama

This facility is located on 26 hectares in Clanton, Chilton County, Alabama. The site includes an 89,000 square foot facility for treating, storage tanks, maintenance shop and offices and utilizes creosote and borate in the treating process, giving it an annual capacity of approximately 240,000 cubic metres.

For the year ended December 31, 2021, approximately US\$353,000 of capital expenditures were dedicated to the facility, mainly for an electrical upgrade to the tie sorter and an ergonomic upgrade to the end plater.

Eloy, Arizona

Located in Eloy, Arizona, this facility is comprised of approximately nine hectares of land. Operations include two pressure treating cylinders for oil-borne and water-borne preservatives and treated and white wood storage yards. The primary product currently manufactured by the facility is residential lumber.

There were no capital expenditures dedicated to the facility during the year ended December 31, 2021.

Rison, Arkansas

In operation since 2008, this 16-hectare site specializes in the production of treated utility poles. It includes two gas dry kilns and two treatment cylinders for oil-borne preservatives, providing a combined annual treating capacity of approximately 85,000 cubic metres.

There were capital expenditures totalling approximately US\$408,000 made during the year at the facility, primarily for a kiln roof and an upgrade to the tank supplying the Penta treating cylinder.

Russellville, Arkansas

Located in Russellville, Arkansas and operating on approximately 40 hectares of land, the plant specializes in the treating of railway ties. The facilities include three pressure treating cylinders for oil-borne preservatives, with one of them alternating for CuNap or borate, giving a combined annual treating capacity of approximately 165,000 cubic metres. The plant also includes a crosstie and switch tie inspection facility capable of processing 1.5 million ties annually, and a maintenance facility and offices for production and wood procurement.

For the year ended December 31, 2021, capital expenditures amounted to approximately US\$86,000, mainly for a crosstie end plater upgrade.

Cordele, Georgia

Located on an 18-hectare site, this facility was constructed by the Company in 2013 and includes two gas fired dry kilns and treating cylinders for both oil borne and water-borne preservatives. With an approximate annual treating capacity of approaching 90,000 cubic metres, the plant specializes in the treatment of utility poles following an extensive conversion in 2018.

For the year ended December 31, 2021, capital expenditures of approximately US\$2.8 million were devoted to pole peeler upgrades and the addition of a Penta block dissolving system.

Winslow, Indiana

Operating on approximately 16 hectares of land, the plant specializes in the treating of railway ties. The facilities include two pressure treating cylinders for oil-borne preservatives, giving a combined annual treating capacity of approximately 150,000 cubic metres. The plant also includes a crosstie and switch tie inspection facility capable of processing 1.5 million ties annually, a maintenance facility, and offices for production and wood procurement personnel.

For the year ended December 31, 2021, capital expenditures amounted to approximately US\$735,000, primarily for starting a new rail spur project, automation of the treating process and end plate feed trays.

Fulton, Kentucky

Located in Fulton, Kentucky, USA, and operating on approximately 32 hectares of land, the plant specializes in the treating of railway ties. The facility includes two pressure treating cylinders for oil-borne preservatives and one for borate, providing an annual treating capacity of approximately 130,000 cubic metres. The plant also includes a crosstie and switch tie inspection facility capable of processing one million ties annually, a maintenance facility and offices for production and wood procurement personnel. Additionally, the facility has a pre-plate line capable of pre-plating approximately 200,000 ties annually.

For the year ended December 31, 2021, capital expenditures totalled approximately US\$235,000, mainly towards a storm water management project.

Alexandria, Louisiana

Operating on approximately 25 hectares of land, the Alexandria plant specializes in the treating of railway ties. The facility has four pressure treating cylinders for oil-borne preservatives, giving a combined annual treating capacity of approximately 260,000 cubic metres. The plant also includes a crosstie and switch tie inspection facility capable of processing 1.5 million ties annually, a maintenance facility and offices for production and wood procurement personnel. Additionally, the facility has an automated pre-plate line capable of pre-plating approximately 100,000 ties annually.

For the year ended December 31, 2021, capital expenditures amounted to approximately US\$298,000, devoted mostly to the purchase of a new treating condenser, treating controls, as well as new trams.

Converse, Louisiana

Situated on a 57-hectare parcel of land, the site operations include pole peeling, three steam kilns for kiln drying, pressure treating, storage and shipment of utility poles treated with CCA. Treatment is conducted in one treatment cylinder and the current operation has an annual treating capacity of approximately 90,000 cubic metres.

Capital improvements totalling US\$277,000 were made during the year, mainly for roads and drainage improvements, an ash conveyor and hydraulic bridges for the cylinders.

Pineville, Louisiana

This treating facility is located in Pineville, Rapides Parish, Louisiana on a 35-hectare site and specializes in the treatment of utility poles. Operations include peeling for processing, two gas kilns for kiln drying, pressure treating, storage and shipment of utility poles treated with oil-borne preservatives. Treatment is conducted in three treating cylinders and the operation has a total production of approximately 100,000 cubic metres of poles per year.

Capital expenditures of approximately US\$1.1 million were made during 2021, primarily for the replacement of a cylinder and for a woodchipper.

Scooba, Mississippi

Located in Scooba, Kemper County, Mississippi on 20.8 hectares of land, this plant specializes in the production and treatment of utility poles. The site includes two steam-drying kilns and one pressure treating cylinder, providing an annual treating capacity of 85,000 cubic metres. It is also equipped with an inline framing system, a pole peeler and offices to support its wood procurement activities.

For the year ended December 31, 2021, capital improvements amounted to approximately US\$132,000 and were directed towards the purchase of kiln rails and mobile equipment replacement.

Silver Springs, Nevada

This facility is located on approximately 33 hectares of land and the operations consist of three treating cylinders capable of treating with oil-borne preservatives. Total capacity reaches 48,000 cubic metres annually. Treated and white wood storage areas also exist at the site.

For the year ended December 31, 2021, capital expenditures approximated US\$382,000 to replace a cylinder door and a cylinder condenser, and for a new vacuum pump.

Eugene, Oregon

Located in Eugene, Oregon, on a 10-hectare site, the plant specializes in the production and treatment of utility poles and wood drying. The facilities include four pressure treating cylinders for oil-borne preservatives, providing a total annual treating capacity of approximately 80,000 cubic metres. The plant is also equipped with two incisors and administrative offices.

For the year ending December 31, 2021, capital expenditures totalling US\$3.3 million were devoted to the second phase of a new automated framing line, an upgrade to the drip pad and rail replacements.

Sheridan, Oregon

Located in Sheridan, Oregon, this pole facility is comprised of approximately 14 hectares of land. Operations include five treating cylinders, peeling operations along with treated and white wood storage areas. The facility manufactures treated transmission poles and distribution poles, utilizing both PCP and CuNap and has an annual capacity of approximately 57,000 cubic metres.

During the year ended December 31, 2021, capital expenditures amounted to approximately US\$750,000, which included an electrical upgrade for the peeler, a tank replacement and the purchase of an evaporator as well as upgrades to condensers.

DuBois, Pennsylvania

This facility operates on 13 hectares and specializes in the production and treating of railway ties and timbers. The facility includes three pressure treating cylinders for oil-borne preservatives, giving a combined annual treating capacity of approximately 100,000 cubic metres. This production facility also includes a prefabrication department which can produce flange, crossing and bridge timbers, a maintenance shop, and offices for production and wood procurement personnel.

For the year ended December 31, 2021, approximately US\$606,000 in capital expenditures were made towards improvements to the stormwater treatment process and an extension to the maintenance shop.

McAlisterville, Pennsylvania

The McAlisterville, Pennsylvania, facility operates on approximately 16 hectares of land and specializes in the treating of railway ties. The facilities include two pressure treating cylinders for oil-borne preservatives, giving a combined annual treating capacity of approximately 30,000 cubic metres. The plant also includes a crosstie and switch tie inspection facility and a pre-plating line capable of processing 300,000 ties annually and offices for production and wood procurement personnel.

Capital expenditures dedicated to the facility totalled US\$81,000 for the year ended December 31, 2021, mainly for stormwater management improvements.

Whitmire, South Carolina

This facility is located on a 20-hectare site in Whitmire, Union County South Carolina and specializes in the production of treated wood poles. It is equipped with two treating cylinders, four steam kilns, a peeler and four dry kilns. The facility uses water-borne preservatives in the treating process and has an annual capacity of about 85,000 cubic metres of poles per year.

Capital expenditures of approximately US\$658,000 were dedicated to a wood hog and boiler upgrades during the year ended December 31, 2021.

Lufkin, Texas

Located in Lufkin, Angelina County, Texas on a 14-hectare site, the operation specializes in the treatment and production of utility poles and includes three cylinders for pressure treatment. The facility has a total throughput of approximately 95,000 cubic metres of poles per year.

There were no capital expenditures at the Lufkin facility in 2021.

Memphis, Tennessee – Coal Tar Distillation

Operating on approximately 2 hectares of land, the plant specializes in coal tar distillation. The coal tar distillation facility includes two batch distillation units with an annual capacity of 17 million litres of coal tar. The plant also includes a maintenance facility, a product testing lab, a barge unloading dock and offices for production and clerical personnel.

For the year ended December 31, 2021, capital expenditures of approximately US\$108,000 were devoted primarily towards a new storage tank roof.

Goshen, Virginia

Located in Goshen, Virginia and operating on approximately 11 hectares of land, the plant specializes in the production and treating of railway ties and timbers. The facility includes five pressure treating cylinders for oil-borne preservatives, providing a combined annual treating capacity of approximately 155,000 cubic metres. The plant also includes a crosstie and switch tie inspection facility capable of processing one million ties annually, a prefabrication department which can produce flange, crossing and bridge timbers, a maintenance and machine shop facility and offices for production and wood procurement personnel.

For the year ended December 31, 2021, capital expenditures totalled approximately US\$579,000, mainly to refurbish a switch tie trimmer.

Warsaw, Virginia

Situated on approximately 57 hectares, this plant produces foundation and marine pilings and treated dimension wood products as well as utility poles. The facility includes five treatment cylinders and four dry kilns, providing a total annual treating capacity of 250,000 cubic metres.

For the year ended December 31, 2021, there were capital expenditures of approximately US\$216,000 at the Warsaw plant, primarily for a new turbine pump and the relocation of a peeler.

Arlington, Washington

The Arlington, Washington facility operates on approximately 21 hectares and specializes in the treating of utility poles. The facility includes two pressure treating cylinders for oil-borne preservatives and one butt tank providing a combined annual treating capacity of approximately 50,000 cubic metres. In addition, the plant incorporates a pole peeler and framing yard, and offices for production and wood procurement personnel.

Capital expenditures of approximately US\$561,000 were carried out at the facility during the year ended December 31, 2021, devoted mainly to replace a boiler and upgrade the treating system.

Tacoma, Washington

Located in Tacoma, Washington, USA, on approximately 17 hectares of land, the plant manufactures utility poles, pilings and dimensional lumber for decking and fencing. Operations include framing, incising, staining, treating and distributing. Equipped with two oil-based cylinders and three water-based cylinders, wood is pressure treated or thermally treated (non-pressure) with water or oil-based preservative formulations. Total annual treating capacity is 350,000 cubic metres.

For the year ended December 31, 2021, capital improvements of approximately US\$1.2 million included the conversion of a treating cylinder to the MCA preservative, the upgrade to the residential lumber drip pad and for equipment used in the cutting and handling of fire-resistant wrap applied to utility poles.

Bangor, Wisconsin

Operating on approximately 45 hectares of land, the plant specializes in the treating of railway ties. The facility includes three pressure treating cylinders for oil-borne preservatives, providing a combined annual treating capacity of approximately 200,000 cubic metres. The plant also includes a crosstie and switch tie inspection facility capable of processing 1.5 million ties annually, a maintenance facility and offices for production, sales and wood procurement personnel. Additionally, the facility has an automated pre-plate line capable of pre-plating approximately 100,000 ties annually.

For the year ended December 31, 2021, capital expenditures approximated US\$3.5 million, devoted mainly to the purchase and installation of a new crosstie inspection and trimmer system.

Cameron, Wisconsin

Built in 2016 and situated on approximately 27 hectares of land, the Cameron facility is a state-of-the-art wood preservation facility that commenced production of PCP treated utility poles in February of 2017. The facility includes two pressure treating cylinders for oil-borne preservatives, providing an annual treating capacity of approximately 50,000 cubic metres. Close in proximity to the red pine resource, red pine as well as Coastal Douglas-Fir are the primary species of utility poles treated at the facility. The plant also has the ability to treat Western Red Cedar utility poles. The facility is located close to the Union Pacific rail system. It includes a pole peeler, kiln, framing yard, a maintenance facility and offices for production, sales and wood procurement personnel.

In 2021, there were no capital expenditures dedicated to the treating plant.

4.5 WOOD SUPPLY

One of the Company's important advantages is its strong wood supply position in key regions of Canada and the United States. During the financial year ended December 31, 2021, the Company obtained its raw material requirements for utility poles from its own timber harvesting licenses (forest licenses and/or timber quotas), state and provincial timber sales, private woodland owners and through purchases of timber on the open market. Wood supply for railway ties and timbers as well as residential lumber are purchased from hundreds of sawmills in various regions throughout Canada and the United States. The Company's strong procurement team has built well established relationships to help ensure a sufficient and competitively priced supply of all of Stella-Jones's raw material.

Forest Tenures

Forest tenures are used primarily by the Company for the procurement of utility poles and other roundwood products.

In British Columbia, the Ministry of Forests, Lands, Natural Resource Operations and Rural Development ("FLNRORD") is responsible for issuing and monitoring tenures which grant the licensee the right to harvest a specific volume of timber on crown lands administered by the FLNRORD. A forest license generally has a term of 15 years and is renewable every 5 years, subject to the licensee satisfactorily performing its administrative, planning, harvesting, silviculture and environmental stewardship operations. Non-renewable forest licenses for a fixed volume to be cut in a specified time may also be granted.

In the Province of Manitoba, the Forestry and Peatlands Management Branch of the Department of Sustainable Development is responsible for the planning and management of Crown land and forests, and determining sustainable limits on when, where and how trees on Crown land in Manitoba are harvested. Cutting authority quota allocations are granted by either Timber Sales Agreements, which are five-year renewable agreements issued for annual quota volumes greater than 300 m³, or Timber Permits, which are one-year permits issued for annual quota volumes of less than or equal to 300 m³.

In Québec, timber allocation agreements are referred to as *Garanties d'approvisionnement* ("GA"). In 2016, the Company returned its GA to the *Ministère des Ressources Naturelles* ("Ministère"), as it determined that it was purchasing sufficient volumes of wood supply at reasonable rates through an auction system on public land via the Ministère's timber marketing board, known as the *Bureau de Mise en Marché des Bois*.

The Company currently holds the following forest licenses:

COMPANY'S FOREST LICENSES		
Province	Allowable Annual Cut (Cubic metres)	Term
British Columbia	138,913	15 years
Manitoba	15,567 ¹	2 years and 5 years

Purchased Timber

In addition to the forest licenses listed above, the Company has several exclusive supply agreements with major licensees and private woodlands owners who hold cutting licenses in British Columbia, Ontario and Québec. The Company is also very active in purchasing timber sales in the states of Washington, Oregon and Idaho in the United States as well as British Columbia in Canada. These programs make available to qualified bidders, pole quality raw material located on specific tracts of land. The Company also purchases raw material from hundreds of private landowners within its operating jurisdictions, and in the case of untreated railway ties and residential lumber, through its dealings with hundreds of sawmills in the United States and Canada.

¹ This comprises two 5-year renewable Quota Timber Sales Agreements with a total combined annual cut of 3,067 m³ per year and a 2-year renewable Special Allocation Timber Agreement having an annual cut of 12,500 m³.

Timber Harvesting

The selection and harvesting of wood poles is a process that allows the Company to harvest selectively individual trees of a quality suitable for poles. In order to have access to as many areas of timberland as possible, the Company has entered into harvesting agreements with a number of timber land managers, sawmillers and forest products companies in British Columbia, Ontario and in Québec.

4.6 SALES, MARKETING AND COMPETITIVE CONDITIONS

By the end of the year 2021, there were approximately 52 wood preserving plants operating in Canada and approximately 350 wood preserving plants operating in the United States. The following describes the competitive conditions in which the Company operates as well as its sales and marketing initiatives.

Overview

The Company markets its treated wood products through a network of regional sales representatives throughout Canada and the United States.

The following table sets out the Company's sales by major product group for the financial years ended December 31, 2021 and 2020:

COMPANY'S SALES BY PRODUCT GROUP FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020				
	2021		2020	
	(millions of dollars)	%	(millions of dollars)	%
Utility poles	925	34	888	35
Railway ties	700	25	733	29
Residential lumber	773	28	665	26
Industrial products	121	5	119	4
Logs and lumber	231	8	146	6
TOTAL	2,750	100	2,551	100

Utility Poles

Most of the Company's sales of utility poles are through multi-year contracts and in response to public tenders issued by customers, primarily regional electrical and telecommunication companies. The key criteria in successfully obtaining orders are high quality, consistent on-time delivery, customer service and competitive prices. The Company's ability to offer a variety of wood species and preservatives, combined with its multiple plant locations and large inventories, creates a competitive advantage.

Railway Ties

SJI's multiple locations, wide product offering and reputation for quality and service are significant advantages. Through its long tradition of providing consistent high-quality services, the Company has developed close relationships with the major railways, short line railroads and contractors, and is an important supplier of treated ties to this market in North America.

Residential Lumber

This product group is made up primarily of a major big box retailer and numerous other participants varying in size. Opportunities exist for high quality producers who can successfully differentiate their product and service. The Company provides premium quality treated residential lumber products to lumber retailers in Canada and the United States for outdoor applications.

Industrial Products

Sales primarily comprise various treated wood products used in construction projects, such as wharfs, railway bridges and foundation and marine piling. Products are typically sold directly to end customers, such as railway or construction contractors as well as governmental authorities in response to tenders for a certain quantity and specification of preserved timber for a particular project. The Company sells railway bridge timbers and crossing planks as well as crane mats, which are custom manufactured to the specification of the customer. In addition, piling sales comprise construction materials used mainly in work projects, including marine and foundation pilings. This category also includes coal tar-based products such as roof pitch and road tar.

Logs and Lumber

In this segment, the log component represents logs harvested in the course of the Company's procurement process which are determined to be unsuitable for use as utility poles. Additionally, in the course of procuring sufficient competitively priced residential lumber volume, the Company engages in reselling excess lumber into local home-building markets.

Export

The Company's focus is primarily on North American markets. Nonetheless, the Company has had some success in penetrating markets outside North America for the sale of treated wood poles to national telephone and utility companies and railway ties to international mining companies as well as to foreign railway operators. These markets mainly include countries in Latin and South America. SJI's competitive strengths in such markets have included access to guaranteed raw material supply, strategic geographical locations of its treatment plants offering a variety of treating processes, access to shipping ports and extensive experience in international freighting.

The Company continues to monitor markets outside of Canada and the U.S. and will continue to evaluate export opportunities at price levels that will provide adequate returns for the additional risks inherent in these markets.

COMPANY'S SALES BY REGION FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020				
<i>(audited)</i>	2021		2020	
	(millions of dollars)	%	(millions of dollars)	%
United States	1,756	64	1,741	68
Canada	994	36	810	32
TOTAL	2,750	100	2,551	100

4.7 EMPLOYEES

As at December 31, 2021, the Company had a total of 2,402 employees, of which 650 were salaried non-unionized, 416 were unionized and 1,336 were paid at an hourly rate and non-unionized.

Country	Salaried (Non-Unionized)	Unionized	Paid at hourly Rates (Non- Unionized)	Total
United States	389	110	1,175	1,674
Canada	261	306	161	728
TOTAL	650	416	1,336	2,402

4.8 ENVIRONMENT, HEALTH AND SAFETY POLICY

Environmental protection and sustainability is an integral part of doing business and the Company is committed to minimizing, through a continuous improvement process, the impact that its activities may have on the environment. The Company is committed to sustainable operations and the protection of human health and the natural environment. The Company recognizes the environmental implications of its activities and embraces its responsibility to take all reasonable measures to conserve and protect the environment.

Additionally, the Company is committed to the health and safety of its employees and to providing a safe and healthy working environment. To that end, the Company will focus on continuously improving, towards an accident-free workplace through effective administration, education, training and the proper maintenance and design of its facilities and equipment.

To implement this policy, the Corporation is committed:

- to constructing and operating its facilities in compliance with all applicable legislation, providing for the protection of the environment, employees and the public;
- to working pro-actively in training management and its employees to anticipate problems;
- to applying cost-effective best-management practices to advance environmental protection and employee health and safety;
- to ensuring every employee is properly trained and responsible and accountable within their sector of activity for conducting operations and responding to emergencies in compliance with the Corporation's environmental and health and safety policies;
- to responding to legitimate concerns made known to it and to participating actively with interested parties to understand environmental as well as health and safety issues and to develop rational and effective environmental solutions;
- to encouraging research to expand knowledge of the environmental impacts and benefits of the industry's activities improving treatment technologies; and
- to reporting regularly to the Environmental, Health and Safety Committee and the Board of Directors with respect to the execution of this policy, including a review of the Corporation's operations and facilities to ensure compliance.

Environmental Protection and the Promotion of Health and Safety

The Company's Vice-President, Environment, Health and Safety leads a team of environmental health and safety professionals throughout North America, who, with the support of regional general managers, local plant managers and dedicated on site health and safety supervisors, manage environmental, health and safety matters to ensure that the Company's programs and policies are carried out efficiently and in compliance with applicable legislation, in order to ensure the protection of the environment, employees and the public.

At each site, trained personnel operate plant waste treatment and environmental protection facilities in such a way as to recover any preservatives for reuse in the manufacturing process. Any discharges are continually monitored and analyzed by qualified laboratory personnel. Complete reports on discharges are made regularly to the appropriate authorities at all locations.

Comprehensive health and safety and environmental protection programs exist at all locations (see SHIELD Section 4.9 below). These programs are upgraded and updated on an ongoing basis to ensure that the best management practices are being used to protect the employees, the public and the environment. Contingency plans are in place to anticipate proper corrective and remedial measures prior to the occurrence of any problems.

The Vice-President Environment, Health and Safety, the Vice-President, Research and Development as well as the Vice-President, Risk Management and General Counsel, U.S. Operations report to the Company's Environmental, Health and Safety Committee of the Board of Directors ("EH&S Committee") regarding the Company's activities in relation to environmental protection, sustainability measures, risk management and health and safety at each EH&S Committee meeting (the "Environmental Report"). The EH&S Committee communicates the key elements of each Environmental Report to the Board of Directors in all instances.

Under the Shelburne Wood Protection Ltd. purchase agreement, the seller has agreed to indemnify the Company for claims relating to certain environmental matters resulting from activities conducted during the period prior to the purchase by the Company. Indemnification shall be up to a maximum specified amount, for a specific duration and is triggered only once aggregate claims exceed a certain total dollar threshold.

Under the Cahaba Pressure and Cahaba Timber stock purchase agreement, the sellers have provided customary environmental representations and warranties to the Company and will indemnify the Company for breach of environmental representations and warranties, subject to specified amounts and durations. Following the completion of a satisfactory environmental due diligence, the Company agreed to take responsibility for certain environmental matters not caused by any of seller's excluded conduct.

4.9 SHIELD – ENVIRONMENTAL, HEALTH AND SAFETY POLICY COMMITMENT STATEMENT

The Company is committed to Safety, Health, Improved Environment, Leading our Decisions ("SHIELD"). SHIELD is the framework for all aspects of environmental, health and safety within the organization and leads decisions regarding environmental, health and safety activities with the overall goal of zero workplace safety and environmental incidents. The Company's commitment to SHIELD is a commitment to:

- Compliance with all applicable legal requirements and other requirements to which the Company subscribes which relate to its environmental aspects and safety and health hazards,
- Continuous improvement, pollution prevention, and conformance with the Company environmental, health and safety requirements,
- Protection of employee and contractor health and safety, and the environment in which the Company operates,
- Communication and employee participation at all levels within the Company,
- Ongoing training to employees on safety, health, and the environment,
- Effectiveness assessments of the SHIELD management system using key performance indicators.

SHIELD is an integrated environmental, health, and safety management system that is documented, implemented, and maintained at each manufacturing location. SHIELD is officially authorized and endorsed by senior management, who undertake to provide appropriate resources for the success of SHIELD and communicate SHIELD to all persons working for or on behalf of Stella-Jones. All employees of the Company and contractors working on behalf of the Company have the responsibility to follow and enforce the SHIELD policy commitments.

4.10 RISKS FACTORS

The Company is exposed to risks and uncertainties that, if not properly mitigated, could materially affect its business, financial position, future results, reputation, as well as the market price of its common shares. The Board of Directors requires that the Company's management identify and properly manage the principal risks related to the Company's business operations. The Company has put in place policies and procedures to manage, on an ongoing basis, its principle risks and uncertainties and mitigate their impact but the Company cannot provide assurances that any such efforts will be successful.

Operational Risks

Dependence on Major Customers

The Company is dependent on major customers for a significant portion of its sales, and the loss of one or more of its major customers could result in a substantial reduction in its results. For the year ended December 31, 2021, the Company's top ten customers accounted for approximately 48% of its sales. During this same period, the Company's largest and second largest customers accounted for approximately 19% and 5% of its total sales, respectively, and are associated with the residential lumber product category.

Availability and Cost of Raw Materials

Management considers that the Company may be affected by potential fluctuations in wood prices and supply. While the Company has entered into long-term cutting licenses and benefits from long-standing relationships with private woodland owners and other suppliers, there can be no assurance that such licenses will be respected or renewed on expiry, or that its suppliers will continue to provide sufficient timber to the Company.

There are a limited number of suppliers for certain preservatives that the Company employs in its production process, which lessens the availability of alternate sources of supply in the event of unforeseen shortages or disruptions of production. Moreover, certain suppliers may elect to cease production of specific preservatives altogether, creating availability challenges and requiring the Company to evaluate substitute products that are reasonably priced, safe, effective and acceptable to the Company's customers. While the Company is mitigating this risk by researching, identifying and securing alternate suppliers and preservatives outside of its traditional sources of supply, there can be no assurance that it will be able to secure the sufficient supply of all materials required to manufacture its products.

Climate Change

The Company's operations are subject to climate variations, including the occurrence of one or more natural disasters and unusually adverse weather exacerbated by global climate change. These events could result in physical damage to one or more of the Company's facilities, variations in the cost and availability of raw materials, the disruption in the transportation of goods, as well as workforce unavailability. In addition to the physical risks associated with changes in climate conditions, there is the risk of governmental responses to such changes. The effects of global climate change, including the costs of complying with evolving climate change regulations and transition costs relating to a low carbon economy, could result in increased costs and adversely impact the Company's operating results.

Reliance on Key Personnel

The Company's senior management and other key employees have extensive experience in the industry and with the business, suppliers, products and customers. The loss of senior management knowledge and expertise as a result of the loss of one or more members of the core management team, or the loss of key employees with knowledge in engineering, forestry, wood treating and other specialized areas could negatively affect the Company's ability to develop and pursue its business strategies, which could adversely affect its business and operating results.

Recruitment, Retention and Management of Qualified Workforce

The Company's ability to build upon its record of performance and continue to achieve strong sustainable growth are dependent, to a significant extent, on its ability to recruit, develop and retain quality personnel, develop sound strategies for succession and maintain good relations with its employees. Difficulty in attracting qualified employees and retaining valuable internal expertise, or the occurrence of work stoppages could lead to operational disruptions or increased costs.

Information Security and Privacy

The Company relies on information technology to securely process, transmit and store electronic data in its daily business activities. Despite its security design and controls, and those of third-party providers, the Company's information technology and infrastructure may be vulnerable to cyber incidents. Cyber-threats vary in technique and sources, are persistent, and are increasingly more targeted and difficult to detect and prevent. Cyber-attacks and security breaches could include unauthorized attempts to access, disable,

improperly modify or degrade the Company's information technology systems, networks and websites, the introduction of computer viruses and other malicious codes, and fraudulent "phishing" emails that seek to misappropriate data and information or install malware onto users' computers. Any such breach could result in operational disruption and increased costs or the misappropriation of sensitive data that could disrupt operations, subject the Company to litigation and have a negative impact on its reputation or an impact to customers or suppliers. To limit exposure to incidents that may affect confidentiality, integrity and availability of information, the Company has invested in data privacy controls, threat protections as well as detection and mitigation policies, procedures and controls. Such measures may not be adequate or effective to prevent or identify or mitigate attacks by hackers or breaches caused by employee error, malfeasance or other disruptions, which could cause damage and could adversely affect the Company's business and operating results. In addition, the Company relies on information technology systems to operate, and any disruption to such systems could cause a disruption to daily operations while the systems are being repaired or updated.

Enterprise Resource Planning ("ERP") Implementation

The Company is in the process of implementing a new ERP system. Such a change involves detailed planning, transformation of current business and financial processes, as well as substantial testing and employee training. The Company completed the development phase in 2020 and has begun the roll out in the first quarter of 2021 with the goal of being fully operational across the organization by the end of 2024. During the deployment process, the Company could experience disruptions to business information systems and operations. Any disruptions could adversely affect the Company's ability to process transactions, provide accurate, timely and reliable reports on financial and operating results as well as assess the effectiveness of internal controls over financial reporting and disclosure controls and procedures. In addition, it is possible that the deployment process may exceed the expected time frame and budget, and there can be no assurance that the system will be beneficial to the extent anticipated. The Company has adopted a phased approach and believes it is taking the necessary steps, including deploying both internal resources and third-party consultants to mitigate the implementation risk.

COVID-19 Pandemic

Critical to the integrity of the supply chain for utility, railroad and the construction industries, all of the Company's North American facilities have remained operational during the COVID-19 pandemic. While the Company has not to date experienced a material disruption to operations, and it has not incurred significant increases in costs as a result of COVID-19, the extent and duration of the impact of the ongoing COVID-19 pandemic, including new outbreaks, on the demand for the Company's products, as well as on the Company's operations and those of its suppliers and customers remain uncertain and cannot currently be predicted. The impact of the COVID-19 pandemic, including the additional mitigation measures that could be implemented by government authorities and other businesses to reduce the spread could directly or indirectly disrupt the Company's operations and/or those of its suppliers or customers, which in turn, could adversely impact the business, financial position, results of operations and cash flows of the Company.

Strategic Risks

Political and Economic Conditions

A negative change in political and economic conditions may affect most or all the markets the Company serves, impacting costs, selling prices and demand for its products and adversely affecting its financial position and operating results. These political and economic conditions may also impact the financial condition of one or more of the Company's key suppliers, which could affect its ability to secure raw materials and components to meet its customers' demand for its products.

Risk Related to Acquisitions

As part of its growth strategy, the Company intends to acquire additional complementary businesses where such transactions are economically and strategically justified. There can be no assurance that the Company will succeed in effectively managing the integration of other businesses which it might acquire. If the expected synergies do not materialize, or if the Company fails to successfully integrate such new businesses

into its existing operations, this could adversely impact the Company's business, financial position and operating results. The Company may also incur costs and direct Management's attention to potential acquisitions which may never be consummated.

In addition, although the Company performs due diligence investigations in connection with its acquisitions, an acquired business could have liabilities that the Company fails or is unable to uncover prior to acquisition and for which the Company may be responsible. Such liabilities could adversely impact the Company's financial position, operating results, and cash flows.

Financial Risks

Currency

The Company is exposed to currency risks due to its export of certain goods manufactured in Canada. The Company strives to mitigate such risks by purchases of raw materials denominated in U.S. dollars for use in its Canadian manufacturing process. The Company may also use foreign exchange forward contracts to hedge contracted net cash inflows and outflows of U.S. dollars. The use of such currency hedges involves specific risks, including the possible default by the other party to the transaction or illiquidity. Given these risks, there is a possibility that the use of hedges may result in losses greater than if hedging had not been used.

Interest Rate Fluctuation

As at December 31, 2021, 70% of the Company's long-term debt was at fixed interest rates, therefore reducing the Company's exposure to interest rate risk. The Company enters into interest rate swap agreements in order to reduce the impact of fluctuating interest rates on its long-term debt, subject to floating interest rates. These swap agreements require the periodic exchange of payments without the exchange of the notional principal amount on which the payments are based. The Company designates its interest rate hedge agreements as cash flow hedges of the underlying debt. Interest expense on the debt is adjusted to include the payments made or received under the interest rate swap agreements. However, if interest rates increase, the debt service obligations on the variable rate indebtedness of the Company would increase even though the amount borrowed remained the same, and this could have an adverse effect on the Company's profitability, cash flows and financial position.

Availability of Credit

The agreements governing the Company's credit facilities and senior notes contain certain restrictive covenants that impose operating and financial restrictions and could limit the Company's ability to engage in activities that might be in its long-term best interests. In addition, a breach of the covenants under the Company's credit facilities and senior notes could result in an event of default, which could allow lenders to accelerate the repayment of the debt. In this event, the Company may seek to refinance its indebtedness, but be unable to do so on commercially reasonable terms. As a result, the Company could be limited in how it conducts its business, be unable to compete effectively or take advantage of new business opportunities.

The administrator of US Dollar (USD) LIBOR has ceased the publication of one week and two month USD LIBOR and most other non-USD IBOR rates on January 1, 2022, intends to discontinue the remaining USD LIBOR rates on June 30, 2023 and has recommended the use of Secured Overnight Financing Rate as a replacement benchmark. The Company has exposure to floating-rate bank loans indexed to USD LIBOR and interest rate swaps have floating legs that are indexed to the one month USD LIBOR. While the Company's bank loan agreements provide a mechanism for the introduction of a benchmark replacement, and for its interest rate swap agreements, the substitution of reference rates in line with the underlying instruments is expected to be negotiated with its counterparties, the Company cannot predict the impact of the alternative index. As a result, interest expense could increase, and liquidity may be adversely affected. In the future, the Company may be required to renegotiate its variable rate debt or incur other indebtedness, and the discontinuance of LIBOR may negatively impact the terms of such indebtedness.

Customers' Credit

The Company carries a substantial level of trade accounts receivable on its statement of financial position. This value is spread among numerous contracts and clients. Trade accounts receivable include an element of credit risk should the counterparty be unable to meet its obligations. Although the Company reduces this risk by dealing primarily with large-scale utility providers, Class 1 railroad operators and large retailers, there can be no assurance that outstanding accounts receivable will be paid on a timely basis or at all.

Insurance

The Company maintains property and casualty commercial insurance policies that are in accordance with customary industry practice and the Company's specific risk profile. Such insurance may not cover all risks associated with the hazards of its business and is subject to limitations, including self-insured retentions, deductibles, coverage exclusions, and maximum liabilities covered. The Company may incur losses beyond the limits or outside the coverage of its insurance policies, including liabilities for environmental compliance and remediation, losses from a material disruption at its manufacturing facilities, damage to the Company's customer relationships caused by such liabilities and/or disruptions, and first and third party losses due to cyber risk. In addition, from time to time, various types of insurance coverage for companies in the Company's industry have not been available on commercially acceptable terms, or in some cases, have not been available at all. In the future, the Company may not be able to obtain coverage at current levels, and its premiums may increase significantly on coverage that it maintains.

Corporate Tax

In estimating the Company's income tax payable, Management uses accounting principles to determine income tax positions that are likely to be accepted by applicable tax authorities. However, there is no assurance that tax benefits or tax liability will not materially differ from estimates or expectations. The tax legislation, regulation and interpretation that apply to the Company's operations are continually changing. In addition, future tax benefits and liabilities are dependent on factors that are inherently uncertain and subject to change, including future earnings, future tax rates and anticipated business in the various jurisdictions in which the Company operates. Moreover, the Company's tax returns are continually subject to review by applicable tax authorities. These tax authorities determine the actual amounts of taxes payable or receivable, any future tax benefits or liabilities and the income tax expense that the Company may ultimately recognize. Such determinations may become final and binding on the Company. Any of the above factors could have an adverse effect on net income or cash flows.

Legal and Compliance Risks

Environmental Compliance

The Company is subject to a variety of environmental laws and regulations, including those relating to emissions to the air, discharges into water, releases of hazardous and toxic substances, and remediation of contaminated sites. These environmental laws and regulations require the Company to obtain various environmental registrations, licenses, permits and other approvals, as well as carry out inspections, compliance testing and meet timely reporting requirements in order to operate its manufacturing and operating facilities.

Compliance with these environmental laws and regulations will continue to affect the Company's operations by imposing operating and maintenance costs and capital expenditures. Failure to comply could result in civil or criminal enforcement actions, which could result, among others, in the payment of substantial fines, often calculated on a daily basis, or in extreme cases, the disruption or suspension of operations at the affected facility.

Under various federal, provincial, state and local laws and regulations, the Company could, as the owner, lessor or operator, be liable for the costs of removal or remediation of contamination at its sites or neighboring properties. The remediation costs and other costs required to clean up or treat contaminated sites could be substantial. However, in certain cases, the Company benefits from indemnities from the former owners of its sites. Contamination on and from the Company's sites may subject it to liability to

third parties or governmental authorities for injuries to persons, property or the environment and could adversely affect the Company's ability to sell or rent its properties or to borrow money using such properties as collateral.

The possibility of major changes in environmental laws and regulations is another risk faced by the Company. While it is not possible to predict the outcome and nature of these changes, they could substantially increase the Company's capital expenditures and compliance costs at the facilities affected or could change the availability or pricing of certain products such as preservatives purchased and used by the Company.

While the Company has been party to environmental litigation which has included, among others, claims for adverse physical effects and diminution of property value, the outcomes and associated costs have not been material. There is, however, no guarantee that this will continue to be the case in the future, as the result of disputes regarding environmental matters and conclusions of environmental litigation cannot be predicted.

The Company's business has grown, and its image strengthened, in large part by its consistent production and delivery of high-quality products, while maintaining as well, a high level of environmental responsibility. Claims of irresponsible practices by regulatory authorities, communities or customers could harm the reputation of the Company. Adverse publicity resulting from actual or perceived violations of environmental laws, regulations or industry practices could negatively impact customer loyalty, reduce demand, lead to a weakening of confidence in the marketplace and ultimately, a reduction in the Company's share price. These effects could materialize even if the allegations are not valid, and the Company is not found liable.

Litigation

The Company is subject to the risk of litigation in the ordinary course of business by employees, customers, suppliers, competitors, shareholders, government agencies, or others, through private actions, class actions, administrative proceedings, regulatory actions or other litigation. The outcome of litigation is difficult to assess or quantify. Claimants in these types of lawsuits or claims may seek recovery of very large or indeterminate amounts, and the magnitude of the potential loss relating to these lawsuits or claims may remain unknown for substantial periods of time. Although the final outcome cannot be predicted with any degree of certainty, the Company regularly assesses the status of these matters and establishes provisions based on the assessment of the probable outcome. If the assessment is not correct, the Company may not have recorded adequate provisions for such losses and the Company's financial position, operating results and cash flows could be adversely impacted. Regardless of outcome, litigation could result in substantial costs to the Company and divert Management's attention and resources away from the day-to-day operations of the Company's business.

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company uses derivative instruments to provide economic hedges to mitigate various risks. The fair values of these instruments represent the amount of the consideration that could be exchanged in an arm's length transaction between willing parties who are under no compulsion to act. The fair value of these derivatives is determined using prices in active markets, where available. When no such market is available, valuation techniques are applied such as discounted cash flow analysis. The valuation technique incorporates all factors that would be considered in setting a price, including the Company's own credit risk, as well as the credit risk of the counterparty.

Interest Rate Risk Management

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company enters into both fixed and floating rate debt. The risk management objective is to minimize the potential for changes in interest rates to cause adverse changes in cash flows to the Company. The Company enters into interest rate swap agreements in order to reduce

the impact of fluctuating interest rates on its short-and long-term debt. As at December 31, 2021, the Company had two interest rate swap agreements hedging \$221 million in debts and having December 2026 and June 2028 as maturity dates. These instruments are presented at fair value and designated as cash flow hedges. The ratio as at December 31, 2021, of fixed and floating debt was 70% and 30%, respectively, including the effects of interest rate swap positions (73% and 27%, respectively, as at December 31, 2020).

Foreign Exchange Risk Management

The Company's financial results are reported in Canadian dollars, while a portion of its operations are in U.S. dollars. Foreign exchange risk is the risk that fluctuations in foreign exchange rates may have on operating results and cash flows. The Company's risk management objective is to reduce cash flow risk related to foreign denominated cash flows. When the natural hedge of sales and purchases does not match, the Company considers foreign exchange forward contracts to hedge contracted net cash inflows and outflows of U.S. dollars. As at December 31, 2021, the Company had no foreign exchange forward contract agreements in place.

ITEM 5 DIVIDENDS – THREE MOST RECENTLY COMPLETED FINANCIAL YEARS

5.1 DIVIDENDS – THREE MOST RECENTLY COMPLETED FINANCIAL YEARS

On March 14, 2019, May 1, 2019, August 6, 2019 and November 6, 2019, the Board of Directors declared a quarterly dividend of \$0.14 per Common Share. On March 10, 2020, May 6, 2020, August 4, 2020 and November 4, 2020, the Board of Directors declared a quarterly dividend of \$0.15 per Common Share. On March 9, 2021, May 2, 2021, August 2, 2021 and November 8, 2021, the Board of Directors declared a quarterly dividend of \$0.18 per Common Share. On March 8, 2022, the Board of Directors declared a quarterly dividend of \$0.20 per Common Share.

5.2 POLICY AND RESTRICTIONS

The Company's dividend policy provides that the Company consider a dividend on a quarterly basis. All decisions by the Company's Board of Directors regarding the payment of dividends is subject to its capital allocation policy. Although the Company has historically declared regular cash dividends on the Common Shares, there is no assurance that the Board of Directors of the Company will not reduce, defer or eliminate the dividend in the future.

ITEM 6 DESCRIPTION OF CAPITAL STRUCTURE

The authorized share capital of the Company consists of an unlimited number of Common Shares and an unlimited number of Preferred Shares, issuable in series. As of March 14, 2022, there were 62,914,796 Common Shares issued and outstanding and no outstanding Preferred Shares.

The Common Shares provide for the right to receive notice of, attend and vote at all meetings of shareholders and receive dividends, subject to the prior rights of the Preferred Shares and any other shares ranking senior to the Common Shares. The Common Shares are subordinated to the Preferred Shares and any other shares ranking senior to the Common Shares in their entitlement to receive the property and assets of the Company in the event of a dissolution, liquidation, or winding up of the Company.

The Preferred Shares are non-voting. The Preferred Shares are entitled to priority over Common Shares of the Company and over any other shares of the Company ranking junior to the Preferred Shares with respect to priority in payment of dividends and the distribution of assets in the event of liquidation, dissolution or winding-up of the Company.

ITEM 7 MARKET FOR SECURITIES

7.1 TRADING PRICE AND VOLUME

The Common Shares of the Company are listed on the Toronto Stock Exchange and are identified under the symbol “SJ”. The following table sets forth the market price range, in Canadian dollars, and trading volumes of the Company’s Common Shares on the Toronto Stock Exchange for each month of the most recently completed financial year:

FISCAL YEAR ENDED DECEMBER 31, 2021				
Month (2021)	High \$	Low \$	Close \$	Volume Traded
January	48.32	45.67	45.96	3,075,777
February	49.19	45.40	46.01	2,157,860
March	51.32	46.14	50.98	3,046,879
April	53.75	49.83	51.40	2,935,749
May	54.09	45.80	46.29	3,458,766
June	47.36	44.08	44.63	3,986,102
July	46.23	41.89	45.27	3,840,169
August	45.96	42.115	43.14	4,212,116
September	45.25	42.06	42.65	3,198,897
October	46.51	39.95	44.43	4,209,951
November	46.00	39.82	40.02	4,583,174
December	41.675	38.58	40.01	4,747,676

ITEM 8 DIRECTORS AND OFFICERS

The tables below set forth the name, place of residence and position held within the Company of the Company’s directors and executive officers, the principal occupation(s) and term of office of each director, the period or periods during which each director has served, as well as the number of Common Shares beneficially held, directly or indirectly, or over which control or direction is exercised by each director of the Company as at March 14, 2022. Each director is elected at the annual meeting of the shareholders to serve until the next annual meeting or until a successor is elected or appointed. Officers are appointed annually and serve at the discretion of the Board of Directors. The Company has an audit committee, a remuneration committee, an environmental, health and safety committee and a governance and nomination committee. The Company does not have an executive committee.

8.1 NAME, ADDRESS, OCCUPATION AND SECURITY HOLDING

Name and Place of Residence	Office held with the Company	Director since	Principal Occupation(s)	Number of Common Shares Beneficially Owned, Directly or Indirectly, or over which Control or Direction is Exercised
Robert Coallier ⁽¹⁾⁽²⁾ Québec, Canada	Director	January 2020	Corporate Director	7,875
Anne E. Giardini ⁽²⁾⁽³⁾ Rome, Italy	Director	January 2021	Corporate Director	2,000
Rhodri J. Harries ⁽¹⁾⁽³⁾ Québec, Canada	Director	May 2020	Executive Vice-President, Chief Financial and Administration Officer, Gildan Activewear Inc., (publicly listed producer of basic apparel)	10,000
Karen Laflamme, FCPA, FCA, ASC ⁽¹⁾⁽²⁾ Québec, Canada	Director	December 2018	Corporate Director	7,500
Katherine A. Lehman ⁽¹⁾⁽²⁾ New York, U.S.A.	Director	October 2016	Partner, Palladium Heritage, Palladium Equity Partners, LLC (private equity firm)	7,500
James A. Manzi, Jr. ⁽²⁾⁽³⁾ Florida, U.S.A.	Director	April 2015	Corporate Director	5,000
Douglas Muzyka ⁽³⁾⁽⁴⁾ Pennsylvania, U.S.A	Director	December 2019	Corporate Director	4,700
Simon Pelletier ⁽¹⁾⁽⁴⁾ Georgia, U.S.A.	Director	May 2012	President and CEO, H-E Parts International (service and repair solutions in support of surface mining equipment fleets, crushing and material processing equipment)	6,000
Eric Vachon, CPA, CA Québec, Canada	President, Chief Executive Officer and Director	October 2019	President and Chief Executive Officer, Stella-Jones Inc.	20,633
Mary Webster ⁽³⁾⁽⁴⁾ Minnesota, U.S.A.	Director	May 2007	Corporate Director	21,500

(1) Member of the Audit Committee.

(2) Member of the Remuneration Committee.

(3) Member of the Environmental, Health and Safety Committee

(4) Member of the Governance and Nomination Committee.

Within the five preceding years, Rhodri Harries, James A. Manzi, Jr. and Mary Webster have held the same or similar principal occupations indicated. Katherine Lehman served as Managing Partner of Hilltop Private Capital from 2016 to February 2022, Robert Coallier served as Chief Executive Officer of Agropur Dairy Cooperative from 2012 to 2019 and Anne Giardini served as chancellor of Simon Fraser University from 2014-2020. Karen Laflamme served as Executive Vice-President and Chief Financial Officer, Retail, of Ivanhoé Cambridge from 2016 to February 2020. Douglas Muzyka served as Senior Vice-President and Chief Science and Technology Officer of E.I. DuPont de Nemours & Company from 2010 to 2017 and Simon Pelletier served as Senior Vice-President, North American Sales and Operations at Metso, a manufacturer of minerals processing equipment and service provider to the mining and construction industries from 2013 until 2020. Eric Vachon served as Senior Vice-President and Chief Financial Officer of Stella-Jones from 2012 to 2019.

Executive Officers who are not Directors

Name and municipality of residence	Position within the Company
Jeff Brandt Schererville, Indiana	Vice-President, Transportation and Logistics, SJ Corporation
George Caric Irwin, Pennsylvania	Vice-President, Railway Tie Marketing, SJ Corporation
Kevin Comerford Edgewood, Washington	Vice-President, Utility Pole and U.S. Residential Lumber Sales, SJ Corporation
Sylvain Couture Oakville, Ontario	Vice-President, Utility Pole and Residential Lumber Operations, Eastern Canada, SJI
Jason Dallas McMurray, Pennsylvania	Vice-President, Railway Tie Procurement, SJ Corporation
Marcel Driessen Auburn, Washington	Vice-President, Human Resources, SJ Corporation
Marla Eichenbaum Hampstead, Québec	Vice-President, General Counsel and Secretary, SJI
Michael Goeller Terre Haute, Indiana	Vice-President, Arbor Preservative Systems, LLC
Ian Jones Vernon, British Columbia	Senior Vice-President, SJI Senior Vice-President, Utility Poles and U.S. Residential Lumber, SJ Corporation
James Kenner Olathe, Kansas	Vice-President, Risk Management and General Counsel, U.S. Operations, SJ Corporation
Patrick Kirkham Aliquippa, Pennsylvania	Senior Vice-President, Railway Ties, SJ Corporation
Steve Larocque Boucherville, Québec	Vice-President, Information Technology, SJI
Andy Morgan Gig Harbor, Washington	Vice-President, Utility Pole Operations (Western Species), SJ Corporation
Gordon Murray North River, Nova Scotia	Vice-President, Research and Development, SJI
Glynn Pittman Walker, Louisiana	Vice-President, Utility Pole Operations (Southern Yellow Pine), SJ Corporation
Jim Raines Spencer, West Virginia	Vice-President, Global Railway Tie Sales, SJ Corporation
Patrick Stark Tarentum, Pennsylvania	Vice-President, Environment, Health and Safety, SJ Corporation
Silvana Travaglini, CPA, CA Pierrefonds, Québec	Senior Vice-President and Chief Financial Officer, SJI

Name and municipality of residence	Position within the Company
David Whitted Lufkin, Texas	Vice-President, Railway Tie Operations and Production Planning, SJ Corporation
Jon Younce Stanwood, WA	Vice-President, Utility Pole and U.S. Residential Lumber Procurement, SJ Corporation

As of March 14, 2022, directors and executive officers as a group beneficially owned, directly or indirectly, or exercise control or direction over approximately 135,513 Common Shares, representing approximately 0.2% of all issued and outstanding shares of the Company.

The principal occupations over the past five years of the Company’s executive officers who have not served in their current principal capacities for over five years are given below:

Jeff Brandt has served as Vice-President, Transportation and Logistics of SJ Corporation since May of 2019. Prior thereto, he held the position of Vice-President, Transportation (2017-2019) and Director of Transportation (2015-2016) of Overhead Door Corporation.

Sylvain Couture has served as Vice-President, Utility Pole and Residential Lumber Operations, Eastern Canada of SJI since December 2020. Prior to that, he was Vice-President, Operations, Central Region of SJI beginning January 1, 2020. From 2017 to 2019, he was Director of Operations, Central Region and worked as Project Engineer, based out of SJI’s Carseland, Alberta facility from 2013-2017.

Jason Dallas has served as Vice-President, Railway Tie Procurement of SJ Corporation since December of 2020. He previously served as Director of Procurement from June 2016 to November of 2020 and held various procurement positions within the organization prior thereto.

Michael Goeller has served as Vice-President of Arbor Preservative Systems, LLC since October of 2020. Prior thereto, he was Director of Chemical Products of SJ Corporation, beginning in 2012.

Ian Jones serves as Senior Vice-President, Utility Poles and U.S. Residential Lumber of SJ Corporation, and added the Eastern Canadian pole plants to his oversight in December of 2020. Ian has served as Senior Vice-President of the Company since 2016 and has headed the Utility Pole division of SJ Corporation since 2012.

Patrick Kirkham was promoted to the position of Senior Vice-President, Railway Ties of SJ Corporation effective November 1, 2021. Mr. Kirkham joined the Company in 2011 and from 2016 to 2021, served as its Vice-President, Railway Ties Operations.

Steve Larocque was named Vice-President, Information Technology effective December 1, 2021. He began his employment with SJI in March of 2020 as Senior Director, IT, providing leadership with respect to upgrading the Company’s IT infrastructure, overseeing the implementation of its new ERP system and ensuring the fulfillment of cybersecurity initiatives. Prior to joining Stella-Jones, he served as Director Business Applications of Uni-Select Inc. from 2012 to 2020

Andy Morgan was named Vice-President, Utility Pole Operations (Western Species) of SJ Corporation in January 2019. From January 2016 to January 2019, he held the position of Director of U.S. Western Operations.

Gordon Murray has held the position of Vice-President, Research, and Development of SJI since December of 2020. Prior thereto, he was the longstanding Vice-President, Environment and Technology and General Manager, Atlantic Region of SJI.

Glynn Pittman was promoted to Vice-President, Utility Pole Operations (Southern Yellow Pine) of SJ Corporation in October of 2020. From 2016 to 2020, he served as Director of Operations, Southern Yellow Pine, and prior thereto, served as Regional Operations manager.

Jim Raines was named Vice-President, Global Railway Tie Sales in October 2021, responsible for both Class 1 and commercial railway tie sales. He previously held the position of Vice-President, Railway Tie Sales, with the Company.

Patrick Stark was named Vice-President, Environment, Health and Safety of SJ Corporation in December of 2020, overseeing all North American operations. Since April of 2018, he served as Vice-President, Environment, Health and Safety, U.S. Operations of SJ Corporation. From 2010 to early 2018, he held the position of Director, Environment, Health and Safety of SJ Corporation.

Silvana Travaglini has served as Senior Vice-President and Chief Financial Officer of SJI since January of 2020. Prior thereto, she held the position of Treasurer and Vice-President Investor Relations (2017-2019) and Vice-President and Chief Accounting Officer (2011-2017) at Resolute Forest Products Inc.

Jon Younce has served as Vice-President, Utility Pole and U.S. Residential Lumber Procurement of SJ Corporation since December of 2020. Prior thereto, he was Vice-President, U.S. Fibre & Transportation/Logistics of SJ Corporation since January of 2018 and served as Vice-President, U.S. Fibre & Pole Production beginning May 2013.

David Whitted was promoted to the position of Vice-President, Railway Tie Operations and Production Planning, SJ Corporation in October 2021. Prior thereto, he served as Vice-President, Railway Tie Sales Operations.

ITEM 9 AUDIT COMMITTEE DISCLOSURE

9.1 COMPOSITION OF THE AUDIT COMMITTEE AND RELEVANT EDUCATION AND EXPERIENCE

The Company's Audit Committee is composed of Ms. Karen Laflamme (Chair), Mr. Robert Coallier, Mr. Rhodri Harries, Ms. Katherine Lehman and Mr. Simon Pelletier. All members of the Committee are "independent" and "financially literate" within the meaning of Multilateral Instrument 52-110 *Audit Committees*.

Ms. Karen Laflamme holds a Bachelor's degree in Business Administration (BBA) from HEC Montréal and has been a member of the Quebec CPA order since 1986 (CA). She holds the designation of certified corporate director and was named fellow of the Quebec Order of Chartered Professional Accountants (CPA) in 2012. From 2016 to early 2020, she served as Executive Vice-President and Chief Financial Officer, Retail, of Ivanhoé Cambridge, an investor and developer of superior quality real estate properties, projects and companies around the world. She joined Ivanhoé in 2012, where she served in various roles, including Executive Vice-President, Corporate Management & Institutional Affairs, where she was responsible for investor relations, internal audit and integrated risk management. Prior thereto, Ms. Laflamme worked at the CDPQ from 1993 to 2012, where she held various senior positions in real estate.

Mr. Robert Coallier holds a Master's degree in Business Administration ("MBA") from Concordia University and a bachelor's degree (B.A.) in economics from McGill University. From 2012 to 2019, he served as Chief Executive Officer of Agropur Dairy Cooperative. He was Senior Vice President and Chief Financial Officer of Dollarama L.P. from 2005 to 2010 and held various senior positions at Molson Coors Brewing between 2000 and 2005, including Global Chief Development Officer, Executive Vice President, Corporate Strategy and International Operations, President and Chief Executive Officer, Brazilian Operations and Executive Vice-President and Chief Financial Officer. From 1996 to 2000, Mr. Coallier Served as Vice President and Chief Financial Officer of C-MAC Industries Inc.

Mr. Rhodri J. Harries holds an MBA from McMaster University and a Bachelor of Science degree in Chemical Engineering from Queen's University. He currently serves as Chief Financial Officer and Chief Administrative Officer of Gildan Activewear, a publicly listed (TSX/NYSE: GIL) producer of basic apparel with approximately US\$3 billion in sales and 48,000 employees. Previously, he served as Chief Financial Officer of Rio Tinto Alcan, a leading global integrated aluminium business where he was responsible for all finance activities including business analysis, capital approval processes, risk management, financial planning and reporting, control and compliance and Information technology.

Ms. Katherine A. Lehman holds an MBA from Columbia Business School and a B.S. in Economics from The Wharton School, University of Pennsylvania. She is currently Partner, Palladium Heritage at Palladium Equity Partners, LLC, a private equity firm, and from 2016 to February 2022, was Co-Founder and

Managing Partner at Hilltop Private Capital. Her investment focus is middle market industrial and business services companies. Ms. Lehman has served on more than a dozen boards and she has been or is an active member of several audit committees, including prior service from 2016-2018 on Stella-Jones' Audit Committee. She is also currently an Independent Board member of Navient Corp (NASDAQ: NAVI), an asset management and business processing company.

Mr. Simon Pelletier holds a Bachelor of Materials Engineering from the University of Windsor and is President and CEO of H-E Parts International, which offers service and repair solutions in support of surface mining equipment fleets, crushing and material processing equipment. He has over 30 years of extensive senior level executive and managerial experience in mining, mineral processing and aggregate industries.

9.2 MANDATE OF THE AUDIT COMMITTEE

The mandate of the Audit Committee is to advise and assist the Board of Directors of the Company on financial matters. As such, the Audit Committee is responsible, among others, to make recommendations to the Board of Directors with respect to the nomination and remuneration of external auditors, to review the financial reporting process, to review the internal control procedures of the Company, to assess the Company's compliance with International Financial Reporting Standards (IFRS) and to advise the Board of Directors thereon.

The Audit Committee is responsible to meet regularly with the Senior Director, Corporate Internal Audit, Risk & Compliance and provide internal audit stewardship, review and approve the internal audit charter on an annual basis, review and approve the internal audit budget and resource plan annually, and review and approve the risk-based internal audit plan each year. The Audit Committee also receives quarterly reports on whistleblowing complaints and the corresponding implementation of corrective action.

In performing its duties, the Audit Committee maintains effective working relationships with the Board of Directors, Management and the internal and external auditors. The mandate of the Audit Committee is attached to this AIF at Appendix "I".

9.3 PRE-APPROVAL POLICIES AND PROCEDURES

The Audit Committee's procedures for approval of audit and non-audit services by the external auditors ("Procedures") state that the engagement for the annual audit of the Company's consolidated financial statements is specifically approved on an annual basis by the execution of the audit engagement letter with the auditors.

Engagements of the audit firm involving services for any of the Company's entities that fall into the following service definitions are pre-approved by the Audit Committee so long as the fees for each particular engagement are expected to be less or equal to a total of \$50,000.

- tax services such as tax compliance, tax consulting transfer pricing, customs and duties, expatriate tax services; and
- other services such as due diligence and forensic investigations.

In cases of pre-approval, the Chair of the Audit Committee is to be notified expeditiously of any such services commenced by the auditors.

In respect of services under the preceding paragraph, where the fees for a particular engagement are expected to exceed a total of \$50,000, SJI's management and/or its auditors must seek specific pre-approval by the Audit Committee of the engagement of the auditors. Where particular pre-approval is required, the Audit Committee has delegated the authority to effect such pre-approval to the Chair of the Audit Committee.

9.4 EXTERNAL AUDITOR SERVICE FEES

The following table sets out the fees billed to the Company by PricewaterhouseCoopers LLP for the last two fiscal years for various professional services:

FEES	YEAR ENDED DECEMBER 31, 2021	YEAR ENDED DECEMBER 31, 2020
Audit Fees	\$1,040,400	\$928,100
Audit Related Fees	\$49,500	\$53,000
Tax Service Fees	\$176,206	\$96,171
Other Fees	\$34,900	\$18,900
TOTAL	\$1,306,006	\$1,096,171

Audit Fees

The services comprising these fees include the audit of consolidated financial statements and statutory audits, tax services and accounting consultations required to perform the audit in accordance with Canadian Generally Accepted Auditing Standards.

Audit Related Fees

These fees apply, among others, to financial due diligence in connection with acquisitions and consultations regarding financial reporting and accounting standards.

Tax Fees

These fees include professional services for tax compliance, such as the preparation and review of tax returns, filings and forms as well as consultations regarding required disclosures and elections, among others, and tax advice on mergers and acquisitions.

Other Fees

These fees represent the total fees billed to the Company for all services other than those presented under audit fees, audit related fees and tax fees.

ITEM 10 TRANSFER AGENT

The Company's transfer agent and registrar is Computershare Investor Services Inc. ("Computershare") The register of transfers of the Common Shares of SJI maintained by Computershare is located at its offices in Montréal, Québec.

ITEM 11 MATERIAL CONTRACTS

The Company did not enter into material transactions during the year ended December 31, 2021.

ITEM 12 INTERESTS OF EXPERTS

12.1 NAMES OF EXPERTS

The Company's auditors are PricewaterhouseCoopers LLP, Partnership of Chartered Professional Accountants, who have prepared the Independent Auditor's Report to the shareholders of SJI on page 53 of the Company's 2021 annual report. PricewaterhouseCoopers LLP has advised that they are independent with respect to the Company within the meaning of the Code of Ethics of the *Ordre des comptables professionnels agréés du Québec*.

ITEM 13 ADDITIONAL INFORMATION

Additional information relating to the Company may be found on SEDAR at www.sedar.com.

Additional information, including information regarding directors' and officers' remuneration and indebtedness (if any), principal holders of securities of the Company, and securities authorized for issuance under equity compensation plans, if applicable, is contained in the Company's information circular for its most recent annual meeting of shareholders that involved the election of directors.

Additional financial information is provided in the Company's consolidated financial statements and Management's Discussion & Analysis for its most recently completed financial year.

APPENDIX “I”

STELLA-JONES INC. (the “Corporation”)

MANDATE OF THE AUDIT COMMITTEE

1. **Formation.** The Board of Directors may appoint annually from its members an Audit Committee consisting of such number of members as the Board of Directors may from time to time determine, but not less than three.

Each of the members of the Audit Committee shall be Independent as defined by the Canadian Securities Administrators and such other rules or guidelines as may be applicable from time to time.

The Audit Committee shall determine its own organization and procedure, except as provided in the By-Laws of the Corporation or as may be otherwise determined by the Board of Directors.

2. **Tenure and office.** All members of the Audit Committee shall be appointed by the Board of Directors. The Board of Directors may remove from office any member of the Audit Committee, with or without cause. Any vacancy in the membership of the Audit Committee may be filled by the Board of Directors. All members of the Audit Committee shall cease to be in office at the close of each annual meeting of shareholders.
3. **Powers.** The Audit Committee shall advise and assist the Board of Directors on financial matters, including, without limiting the generality of the foregoing, the following:
 - review the recommendations of the officers of the Corporation as to the appointment of external auditors, verify the independence of the external auditors and make recommendations to the Board of Directors with respect to the nomination and remuneration of external auditors to be appointed at each annual meeting of shareholders;
 - oversee the work of the external auditors engaged for the purpose of preparing or issuing an independent auditor’s report or performing other audit review or attest services for the Corporation, including the approval of the annual audit plan and the resolution of disagreements between management and the external auditors regarding financial reporting;
 - review with the external auditors the scope and timing of their audit services and any other services they are asked to perform, their report on the Corporation's accounts following completion of the audit and the Corporation's policies and procedures with respect to internal accounting and financial controls, discussion of quality and depth of staffing in the accounting and financial departments, discussion of implementation of new accounting systems (e.g. computers), discussion of recent prospective releases of the Canadian Institute of Chartered Accountants and their impact on the Corporation's financial statements, discussion of the need to extend the audit examination into areas beyond those required under a normal statutory audit;
 - pre-approve all non-audit services in excess of \$50,000 to be provided to the Corporation or its subsidiary entities by the Corporation’s external auditors;
 - review the audited annual financial statements, the unaudited interim quarterly financial statements, the annual and interim management’s discussion and analysis, the interim and annual CEO and CFO certifications and the annual and interim earnings press releases of the Corporation and report thereon to the Board of Directors of the Corporation before approval thereof by the Board of Directors and prior to disclosure thereof to securities authorities, shareholders and the public;

- see, to its satisfaction, that adequate procedures are in place for the review of the Corporation’s public disclosure of financial information extracted or derived from its financial statements and periodically assess the adequacy of those procedures;
 - review the internal control procedures of the Corporation and advise the directors on auditing practices and procedures as part of the responsibility of directors to meet their moral and legal responsibilities to the Corporation;
 - review the Corporation’s compliance with International Financial Reporting Standards and advise the Board of Directors thereon;
 - meet on a regular basis with the Corporation’s Senior Director, Corporate Internal Audit, Risk & Compliance and provide internal audit stewardship;
 - review and approve the Internal Audit Charter on an annual basis;
 - review and approve the Internal Audit budget and resource plan, annually;
 - review and approve the risk-based Internal Audit plan each year;
 - review and approve recommendations regarding the appointment and removal of the Senior Director, Corporate Internal Audit, Risk & Compliance;
 - make appropriate inquiries of Management and the Senior Director, Corporate Internal Audit, Risk & Compliance to determine whether there are any scope or resource limitations;
 - review and approve the Corporation’s hiring policies regarding partners, employees and former partners and employees of the present and former external auditors of the Corporation;
 - establish procedures for (i) the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal accounting controls or auditing matters and (ii) the confidential and anonymous submission by employees of the Corporation of concerns regarding questionable accounting or auditing matters;
 - review the accuracy and reliability of data to be disclosed to interested parties;
 - review the relationship among external auditors, internal auditors, if any, and employees; and
 - review management plans regarding any requirements for revised accounting practices.
4. **Accountability of external auditors.** The external auditors are ultimately accountable to the Board of Directors and the Audit Committee as representatives of shareholders.
 5. **Signed resolution.** A resolution in writing signed by all the members of the Audit Committee entitled to vote on that resolution at a meeting of the Audit Committee is as valid as if it had been passed at a meeting of the Audit Committee. A copy of every resolution referred to in this paragraph shall be kept with the minutes of the meetings of the Audit Committee.
 6. **Chair, quorum and procedure.** The Audit Committee shall have the power to appoint a Chair and a Vice-Chair, to fix its quorum, which quorum shall consist of not less than a majority of its members, and to determine its procedure.
 7. **Meetings.** Meetings of the Audit Committee may be held at the registered office of the Corporation or at such other places within or without Canada as the Audit Committee may from time to time determine. Meetings of the Audit Committee may be called by or by the order of the President of the Corporation, the Chair of the Audit Committee, or any two (2) members thereof.

Reviewed and approved by the Board of Directors on December 6, 2021.