



Connecting our Sustainable Future

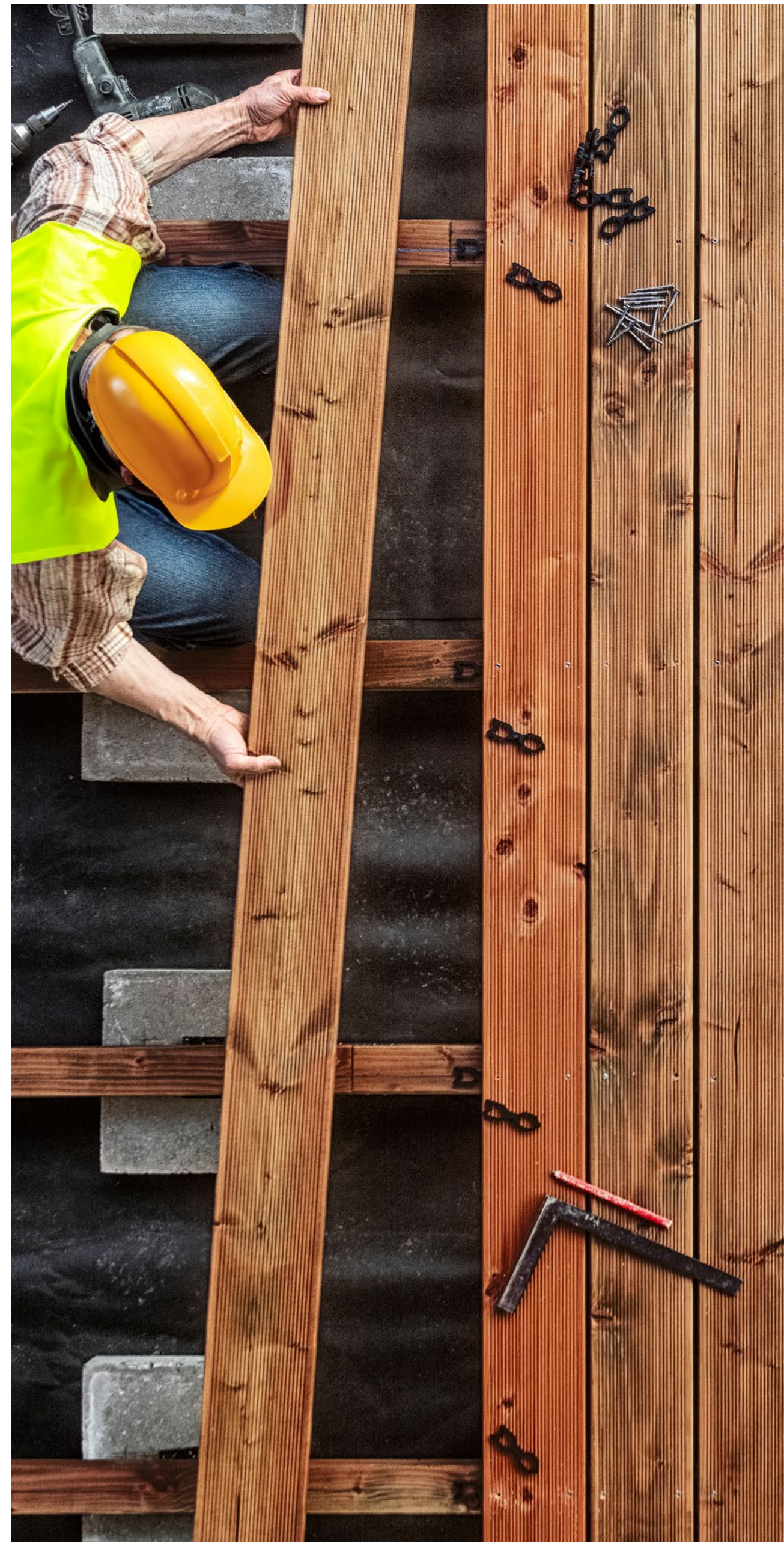
Environmental, Social, & Governance Report

2022

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About Our ESG Report

Welcome to the 2022 Stella-Jones' ESG Report ("the Report") which highlights the environmental, social and governance ("ESG") activities our organization has conducted between January 1, 2022 to December 31, 2022. The Report also describes the shape of things to come as we share our new ESG Strategy, which outlines our vision for the future.

We have prepared this Report referencing the Sustainability Accounting Standards Board ("SASB") Building Products and Furnishings Standard, the Global Reporting Initiative (GRI) Standards, and the Task Force on Climate-related Financial Disclosures ("TCFD"). A detailed summary of disclosures can be found in the Appendix of this Report. References to "Stella-Jones", "we", "our" or "Company" refer to Stella-Jones Inc. and its operating subsidiaries, unless indicated otherwise. All amounts expressed in this Report are in Canadian dollars, except as otherwise specified.

While the contents in this Report have not been externally assured, internal resources have reviewed the information and data for quality, completeness, and accuracy. The Stella-Jones executive leadership team and Board of Directors have reviewed and approved this Report for publication. The Report is available in both English and French, with all previous years' reports available on the [Stella-Jones Investor Relations page](#).

This Report allows us an opportunity to deepen existing conversations with our stakeholders about our sustainability programs and we welcome your feedback. Comments can be shared at communications@stella-jones.com.



INTRODUCTION

01

- 2022 ESG Highlights
- Message from the President & CEO
- Message from the Chair of our Environmental, Health & Safety Committee
- Our ESG Strategy

2022 ESG Highlights

Our ESG Strategy outlines our vision for sustainability at Stella-Jones, while complementing our corporate strategy and growth objectives.

In addition to releasing our first ESG Strategy, the highlights below illustrate the progress made in 2022 in each of our four ESG pillars.



Interactive content
View each pillar

“

I look to the future with enthusiasm and confidence as Stella-Jones continues to make meaningful changes and a positive impact.



MESSAGE FROM THE PRESIDENT & CEO

The Road to Connecting Our Sustainable Future

Welcome to Stella-Jones' 2022 Environmental, Social and Governance Report. Through the following pages, you will be provided a closer look at our Company's latest initiatives, progress and commitments across 2022, all of which I am proud to share with you.

Looking Back

Stella-Jones first set off on its sustainability journey with the publication of our inaugural ESG Report in 2017. The first of its kind for our business, this report highlighted our history of environmental compliance, health and safety performance, and robust ethics. It marked a shift in how we defined sustainability; it reinforced our sense of accountability and allowed us to recognize that we had room for cultural growth in order to embrace larger sustainability concepts. Through this exercise, we also acknowledged that better data collection was required in order to establish a strategy and set measurable goals for success.

The years that followed allowed Stella-Jones to continue to learn, work hard and strive to do better for our people and our planet. These sustained efforts paved the way for a number of initiatives and learnings that have served us well and brought us to this next chapter in our ESG story.

Connecting Our Sustainable Future

Pivotal to our 2022 ESG report is the unveiling of our ESG Strategy, titled 'Connecting our Sustainable Future', anchored in measurable goals across our six key topics of Climate Change & Greenhouse Gas ("GHG") Emissions, Health and Safety, Our People, Indigenous Peoples, Responsible Supply Chain and ESG Risk Governance.

On the **Climate Change & GHG Emissions** front, our strategy includes a target of 32% reduction in Scope 1 & 2 GHG emissions by 2030. This target is based on our forecast of planned projects and initiatives and sets us up for our commitment to further improve our emissions reduction with the measurement of our scope 3 emissions and assessment of a science-based target by 2025.

Health & Safety being a chief priority for our business, over the last year we continued the roll-out of our SHIELD Environmental, Health and Safety management program across our Canadian operations. As we place continued emphasis on growing our safety-first culture and target Zero Injury ambitions, this implementation ensures consistency for our business and for our people.

The focus on **Our People** further translated to key events in 2022, namely the appointment of our Senior Vice President and Chief People Officer, who joined our team in support of our growing need for bolstered human resources. His oversight and leadership will help drive our focus on several people-centric matters, including employee well-being, retention and development. These efforts to help employees develop and hone their skills are further evidenced by our target of 30% of job openings to be filled by internal promotions by 2027.

The 2022 addition of a dedicated senior ESG resource further enabled us to examine our sustainability practices and opportunities, and to speak with assurance to our targets and ambitions. Our Senior Director of ESG, worked closely with stakeholders inside and outside the organization to take stock of our current standing and formulate a comprehensive strategy that will help Stella-Jones reach even higher towards fulfilling our sustainability potential.

In 2021, we identified **Indigenous Peoples** as a material topic, and in 2022, through collaborative work with internal and external Indigenous expertise, we improved our understanding of Stella-Jones' existing relationships with Indigenous communities and areas for improvement, which led to the development of our Indigenous Peoples policy, published earlier this year.

From a **Governance** perspective, Stella-Jones values transparency and accountability in all facets of our business. Sound governance practices provide a strong and steady foundation for our sustainability goals.

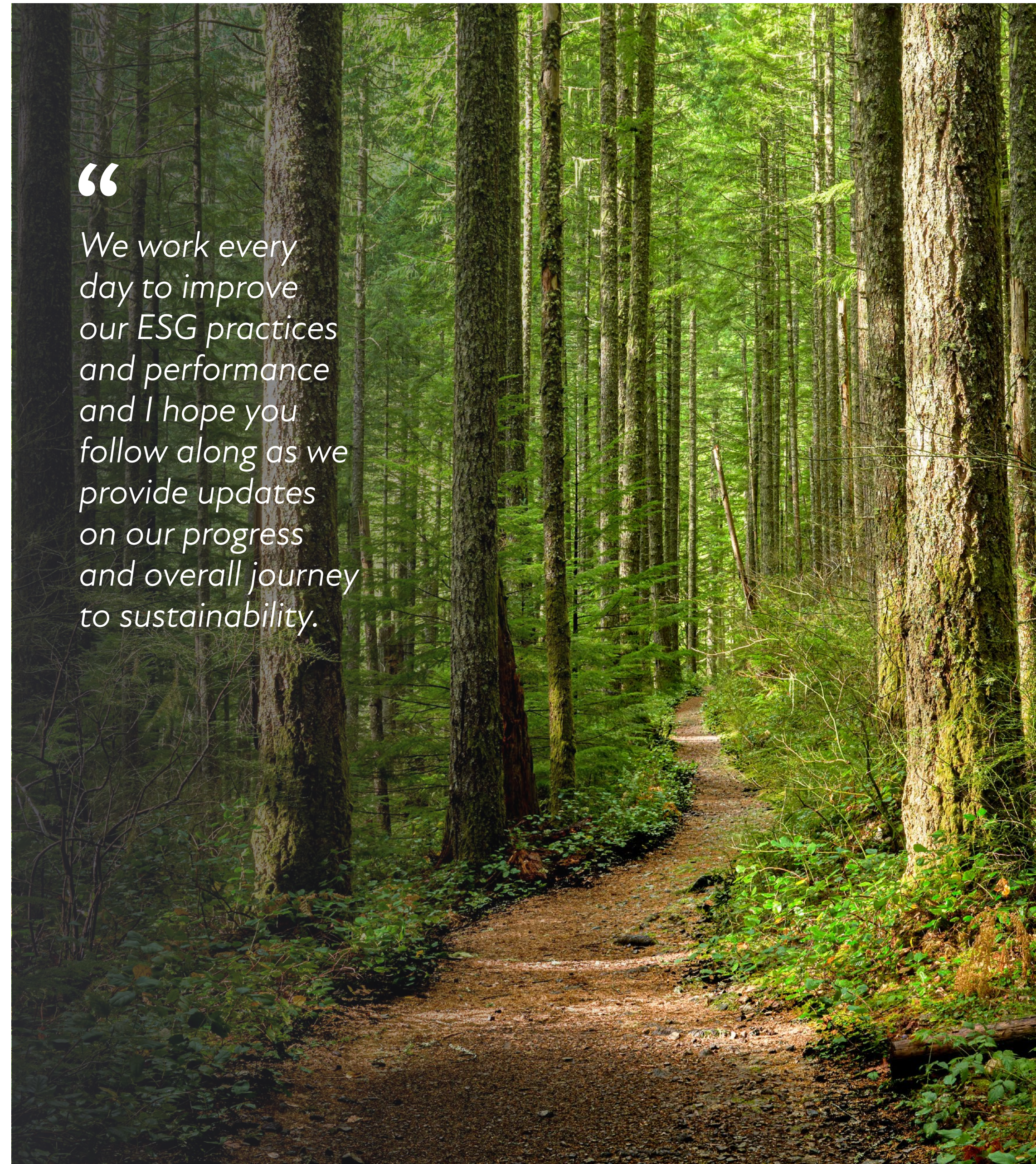
The Company also continued to integrate cybersecurity considerations into its governance practices, with ongoing employee training to help our teams better secure our digital infrastructure and train our people on how to safeguard our confidential and proprietary data from cybersecurity threats.

Looking Forward

I look back with a sense of accomplishment at how we have, and continue to drive ESG advancements across our operations, and I look to the future with enthusiasm and confidence as Stella-Jones continues to make meaningful changes and positive impact. Our ESG Strategy traces a roadmap to several initiatives, which I encourage you to learn more about as you read on, and our Report marks a new era in our sustainability journey; one that connects us to our various stakeholders, to our objectives, and most importantly to the communities across North America who rely on our treated wood products for access to essential infrastructure services that are woven into our everyday lives.



ERIC VACHON
President & Chief Executive Officer



“
We work every day to improve our ESG practices and performance and I hope you follow along as we provide updates on our progress and overall journey to sustainability.”

“

We look forward to sharing our progress and the positive impact we have through executing on the ESG Strategy.



Message from The Chair of our Environmental, Health & Safety Committee

2022 marked a significant leap forward in the management of ESG at Stella-Jones. On behalf of the EHS Committee and the Board of Directors, I would like to recognize and applaud the important work undertaken in 2022 to advance ESG.

Through these efforts, we have ensured we are continuing to deliver on our commitment and responsibility to prioritize sustainability across the organization.

The EHS Committee met several times throughout 2022 to provide feedback and support on the ESG Strategy development, culminating in a full Board review. Stella-Jones' ESG Strategy, 'Connecting Our Sustainable Future', outlines the organization's ambition for the six key ESG topics of **Climate Change & GHG Emissions, Health & Safety, Our People, Indigenous Peoples, Responsible Supply Chain and ESG Risk Governance**, published in full, for the first time in this Report.

The Strategy highlights quantifiable targets to measure our ESG progress and we have focused the conversations at our Committee and Board levels towards advancing these six domains. Looking forward, we will ensure there is governance and oversight for each strategic topic throughout the Board and its committees.

The future for Stella-Jones is exciting, and while significant progress has been made, we still have work to do. We look forward to sharing our progress and the positive impact we have through executing on the ESG Strategy.

A handwritten signature in black ink, appearing to read 'DMuzyka', written in a cursive style.

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

Our ESG Strategy

Developed in collaboration with talented teams across the organization, our ESG Strategy is forward-looking, ambitious, measurable, and achievable.

We are proud to share our vision to advance our sustainable initiatives across the six key areas of:

- 1. Climate Change & GHG Emissions**
- 2. Health & Safety**
- 3. Our People**
- 4. Indigenous Peoples**
- 5. Responsible Supply Chain**
- 6. ESG Risk Governance**

Throughout this Report,
you will read more about our
ESG Strategy and the progress
we have made in 2022.



Our ESG Strategy

[Climate Change & GHG Emissions](#)

We commit to reducing our emissions intensity and maximizing the carbon sequestered in our products.

- ✔ Energy Efficiency
- ✔ Renewable Energy
- ✔ Innovation

[Health & Safety](#)

We keep our people safe by reducing risks through a culture of teamwork, ownership, and continuous improvement.

- ✔ Safety Systems
- ✔ Safety Communications
- ✔ Empowering Our People

[Our People](#)

We attract and retain talented people by offering a positive work experience through inspired leadership, competitive working conditions and career development opportunities.

- ✔ Enhancing Our Employee Experience
- ✔ Developing Our People and Promoting from Within
- ✔ A Workforce that is Reflective of Our Communities

Interactive content
Click each title for more information



[Indigenous Peoples](#)

We commit to building lasting and collaborative relationships with Indigenous Peoples where we operate.

- ✔ Cultural Awareness and Understanding
- ✔ Relationships
- ✔ Economic Benefits

[Responsible Supply Chain](#)

We partner with responsible local suppliers to ensure the long-term sustainability of our wood supply.

- ✔ Supplier Engagement
- ✔ Sustainable Forestry
- ✔ Promote Forest Education

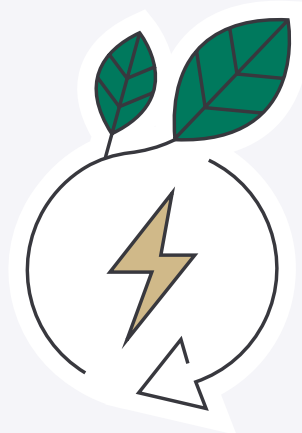
[ESG Risk Governance](#)

We empower our people to make informed and responsible decisions and deliver results through clear guidelines, disciplined processes and accountability.

- ✔ Strong Governance as Our Foundation
- ✔ Priority Risk Management
- ✔ Simplify Compliance

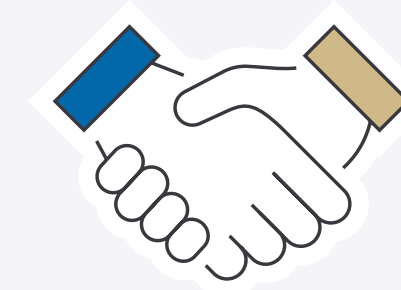
Our ESG Targets

All targets are for end of year. ✔ ACHIEVED ➔ ON TRACK



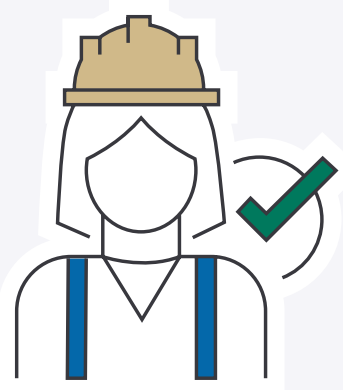
Climate Change & GHG Emissions

- ➔ Reduce Scope 1 & 2 GHG emissions by 32% by 2030 compared to a 2022 base year.
- ➔ Measure our Scope 3 emissions and assess a science-based* target by 2025.



Indigenous Peoples

- ➔ 100% of Canadian salaried employees to complete Indigenous cultural awareness training by 2025.
- ➔ 100% of Canadian areas with forest management obligations covered by relationship agreements with willing Nations by 2030.



Health & Safety

- ✔ On our journey to Zero Injuries, achieve an annual recordable safety incident rate below the industry average.
- ➔ 100% of plant monthly safety observation targets met.



Responsible Supply Chain

- ✔ Maintain third-party sustainability certification of 80% or higher for lumber purchases.
- ➔ Complete an ESG due diligence assessment for 25% of Tier 1** suppliers by 2027.
- ➔ Launch a supplier seedling program by 2024.



Our People

- ➔ Fill 30% of job openings by internal promotions by 2027.
- ➔ Establish a Company-wide Diversity baseline by 2024.



ESG Risk Governance

- ➔ 100% of salaried employees to complete the new Digital Annual Policy Acknowledgment by 2024.
- ➔ Launch digital onboarding training within one year of the new training module implementation.

* A science-based target refers to the greenhouse gas reduction required to limit global warming to below 1.5 degree Celsius. The 1.5 degree target is part of the Paris Agreement and is determined to be the limit required to avoid the worst impacts of catastrophic global warming.

**Tier 1 is defined as 80% of total procurement spend.

OUR BUSINESS

02

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

Leveraging our coast-to-coast network of 43 wood treating facilities in North America, we continue to meet customer demand with increasing agility, and a solid financial position that provides the flexibility to fund growth opportunities.

About Stella-Jones

At Stella-Jones, we supply the continent's major electrical utilities and telecommunication companies with wood utility poles and North America's Class 1, short line and commercial railroad operators with railway ties and timbers. Stella-Jones also provides industrial products, which includes wood for railway bridges and crossings, marine foundation pilings, construction timbers and coal tar-based products. Additionally, we manufacture and distribute premium treated residential lumber and accessories to Canadian and American retailers for outdoor applications.

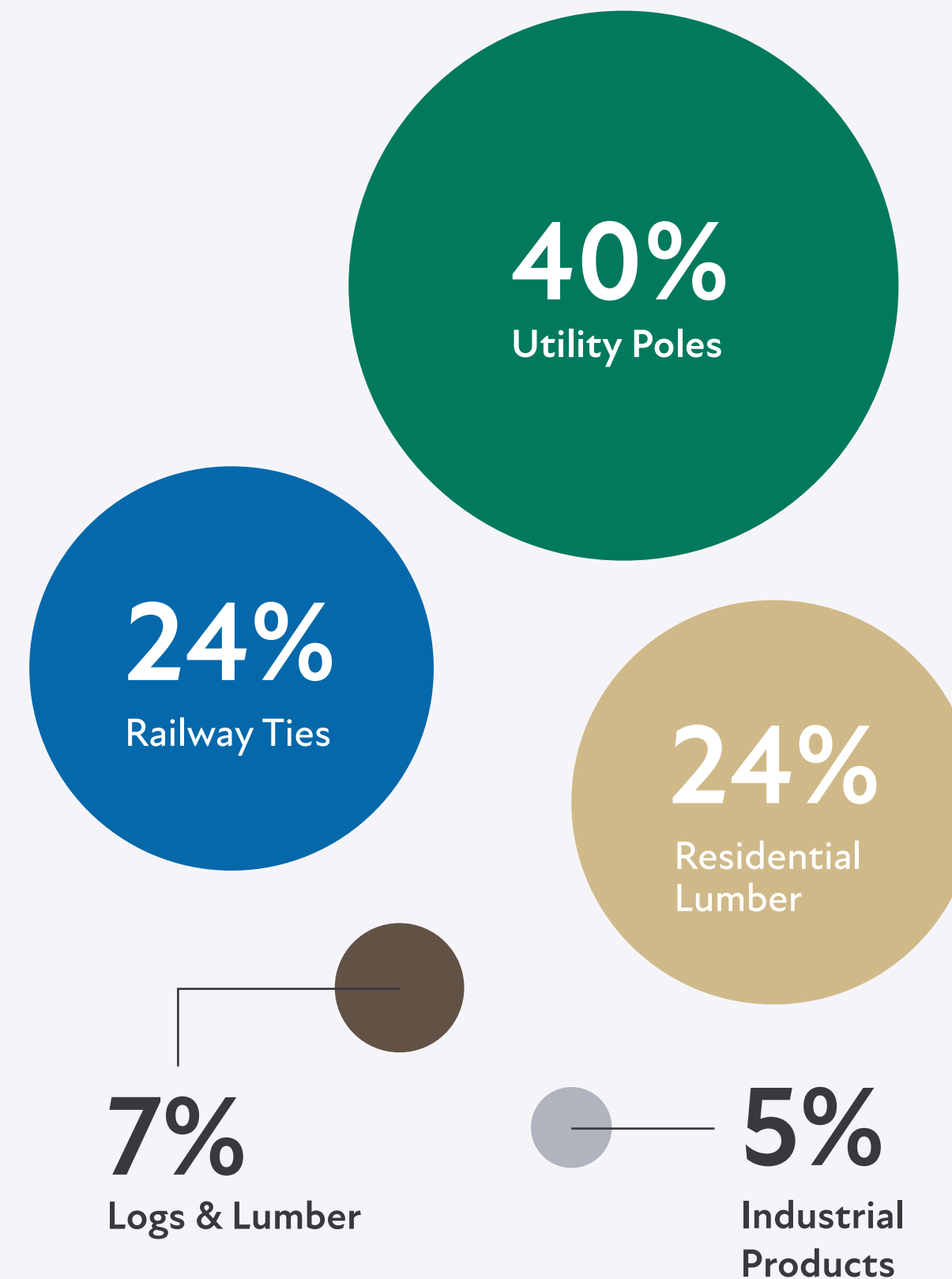
2022 Business Highlights

In 2022, sales increased by 11% to \$3.1 billion, marking the 22nd consecutive year of sales growth. Our strong cash flow has allowed us to fund investments in our business, including the acquisition in 2022 of our 43rd wood treating facility in Jasper, Texas. The facility produces southern yellow pine utility poles and further optimizes the overall efficiency of Stella-Jones' continental network.

All figures as of December 31, 2022.

\$3.1B

TOTAL SALES



43

Wood Treating Facilities

1

Coal Tar Distillery

71

Distribution & Inventory Yards



Our Mission & Values

Stella-Jones aims to be the performance leader in the industries in which it operates and a responsible corporate citizen, acting with integrity and exercising a rigorous standard of environmental and social responsibility, and governance. Our values include:

INTEGRITY

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



RESPECT

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



TEAMWORK

We work together to meet the needs of our customers by providing superior service and premium products.



PERSEVERANCE

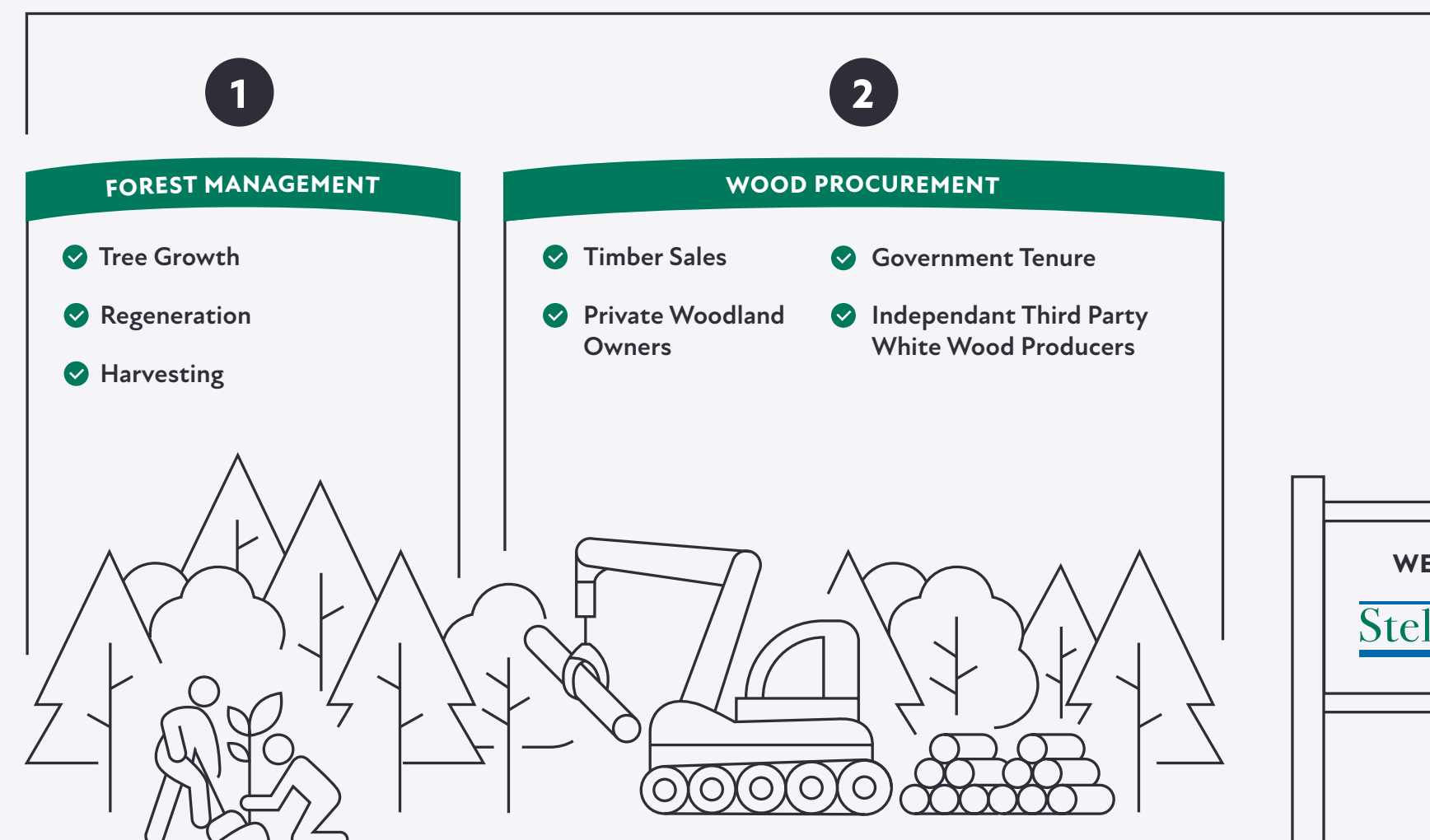
We take a straightforward approach to our business, knowing that success comes through hard work and dedication.



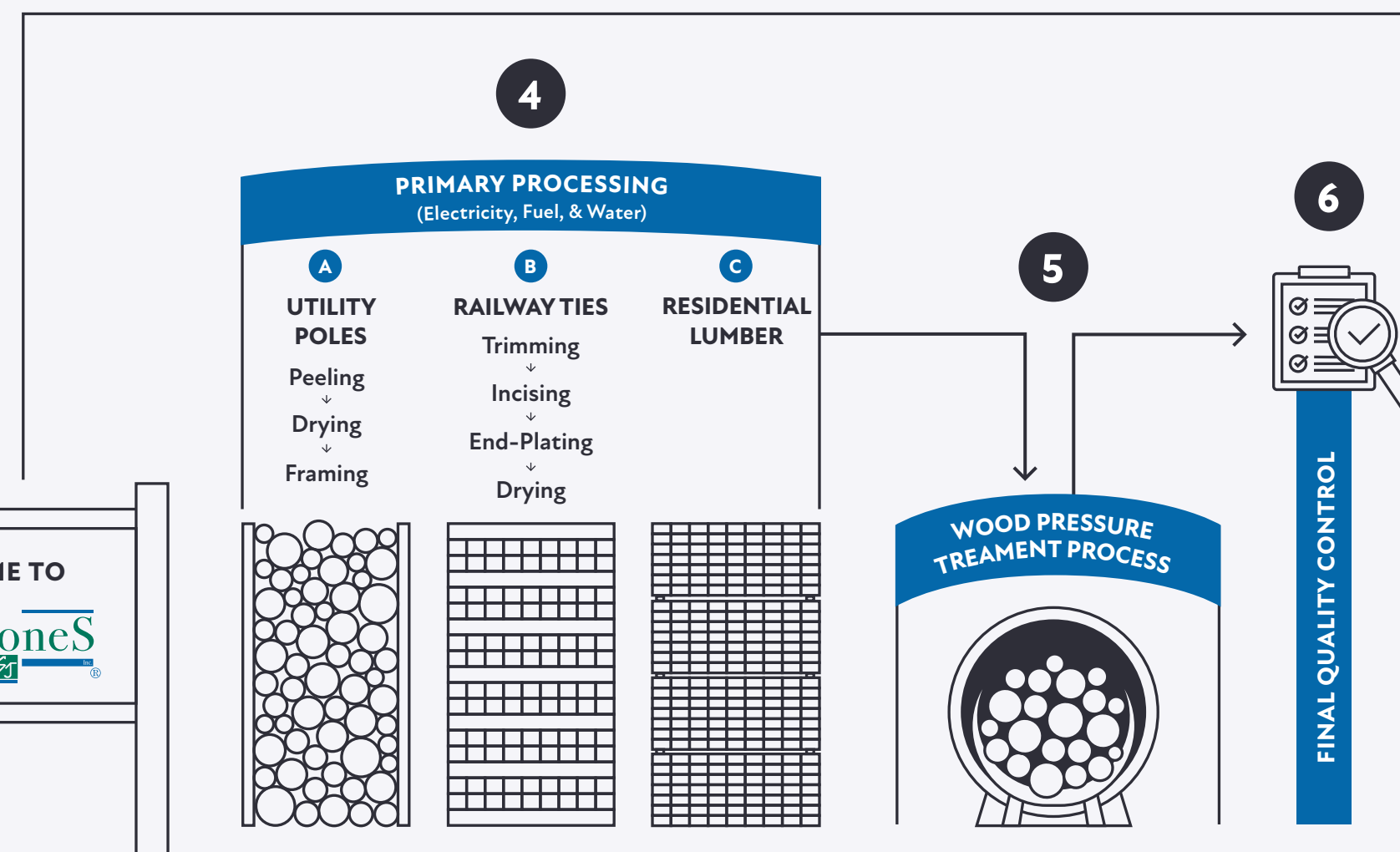
How We Create Value

Our business model supports our vision of providing renewable, low carbon treated wood products that create value for our customers. We enable our customers to transport goods, power communities, and build infrastructure to prosper and grow. By combining our strategically located production facilities, sustainable fibre sourcing capabilities, and growing logistics network, we can better serve our customers.

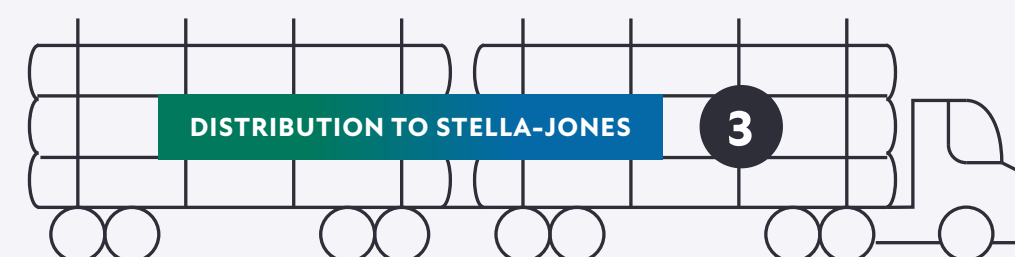
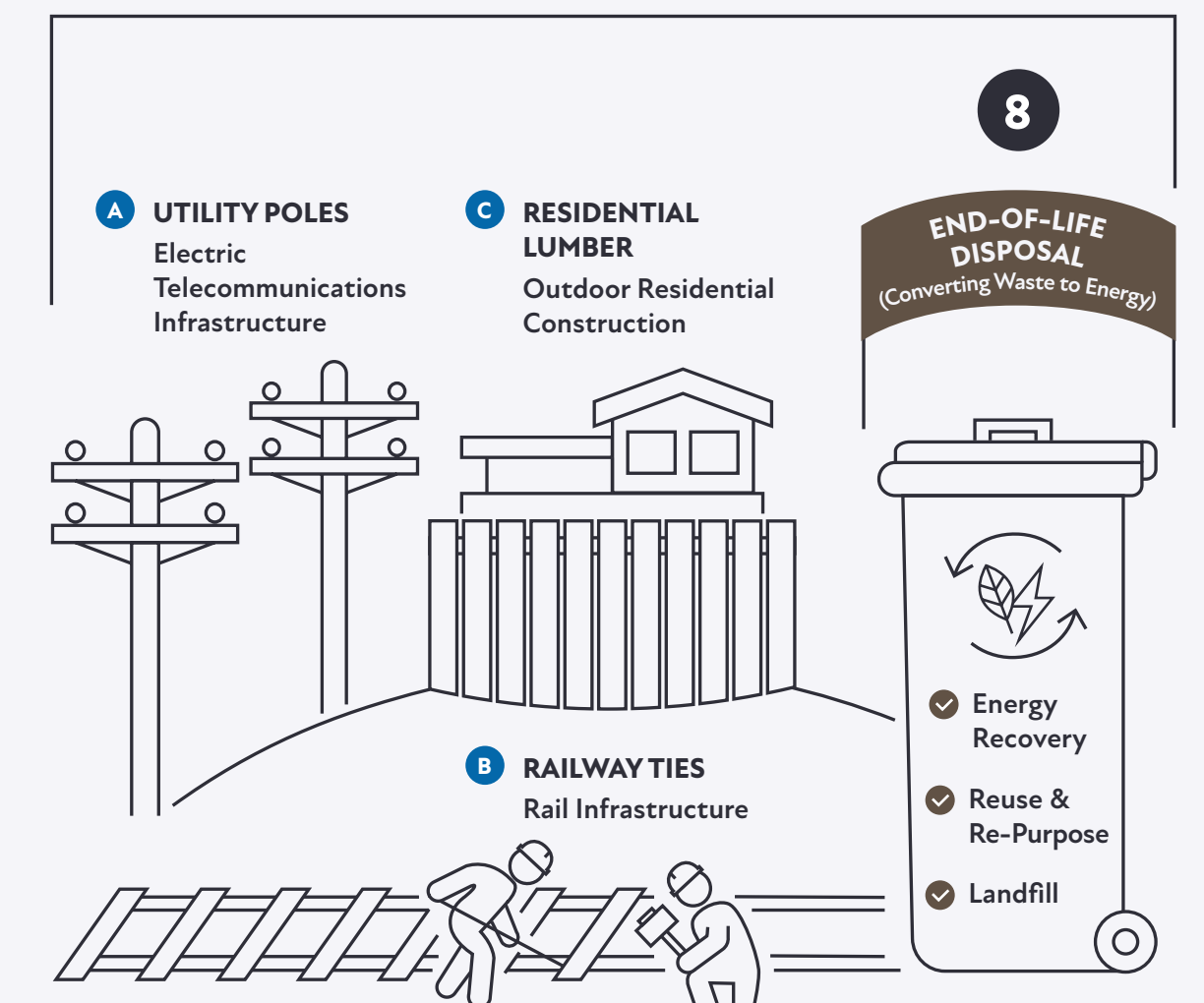
Upstream Value Chain



Stella-Jones Organizational Boundary



Downstream Value Chain

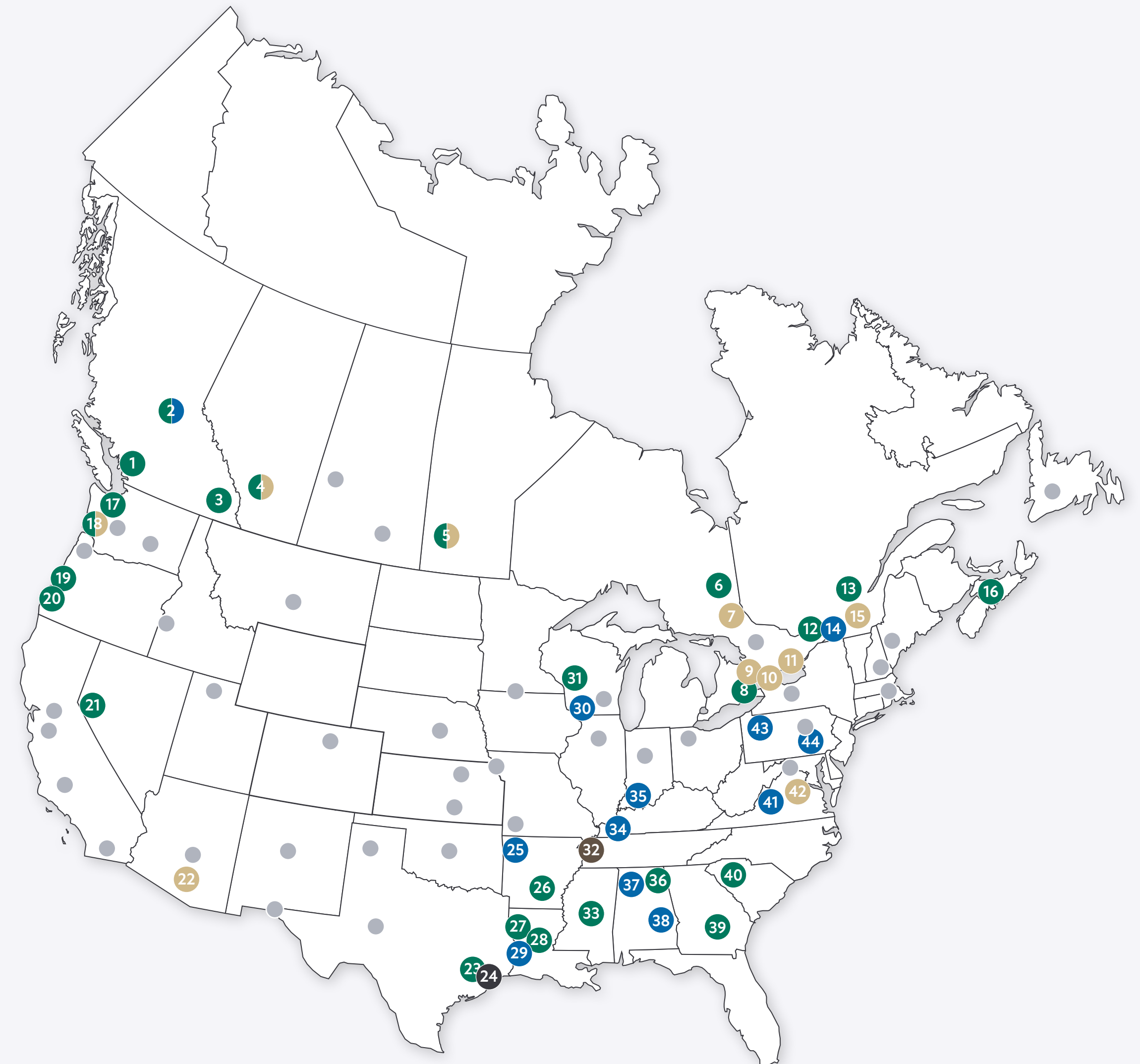


Our Continental Network

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

- UTILITY POLES
- RAILWAY TIES
- RESIDENTIAL LUMBER
- COAL TAR DISTILLERY
- FINISHED GOODS YARDS
- 2022 ACQUISITION of Texas Electric Cooperatives, Inc.'s wood utility pole manufacturing business

- | | | | |
|------------------------|------------------------|----------------------|------------------------|
| 1. New Westminster, BC | 12. Gatineau, QC | 23. Lufkin, TX | 34. Fulton, KY |
| 2. Prince George, BC | 13. Rivière-Rouge, QC | 24. Jasper, TX | 35. Winslow, IN |
| 3. Galloway, BC | 14. Delson, QC | 25. Russellville, AR | 36. Brierfield, AL |
| 4. Carseland, AB | 15. Sorel-Tracy, QC | 26. Rison, AR | 37. Montevallo, AL |
| 5. Neepawa, MB | 16. Truro, NS | 27. Converse, LA | 38. Clanton, AL |
| 6. Kirkland Lake, ON | 17. Arlington, WA | 28. Pineville, LA | 39. Cordele, GA |
| 7. South River, ON | 18. Tacoma, WA | 29. Alexandria, LA | 40. Whitmire, SC |
| 8. Guelph, ON | 19. Sheridan, OR | 30. Bangor, WI | 41. Goshen, VA |
| 9. Shelburne, ON | 20. Eugene, OR | 31. Cameron, WI | 42. Warsaw, VA |
| 10. Stouffville, ON | 21. Silver Springs, NV | 32. Memphis, TN | 43. Dubois, PA |
| 11. Peterborough, ON | 22. Eloy, AZ | 33. Scooba, MS | 44. McAlisterville, PA |



MATERIALITY

03

Approach to Materiality

In 2022, we conducted our first extensive materiality survey to hear from our various internal and external stakeholders on the ESG topics that matter most to them, and to better understand the ESG topics with the greatest exposure to risk or opportunity for Stella-Jones.

Our 2022 materiality process was informed by four key stakeholder groups including our employees, customers, suppliers, and investors. The material topics have been validated by the executive leadership team resulting in an output of ESG topics that encompass Stella-Jones' material sustainability responsibilities, risks, and opportunities.

To establish the list of 22 topics included in our materiality process, we reviewed issues that stakeholders expect us to address and that we view as relevant to our business. To do this, we analyzed reporting frameworks such as GRI, TCFD, and SASB, ESG rating agencies, and leveraged our materiality work from previous years.

In addition to the materiality survey, we engaged our stakeholders through existing and new communication channels to gain their perspectives on our strategy and approach to ESG. Our employee engagement process included 16 workshops for employee feedback and dialogue on ESG topics. Customer and supplier engagement occurred through the daily interactions between our teams as well as our participation in customer sustainability surveys, programs, and tender processes. In addition to communicating with our investors through investor calls and non-deal roadshows, we also reviewed the ESG ratings which were used as a proxy for investor expectations. This stakeholder engagement allowed us to identify a prioritized list of material topics to focus our efforts on going forward.



Four key stakeholder groups inform our materiality assessment:

EMPLOYEES 1

Engagement Process:

- ESG workshop series
- Materiality survey
- Daily interactions between managers and colleagues

Stakeholder Group Priorities:

Our employees want safe and secure work, to receive fair treatment and wages, experience a sense of belonging for all and professional development opportunities.

CUSTOMERS 2

Engagement Process:

- Customer sustainable supplier programs and surveys
- Materiality survey
- Daily customer engagement
- Tender processes and criteria

Stakeholder Group Priorities:

Our customers want reliable product supply, sustainable forest management practices and effective end-of-life solutions for products.

SUPPLIERS 3

Engagement Process:

- Materiality survey
- Industry association meetings
- Ongoing communication with our procurement teams

Stakeholder Group Priorities:

Our suppliers expect ethical conduct and integrity in shared interactions, and that we ensure a safe working environment at our facilities.

INVESTORS 4

Engagement Process:

- Materiality survey
- ESG investor calls
- Investor relations engagements
- ESG ratings used as a proxy

Stakeholder Group Priorities:

Our investors expect transparent and timely ESG disclosure, with a strong focus on climate change, including both risks and opportunities.

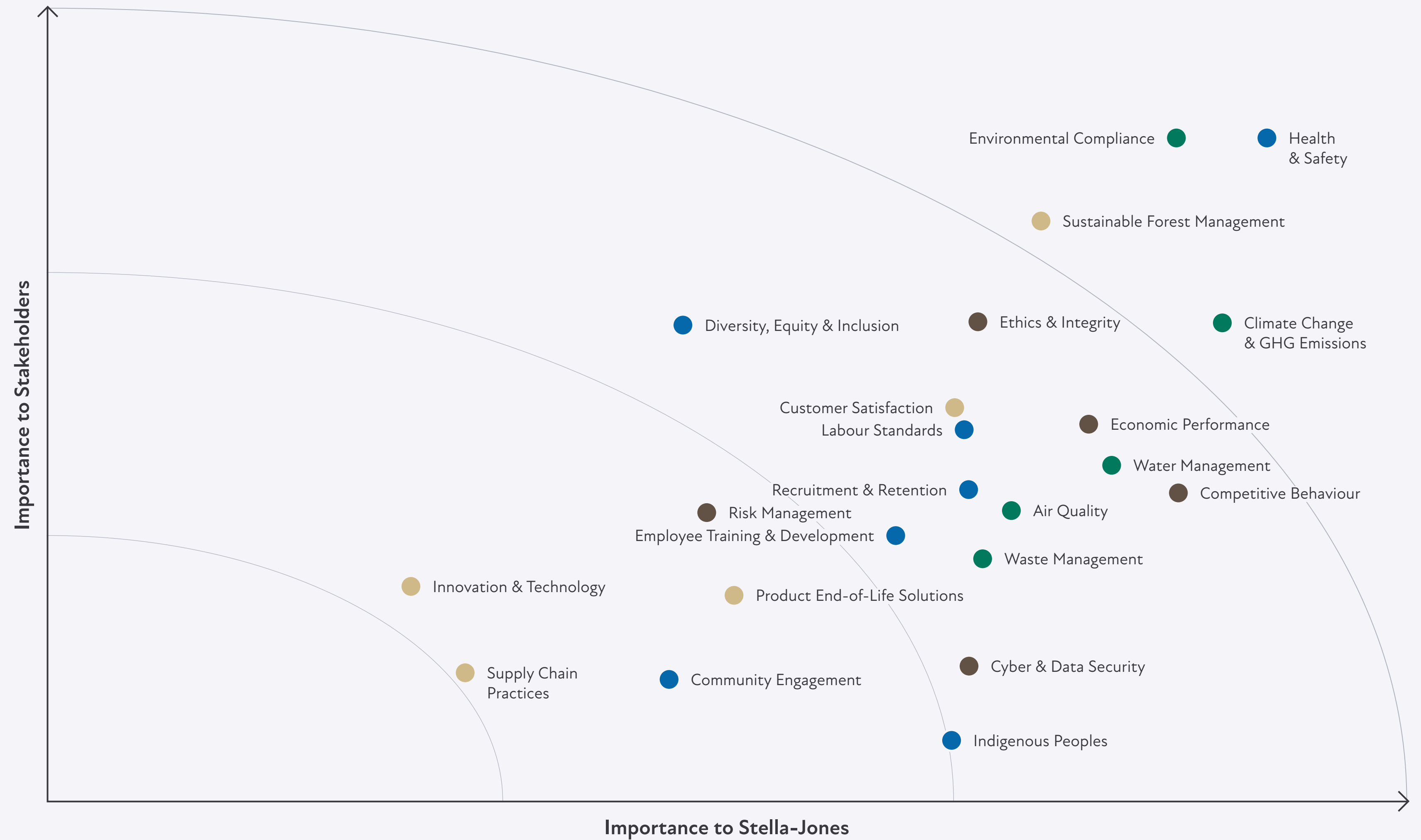
Materiality Matrix

The ESG topics in the following matrix represent those that have been prioritized as most impactful to Stella-Jones' business. The topics have been organized under our four ESG pillars of Social Impact, Environmental Commitment, Product Stewardship and Governance Principles. In this Report, we have outlined how we are currently managing these priority ESG topics.

Legend

- Social Impact
- Environmental Commitment
- Product Stewardship
- Governance

ESG MATERIALITY





SOCIAL IMPACT

04

Health & Safety

 Return to Our ESG Strategy

Our highest priority is the safety of our workforce and the communities where we operate. In 2022, we continued to build consistency and maturity in our Health & Safety programs, working to align the entire Company around our safety-first culture.

Objective

We keep our people safe by reducing risks through a culture of teamwork, ownership and continuous improvement.

Strategy



SAFETY SYSTEMS

Provide effective training, drills and safety audits that ensure our SHIELD safety program is well implemented and understood.



SAFETY COMMUNICATIONS

Safety communication from all levels across the Company to embed a culture of active ownership of safety.



EMPOWERING OUR PEOPLE

Provide the right resources, health, and wellness support, and encourage safe behaviour.

Targets

On our journey to Zero Injuries, achieve an annual recordable safety incident rate below the industry average.

2022 PROGRESS & RESULTS:

Achieved a total recordable injury rate of 3.6, below the industry average of 4.7* for 2022.



ACHIEVED

100% of plant monthly safety observation targets met.

2022 PROGRESS & RESULTS:

In 2022, we refined the safety observation targets and communicated the new requirements across the organization, including our site Health and Safety staff, Plant Managers and our corporate operations teams.



ON TRACK

*The U.S. Occupational Safety and Health Administration (OSHA) wood preservation industry average TRR was 4.7 in 2022.



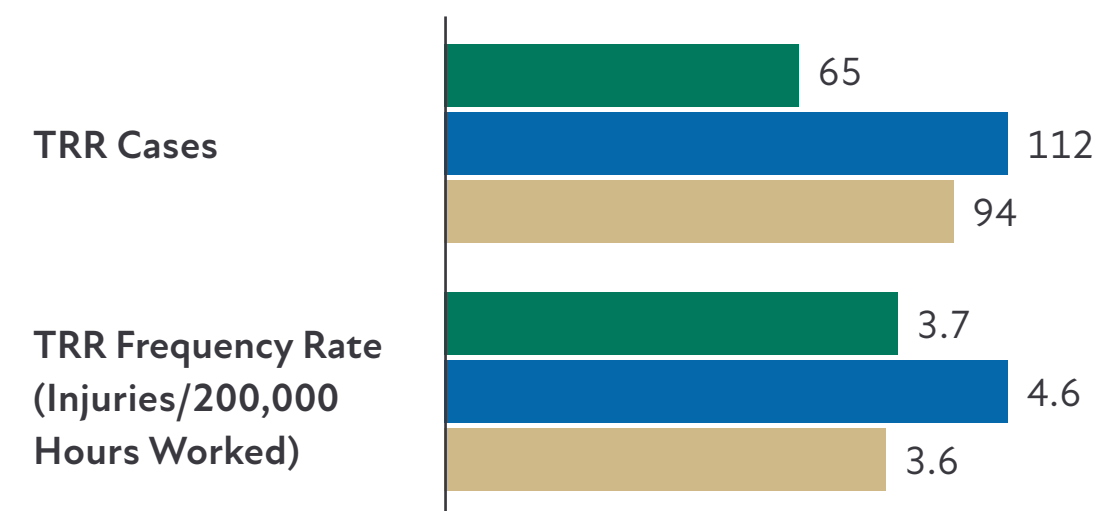


2022 Safety Performance

In 2022, we recorded a 22% reduction in the total recordable injury rate (“TRR”) compared to 2021 through a sustained focus on risk management and effective implementation of our SHIELD program. With the SHIELD program fully implemented at 80% of our sites in 2022, our workforce has demonstrated their engagement through strong safety performance statistics. We will continue to build on our momentum and will remain committed to embedding a strong safety culture to ensure our people make it home safe and sound at the end of the workday.

Performance Data

■ 2020 ■ 2021 ■ 2022



 **22% IMPROVEMENT IN TRR** compared to 2021.

Health & Safety Management

At Stella-Jones, health & safety is managed through our in-house SHIELD program, an integrated environmental, health and safety (“EHS”) management system built around the ISO 14001 standard and applies to all workers and contractors at Stella-Jones facilities. SHIELD policies and programs are developed by our Corporate Health & Safety team, with feedback and insights gathered at the site level through monthly SHIELD committee meetings. All treatment facilities have a SHIELD committee which is responsible for the effective implementation of SHIELD programs and acts as the key point of contact for employees to raise questions and concerns.

In 2022, we continued the roll-out of SHIELD at our Canadian facilities. The implementation of the system requires upgrading existing safety processes and procedures to match the requirements of SHIELD, including employee training, physical upgrades to guarding and barriers at facilities as well as process improvements.

2.5
AVERAGE HOURS
of health and safety training per employee in 2022.*

39,432
HOURS
of total health and safety training completed.*

*Reflective of online e-learning modules only. We currently do not capture physical, on-site training hours, or live, virtual training hours.



Hazard Identification

As a core component of our safety management program, all facilities have implemented a Job Hazard Analysis (“JHA”) Program. A JHA requires the identification and treatment of hazards and risks present at the task level before a job is started. This analysis has a corresponding hierarchy of controls to ensure the adequate documentation and management of identified hazards specific to each facility.

CARDINAL RULES*

A cardinal rule is one that, if broken by a trained employee, results in the termination of the violating employee’s employment. Across our facilities in the U.S., we have communicated two cardinal rules – Lock-Out, Tag-Out (“LOTO”) and Hot Work. The two were developed based on the hazard identification process to address issues that arise as a result of the most hazardous job types in our operations. The reason for the cardinal rules is to mitigate the potential risks resulting from violations of LOTO and Hot Work.

This past year, we had two company-wide safety stand-downs related to LOTO procedures which required all facilities to halt operations so employees could discuss and learn from significant safety events that have occurred. The safety stand downs, which were led by senior EHS leadership, are an important aspect of our safety-first culture with a defined purpose to share best practices across facilities and prevent repeat occurrences of injuries.

*Cardinal rules only apply in our U.S. operations.

Top Three Injury Types in 2022

1. Injuries resulting from falls, slips or trips.
2. Caught in, under or between objects being handled.
3. Strains or injuries from pushing or pulling.

Employee Health

We are committed to protecting the health and well-being of our workforce through setting clear minimum performance standards to identify, assess, and manage health risks and their potential impacts. Occupational exposure limits are set according to guidance from the U.S. Occupational Safety and Health Administration (“OSHA”) for our most material exposures.

HEARING CONSERVATION PROGRAM

Noise induced hearing loss is an identified risk for our employees. Our Hearing Conservation Program seeks to minimize occupational hearing loss by providing hearing protection, training and annual hearing tests to all persons working in areas or with equipment that have noise equal to or exceeding acceptable levels. The program also identifies and communicates work areas, processes, or tasks that may expose employees or contractors to excessive noise.

RESPIRATOR SELECTION AND USE PROGRAM

Our Respirator Selection and Use Program is aimed at reducing employee exposure to respirable contaminants where exposure potentially exceeds regulatory limits or the stricter internal limits we have set. The Program identifies the exposure limits for all the preservatives used in our treatment processes. All respirators used by Stella-Jones must be certified by the National Institute for Occupational Safety and Health (“NIOSH”), and prior to use employees are required to complete a medical evaluation. Each employee in the Program is assigned their own respirator and undergoes fit testing by a third party to ensure the respirator is effective.

Through our SHIELD program we continually review the health and safety controls in place to ensure they are being applied throughout the organization and remain effective in mitigating potential risks.

Automation of Utility Pole Through-Boring

In 2022, we developed and installed a robotic through-boring machine for utility poles at our Eugene, Oregon facility. The robot was developed as part of our safety program’s hierarchy of controls, seeking an engineering solution to eliminate the hazards associated with utility pole through-boring. Building on our commitment to sustainability, the practice of through-boring extends the service life of utility poles by protecting the pole from internal decay. As a result of this new automation, we will be assessing the potential roll-out of additional robotic machines across our utility pole facilities as part of our ongoing commitment to hazard reduction and improved safety outcomes.

“*Improving our safety culture requires the effort of everyone across the Company. The sustained effort of our people to implement our SHIELD EHS Program is being rewarded through improved safety results and fewer people being injured across our network.*”



DOUG HOTZEL
Director, Safety &
Health Compliance

Our People

 Return to
Our ESG Strategy

Our people are the foundation of our business and drive our success as the leading producer of pressure treated wood products in North America. Our team of human resource professionals work hard to continually improve our employee experience and provide an environment for our team members that is safe, engaging, and rewarding. This past year we focused on implementing our Integrated Workforce Management System (“IWMS”) and developing the forward-looking **Our People** Strategy to deliver on our objective to attract, develop and retain talented employees.

Objective

We attract and retain talented people by offering a positive work experience through inspired leadership, competitive working conditions and career development opportunities.

Strategy



ENHANCE OUR EMPLOYEE EXPERIENCE

Seek ways to continually improve our employee experience based on feedback from our people.



DEVELOP OUR PEOPLE AND PROMOTE FROM WITHIN

Equip our future leaders with the right skills and career development opportunities.



A WORKFORCE THAT IS REFLECTIVE OF OUR COMMUNITIES

Develop strategic partnerships to increase the diversity of our workforce and address existing and future skill needs.

Targets

Fill 30% of job openings by internal promotions by 2027.

2022 PROGRESS & RESULTS:

25% of job openings were filled by internal promotions.



ON TRACK

Establish a Company-wide Diversity baseline by 2024.

2022 PROGRESS & RESULTS:

In 2022 we commenced the work to create a common language for the different definitions of diversity within the organization, aligning the data already captured in the U.S. with the Canadian definitions and understanding.



ON TRACK



Workforce Changes

As a company that has grown significantly through acquisitions, welcoming and onboarding employees of these businesses is vital to our continued success. Employee retention is a top priority, and this extends to the employees we acquire as they hold valuable business knowledge and experience. In 2022, we successfully onboarded employees from our newly acquired utility pole treatment facility in Jasper, Texas. We completed extensive planning in the lead-up to the acquisition, including detailed role reviews and benefits comparison, supported by our new electronic onboarding platform. An important part of the process are one-on-one meetings with new team members to share our company values and culture. These meetings ensure the transition process is well understood and enable a smooth onboarding for new employees.

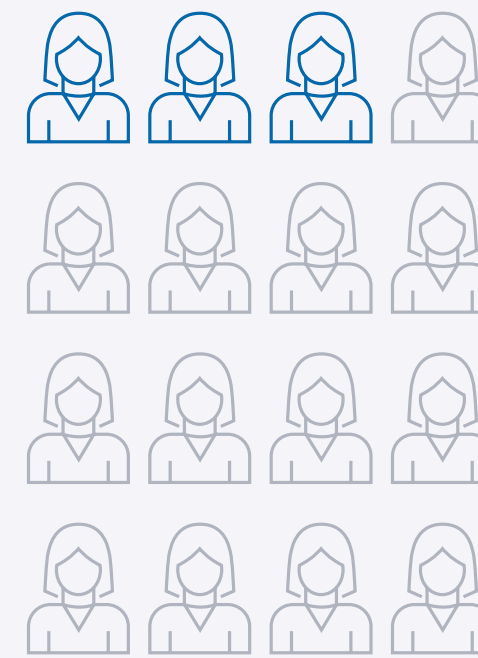
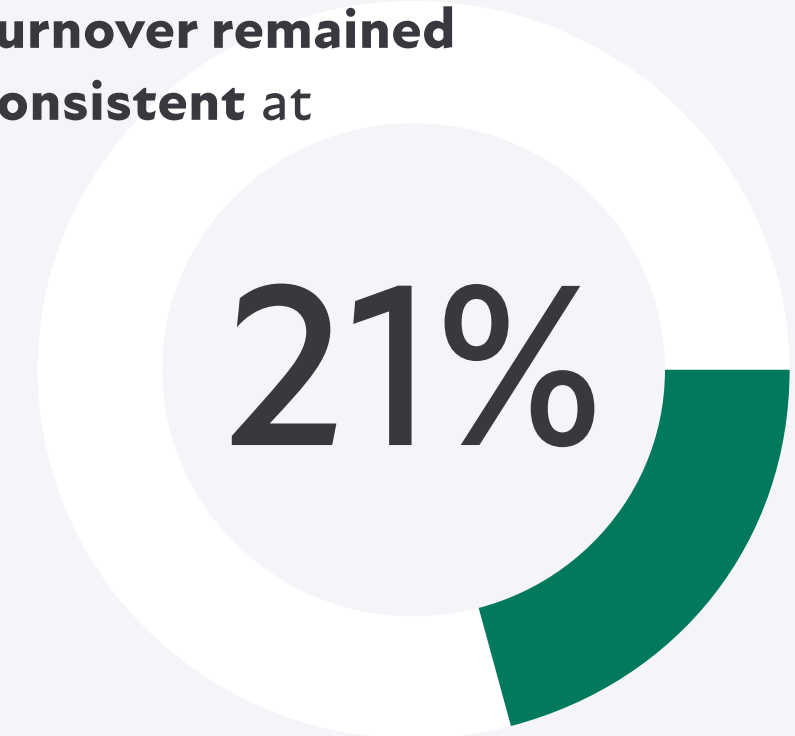
In 2022, we observed positive developments in workforce recruitment as the effects of the pandemic lessened and employees sought to return to the workplace. Complementing this shift was the flexibility our Teleworking Policy has provided and a fresh perspective on the skills required to be successful in roles across the Company.

To support our focus on employee well-being, retention, development, and succession planning, the need for bolstered human resources increasingly became a priority. To support this focus, we appointed a Senior Vice President and Chief People Officer to oversee and help drive ongoing success derived from the efforts of our valued employees.



Our workforce grew by 9% to **2,615** employees

Of the **total workforce**, turnover remained consistent at



We onboarded **854 NEW** employees, including

19% women



158 roles were filled by **internal** candidates

*Numbers as of 31 December 2022.

Talent Development

Our success starts with our people, and we are committed to ensuring our employees fulfill their greatest potential. To help deliver on this commitment, our training and development programs are aimed at increasing and improving skillsets, providing cross-functional job opportunities to employees, and increasing the depth of knowledge across the business. Our learning management system consists of various e-learning modules, on-the-job coaching, and off-site training through external providers. During the year we rolled out a new IWMS that will allow for more efficient and accurate data capture for employee training and development hours, which we look forward to disclosing in future reports.

TIE TREATERS AND INSPECTORS LEADERSHIP PROGRAM

In 2022, 20 employees participated in our Tie Treaters and Inspectors Leadership Program that focuses on railway tie inspection and grading processes. This internal program consisted of 25 learning hours per employee, covering topics such as wood species identification, acceptable dimensions, and understanding wood defects and limitations. The participants shared technical skills and knowledge acquired in their facilities that drive consistency in the quality assurance program across our network.

Diversity and Inclusion

At Stella-Jones, we support a diverse and inclusive workforce and are dedicated to fostering a sense of belonging within our teams, company, and communities. We recognize that in all areas of our business, different perspectives and experiences bring innovation, better insights, and enable us to deliver superior products and solutions.

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

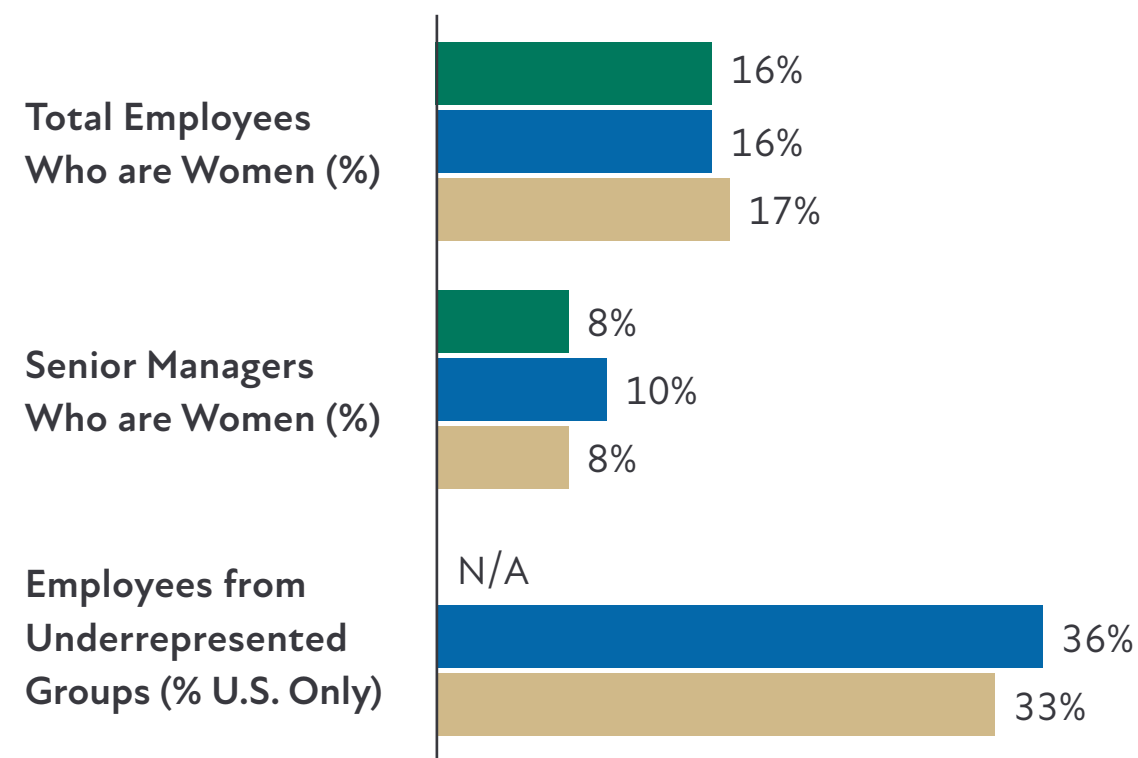
2022 Diversity and Inclusion Performance

In 2022, we saw a slight reduction (3%) in the number of employees from underrepresented* groups, primarily driven by a reduction in employees with a disclosed disability. The total percentage of employees who are women increased by 1%, with 19% of all hires in 2022 being women. The 2% reduction in gender representation at the Senior Management level was due to an increase in the total number of positions, with the two women in Senior Management remaining consistent from the previous year.

Our aim is to have a full set of diversity data for our entire workforce by the end of 2024 to track and measure our progress.

Performance Data

■ 2020 ■ 2021 ■ 2022



*The definition of underrepresented groups at Stella-Jones includes employees that have self-identified as belonging to an underrepresented race or ethnicity, Indigenous people, U.S. veterans and people with disabilities.

Anti-Discrimination, Harassment and Violence Prevention

At Stella-Jones, providing a safe work environment free of discrimination, harassment, and violence is a responsibility we take seriously. Our workplace [Discrimination, Harassment, and Violence Prevention Policy](#) is reviewed and signed by the President & CEO. This policy is made available to all employees through the employee handbook, Company website, and is posted at each location for visibility.

Benefit Program

We provide competitive, comprehensive, and flexible benefit packages for permanent team members. The benefit program includes health insurance plans covering medical, dental, disability, life and vision care (U.S. only). Our retirement savings plans allow team members to contribute up to 10% of their salary with Stella-Jones providing a partial contribution. Eligible employees can also participate in the employee share purchase plan up to a maximum of 5% of their annual salary.

In 2022, we paid

\$199M IN SALARIES AND BENEFITS

Reconnecting In-Person

The social landscape across teams and business changed during the pandemic. As our company navigated the new work environment, onboarding new team members remotely, and offering hybrid work schedules, we missed the opportunity to connect face-to-face. During this past year, we were able to connect again in person and hold events with our teams across the Company. Our HR teams were able to travel again, facilitating on-going informal feedback sessions at sites and with corporate leadership. Engaging with our employees helps us continue to build an inclusive and supportive workplace culture, and as part of the new Our People Strategy, we will look to launch a more formal employee engagement process across the Company to ensure all employees have the opportunity to provide feedback, regardless of their role or location.

Digital Transformation in HR

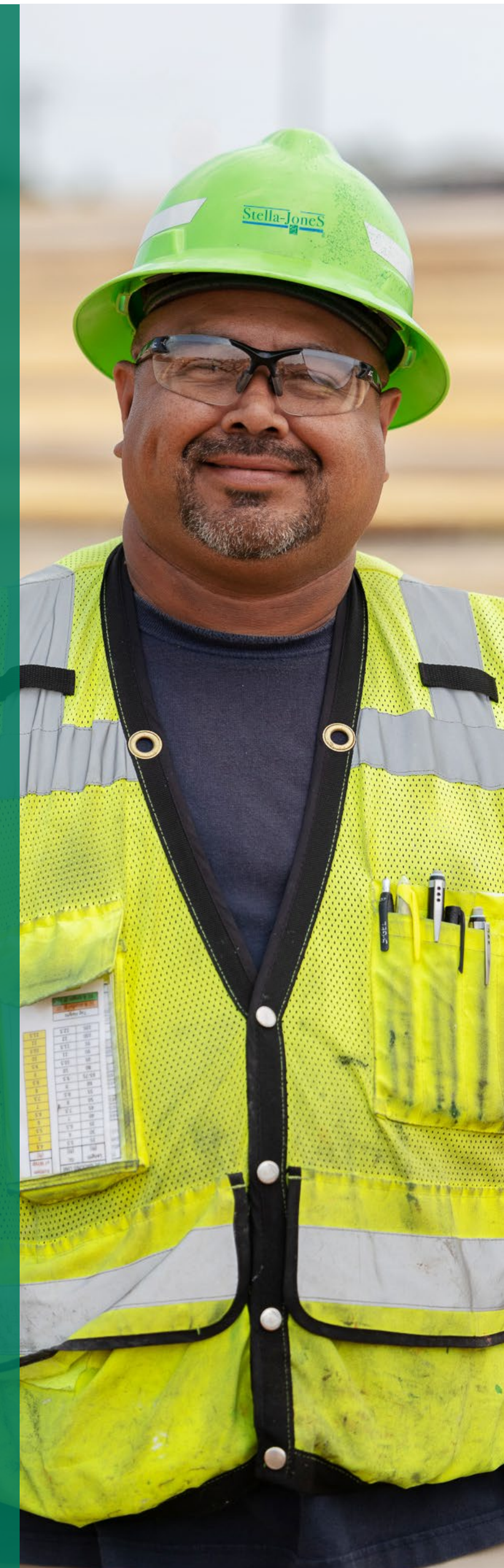
2022 marked the first wave in the implementation of our new company-wide IWMS. As our employee base has grown, the need for streamlined and consistent HR processes, policies, and systems became increasingly more apparent. The IWMS implementation included payroll, benefits management, time and attendance, talent acquisition, and onboarding modules. The system provides efficiency and consistency for HR processes, combining multiple databases in one easy-access portal, eliminating the need for most forms and booklets, which allowed our HR processes to become almost completely paperless. The system has enhanced the employee experience from recruitment to retirement. We look forward to continuing the roll-out of additional modules in 2023 focused on talent development, communication and engagement.

“

Our commitment to attracting, developing and retaining top talent has played a vital role in driving the achievement of our strategic objectives. Through inspired leadership and a dedicated focus on creating a positive employee experience, offering competitive rewards and diverse career and development opportunities, we have successfully cultivated an engaged workforce. We remain steadfast in our commitment to investing in our people, as they not only make Stella-Jones a great place to work but also serve as the very foundation of our organization’s enduring success.



RICHARD CUDDIHY
Senior Vice President and Chief People Officer



Indigenous Peoples

 Return to Our ESG Strategy

We respect the deep connection Indigenous Peoples have to their traditional territories and are working to enhance our Company-wide understanding of Indigenous history and culture. Building on the work of our Forestry teams who engage with Indigenous communities in Canada, we are committed to establishing harmonious relationships through shared values of sustainability and respect for natural resources.

Objective

We commit to building lasting and collaborative relationships with Indigenous Peoples where we operate.

Strategy



CULTURAL AWARENESS AND UNDERSTANDING

Increase our awareness and understanding of Indigenous culture and history and be open to understanding different perspectives and world views.



RELATIONSHIPS

Develop long-term relationships with willing Nations and communities where we have operations.



ECONOMIC BENEFITS

Proactively develop mutually beneficial, collaborative business relationships and procurement opportunities.

Targets

100% of Canadian salaried employees to complete Indigenous cultural awareness training by 2025.

2022 PROGRESS & RESULTS:

Implementation in progress with the first training modules for Canadian senior management scheduled to be delivered in 2023.



ON TRACK

100% of Canadian areas with forest management obligations covered by relationship agreements with willing Nations by 2030.

2022 PROGRESS & RESULTS:

In 2022, we engaged with external Indigenous expertise to develop our Indigenous Peoples Policy, which lays the foundation for our future work on relationship agreements.



ON TRACK

Indigenous Peoples Policy

The development of our Indigenous Peoples Policy (“IPP”) began in 2022 and was published early in 2023. The IPP outlines our commitment to improving our awareness and understanding of Indigenous cultures and history, developing mutually beneficial and collaborative relationships, and ensuring we continue to include Indigenous perspectives in our forestry practices. The IPP was developed in recognition and acknowledgment of:

- The United Nations Declaration on the Rights of Indigenous Peoples (UNDRIP); and
- The Calls to Action of Canada’s Truth and Reconciliation Commission (TRC).

Developing a meaningful and authentic policy and accompanying strategy is the work of a dedicated team of employees from across the Company, supported by external Indigenous expertise. We take the commitments made seriously, and we will continue to execute on the strategic priorities to advance the IPP goals, building lasting and collaborative relationships with Indigenous Peoples where we operate.

Indigenous Forest Stewardship

Our forestry operating areas in British Columbia (B.C.), Canada overlap with the traditional territories of multiple Indigenous communities. Our Forestry team engages in consultation practices at the Band level when designing and implementing Forest Stewardship Plans. As we continue to enhance our engagement practices, we will work together to identify cultural values and understand how our operations can contribute to community priorities.

Community Engagement

We create positive impact for our communities through the development of local workforce and supplier partnerships, charitable giving, and community engagement initiatives. We aim to be a trusted member of the communities where we work by encouraging community involvement and connection with our facilities.

Supporting Local Causes

Our charitable giving programs are led by local employees who are best placed to know and understand the causes that matter most in their communities where we operate. The range of causes supported in 2022 include Indigenous cultural initiatives, museums, schooling and sporting events, hospitals, veteran organizations, women's health, domestic violence support, family initiatives, and food banks. In addition to financial support, many facilities also give through donations of wood to various causes. The donation of poles, for example, goes towards events such as county festivals, landscaping for parks and gardens, and even museums.

Small Business Loans

In 2022, we dispersed \$10 million to 18 different sawmills in the form of advanced payments. Harvesting projects and log procurement require a substantial upfront investment and securing financing can be a challenge for small, private sawmills. To support their continued operation and the multiple benefits they bring to their communities, Stella-Jones provides advanced payments to our sawmill partners. In addition to supporting continuity of wood supply to the sawmills, the payments are also used for equipment upgrades for safety and efficiency-related improvements. Our small loan program demonstrates our commitment to be a responsible and trusted business partner.

Connecting with Our Communities

In 2022, we started the development of a more comprehensive community outreach program. All our facilities engage in ongoing dialogue with their neighbours and communities and respond to concerns as they arise. We believe there is opportunity to improve the process and ensure we can connect with community members who have a genuine interest in our operations. Key topics, interests and concerns to our communities include local hiring and contracting, community funding, environmental impacts and permitting, as well as issues related to community development. Engagement is continuous and ongoing, and our intent is to help facilitate two-way dialogue in a more structured manner so that all community members can participate. The new Community Outreach program will be piloted at our facility in Lufkin, Texas during 2023 before being rolled-out across our network.

COMPLAINTS PROCESS

In addition to ongoing dialogue, each of our facilities has a process to accept, assess, and resolve concerns and complaints from the communities where they operate. These mechanisms are designed to ensure that grievances are responded to in an effective and timely manner. Complaints are typically handled by the Plant Manager who considers the appropriate level of escalation, and if a corporate-level response is needed.

Stella-Jones supports local community initiatives, like the Shelburne Fair in Shelburne, Ontario in September 2022.



A young fern plant with delicate, feathery leaves grows from a moss-covered rock in a sun-dappled forest. The background is a soft-focus green forest floor.

ENVIRONMENTAL COMMITMENT

05

Climate Change & GHG Emissions

 [Return to Our ESG Strategy](#)

At Stella-Jones we are taking action to address the challenges of global climate change as a way of demonstrating our care for our employees, customers, communities, and the environment. We have completed our boundary assessment ahead of schedule, enabling the confirmation of our 2022 baseline for use in our **Climate Change & GHG Strategy** and corresponding targets. Our GHG reduction roadmap is based on a detailed project plan to reduce our Scope 1 and 2 emissions as we continue to explore the available options and investment level required to align with a science-based target.

Objective

We commit to reducing our emissions intensity and maximizing the carbon sequestered in our products.

Strategy



ENERGY EFFICIENCY

Implement process and equipment improvements that lower our energy consumption and improve our fuel efficiency.



RENEWABLE ENERGY

Increase the share of renewable energy across the business through installation and procurement.



INNOVATION

Support research and development initiatives that help extend product life, increase carbon sequestration and inform decision making.

Targets

Reduce Scope 1 & 2 GHG emissions by 32% by 2030 compared to a 2022 base year.

2022 PROGRESS & RESULTS:

The first solar power installation was completed and is estimated to reduce Scope 2 emissions at the facility by 70%.



ON TRACK

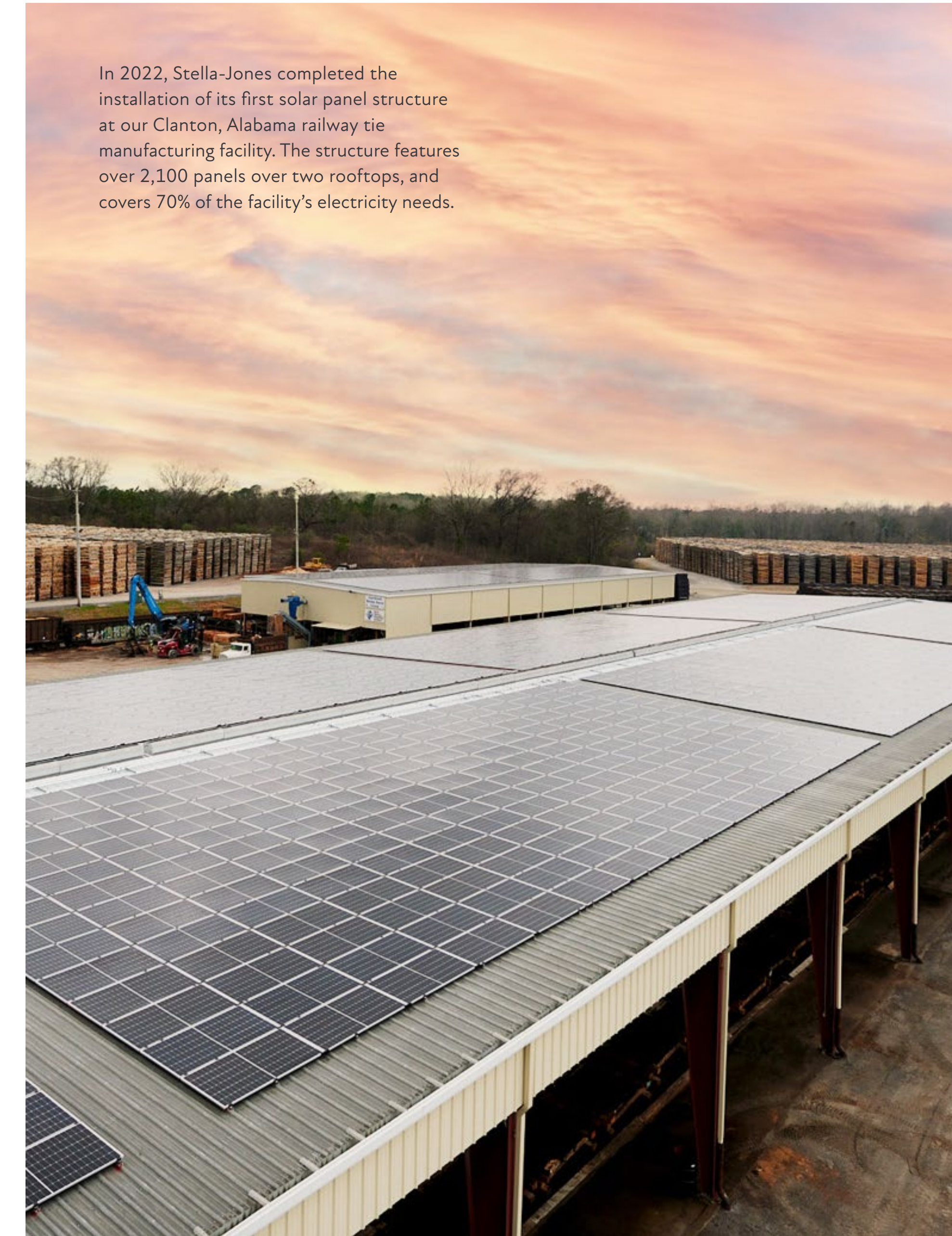
Measure our Scope 3 emissions and assess a science-based target by 2025.

2022 PROGRESS & RESULTS:

In 2022, we selected a third-party to support the development of Scope 3 measuring and monitoring tools.



ON TRACK



In 2022, Stella-Jones completed the installation of its first solar panel structure at our Clanton, Alabama railway tie manufacturing facility. The structure features over 2,100 panels over two rooftops, and covers 70% of the facility's electricity needs.

Roadmap to Deliver on Our GHG Reduction Commitments

As part of our commitment to reducing GHG emissions and assessing a science-based target, we are publishing our GHG Reduction Roadmap. The Roadmap outlines how we intend to achieve our 2030 GHG target and where we will focus our efforts as we continue to strive for alignment with a 1.5 degree warming trajectory. Today the Roadmap covers our Scope 1 and 2 emissions and as we collect and monitor our Scope 3 data, we will seek to include these value chain emissions.

GHG EMISSIONS INCLUDED IN OUR BASELINE AND TARGETS:

Scope 1

- Gas and fuels used in the manufacturing and treatment of our products.
- Purchase of fuels for vehicles and equipment.

Scope 2

- Electricity to operate buildings, facilities, and equipment.

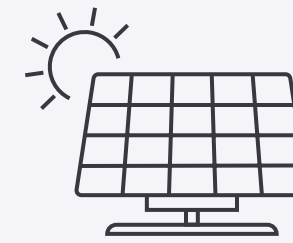
OUR 2030 GHG REDUCTION ROADMAP

2022

PHASE 1

Our Planned Reduction Pathway

Solar Power installations at priority facilities.



Renewable Energy Procurement contracts that prioritize low and zero carbon sources of energy.



Transport Optimization including mobile equipment at sites and the road trucking fleet.

Real-time energy monitoring to assist with equipment maintenance and performance.

Energy Efficiency Audits to develop site-specific equipment and process improvements.



Assess a Science Based Target including Scope 3 emissions.

2030 **Reduce Scope 1 & 2 Emissions by**
32%



PHASE 2

Technology and Market Assessments to Enable Long-Term Reduction Targets



Expanded Use of Biomass in our processes.

Future Fuel Partnerships that explore hydrogen and combined heat and power in industrial locations.

Electric Mobile Equipment options in collaboration with our leasing partners.

→
2040-2050 and beyond

Renewable Energy

The use of on-site renewable energy is a key strategy in our GHG reduction plan. In 2022 we completed our first solar power installation at our Clanton, Alabama railway tie facility. The site was selected after an extensive third-party review of the technical and financial feasibility of solar energy across our network. The rooftop installation was designed to cover 70% of the facility's electrical needs and directly reduce Scope 2 GHG emissions. Design and engineering are underway for the next facilities, as we continue to work towards achieving our GHG reduction plan.

The boilers that we use to generate heat and steam for our treatment processes are one of the most energy-intensive parts of our operations. By using wood byproducts from our processes as a source of biomass fuel, we power our boilers in a self-sufficient and renewable way. In 2022, 26% of our total (Scope 1 & 2) energy needs came from on-site renewable energy in the form of wood biomass.

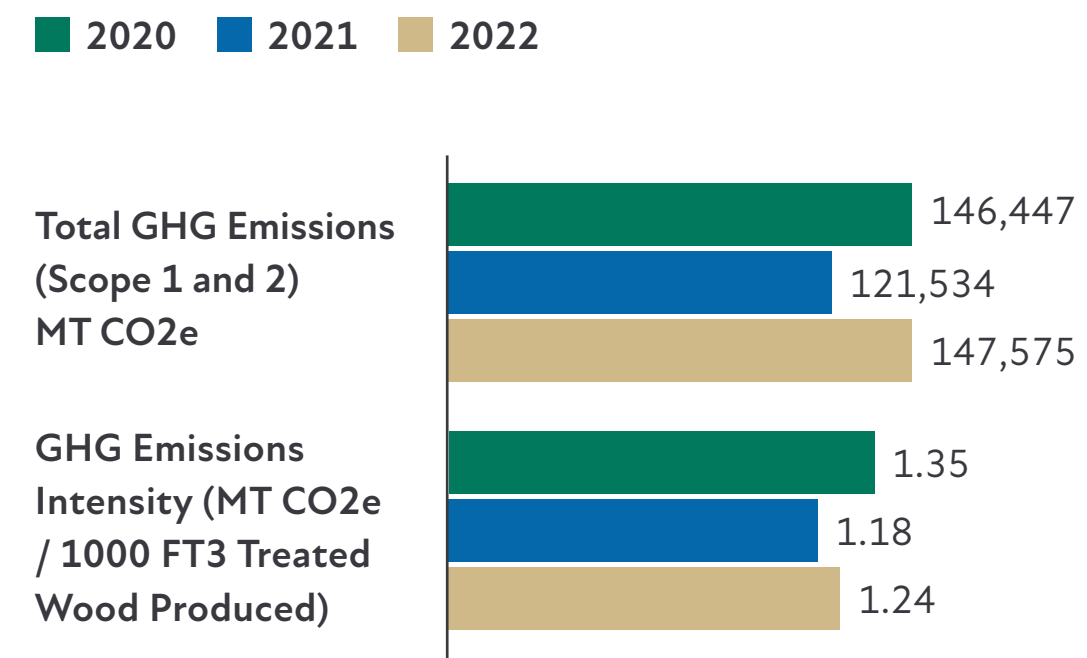
Energy Efficiency & Innovation

Operating our facilities in an energy efficient manner is good for both the environment and our business. During 2022, we commenced the Company-wide energy efficiency audit program. The program builds on pilot projects previously completed that looked at electrification opportunities in our processes and new technologies to improve energy efficiency. The pilot at our Sorel-Tracy, Quebec facility consisted of a two-day audit that included an assessment of the building, equipment and production process efficiency. The outcome was a suite of improvement options that include both technology upgrades and process improvements. These projects, and those that will arise as the audit program is rolled out across our sites, will be actioned and monitored by our ESG strategy team. The capital improvement projects and energy management programs will improve our energy efficiency and reduce our absolute Scope 1 and 2 GHG emissions in pursuit of our overall GHG reduction goals.

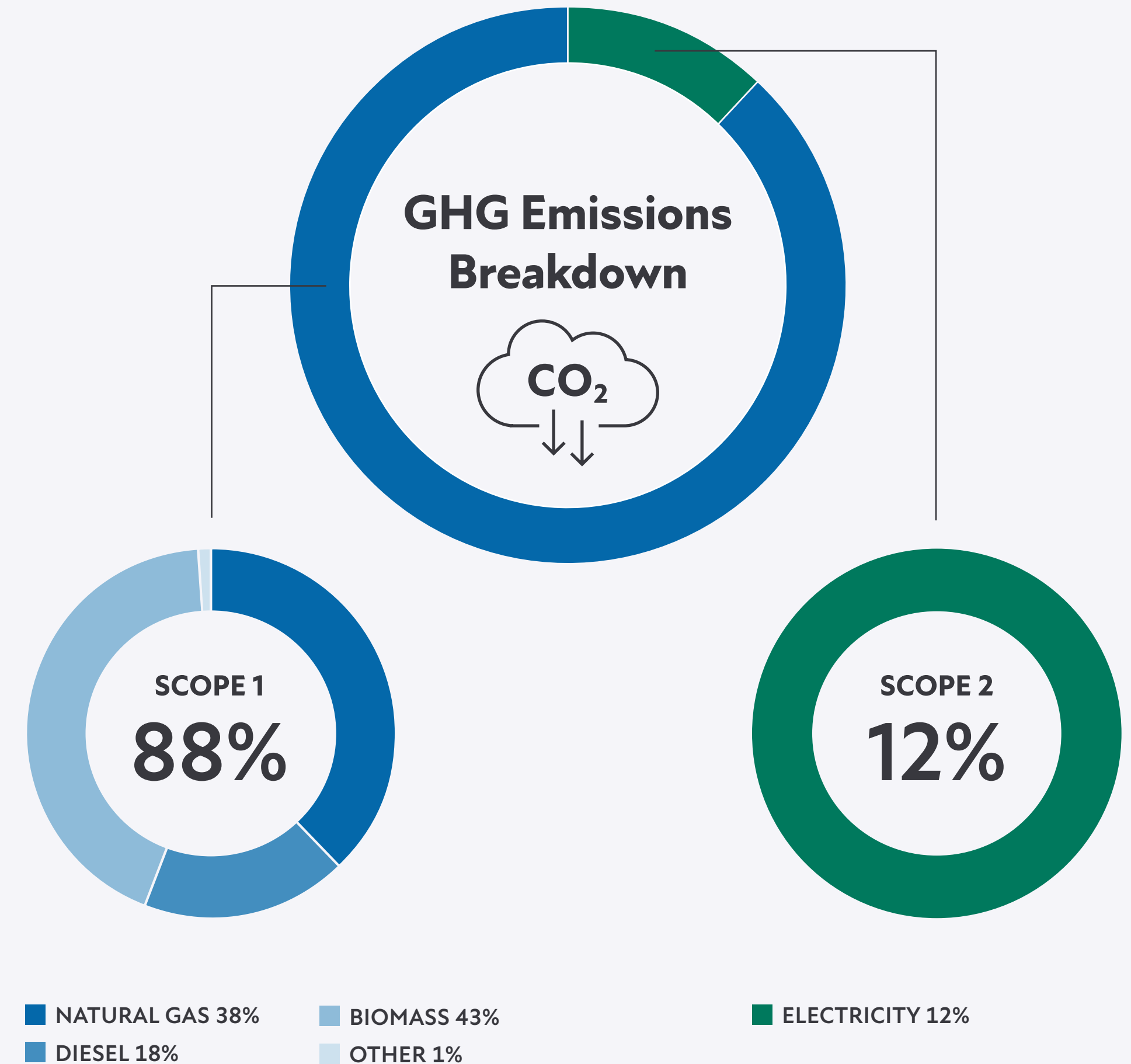
2022 GHG Emissions Performance

Total GHG emissions increased in absolute terms by 21% compared to 2021 in part due to the inclusion of our on-road trucking fleet in the emissions data for the first time. The trucking Scope 1 emissions were 12,697 MT CO₂e, equivalent to 8.6% of the Company's total GHG. The GHG emissions intensity increased by 5%, which is a calculation of emissions per 1,000 cubic feet of wood treated, and only includes emissions from our wood treatment facilities. This increase can be attributed to changes to treatment types and processes across our network, combined with higher moisture content identified in fibre, resulting in the increased energy needs for pressure treatment in 2022. As part of our Climate Change and GHG Strategy, we are assessing energy management tools that would help identify and correct emissions fluctuations with more agility in the future.

Performance Data



40% OF OUR SCOPE 1 ENERGY REQUIREMENTS came from renewable biomass energy in 2022.



Climate Risk & Opportunity

As a company that relies on healthy forests, we are acutely aware of the challenge posed by climate change and are uniquely positioned to provide mitigation solutions through natural, renewable products that sequester and store carbon. Sustainably managed forests are a natural solution and combined with our wood preservation techniques, our products maximize the carbon storage lifecycle, offering a meaningful solution to reduce carbon in the atmosphere and help respond to the climate challenge.

PHYSICAL RISK

Understanding the physical and transition risks posed by climate change is an important part of ensuring our organizational resilience. The physical risk posed by climate change under a 2-degree warming scenario was assessed in 2021 for each of our treatment facilities. The weather-related risks vary by location, but extreme heat and wind-related risks such as tornadoes and tropical storms could result in impacts at certain facilities through increased downtime and loss of physical assets. We are currently working through the financial impacts of the identified risks and the cost of adaptation measures. Embedding the cost of adaptation into our business continuity planning ensures climate risk will be addressed as part of on-going business activities.

TRANSITION RISK

We have identified the transition risks related to climate change that are most likely to impact Stella-Jones. These include policy actions, such as carbon pricing mechanisms that would increase energy costs, as well as the impact of new cost structures for alternative energy for our production and distribution. Stella-Jones' Climate Change and GHG strategy and emissions reduction targets are aimed at reducing transition risks and ensuring we stay ahead of potential risk impacts.

OPPORTUNITIES

The transition to a low-carbon economy presents an opportunity for Stella-Jones. By nature, our products are renewable and store significantly more carbon than they emit over their lifetime, helping our customers to achieve their own sustainable development objectives. See the Product Life-Cycle Management section of this report to read more about the carbon storage potential of our products. In the transition to clean energy grids and the increased use of electrification, we expect to see heightened demand from our utility pole customers. The increase in frequency and intensity of natural disasters is also expected to lead to higher need for our products and technologies, including our intumescent fire-resistant pole wrap for our customers located in fire-prone areas. In addition, we see potential for increased demand for our products as utility and rail customers seek to build resiliency into their infrastructure, including more frequent maintenance and replacement.

Our People

Extreme heat poses a risk to our people engaged in outdoor work at our facilities. We are already seeing the effects of extreme heat and are taking steps to mitigate against the impact on employees through increased breaks, cool-down stations, and shade coverings in outdoor work areas where possible. The impact of increased days of extreme heat may result in more downtime and require additional costs to be incurred to help mitigate the effects of extreme heat on our workforce.

Our Facilities

The impact of climate-related weather events on our facilities relates to the potential loss of inventory and assets. As part of our business continuity planning, we are progressively assessing the financial impact of this risk as well as the extent of insurance coverage as a mitigation measure.

Our Forest Supply Chain

The increase in frequency and intensity of natural weather events has a significant impact on forests, which we rely on for the main component of our products, wood fibre. Wildfire, precipitation stress and the spread of pests and disease are all exacerbated by climate change and can lead to reduced fibre supply, more challenging harvest conditions, and increased harvest costs. We continue to monitor and participate in the development and implementation of regulations and practices in our supply chain to help improve forest resiliency and support sustainable forest management practices.

As Stella-Jones evolves to meet the demands of our customers and other stakeholders, **we have committed to disclose qualitative climate-related risks and opportunities aligning with the TCFD recommendations.**

Read more about our TCFD aligned disclosures in the [Appendix](#).





Electric Kilns at Gatineau, Quebec

Our utility pole treatment facility in Gatineau, Quebec, replaced three gas fired kilns with new electric kilns in 2020. The new kilns are 15% to 20% more efficient than steam or natural gas-powered units. 2022 was the first year of full operation and due to the lower carbon hydro-electric grid in Quebec, these kilns have reduced the total scope 1 and scope 2 GHG emissions for the site by 70%.



Solar Power Installation in Alabama

Our first solar power installation at our Clanton, Alabama facility features more than 2,100 panels on two rooftops and was designed to cover 70% of the facility's electricity needs. This energy savings is equivalent to 92,000 gallons of diesel* consumed annually and marks a meaningful step on our journey to decarbonization.

*Calculated using the U.S. EPA's Greenhouse Gas Equivalencies Calculator.

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Our facility was proud to be chosen for the inaugural solar power installation. We look forward to seeing the GHG reduction impact and reduced rates on our electrical utility statements.



JEFF JORDAN
Plant Manager,
Clanton, Alabama

Environmental Compliance

Maintaining compliance with all applicable laws and regulations is critical for our ongoing success. Our team of dedicated EHS staff support our facilities in ensuring compliance and staying abreast of changes in regulations.

Environmental Management

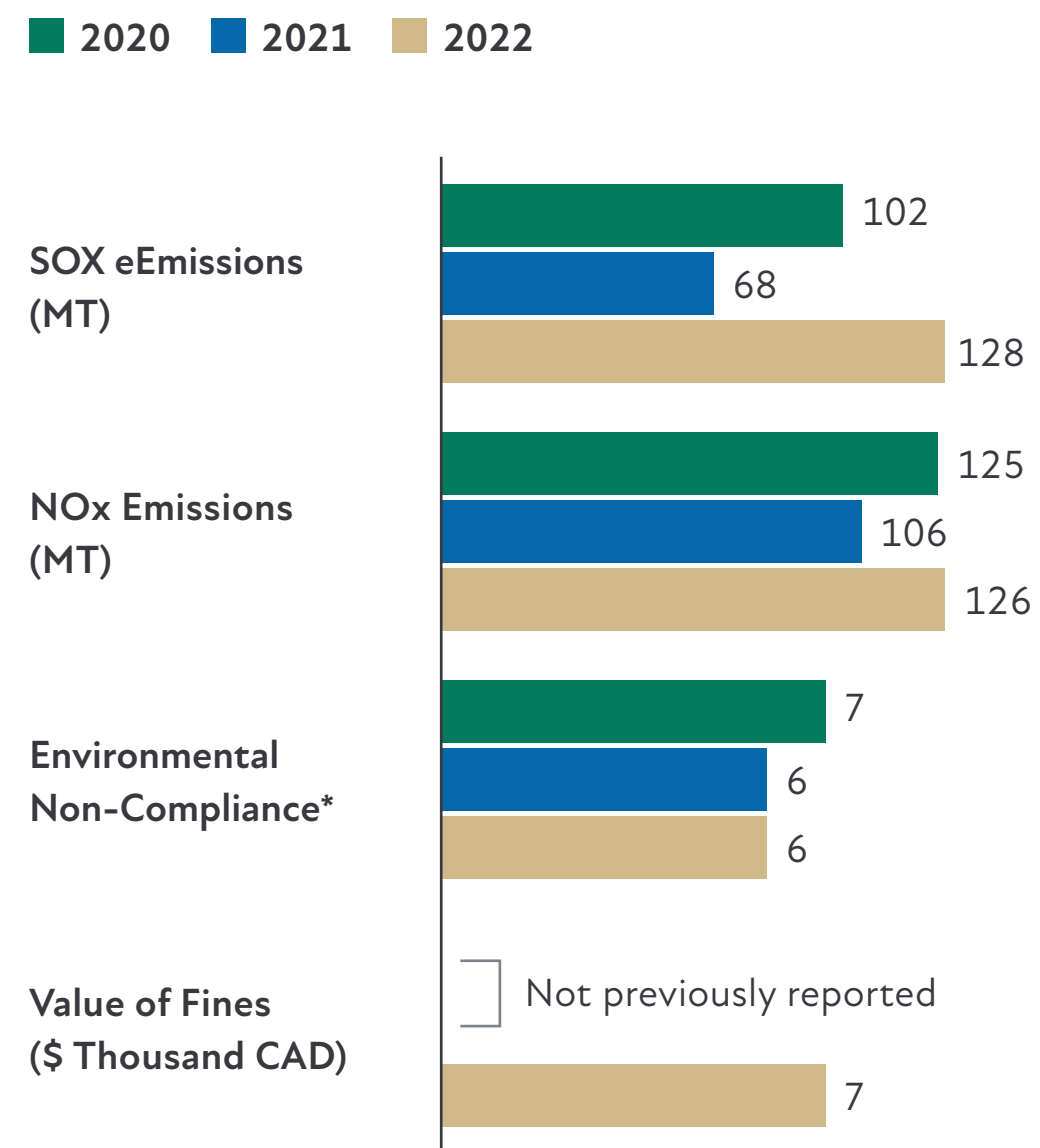
We strive to minimize the environmental impacts related to our operating activities which includes preventing chemical and hydrocarbon spills, minimizing emissions to air including emissions from the combustion of fuels, responsibly managing waste collection and disposal, and the safe treatment and processing of stormwater.

Our Company maintains an Environmental Management System (“EMS”) aligned with the ISO14001 standard at every facility. The system maintains legal obligations related to environmental permitting and reporting, identifies and ranks environmental aspects, and requires facility-level continuous improvement plans for the control and mitigation of environmental risks. Our EMS is guided by our Environmental, Health and Safety Policy.

2022 Environmental Compliance Performance

Our reported sulphur oxide (SOx) and nitrogen oxide (NOx) emissions both increased in 2022 compared to prior years due to the inclusion of our on-road trucking fleet in the calculation for the first time. The reported SOx and NOx emissions only relate to emissions from fuel combusted in our road trucks and mobile and stationary equipment at our facilities. We recognize that SOx and NOx, as well as volatile organic compound (VOC) emissions occur during our treatment processes and we are working on capturing the data to report on this more accurately in the future. In 2022, we had six instances of environmental noncompliance and two that resulted in regulatory fines. All incidents were thoroughly investigated and corrective actions were put in place to avoid reoccurrence. There were no further actions required by the regulating authorities.

Performance Data



*Non-compliances relate to those issued by a regulating authority.



Air Quality Permits

Our Air Quality Program applies to all Stella-Jones treating facilities and ensures we remain compliant with applicable regulations and emissions standards. Our sites must comply with Federal, State, Provincial, and local air quality regulations and where applicable, maintain an air quality permit that specifies emissions limits and reporting requirements. We seek to maintain an open dialogue and collaborate with our stakeholders on the topic of air quality and effectively address any concerns as they arise. Our Management of Change (MOC) process ensures that any changes to equipment that may result in a change or modification to a permit, are flagged for review by our environmental team. Annually, facility-level EHS team members are trained on our Air Quality Program and the importance of maintaining compliance with our permits.

Land Remediation

At Stella-Jones, we participate in voluntary land remediation programs as part of our commitment to act as environmental stewards in our local communities. Contamination generally occurs prior to Stella-Jones acquiring a site and often originates from periods before the development of environmental regulations for the treatment industry. Annually, Stella-Jones works with a third-party to evaluate the financial impact of the remediation projects. In 2022, the Company spent \$2 million to support on-going voluntary land remediation programs in partnership with local regulatory authorities, and the provision at the end of 2022 was \$18 million.

In 2022, our Research and Development team received funding grants to explore new remedial methods for historical soil contamination. The team is exploring more effective and lower cost remediation solutions in a large-scale soil treatment test supported by the Natural Sciences and Engineering Research Council of Canada (“NSERC”) in partnership with Dalhousie University. The testing is expected to conclude during 2023 and the findings will be made public with the intention of helping to inform future voluntary land remediation programs.

Water & Waste Management

The responsible management of wastewater and production waste is important for our environmental compliance obligations and to achieve our goal of recycling and repurposing waste, wastewater, and residual materials.

Water Management

Water is an essential resource for people, communities, and the environment. It is also a critical input in our water-based treatment processes. We work to protect water quality downstream of our facilities through our process water and stormwater management processes and improve water use efficiency in water-scarce regions where we operate. Our EMS includes specific guidelines and objectives for the management of water at our sites:

- **Process Water:** Identify opportunities to capture and recycle water used during treatment processes.
- **Stormwater:** Protecting water quality by implementing stormwater monitoring and treatment programs and ensuring compliance with applicable permits. Some sites can treat stormwater to meet the quality required for treatment processes.

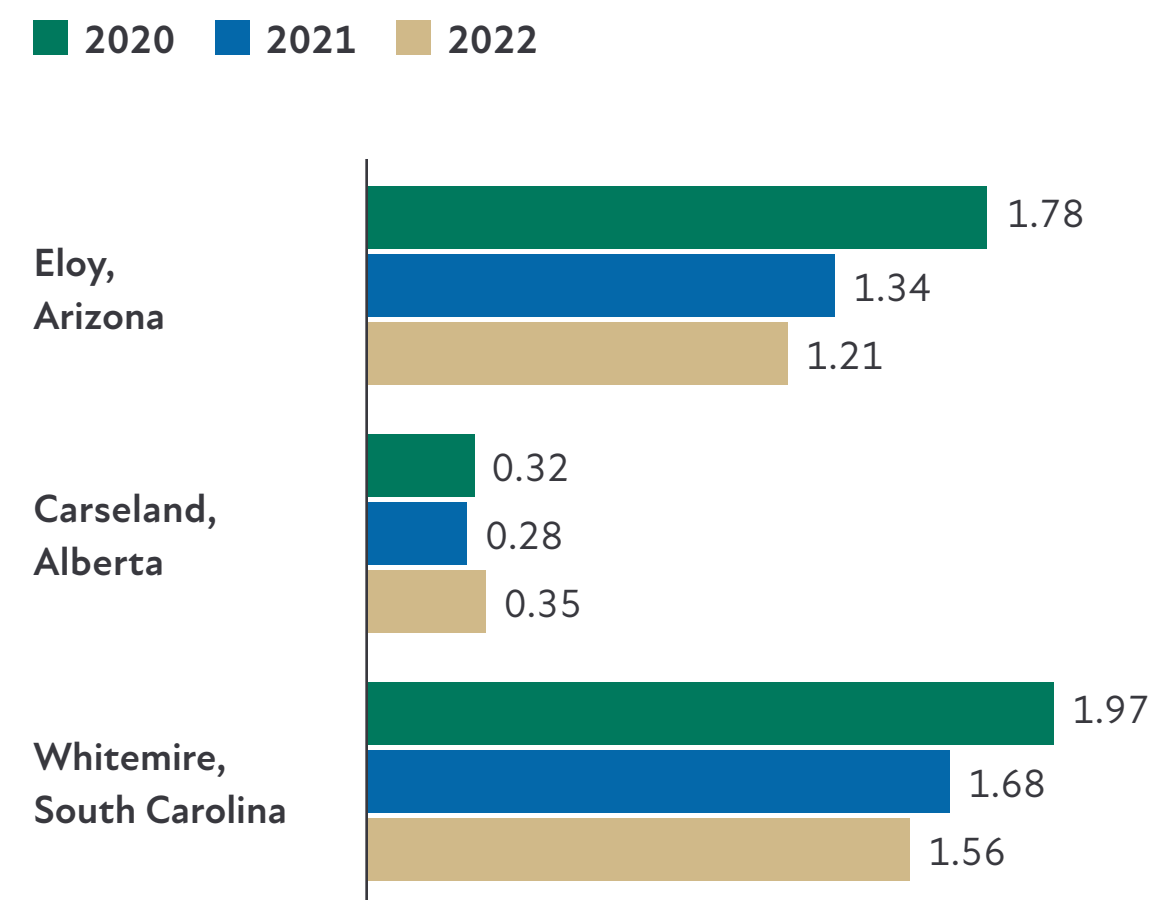
To further minimize the potential for stormwater contamination at our sites, our teams ensure freshly treated wood is stored on impervious surfaces and under a roof where possible. Equipment maintenance and vehicle fueling is also conducted in covered areas, wherever possible, to minimize the impact of potential spills.

2022 Water Performance at our High-risk Facilities

There are three Stella-Jones facilities with water-based treatment processes that are within regions with high or extremely high baseline water stress levels according to the World Resource Institute (WRI) Aqueduct Water Risk Atlas. The teams at these facilities are actively working on water saving initiatives and have collectively reduced water consumption intensity by 23% since 2020, calculated as gallons consumed per cubic foot of production.

In 2022, our Eloy, Arizona facility reduced water withdrawn from public sources by 13%, due to increased rain events. The site has a rainwater capture and re-use process and recycles stormwater for use in the treatment process. Conversely, our Carseland, Alberta facility had an increase in water consumption of 15% due to an increase in production intensity, but maintains their overall efficient water use as a ratio of production. Looking forward, we will continue to monitor water consumption and seek innovative solutions to reduce and reuse water wherever possible.

Water Intensity of Production at High Water Risk Locations (Gallons / FT³ of Production)



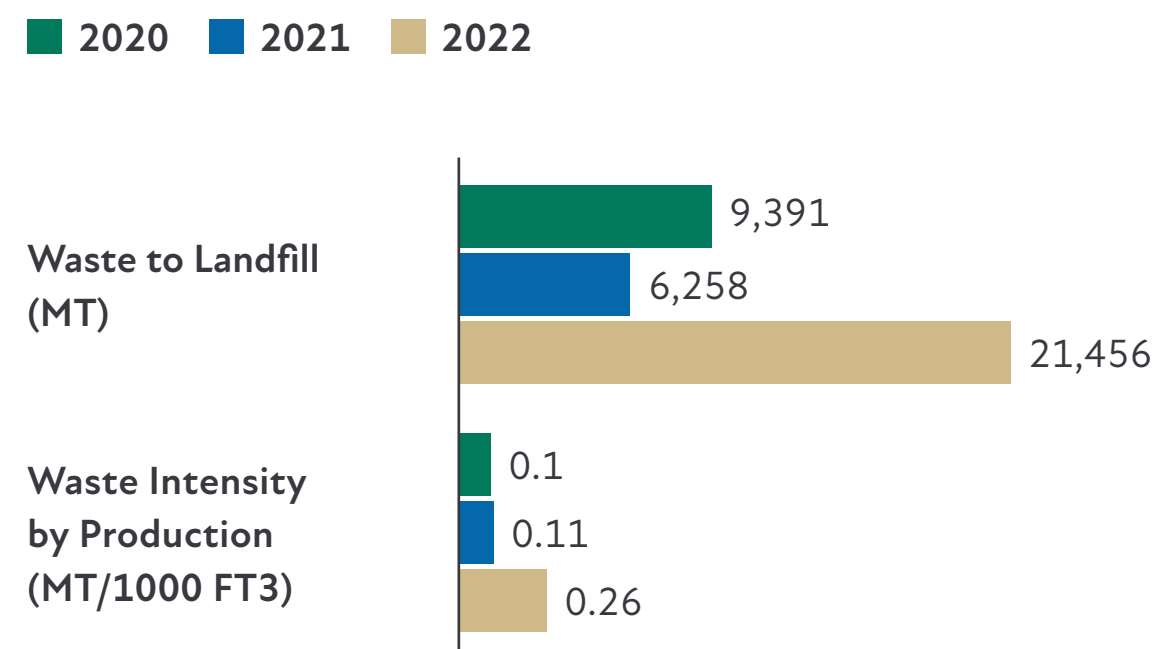
Waste Management

In pursuit of circular economy principles, where products are re-used, re-manufactured, and recycled, we seek opportunities to find new and meaningful uses for our by-products. The re-use and repurposing of wood by-product is a focus for all facilities, with the preferred method of re-use being to repurpose untreated wood by-products as biomass in our boilers, helping reduce the need for fossil fuels to generate steam in our production processes. The use of biomass helps reduce our GHG emissions due to the renewable carbon positive characteristics of wood.

2022 Waste Performance

Due to updates made in our data collection process in 2021, we now have more granular insights into the type of waste being generated and disposed of at each of our facilities. In 2022, we recorded waste sent for recycling for the first time and are pleased to report we recycled a total of 4,922 MT, which is equivalent to 18% of the total waste generated by Stella-Jones in the same period. We look forward to increasing this percentage year-over-year and finding meaningful ways to give our waste a second life. Our landfill waste increased significantly, partly due to capital projects that generated non-recyclable construction waste. One of those projects was the construction of a stormwater drain at our facility in Gormley, Ontario. The drain was built adjacent to the facility to prevent water flowing from nearby fields and roads into the lumber yard. The disposal of displaced soil accounted for 20% of the total waste to landfill in 2022.

Performance Data



 **18%** OF OUR TOTAL WASTE WAS RECYCLED

Stormwater Management

Collecting and treating stormwater for use in our processes is an important part of our water management program. The captured stormwater can be treated for use in the wood preservation and dust suppression processes at sites.

In 2022, our Shelburne, Ontario residential lumber facility completed the installation of a rainwater pond to capture and use the water in their production processes.

The rainwater pond has reduced the use of municipal and well water by approximately

1.5M GALLONS
in the **nine months** of 2022 since installation.



PRODUCT STEWARDSHIP

06



Responsible Supply Chain

 [Return to Our ESG Strategy](#)

Wood fibre is the primary material used in our products, making sustainable forest management essential to our business. Responsible supply chain management at Stella-Jones focuses on compliance with applicable laws and supporting sustainable forestry practices across North America.

Objective

We partner with responsible local suppliers to ensure the long-term sustainability of our wood supply.

Strategy



SUPPLIER ENGAGEMENT

Engage in open dialogue with our suppliers to understand our joint ESG priorities.



SUSTAINABLE FORESTRY

Support forest health, wildfire resiliency and responsible harvesting initiatives along our value chain.



PROMOTE FOREST EDUCATION

Educate the public and policy makers about responsible Forest Stewardship.

Targets

Maintain third-party sustainability certification of 80% or higher for lumber purchases.

2022 PROGRESS & RESULTS:

In 2022, 81% of the lumber procured by Stella-Jones came from a location or supplier with third-party sustainability certification.



ACHIEVED

Complete an ESG due diligence assessment for 25% of Tier 1* suppliers by 2027.

2022 PROGRESS & RESULTS:

Planning for the assessment, including scoping and design, will begin in 2023.



ON TRACK

Launch a supplier seedling program by 2024.

2022 PROGRESS & RESULTS:

Program design will begin in 2023.



ON TRACK

*Tier 1 is defined as 80% of total procurement spend.



Sustainable Forest Management

Sustainable forest management means recognizing the interconnection between the environment, the economy and social well-being so that the needs and expectations of all forest users can be met today and into the future. Responsibly managed working forests are a key component of forest resiliency and are critical to ensure our forests can continue to support the ecosystems we rely on today.

North America is recognized as a global leader when it comes to managing forests. Numerous laws and regulations at the State, Provincial, and Territory-levels govern the management of forests. Stella-Jones and our suppliers comply with the following sustainable management principles and requirements:

- Forests harvested on public lands must be regenerated, which means replanting for every single tree harvested.
- Allowable harvest volume is calculated based on forest growth and is less than 1% of areas designated for harvesting per year.
- Forest management plans on public lands in Canada involve the consultation and participation of Indigenous Peoples and are approved before harvesting starts.

CLIMATE CHANGE AND OUR FORESTS

Forests play a key role in regulating global and local climates and are a natural solution in the fight against climate change. Forests are well adapted to natural disturbances, but climate change is adding to the pressure through the increased frequency and severity of natural disturbances. A warming climate results in more intense weather events such as wildfire, floods, and tornadoes and facilitates the migration of forest pests and disease. When combined, these factors put additional stress on our forests.

In 2022, wildfires impacted 4.7 million hectares of forest across North America. Compounding the impact is the continued spread of invasive insects and pests, which affect timber supply and increase fire risk across the region. Proactive approaches to wildfire management include reducing fuels available to burn through tree harvesting, including clear-cutting as well as thinning, removing deadwood, and conducting planned burns. As part of our strategy to promote Sustainable Forest Management, Stella-Jones will continue to seek ways to support wildfire mitigation measures along our fibre supply chain and engage policy makers to promote responsible harvesting that ensures the ecological needs of local landscapes are met.

CANADA FOREST FACTS

0.2%

of Canada's forests are harvested annually.

0.01%

area deforested in 2022 from agriculture, mining, and urban development.

1.19%

of total forest area burned (2021).

SEQUESTERED

5.3M MT CO₂e

from the atmosphere from managed forests and wood products harvested from them.



*All statistics are from Natural Resources Canada, The State of Canada's Forests Annual Report 2022.



Third Party Certification

We navigate a complex system for certification and ensure compliance with applicable national and local regulations, including industry-specific environmental regulations that promote harvesting timber at maximum sustained yield and biological maturity. In 2022, approximately 81% of our residential lumber was procured from third-party certified sources such as Forest Stewardship Council® (FSC®) or Sustainable Forest Initiative® (SFI®).

Supplier Profile

Utility Poles: Harvest or purchase from forest tenures, timber sale programs or private woodland owners.

Railway Ties: Purchase pre-cut from over 850 sawmills, many of which are small, family-owned businesses.

Residential Lumber: Purchase from a variety of small, medium and large lumber producers.

Forest Management Tenure

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



Product Life Cycle Management

Our products contribute to the sustainable development of clean energy networks, low-carbon rail transport and sustainable construction projects. By using Stella-Jones products, our customers are lowering the embodied carbon of their businesses and projects and are helping to support the transition to the low-carbon economy of tomorrow. Our approach to life-cycle management starts in the forest and extends all the way to re-purposing products at the end of their useful life.

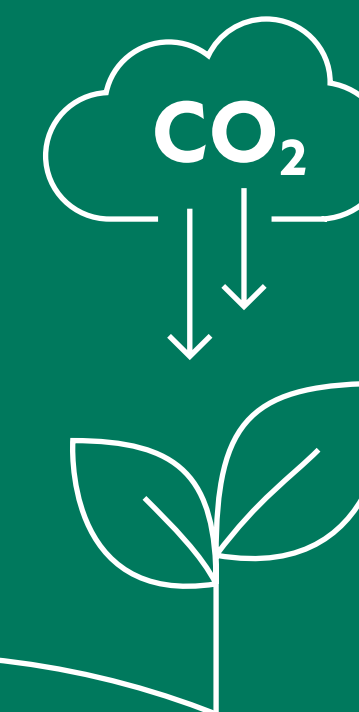
Low-Carbon Products

The long-term storage of carbon from harvested wood products is an effective climate change mitigation tool. Forests act as a carbon sink, helping to remove GHG from the atmosphere. When trees are harvested to produce wood products, the sequestered carbon is stored for the lifetime of the product. In the case of Stella-Jones, our products are considered to provide long-term carbon storage, often decades after initial harvest. The typical lifespan of our products is between 10 - 60 years and can be extended through re-purposing at the end of the in-service life.

Each year we calculate the carbon stored in our annual production through a third-party carbon sequestration tool developed specifically for Stella-Jones based on our supply profile, operational processes, and customer use and disposal. In 2022, Stella-Jones sequestered approximately 2.62 million MT of carbon through our treated wood products. This is more than 18 times the scope 1 and scope 2 carbon emissions from our operations.

2.6M
MT of CO₂
sequestered and stored
in our products in 2022.

18X
more
carbon
sequestered than
emitted in 2022.



Quality Assurance

Stella-Jones takes pride in the quality of our products. We work hard to provide our customers with exceptional products that meet all required specifications. The wood preservation process is governed by different standards in North America depending on location, tree species, and product use.

- **Utility Poles:** In the United States, utility poles must meet the American Wood Protection Association (AWPA) standard and ANSI O5.1 Wood Pole specifications and dimensions. In Canada, the Canada Standards Association (CSA) Wood Preservation, and Wood Poles and Reinforcing Stubs standards govern our production processes.
- **Railway Ties:** All our tie treating facilities are AAR M-1003 certified. We follow AWPA and American Railway Engineering and Maintenance-of-Way Association (AREMA) specifications for sizes, inspections and treating, unless otherwise required by a customer.

All Stella-Jones treatment facilities have third-party or in-house quality control. Products are assessed for defects to meet specification requirements, and from a treatment retention perspective to verify the chemical content of the finished product.



Treatment Preservatives

Treating wood with preservatives protects it from pests and decay, extending the useful life of our products. Our process for selecting preservatives is a balance between performance, tree species characteristics, the products intended use, customer requirements, and environmental impacts. Stella-Jones continually seeks options for improved environmental performance of treatment preservatives whilst maintaining product quality and longevity.

With the global production termination of Pentachlorophenol (“Penta”) by the sole producer in December of 2021, Stella-Jones has been at the forefront of transitioning to an alternate preservative solution. To prepare for this transition, we worked closely with a skilled supplier to introduce Dichloro-octoyl-isothiazolinone (“DCOI”) into the market for utility poles. DCOI is the first oil borne preservative to be approved for wood poles in the United States in over a decade and requires less preservative per treatment for the same product

durability as existing preservatives. In 2022, we continued the expansion of DCOI use through capital investments to convert our pole treating facilities to DCOI. As of publication, DCOI treated utility poles are now produced at seven U.S locations across our network.

The storage, handling and use of preservatives is managed in a risk-based approach based on the specific hazard information and exposure of each individual product. Safety Data Sheets (SDSs) are provided to all our customers and are accessible to all employees. This important information outlines the proper handling to ensure the health and safety of workers and use of treated wood for minimal environmental impact. SDSs can also be found on our [Safety Data Sheets webpage](#).

Product End-of-Life

What happens to a railway tie or utility pole at the end of its useful service life is an important part of the product life cycle. Our treated wood products store the carbon sequestered during tree growth and ensuring that carbon remains sequestered at end-of-life depends on the disposal and re-use methods taken. The challenge for repurposing or reusing our products is largely related to the limited options available and freight costs for transporting products that have reached the end of their useful life. Railway ties and utility poles are dispersed across geographies and bringing them to a centralized point for re-use can be costly. We work with our customers to find cost effective, local solutions for end-of-life products. In Ontario and Quebec, we’ve been working with customers to recycle ties and poles for use as biomass in co-generation energy production. The co-generation facility removes all metal components in the product and chips the wood to use as biomass fuel in the co-generation

plant to produce sustainable energy that is resold to the grid. In other locations across the network, we help customers recycle products with third-party contractors that find options to reuse the wood in landscaping, fencing and reuse as wood boards.

6,439 MT

of end-of-life product was recycled or used in co-generation power plants, in 2022.

Innovation

Stella-Jones' research and development (R&D) initiatives are designed to provide solutions to the challenges that our customers and the wood preservation industry face today and into the future. Our R&D program focuses on innovative solutions to enhance product quality and longevity, reduce environmental impacts of products and processes, and continually seek ways to increase safety. Collaboration across the Company, and with external partners such as governments and universities, is the key to successful innovation programs.

California Wildfire Tests Fire-resistant Pole Wrap

Since 2019, we have been offering our fire-resistant pole wrap to utility customers and have seen a growth in demand as customers in wildfire prone areas seek to build resiliency into their infrastructure. In 2022, the wrap was tested as the 'Mosquito Fire' burnt through 64,000 acres across California. Within the impacted area, the intumescent wrap on the in-service poles was fully activated, preserving the pole integrity. We are proud to offer this innovative product that protects against fire damage and helps our customers to mitigate the risk associated with wildfires across electricity distribution networks.

DONATION OF A TREATMENT TEST CYLINDER TO OREGON STATE UNIVERSITY

In 2022, we donated an experimental treatment cylinder to Oregon State University to support their work in wood preservative research. The experimental cylinder is a 'bench scale' test cylinder that simulates the vacuum, pressure and temperature conditions of the wood preservation process and will be used in collaborative projects with Stella-Jones testing different oils, treatability of solutions, sludge testing, and stress testing of different preservatives. It will also allow for pilot scale testing of new preservative chemistries for efficacy testing. The donation is part of the construction of a new pressure treating lab for the Utility Pole Research Cooperative and the Environmental Performance of Treated Wood Research Cooperative, two preservative-treated wood cooperatives housed in the University's College of Forestry. These cooperatives are collaborations with utility customers, chemical suppliers and producers that evaluate the efficacy of the standardized products and support new innovations in the industry.

University Partnerships

Stella-Jones takes pride in our strong partnerships with universities across North America. These partnerships not only help us progress important research, but they also help equip and develop the next generation of leaders in our industry. Our partnerships take on many different forms, including joint research studies, sponsorship and donations, and hands-on experience at our facilities. Read below for some of the university partnership highlights from 2022.

DALHOUSIE UNIVERSITY GRADUATE STUDENT RESEARCH PROGRAM

Stella-Jones has a long-standing relationship with Dalhousie University's Faculty of Agriculture and has funded graduate research for many years. In 2022, we funded five graduate research students and their studies into preservative performance. The research explored residue chemistry, the interaction of preservatives with specific vegetation, testing new lasers for particle size analysis as well as different options for mixing and agitating the preservative. The results of the research are important inputs for Stella-Jones and our decisions related to treatment preservatives and continual improvement to treatment processes.

PRODUCT DONATION TO THE UNIVERSITY OF KENTUCKY

Stella-Jones donated wood cross ties and timbers to researchers at the University of Kentucky. The research is exploring the use of recycled materials in asphalt pavements to improve the environmental impact. This research has the potential to provide further options for re-use of pressure-treated wood products at end of life, a key focus of Stella-Jones and our sustainability vision.

Contributing to Fire Safety Research

The California Canyon Fire experiment conducted in 2022 is the largest extreme fire behaviour experiment performed to date and will help provide invaluable data to improve canyon fire models and prediction accuracy. Stella-Jones is proud to have contributed to this groundbreaking research through the provision of eight transmission poles double wrapped with our fire-resistant pole wrap. Our fire-resistant wrap had previously undergone significant laboratory testing, but this was the first study simulating wildfire conditions and allowed important data to be gathered on how to best combat canyon wildfires.

The controlled burn temperatures reached as high as 1,100 degrees Celsius for periods of time up to 10 minutes. The research team measured the temperature inside and outside the pole under the wrap, and found the wrap reduced the fire temperatures by 84%. This protection preserved the poles which showed no damage, superficial charring or change in appearance when the wrap was removed. By protecting utility poles from fire damage, they remain vertical and allow for access and egress to the fire-impacted communities. This allows residents to evacuate and emergency responders access to the area, both of which can save lives.

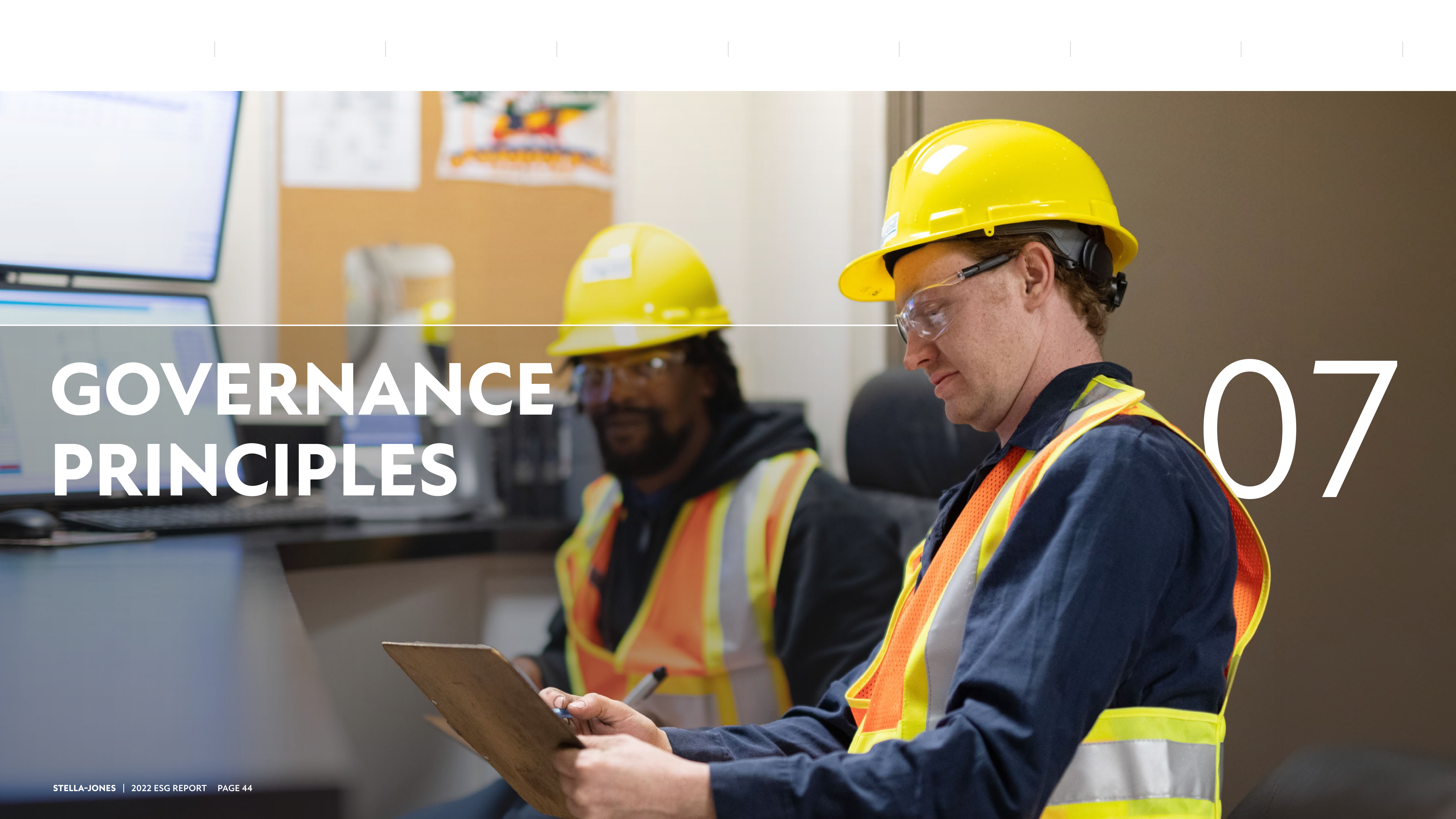
We are extremely proud to support this ground-breaking research and promote our innovative solution that helps protect critical infrastructure and can save lives during wildfires.

Intumescent fire wrap reduces wildfire heat by **84%**

“ Our intumescent fire-wrap helps save lives by keeping the utility poles standing and allowing resident to evacuate during fire events.



JEREMY MEYER
Vice President, Utility Poles Sales

A photograph of two workers in a control room. They are wearing yellow hard hats and high-visibility safety vests over dark blue shirts. The worker in the foreground is holding a clipboard and looking at it intently. The worker in the background is also looking at the clipboard. The room has computer monitors and a bulletin board in the background.

GOVERNANCE PRINCIPLES

07

ESG Risk Governance

 [Return to Our ESG Strategy](#)

Risk management is central to achieving our strategic objectives as it helps us protect and create value. We continue to build upon our risk management processes, integrating risk into decision-making, strategy development and our Company culture.

Objective

We empower our people to make informed and responsible decisions and deliver results through clear guidelines, disciplined processes and accountability.

Strategy



STRONG GOVERNANCE AS OUR FOUNDATION

Maintain well-defined ownership, maintenance and effective communication of Company policies.



PRIORITY RISK MANAGEMENT

Prioritize resources for the control and management of our priority risks, including climate risk, cybersecurity, business resiliency, workforce and raw material supply.



SIMPLIFY COMPLIANCE

Ensure compliance by staying abreast of changing regulations and equip employees with the right knowledge and resources.

Targets

100% of salaried employees to complete the new Digital Annual Policy Acknowledgment by 2024.

2022 PROGRESS & RESULTS:

In 2022, our IT department explored the solutions available to migrate our Annual Policy Acknowledgement to a digital solution.



ON TRACK

Launch digital onboarding training within one year of the new training module implementation.

2022 PROGRESS & RESULTS:

The commencement of this target relies on the successful implementation of other priority modules in our IWMS.



ON TRACK



How We Manage Risk

Our Enterprise Risk Management (“ERM”) framework is maintained through a continuous process of risk identification, assessment, implementation of controls, and incorporation of risk insights into strategic planning. This process culminates in a Board level review of the Company’s top risks on an annual basis, ensuring effective oversight.

RISK IDENTIFICATION

The risk management team aids functional business leaders and Company subject matter experts in identifying threats and opportunities to our strategic objectives. Risks are assigned to a risk owner who are accountable for implementation and the quality of controls.

RISK ASSESSMENT

The risk management team collects measurements surrounding the likelihood and financial, regulatory and reputational impact of identified risks from functional business leaders and Company subject matter experts to help prioritize organizational risks.

RISK CONTROLS

Controls are identified to avoid, transfer, prevent, mitigate, and/or detect the impact of identified risks and are assigned to individuals or teams for implementation. Ultimately, the risk owner is accountable for the effectiveness of all controls associated with an assigned risk.

MONITORING AND REVIEW

Our Internal Audit team performs ad hoc reviews with the risk owner for any changes or updates to the risk along with the effectiveness of any control measures. The Board of Directors reviews enterprise risks annually.

STRATEGIC PLANNING

Stella-Jones’ strategic objectives reflect our understanding of both our willingness to take risks and our risk-bearing capacity. The strategic planning process considers controls which reduce the likelihood of the risk occurring and whether they are within our risk bearing capacity, which enables the Company to capture value from opportunities beyond forecast.

In 2022, **three ESG issues** were assessed as **among our top risks**. These are:

- 1 Climate Change:**
The physical risk of the changing climate at our facilities and in our supply chain, as well as the transitional costs to our business from the switch to clean energy.
- 2 Raw Material Availability & Cost:**
Increased demand for certain timber species and sizes, putting a strain on availability and leading to higher product input costs.
- 3 ESG Reputation:**
Managing the accuracy of information used in the fragmented and complex ESG rating industry.

Cybersecurity and Data Privacy

Stella-Jones employees undertake compulsory multistage cybersecurity training to implement best practices in their working environment and safeguard against threats that pose a cyber risk to individual employees and the Company. In 2022, the mandate of the Audit Committee of the Board of Directors was expanded to include oversight of cybersecurity. The Committee regularly receives comprehensive, detailed reports on the status of IT security initiatives, including reports from independent third parties on matters such as cybersecurity maturity assessments.



Corporate Governance

Strong governance foundations are critical to achieve our long-term sustainability goals. We are committed to the continuous improvement of corporate governance, and work to ensure transparency and accountability at every level of the organization.

ESG Governance Structure

Stella-Jones ensures that our structure and key teams support the execution of the Company's ESG Strategy "Connecting our Sustainable Future". The Senior Director of ESG coordinates the ESG Strategy and supports the various teams in moving projects and priorities forward. In 2022, we established the following new ESG governance structures:

ESG MANAGEMENT COMMITTEE

The ESG Management Committee, composed of senior leaders from all business units, approves the ESG vision and targets for Stella-Jones' ESG Strategy. The Committee is responsible for monitoring the action plans for all defined goals and targets and reviewing performance annually, or more frequently if needed.

ESG WORKING GROUPS

Six ESG working groups have been established, one for each of the strategic ESG areas. These teams are responsible for the implementation of the operations-related projects and action plans. The groups will monitor performance against targets and ensure alignment with the overall ESG Strategy.



New ESG Targets in the Short-Term Incentive Plan

The Board recognizes that the long-term interests of the Company require responsibly addressing the concerns of our many stakeholders. To help further embed ESG priorities into the corporate culture at Stella-Jones, the Board has approved the addition of company-wide ESG initiatives in the Short Term Incentive Plan ("STIP") for senior management in 2023. By linking performance to ESG Strategy, we demonstrate the importance of sustainable value creation for all stakeholders and ensure we remain focused on the achievement of our annual ESG performance goals.





The Board

The Board of Directors has the responsibility to oversee management's establishment and execution of the strategic and operational direction of the Company. Our Board mandate is reviewed annually and updated as required.

In 2022, the Board welcomed Sara O'Brien who brings capital markets experience and a shareholder's perspective. Of our nine independent board members, six are new in the last five years, including Ms. O'Brien. For nominations to the Board, the Governance and Nomination Committee reviews the Board's current composition considering its skill matrix and creates a candidate profile by outlining the desired skillsets that would meet identified needs and strengthen the collective competencies and experiences of the sitting Board.

BOARD DIVERSITY

Our Board Diversity and Composition Policy targets that at least 30% of our Board members are gender diverse. In 2022, we continued to surpass this target with our Board including four out of ten directors who are women (40%). Further bolstering our commitment to the target, is both the Chair of the Board and the Chair of the Audit Committee are women. Our goal is to continue to explore opportunities to increase diverse representation on our Board.

BOARD SKILLS ASSESSMENT

To further enhance our Board composition's review and assessment process, we map the essential skills and proficiency levels needed amongst current directors and future nominees of the Board. The resulting skills and competency matrix assesses the Board's overall strength and diversity of expertise and is used when seeking future candidates. The inaugural skills matrix was published in the March 2022 Management Information Circular and showed that the Board fared well with respect to its breadth and depth of skills. We will continue to review and refine our Board skills matrix on an annual basis and provide shareholders with this information every year.

Board Oversight:

KEY AREAS RELATED TO ESG

1

FULL BOARD

- Oversees the Company's approach to ESG matters relating to the long-term health and sustainability of the Company.
- Oversees reviewing and approving the Company's ESG Strategy, its program, and the annual ESG Report.
- Reviews the annual Enterprise Risk Review, which covers climate-related risks and opportunities.

2

ENVIRONMENTAL, HEALTH & SAFETY COMMITTEE

- Monitors and advises on the ESG Strategy, targets and objectives, as well as reporting to the Board on performance and progress.

3

REMUNERATION COMMITTEE

- Responsible for all employee compensation policies and programs including oversight of ESG-related initiatives in the STIP for senior management.

4

AUDIT COMMITTEE

- Oversees financial reporting systems and internal controls including the monitoring and planning for future mandatory ESG reporting requirements.
- Oversees cybersecurity and data privacy.

Business Ethics

Everyone who works for Stella-Jones is accountable for upholding our Company values and high standards of conduct. We know transparency around our performance both internally and externally is essential to building trust with our stakeholders.

Code of Business Conduct and Ethics

Our Code of Business Conduct and Ethics (“the Code”) is the foundation of our commitment to ethics and compliance. The Code outlines the standard of ethical behaviour and corporate conduct that we expect from our people and those working on our behalf. The Code incorporates Anti-Hedging and Anti-Bribery Policies as well as our commitments to compliance with applicable laws and regulations. All employees joining Stella-Jones are provided with the Code in their employee handbooks, it is distributed quarterly to all staff, and is also on display at every facility. The Code is an important part of living our value of integrity and ensuring we act with honesty in all interactions with employees, clients, suppliers, and the public, and adhere to the highest standards of professional behaviour and ethics.

Whistleblowing

Stella-Jones’ Whistle Blowing Procedures outline the avenues available to all stakeholders to report any complaints, concerns or violations to applicable laws or company policies. Reports can be made through an online anonymous third-party portal or hotline without fear of retaliation or intimidation. The procedure ensures all concerns and complaints are promptly and effectively addressed, with any report regarding accounting, internal controls or auditing matters reported to our Audit Committee Chair.

In 2022, 10 complaints were received through whistleblowing channels. All of the complaints were reported to the Audit Committee and followed up with internal or third-party investigation as appropriate.

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





APPENDICES

I: Caution Regarding Forward-Looking Statements

II: ESG Performance Data

III: GRI, SASB, and TCFD Content Index

APPENDIX I

Caution Regarding Forward-Looking Statements

This Report contains statements that are forward-looking in nature. The words "may", "could", "should", "would", "assumptions", "plan", "strategy", "believe", "anticipate", "estimate", "expect", "intend", "objective", the use of the future and conditional tenses, and words and expressions of similar nature are intended to identify forward-looking statements.

Forward-looking statements in this report include, but are not limited to, statements relating to: our ESG strategy and goals, including short-term and long-term targets and commitments. Such statements are based on a number of estimates, projections, beliefs and assumptions that the management team believed to be reasonable as of the date of this report, though inherently uncertain and difficult to predict, including, but not limited to, expectations and assumptions concerning: the development, performance and effectiveness of technology, the ability to procure renewable energy and fuels on commercially reasonable terms, the ability to implement energy efficiency technologies and process change without impacting production objectives, and the ability to recruit, retain and develop a qualified workforce.

Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance, experience, or achievements of Stella-Jones to be

materially different from those expressed or implied by forward-looking statements. Risks and uncertainties that could influence the achievement of the ESG strategy and goals include, but are not limited to: general political, economic and business conditions, evolution in customer demand for the Company's products and services, availability and cost of raw materials, risks associated with the consequence of climate change, natural disasters and adverse weather conditions, changes in laws and governmental regulations, information security breaches or other cyber-security threats.

The forward-looking statements speak only as of the date of this report. Stella-Jones does not assume the obligation to revise or update these forward-looking statements after the date of this document or to revise them to reflect the occurrence of future unanticipated events, except as may be required under applicable securities laws.

APPENDIX II

ESG Performance Data

Stella-Jones is committed to disclosing our ESG metrics transparently. Our voluntary reporting is guided by the following frameworks:

- The Sustainability Accounting Standards Board Building Products and Furnishings Standard - 2018.
- The Global Reporting Initiative General Disclosures 2021 and other select GRI disclosure topics.
- The Task Force on Climate-Related Financial Disclosures.

Stella-Jones discloses metrics that are relevant to the topics we identified through our materiality assessment process. We believe increased transparency around ESG metrics is key to sustainable business practices, and we hope that through comparable and credible data and disclosures, we will enhance our stakeholders' trust, and elevate the ambitions and practices of our industry.

2022 Activity Measures

DATA	MEASUREMENT	2022	2021	2020	STANDARD
Sales	\$ million CAD	3,065	2,750	2,551	—
Annual Production	1'000 Cubic Feet (ft3)	107,549	102,931	108,335	000.A

APPENDIX II

ESG Performance Data

ENVIRONMENT						
CATEGORY	INDICATOR	UNIT	2022	2021	2020	STANDARD
Energy	Total energy consumed	Gigajoules (GJ)	2,513,974	2,045,663	2,619,490	GRI 302 -1, SASB 130a.1(1)
	Total fuel consumed - non renewable	GJ	2,156,259	1,725,645	2,309,710	GRI 302-1
	Total fuel consumed - renewable	GJ	868,128	1,082,448	Data not previously reported	GRI 302-1
	Total electricity consumed	GJ	357,715	320,018	309,780	GRI 302-1
	Energy intensity by production	GJ/1,000 FT3	23.4	19.9	24.2	GRI 302-3
	Percentage grid electricity	%	14	16	12	SASB 130a.1(2)
	Percentage renewable	%	26	35	Data not previously reported	SASB 130a.1(3)
	Emissions	Scope 1 - GHG Emissions	MT CO2eq	119,903	95,886	118,529
Scope 2 - GHG Emissions		MT CO2eq	27,672	25,648	27,918	GRI 305-2
Biogenic GHG emissions		MT CO2eq	89,564	111,669	Data not previously reported	GRI 305-1
GHG intensity by production		MT CO2eq/1,000 FT3	1.24	1.18	1.35	GRI 305-4

ENVIRONMENT						
CATEGORY	INDICATOR	UNIT	2022	2021	2020	STANDARD
Emissions (Continued)	GHG intensity by sales	MT CO2eq/\$ million revenue	48	44.2	57.4	GRI 305-4
	Carbon stored in wood products	Million MT CO2eq	2.60	2.52	Data not previously reported	N/A
	SOx emissions	MT	128	68	102	GRI 305-7
	NOx emissions	MT	126	106	125	GRI 305-7
	Water	Total water withdrawn	Megalitres	594	410	Data not previously reported
Water withdrawn - third party sources		Megalitres	494	294	GRI 303-3	
Water withdrawn - Surface Water		Megalitres	8	Data not previously reported		GRI 303-3
Water withdrawn - Groundwater		Megalitres	93	Data not previously reported		GRI 303-3
Total water withdrawn (priority facilities - Eloy, Carseland, Whitmire)		Megalitres	24	23	27	GRI 303-3
Water withdrawn - third party sources (priority facilities)		Megalitres	4	Data not previously reported		GRI 303-3
Water withdrawn - site sources (priority facilities)		Megalitres	20	Data not previously reported		GRI 303-3

APPENDIX II

ESG Performance Data

ENVIRONMENT						
CATEGORY	INDICATOR	UNIT	2022	2021	2020	STANDARD
Waste	Total waste generated	MT	27,893	11,673	10,949	GRI 306-3
	Total hazardous waste	MT	1,559	839	1,794	GRI 306-3
	Total non-hazardous waste	MT	26,334	10,834	9,155	GRI 306-3
	Total recycled	MT	4,924	Data not previously reported		GRI 306-4
	Total waste landfilled	MT	21,456	6,258	9,391	GRI 306-5
	Waste intensity by production	MT/1000 FT3	0.3	0.1	0.1	N/A
Environmental Compliance	Environmental non-compliances	Number	6	6	7	GRI 2-27
	Value of fines	\$ Thousand CAD	7	Data not previously reported		GRI 2-27

SOCIAL						
CATEGORY	INDICATOR	UNIT	2022	2021	2020	STANDARD
Health & Safety	Employee Fatalities	Number	0	0	0	GRI 403-9
	DART cases	Number	65	81	70	GRI 403-9
	DART frequency rate	per 200,000 hours worked	2.6	3.3	3.1	GRI 403-9
	TRR cases	Number	94	112	65	GRI 403-9
	TRR frequency rate	per 200,000 hours worked	3.6	4.6	3.7	GRI 403-9
	Contractor Fatalities	Number	0	1	0	GRI 403-9
	Employment	Total employees	Number	2,615	2,402	2,253
Total female employees		Number	449	383	366	GRI 2-7
Total male employees		Number	2,166	2,019	1,887	GRI 2-7
Total hourly employees		Number	1,918	Data not previously reported		GRI 2-7
Hourly female employees		Number	206	Data not previously reported		GRI 2-7
Hourly male employees		Number	1,712	Data not previously reported		GRI 2-7
Total unionized employees		Number	413	416	404	GRI 2-7
Female unionized employees		Number	18	Data not previously reported		GRI 2-7
Male unionized employees		Number	395	Data not previously reported		GRI 2-7
Total new hires		Number	854	713	480	GRI 401-1

APPENDIX II

ESG Performance Data

SOCIAL						
CATEGORY	INDICATOR	UNIT	2022	2021	2020	STANDARD
Employment (Continued)	Total female new hires	%	19	Data not previously reported		GRI 401-1
	Total male new hires	%	81	Data not previously reported		GRI 401-1
	New hires less than 30 years old	%	35	Data not previously reported		GRI 401-1
	New hires 30-50 years old	%	48	Data not previously reported		GRI 401-1
	New hires over 50 years old	%	16	Data not previously reported		GRI 401-1
	Total Turnover	Number	561	563	412	GRI 404-1
	Total female turnover	%	17	Data not previously reported		GRI 404-1
	Total male turnover	%	83	Data not previously reported		GRI 404-1
	Turnover of employees less than 30 years old	%	30	Data not previously reported		GRI 404-1
	Turnover of employees 30-50 years old	%	43	Data not previously reported		GRI 404-1
	Turnover of employees over 50 years old	%	27	Data not previously reported		GRI 404-1
	Diversity	Women in workforce	%	17	16	16
Women in senior management team		%	8	10	8	GRI 405-1
Employees less than 30 years old		%	15	15	15	GRI 405-1

SOCIAL						
CATEGORY	INDICATOR	UNIT	2022	2021	2020	STANDARD
Diversity (Continued)	Employees 30-50 years old	%	44	46	46	GRI 405-1
	Employees over 50 years old	%	41	39	39	GRI 405-1
	American Indian or Alaskan Native	% of U.S workforce	2	1	Data not previously reported	GRI 405-1
	Asian	% of U.S workforce	0.5	0.5		GRI 405-1
	Black or African American	% of U.S workforce	15	13		GRI 405-1
	Hispanic or Latino	% of U.S workforce	6	5		GRI 405-1
	Native Hawaiian or Other Pacific Islander	% of U.S workforce	0.4	0.4		GRI 405-1
	Two or More Races	% of U.S workforce	2	3		GRI 405-1
	White	% of U.S workforce	75	77		GRI 405-1
	Employee with a Disability	% of U.S workforce	5	8		GRI 405-1
	Veteran	% of U.S workforce	3	5		GRI 405-1

APPENDIX II

ESG Performance Data

GOVERNANCE						
CATEGORY	INDICATOR	UNIT	2022	2021	2020	STANDARD
Product	Weight of end-of-life material recovered	MT	6,439	Data not previously reported		SASB 410a.2(1)
	Procurement from third-party certified forestlands	%	81			SASB 410a.1(2)
	FSC certified - Canadian residential lumber	%	71			SASB 410a.1(3)
	SFI certified - Canadian residential lumber	%	50			SASB 410a.1(3)
	PEFC certified - Canadian residential lumber	%	50			SASB 410a.1(3)
	CSA - Residential lumber	%	9			SASB 410a.1(4)
The Board of Directors	Board of Directors	Number	10	10	9	N/A
	Independent members on the Board	Number	9	9	8	N/A
	Women representation on the Board	%	40	40	33	GRI 405-1

ESG Performance Data Accounting Methodologies

Reporting Period

Stella-Jones' ESG performance data is from January 1 to December 31, 2022.

Boundary Setting

The data provided in Stella-Jones' ESG Performance includes all 43 wood treatment facilities, 13 pole peeling yards, our coal tar distillery, trucking operations, and management offices that are owned and operated by Stella-Jones, as well as employees directly employed with Stella-Jones. We have excluded leased office spaces and distribution or finished goods yards from the boundary.

Changes Affecting ESG Performance Data in 2022

The following are the ESG disclosures that are new for Stella-Jones in 2022 or that have significant changes from prior reporting years.

- **GRI 302-1 and SASB 130a.1(1)** - Discloses energy consumption in gigajoules and includes percentage of renewable energy for the first time. Additionally, the consumption of fuel in Stella-Jones operated trucking fleet is included in the disclosure for the first time in 2022.
- **GRI 303-3** - The 2022 data is now reported in megalitres as required by the standard and includes a more detailed breakdown by withdrawal source.

- **GRI 403-9** - Includes total recordable injuries and the total recordable injury rate for the first time.
- **GRI 405-1** - The employment data includes the breakdown by gender and age for employment type and new hires for the first time.
- **SASB 410a.1** - This is the first year we have disclosed the percentage of certification by type. Currently, this is only for the Canadian market residential lumber. Read more about this metrics calculation methodology below.
- **SASB 410a.2** - This is the first year we have disclosed the weight of end-of-life material recovered. Read more about this metrics calculation methodology below.

Employment data for turnover by time with the Company and contract type are no longer reported as they have been removed from the GRI 2021 standard.

Activity Metrics

The activity metrics provide an important point of reference for the other ESG disclosures. Annual sales cover all products sold within the reporting year and production covers all pressure-treated wood products manufactured at Stella-Jones facilities in 2022.

APPENDIX II

ESG Performance Data

Environment

Energy

All energy metrics exclude the energy from wood biomass in the total and percentage calculations. 2022 was the first year of accurate wood biomass reporting and has been excluded to allow for comparison with prior years. Moving forward we intend to report wood biomass in the total energy consumed to align with the disclosure standards more accurately.

Emissions

Scope 1 biogenic emissions have been reported for the first time and directly relate to biomass consumed in onsite boilers and kilns. Biogenic emissions have been reported separately as per the guidance provided in the GHG protocol. Scope 2 emission factors use a state-based average sourced from U.S. Energy Information Administrations and Statistics Canada. All energy, mass and volume conversions are based on information from the World Resource Institute (“WRI”) and the World Business Council for Sustainable Development (“WBCSD”) calculation tools. Lastly, Stella-Jones uses an operational control approach for all GHG emissions reporting.

The SOx and NOx emissions reported relate only to emissions from fuel combusted in our road trucks, and mobile and stationary equipment at our facilities.

Water

This year’s water reporting more closely aligns with GRI 303-3 for water withdrawal by source and in megalitres. In 2022, we included water consumption from our peeling facilities for the first time which helps explain the large increase in total withdrawal between years. Additionally, 2021 did not include a full year for Canadian facilities. To read more about our water management practices at the priority facilities please refer to the report section **Water and Waste Management**.

Environmental Compliance

2022 is the first year we have reported the value of fines received from environmental noncompliance. The total amount of \$7 thousand was from two separate incidents of noncompliance. This is a partial reporting of GRI 2-27(b), specific only to environmental noncompliance.

Social

Health & Safety

The data reported covers all Stella-Jones employees working on-site at Stella-Jones owned and operated facilities including any temporary employees. Stella-Jones does not report contractor DART cases as we do not have visibility into the medical care prescribed for third-party employees.

Employment

The employment data including new hires and turnover disclosures, covers all employees directly employed by Stella-Jones and excludes temporary workers hired through agencies. The number for total employees in each category is calculated as of December 31, 2022.

Diversity

The gender and age diversity disclosures include Stella-Jones’ entire workforce. The disclosures for employees from underrepresented groups covers only the United States based employees. The definition of underrepresented at Stella-Jones includes employees that have self-identified as belonging to an underrepresented race or ethnicity, Indigenous people, U.S veterans, as well as people with disabilities. We currently do not track employees who are members of LGBTQ2+ communities. We are establishing new data governance processes to enable Stella-Jones to report diversity metrics for the entire workforce in future reports.

Governance

Product

SASB 410a.1 applies to residential lumber only. Third-party certifications are challenging for the small family-owned sawmills and forestland owners from which we procure our railway tie and utility pole fibre. Additionally, the certification breakdown by standard is applicable to our Canadian market lumber only. We are working with our U.S. based sawmills to have a complete disclosure in future reporting years. The percentages will not add to total 100% as most lumber procurement has multiple certifications.

SASB 410a.2 is a new disclosure this year. The weight of end-of-life product recycled covers only the products that Stella-Jones is directly engaged in contracting for end-of-life recycling solutions with the customer and third-party. Customers who also recycle their products independently are not captured in this data.

The Board of Directors

There were no changes to the reporting of the Board of Directors disclosures in this year’s report.

APPENDIX III

GRI, SASB, and TCFD Content Index

GRI 2: GENERAL DISCLOSURES 2021		
DISCLOSURE	DESCRIPTION	2022 DISCLOSURE LOCATION AND NOTES
The Organization and its Reporting Practices		
2-1	Organizational details	Our Business
2-2	Entities included in the organization's sustainability reporting	ESG Performance Data Accounting Methodologies
2-3	Reporting period, frequency, and contact point	ESG Performance Data Accounting Methodologies
2-4	Restatements of information	<i>There were no restatements of information in this Report</i>
2-5	External assurance	<i>There was no external assurance provided for this Report</i>
Activities and Workers		
2-6	Activities, value chain and other business relationships	How we create value
2-7	Employees	Appendix II ESG Performance Data
2-8	Workers who are not employees	<i>Stella-Jones employs temporary workers at our manufacturing sites. Data on temporary employees is not currently reported</i>
Governance		
2-9	Governance structure and composition	Board Oversight: Key Areas Related to ESG
2-10	Nomination and selection of the highest governance body	2023 Management Proxy Circular
2-11	Chair of the highest governance body	2023 Management Proxy Circular

GRI 2: GENERAL DISCLOSURES 2021		
DISCLOSURE	DESCRIPTION	2022 DISCLOSURE LOCATION AND NOTES
Governance (Continued)		
2-12	Role of the highest governance body in overseeing the management of impacts	Board Oversight: Key Areas Related to ESG
2-13	Delegation of responsibility for managing impacts	The Board
2-14	Role of the highest governance body in sustainability reporting	ESG Governance Structure
2-15	Conflicts of interest	2023 Management Proxy Circular
2-16	Communication of critical concerns	Whistleblowing
2-17	Collective knowledge of the highest governance body	No measures were taken in 2022
2-18	Evaluation of the performance of the highest governance body	2023 Management Proxy Circular
2-19	Remuneration policies	2023 Management Proxy Circular
2-20	Process to determine remuneration	2023 Management Proxy Circular
2-21	Annual total compensation ratio	<i>Not currently reported</i>
Strategy, Policies and Practices		
2-22	Statement on sustainable development strategy	Our ESG Strategy
2-23	Policy commitments	Code of Business Conduct and Ethics
2-24	Embedding policy commitments	<i>Not currently reported</i>

APPENDIX III

GRI, SASB, and TCFD Content Index

GRI 2: GENERAL DISCLOSURES 2021		
DISCLOSURE	DESCRIPTION	2022 DISCLOSURE LOCATION AND NOTES
Strategy, Policies and Practices (Continued)		
2-25	Process to remediate negative impacts	Whistleblowing
2-26	Mechanisms for seeking advice and raising concerns	Whistleblowing
2-27	Compliance with laws and regulations	Appendix II ESG Performance Data
2-28	Membership associations	<i>Industry associations where we hold governance positions include: • American Railway Engineering and Maintenance-Of-Way Association • American Wood Protection Association • Creosote Council • GoRail • Lake States Lumber Association • National Railroad Contractors Association • Pennsylvania Forest Products Association • Railway Tie Association • Real American Hardwood Promotion Coalition • Treated Wood Council</i>
Stakeholder Engagement		
2-29	Approach to stakeholder engagement	Approach to Materiality
2-30	Collective bargaining agreements	<i>Not currently reported</i>

SUSTAINABILITY ACCOUNTING STANDARDS BOARD (« SASB »)		
SASB STANDARD	INDICATOR	2022 DISCLOSURE LOCATION AND NOTES
Energy Management in Manufacturing		
CG-BF-130a.1	Total energy consumed, percentage grid electricity, percentage renewable	Appendix II ESG Performance Data
Management of Chemicals in Products		
CG-BF-250a.1	Discussion of processes to assess and manage risks and/or hazards associated with chemicals in products	Treatment Preservatives
CG-BF-250a.2	Percentage of eligible products meeting volatile organic compound (VOC) emissions and content standards	<i>Not applicable to Stella-Jones products</i>
Product Lifecycle Impacts		
CG-BF-410a.1	Description of efforts to manage product lifecycle impacts and meet demand for sustainable products	Product Life-Cycle Management
CG-BF-410a.2	Weight of end-of-life material recovered, percentage of recovered materials recycled	Appendix II ESG Performance Data
Wood Supply Chain Management		
CG-BF-430a.1	Total weight of wood fibre materials purchased, percentage from third-party certified forestland, percentage by standard, and percentage certified to other wood fibre standards, percentage by standard	Appendix II ESG Performance Data

APPENDIX III

GRI, SASB, and TCFD Content Index

TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES	
PILLAR	2022 DISCLOSURE LOCATION AND NOTES
Governance	
Disclose the organization’s governance around climate-related risks and opportunities	Corporate Governance
Strategy	
Disclose the actual and potential impacts of climate-related risks and opportunities on the organization’s businesses, strategy, and financial planning where such information is material	Climate Risk and Opportunity
Risk Management	
Disclose how the organization identifies, assesses, and manages climate-related risks	How We Manage Risk
Metrics and Targets	
Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material	Climate Change Strategy



We welcome your questions and feedback on our 2022 ESG Report: communications@stella-jones.com

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