

MODERN SLAVERY REPORT

On May 3, 2023, the House of Parliament passed the Fighting Against Forced Labour and Child Labour in Supply Chains Act (the “Act”), which establishes reporting requirements in relation to forced and child labour matters for companies that produce, sell, or distribute goods anywhere, or import goods into Canada in furtherance of eliminating any practices of forced labour and child labour. One of the main requirements of the Act is the company’s submission of an annual report which requires the company to conduct a due diligence process in order to identify any potential risks of forced labour and child labour throughout the company’s supply chain. Each company’s report must be approved by the company’s governing body and subsequently submitted to the Minister of Public Safety and Emergency Preparedness by May 31 of every year.

During the 2023 financial year, Stella-Jones (or “the Company”) commenced work on the implementation of a Human Rights due diligence framework. The work completed in 2023 included the following:

- Implementation of a Human Rights Policy outlining the Company’s commitments to respecting Human Rights. See subsection 11(3)(b).
- Completion of a supplier Human Rights risk assessment. See subsection 11(3)(c).
- Development and implementation of a training module on Human Rights. See subsection 11(3)(f).

Subsection 11(3)(a) Structure, activities and supply chains

Stella-Jones Inc., an entity incorporated under the Canada Business Corporations Act, manufactures pressure-treated wood products for the North

American market with a focus on infrastructure products. It supplies the continent’s major electrical utilities and telecommunication companies with wood utility poles and provides North America’s Class 1 short line and commercial railroad operators with railway ties and timbers. Stella-Jones also provides industrial products, which include wood for railway bridges and crossings, marine and foundation pilings, construction timbers and coal tar-based products. Additionally, the Company manufactures and sells premium treated residential lumber and accessories to Canadian and American retailers for outdoor applications. In 2023, the total production volume across all products was 112 million cubic feet.

The Company operates 45 wood treating plants and a coal tar distillery. These facilities are located across Canada and the U.S. and are complemented by an extensive distribution network. As of December 31, 2023, the Company’s workforce numbered 2945 employees, with 914 located in Canada.

Wood fibre and treatment preservatives are the primary materials used in the production processes. Wood fibre is procured primarily in North America from government timber sale programs, forest tenures, private woodland owners, sawmills and lumber producers. Treatment preservatives are procured from North America and Europe, with vendors sourcing some product components from overseas locations.

In addition to the road truck fleet managed by Stella-Jones, the services of third-party logistics providers from the United States and Canada are utilized both upstream and downstream of the manufacturing process.

Section 11(3)(b) Policies and due diligence processes

In 2023, Stella-Jones implemented a new policy on Human Rights (“Policy”). The Policy was developed by an internal team of employees representing all key business functions and is owned by the Senior Vice-President and Chief People Officer. The Policy outlines Stella-Jones’ commitment to upholding the principles enshrined in internationally recognized Human Rights laws including the International Labour Organization’s Declaration on Fundamental Principles and Rights at Work. The Policy prohibits the employment of individuals in violation of applicable local minimum age laws as well as the use of forced labour, slave labour, or labour resulting from human trafficking in its operations and in its supply chain.

The Policy was approved by the Board of Directors on November 6, 2023, and will undergo annual review. The Policy is publicly available on Stella-Jones’ website and applies to all Stella-Jones employees.

In developing a Human Rights due diligence process, multiple frameworks were reviewed including the Organisation for Economic Co-operation and Development (OECD) Due Diligence Guidance for Responsible Business Conduct and the United Nations Guiding Principles on Business & Human Rights. This Human Rights due diligence framework directly supports Stella-Jones’ ESG strategy on the topic of responsible supply chain, including the target to complete an ESG due diligence assessment for 25% of Tier 1¹ suppliers by 2027.

A key component of the due diligence framework is the Human Rights risk assessment, which was conducted for 184 suppliers, equivalent to 80% of the total procurement spending in the prior year. The assessment included a desktop review of publicly available information and dedicated risk discussions with the procurement, logistics, human resources, and operations teams at Stella-Jones. A wide range of sources were used for the desktop review including:

- S&P Industry Risk Atlas.
- The United Nations Finance Initiative Human Rights Guidance Tools.
- The Principles on Responsible Investing (PRI).

- BSR Sustainability Insights and the United Nations Office of the High Commissioner on Human Rights.
- The United Nations Environment Programme (UNEP) Finance Initiative.
- U.S. Department of Labor List of Goods Produced by Child Labor or Forced Labor.
- Publicly available policies and/or supplier code of conduct from company websites.

The assessment identified the focus areas for future supplier engagement on the topic of Human Rights management. The results were reviewed by Stella-Jones’ Board of Directors.

Section 11(3)(c) Forced labour and child labour risks

The risk assessment process indicated that forced and child labour risks have the potential to be present at various stages of the Company’s supply chain. Forced labour has the potential to be a risk for a small portion of the wood fibre supply in the southern U.S. where migrant labour is employed on-site. Religious-based, family-owned sawmills and timberlands may also use child labour as permitted under the U.S. Fair Labor Standards Act. Stella-Jones Policy addresses this by prohibiting the employment of individuals in violation of applicable local minimum age laws.

The third-party logistics providers, particularly those in Southern California, who utilize a migrant workforce and whose services are obtained through the spot market have an increased risk of forced labour. Product inputs sourced from China, a location with a heightened risk for child and forced labour, occurs in both the treatment preservative and product accessories supply chain.

The large mobile equipment used at production facilities can be manufactured internationally which presents a limited amount of risk. Lastly, the use of hiring agencies for temporary workers as well as construction companies that use sub-contractors on-site, represent a limited risk of child or forced labour.

Despite these risks, Stella-Jones has not identified any specific known or confirmed occurrences of forced or child labour or other human rights abuses within its supply chain. The next step in the due diligence

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

process will be to prioritize supplier engagement for the above-identified risk areas to address controls and mitigation measures.

Section 11(3)(d) – Remediation Measures

Stella-Jones has not identified any confirmed instances of forced or child labour, and so no remediation measures have been taken.

Section 11(3)(e) – Remediation of loss of income

Stella-Jones has not identified any confirmed instances of forced or child labour, and so no measures have been taken to remediate loss of income that result from measures taken by Stella-Jones.

Section 11(3)(f) – Training

In 2023 Stella-Jones developed and implemented training on Human Rights including child and forced labour. The training was developed internally and covers the following topics:

- The applicable laws and regulations governing Human Rights both in the United States and Canada.
- The areas of potential Human Rights risks along the Company's supply chain as identified through the risk assessment process.
- Communicates the avenues available to report any concerns or known violations of Human Rights, including through a third-party anonymous reporting tool.

The training was delivered to all salaried employees and will be completed annually. Its completion was made mandatory for employees involved in contracting and procurement decisions.


Section 11(3)(g) – Assessing effectiveness

Stella-Jones has not taken action to assess the effectiveness of its Human Rights due diligence process at this time.

Chair of the Board Attestation

In accordance with the requirements of the Supply Chains Act, and in particular section 11 thereof, I attest that I have reviewed the information contained in the report for the entity or entities listed above. Based on my knowledge, and having exercised reasonable diligence, I attest that the information in the report is true, accurate and complete in all material respects for the purposes of the Supply Chains Act, for the reporting year listed above.

Katherine A. Lehman
Chair of the Board of Directors
February 28, 2024



I have the authority to bind Stella-Jones Inc.