



## **HARDWOODS DISTRIBUTION INC.**

### **INFORMATION CIRCULAR**

#### **GENERAL INFORMATION**

This Information Circular is furnished in connection with the solicitation of proxies by management of the Company (as defined below) for use at the annual general and special meeting (the “**Meeting**”) of holders (the “**Shareholders**”) of common shares (the “**Shares**”) of the Company to be held as a virtual-only meeting via live audio webcast online at [www.virtualshareholdermeeting.com/HDI2021](http://www.virtualshareholdermeeting.com/HDI2021), at 12:00 p.m. (Vancouver time), on Wednesday, May 12, 2021, or at any adjournments thereof, for the purposes set forth in the accompanying Notice of Meeting.

In this Information Circular, the “Company” refers to Hardwoods Distribution Inc., either alone or together with its subsidiaries, as applicable. This Information Circular contains information as at March 22, 2021 unless indicated otherwise.

#### **FORWARD LOOKING INFORMATION**

Certain statements in this Information Circular contain forward-looking information within the meaning of applicable securities laws in Canada (“forward-looking information”). The words “anticipates”, “believes”, “budgets”, “could”, “estimates”, “expects”, “forecasts”, “intends”, “may”, “might”, “plans”, “projects”, “schedule”, “should”, “will”, “would” and similar expressions are often intended to identify forward-looking information, although not all forward-looking information contains these identifying words.

The forward-looking information in this Information Circular includes, but is not limited to: the Company has not determined if it will be making any significant changes to its compensation policies and practices in the current financial year.

The forecasts and projections that make up the forward-looking information are based on assumptions which include, but are not limited to: there are no material exchange rate fluctuations between the Canadian and US dollar that affect the Company’s performance; the general state of the economy does not worsen; the Company does not lose any key personnel; there are no decreases in the supply of, demand for, or market values of hardwood lumber or sheet goods that harm the Company’s business; the Company does not incur material losses related to credit provided to its customers; the Company’s products are not subjected to negative trade outcomes; the Company is able to sustain its level of sales and earnings margins; the Company is able to grow its business long term and to manage its growth; the Company is able to integrate acquired businesses; there is no new competition in the Company’s markets that leads to reduced revenues and profitability; the Company can comply with existing regulations and will not become subject to more stringent regulations; no material product liability claims; importation of components or other innovative products does not increase and replace products manufactured in North America; the Company’s management information systems upon which the Company is dependent are not impaired; the Company is not adversely impacted by disruptive technologies; and, the Company’s insurance is sufficient to cover losses that may occur as a result of its operations.

The forward-looking information is subject to risks, uncertainties and other factors that could cause actual results to differ materially from historical results or results anticipated by the forward-looking information. The factors which could cause results to differ from current expectations include, but are not limited to: exchange rate fluctuations

between the Canadian and US dollar could affect the Company's performance; the Company's results are dependent upon the general state of the economy; the Company depends on key personnel, the loss of which could harm the Company's business; decreases in the supply of, demand for, or market values of hardwood lumber or sheet goods could harm the Company's business; the Company may incur losses related to credit provided to the Company's customers; the Company's products may be subject to negative trade outcomes; the Company may not be able to sustain the Company's level of sales or earnings margins; the Company may be unable to grow the Company's business long term and to manage any growth; the Company is unable to integrate acquired businesses; competition in the Company's markets may lead to reduced revenues and profitability; the Company may fail to comply with existing regulations or become subject to more stringent regulations; product liability claims could affect the Company's revenues, profitability and reputation; importation of components or other innovative products may increase and replace products manufactured in North America; the Company is dependent upon its management information systems; disruptive technologies could lead to reduced revenues or a change in the Company's business model; the Company's insurance may be insufficient to cover losses that may occur as a result of its operations; the Company's credit facilities affect its liquidity, contain restrictions on its ability to borrow funds, and impose restrictions on distributions that can be made by certain of its operating subsidiaries; and, other risks described in the Company's Annual Information Form.

All forward-looking information in this Information Circular is qualified in its entirety by this cautionary statement and, except as may be required by law, the Company undertakes no obligation to revise or update any forward-looking information as a result of new information, future events or otherwise after the date hereof.

## QUESTIONS AND ANSWERS ON VOTING

The following questions and answers provide guidance on how to vote your Shares.

### ***Who can vote?***

Only Shareholders at the close of business on March 22, 2021, the record date (the "**Record Date**") for the Meeting established by the directors, are entitled to notice of and to vote at the Meeting.

### ***What will I be voting on?***

Shareholders will be voting: (i) to elect directors for the ensuing year; (ii) to appoint auditors for the ensuing year; (iii) to approve an amendment to the Company's long term incentive plan to increase the number of Shares reserved for issuance thereunder to 1,000,000 Shares; and (iv) to transact such further and other business as may properly come before the Meeting or any adjournment thereof.

The financial statements of the Company for the financial period ended December 31, 2020 and the report of the auditors thereon to be placed before Shareholders at the Meeting are included in the Company's 2020 Annual Report and are available on SEDAR at [www.sedar.com](http://www.sedar.com).

### ***How will these matters be decided at the meeting?***

Unless otherwise specified, a simple majority of affirmative votes cast at the Meeting is required to pass the resolutions described above. If there are more nominees for election as directors or appointment as the Company's auditor than there are vacancies to fill, those nominees receiving the greatest number of votes will be elected or appointed, as the case may be, until all such vacancies have been filled. If the number of nominees for election or appointment is equal to the number of vacancies to be filled, all such nominees will be declared elected or appointed by acclamation.

### ***Who is soliciting my proxy?***

This Information Circular is furnished in connection with the solicitation of proxies by management of the Company. It is expected that the solicitation of proxies for the Meeting will be primarily by mail, but proxies may be solicited personally, by telephone or by other means of communication by the directors, officers and regular employees of the Company, who will not be specifically remunerated therefore. All costs of such solicitation of proxies by or on behalf of management of the Company will be borne by the Company.

### ***How do I vote?***

If you are eligible to vote and you are a Shareholder of record as at the close of business on the Record Date, you can vote your Shares at the Meeting or by proxy, as explained below under “How do I vote in advance or by Proxy...if I am a Registered Shareholder”. If your Shares are held in the name of a depositary or a nominee such as a trustee, financial institution or securities broker, please see the instructions below under “How do I vote in advance or by proxy...if I am a Non-Registered Shareholder?”

### ***Why is this year’s meeting virtual-only?***

This year’s Meeting will be held virtually via a live online audio webcast due to the ongoing uncertainty surrounding the public health impact of the COVID-19 pandemic. This measure is a proactive and prudent step to ensure the health and safety of Shareholders, employees and the community.

Registered shareholders and duly appointed proxyholders (including Non-Registered Shareholders (as defined below) who have appointed themselves as proxyholder) will be entitled to attend, participate and vote at the Meeting, all in real time. Non-registered shareholders who do not appoint themselves as proxyholder may still attend the Meeting and ask questions. Guests will be able to listen to the Meeting, but will not be able to vote or ask questions at the Meeting.

**It is important to note that you will not be able to attend this year’s Meeting in person. If you are participating in the virtual Meeting you must remain connected to the internet at all times during the Meeting in order to vote when balloting commences. It is your responsibility to ensure internet connectivity for the duration of the Meeting.**

### ***How do I access and vote at the Meeting...***

You will be able to participate in the Meeting using an internet connected device such as a laptop, computer, tablet or mobile phone, and the Meeting platform will be supported across browsers and devices that are running the most updated version of the applicable software plugins and meeting the minimum system requirements.

The steps that you need to follow to access the Meeting will depend on whether you are a registered Shareholder or a Non-Registered Shareholder. You must follow the applicable instructions below carefully.

#### ***...if I am a registered shareholder?***

If you are a registered Shareholder, Broadridge Investor Communications Corporation (“**Broadridge**”) will have sent you a form of proxy. This document will be required in order for you to complete the instructions below, but do not complete the form of proxy or return it to Broadridge since you will be accessing and voting at the Meeting during the live webcast.

Registered Shareholders can access and vote at the Meeting during the live webcast as follows:

1. Log into [www.virtualshareholdermeeting.com/HDI2021](http://www.virtualshareholdermeeting.com/HDI2021) at least 15 minutes before the Meeting starts. You should allow ample time to check into the virtual Meeting and to complete the related procedures.
2. Enter your 16-digit control number into the Shareholder Login section (your control number is located on your form of proxy) and click on “Enter Here”.
3. Follow the instructions to access the Meeting and vote when prompted.

Even if you currently plan to participate in the virtual Meeting, you should consider voting your Shares by proxy in advance so that your vote will be counted if you later decide not to attend the Meeting or in the event that you are unable to access the Meeting for any reason. If you access and vote on any matter at the Meeting during the live webcast, then you will revoke any previously submitted form of proxy.

***...if I am a Non-Registered Shareholder?***

Non-registered shareholders wishing to access and vote at the Meeting during the live webcast can do so as follows:

1. Appoint yourself as proxyholder as described below under the heading “How do I vote by proxy or in advance...if I am a Non-Registered Shareholder”, including by providing an “Appointee Name” and designating an 8-character “Appointee Identification Number”. Please note that these steps must be completed prior to the proxy deadline (defined below) or you will not be able to vote your Shares at the Meeting during the live webcast.
2. Follow the instructions below for Proxyholders to log in and vote at the Meeting.

In the event that the proxy deadline is waived by the Company prior to the Meeting, all Non-Registered Shareholders will be able to access and vote at the Meeting in the same manner as for registered Shareholders described above except that your 16-digit control number will be located on your voting instruction form or form of proxy. In that case, if you have previously provided voting instructions or appointed another person to vote on your behalf and you choose to access and vote on any matter at the Meeting during the live webcast then you will revoke all prior voting instructions or appointments. If you do not wish to revoke your prior instructions or appointments, you will still be able to access the Meeting and you will be able ask questions. You should not assume that the proxy deadline will be waived in whole or in part, and you should vote prior to the Meeting or appoint yourself or another person to vote on your behalf at the Meeting prior to the proxy deadline to ensure your vote is counted at the Meeting.

A Non-Registered Shareholder wishing to access the Meeting without voting during the live webcast – for example, because you have provided voting instructions prior to the Meeting or appointed another person to vote on your behalf at the Meeting – can access the Meeting in the same manner as for registered Shareholders described above using the 16-digit control number located on your voting instruction form or form of proxy. You will be able to ask questions if you access the Meeting in this manner.

***...if I am a proxyholder?***

If you have been appointed as proxyholder for a registered or Non-Registered Shareholder (or you are a Non-Registered Shareholder who has appointed themselves as proxyholder), you can access and vote at the Meeting during the live webcast as follows:

1. Log into [www.virtualshareholdermeeting.com/HDI2021](http://www.virtualshareholdermeeting.com/HDI2021) at least 15 minutes before the Meeting starts. You should allow ample time to check into the virtual Meeting and to complete the related procedures.
2. Enter the Appointee Name and Appointee Identification Number exactly as it was provided to Broadridge by the Shareholder who appointed you as proxyholder and click on “Enter Here”. If this information is not provided to you by such Shareholder, or if you do not enter it exactly as that Shareholder provided it to Broadridge, you will not be able to access the Meeting or vote their Shares on their behalf during the live webcast.

If you have been appointed as proxyholder for more than one Shareholder, you will be asked to enter the Appointee Information for each separate Shareholder in order to vote the applicable Shares on their behalf at the Meeting.

3. Follow the instructions to access the Meeting and vote when prompted.

All Shareholders must provide the Appointee Information to their appointed proxyholder exactly as they provided it to Broadridge online at [www.proxyvote.com](http://www.proxyvote.com) or on their voting instruction form or form of proxy in order for their proxyholder to access and vote their shares at the Meeting during the live webcast. Proxyholders who have forgotten or misplaced the applicable Appointee Information should contact the shareholder who appointed them as quickly as possible. If that shareholder has forgotten or misplaced the applicable Appointee Information, they should follow the steps described under the heading “How do I access and vote at the Meeting...if I am a Non-registered Shareholder” as quickly as possible.

*...if I am a Guest?*

If you wish to access the Meeting as a guest, you can log into the Meeting as set out below. Note that guests will be able to listen to the Meeting, but will not be able to ask questions or vote. Please read and follow the instructions below carefully.

1. Log into [www.virtualshareholdermeeting.com/HDI2021](http://www.virtualshareholdermeeting.com/HDI2021) at least 15 minutes before the Meeting starts. You should allow ample time to check into the virtual Meeting and to complete the related procedures.
2. Complete the GUEST LOGIN section and Click on “Enter Here”.

*Can I ask questions at the Meeting?*

The Company believes that the ability to participate in the Meeting in a meaningful way, including asking questions, remains important despite the decision to hold this year’s Meeting virtually. Registered Shareholders, proxyholders and Non-Registered Shareholders will have an opportunity to ask questions at the Meeting in writing by sending a message to the chair of the Meeting online through the virtual meeting platform. It is anticipated that Shareholders will have substantially the same opportunity to ask questions on matters of business at the Meeting as in past years when the annual general meeting was held in person.

*What if I have difficulties in accessing the Meeting?*

If you encounter any difficulties accessing the virtual meeting during the check-in or meeting time, please call the technical support number that will be posted on the Virtual Shareholder Meeting login page.

If you are accessing the Meeting you must remain connected to the internet at all times during the Meeting in order to vote when balloting commences. It is your responsibility to ensure internet connectivity for the duration of the Meeting. Note that if you lose connectivity once the Meeting has commenced, there may be insufficient time to resolve your issue before ballot voting is completed. Therefore, even if you currently plan to access the Meeting and vote during the live webcast, you should consider voting your Shares in advance or by proxy so that your vote will be counted in the event you experience any technical difficulties or are otherwise unable to access the Meeting.

*How do I vote by proxy or in advance...*

Providing voting instructions online at [www.proxyvote.com](http://www.proxyvote.com) or by telephone or signing and returning the form of proxy or voting instruction form sent to you along with the notice, in each case in accordance with the instructions provided below and on your form of proxy or voting instruction form, authorizes the named directors or officers of the Company (the “**named proxyholders**”) to vote your Shares at the Meeting in accordance with your instructions. **Each Shareholder is entitled to appoint a person or company other than the individuals named in the form of proxy (who needs not be a Shareholder) to represent such Shareholder at the Meeting.**

*...if i am a registered shareholder?*

If you do not intend to access and vote at the Meeting during the live webcast, you are encouraged to provide your voting instructions to the named proxyholders by internet at [www.proxyvote.com](http://www.proxyvote.com) or by telephone, or by returning the form of proxy to Broadridge, in each case in accordance with the instructions appearing on the form of proxy.

Alternatively, you are entitled to appoint some other person or company (who need not be a Shareholder) to represent you at the Meeting. Since the Meeting will take place virtually, the process for appointing another person as your proxyholder (other than the named proxyholders) to access the Meeting and vote on your behalf is different than it would be for an in-person meeting. You must therefore follow the instructions on your form of proxy very carefully, including:

1. inserting an “Appointee Name” and designating an 8-character “Appointee Identification Number” (together, this is the “Appointee Information”) online at [www.proxyvote.com](http://www.proxyvote.com) or in the spaces provided on your form of proxy; and
2. informing your appointed proxyholder of the exact Appointee Name and 8-character Appointee Identification Number prior to the Meeting. Your proxyholder will require both your Appointee Name and Appointee Identification Number in order to access the Meeting and vote on your behalf.

You are encouraged to appoint your proxyholder online at [www.proxyvote.com](http://www.proxyvote.com) in accordance with the instructions on the form of proxy as this will reduce the risk of any mail disruptions in the current environment and will allow you to share the Appointee Information you have created with your appointed proxyholder more easily. You may also complete and return your form of proxy by following the instructions on your form of proxy.

Please note that if you wish to appoint a person as your proxyholder other than the named proxyholders and you do not designate the Appointee Information as required when completing your appointment online or on your form of proxy or if you do not provide the exact Appointee Name and Appointee Identification Number to that other person, that other person will not be able to access the Meeting and vote on your behalf.

*What is the deadline for returning my proxy?*

You are encouraged to provide your voting instructions or appoint your proxyholder online at [www.proxyvote.com](http://www.proxyvote.com) or by telephone, each in accordance with the instructions on the form of proxy, as this will reduce the risk of any mail disruptions in the current environment. These instructions must be provided by no later than 48 hours, excluding Saturdays and holidays, preceding the Meeting or an adjournment thereof (the “**proxy deadline**”). If you prefer, you may also complete and return your form of proxy to Broadridge at: Data Processing Centre, P.O. Box 3700 STN Industrial Park, Markham, ON, L3R 9Z9, in which case Broadridge must receive your completed form of proxy prior to the proxy deadline.

Providing your voting instructions to the named proxyholder or appointing another person as your proxy will ensure your vote is counted at the Meeting even if you later decide not to attend the Meeting or are unable to access the Meeting in the event of technical difficulties. If you access and vote on any matter at the Meeting during the live webcast, any proxy you have previously submitted will be revoked.

*If I change my mind, how can I revoke my proxy?*

You may revoke any prior proxy by providing new voting instructions or Appointment Information at [www.proxyvote.com](http://www.proxyvote.com) at a later time or a new form of proxy with a later date. However, for your new voting instructions or appointment to be effective they must be received by Broadridge no later than 48 hours, excluding Saturdays and holidays, preceding the Meeting or an adjournment thereof.

You may also revoke any prior proxy: (i) by an instrument in writing executed by the Shareholder, or by the Shareholder’s agent or attorney and delivered to Broadridge at: Data Processing Centre, P.O. Box 3700 STN Industrial Park, Markham, ON, L3R 9Z9, together with evidence of the agent’s or attorney’s written authority, so as to arrive at any time up to and including the last business day preceding the day of the Meeting, or any adjournment thereof; or (ii) in any other manner permitted by law. If you access the virtual Meeting and vote on any matter during the live webcast, you will revoke any previously submitted proxy.

If you wish to provide new voting instructions and not simply revoke your proxy (unless the proxy deadline is waived), your new voting instructions must be received by Broadridge no later than 48 hours, excluding Saturdays and holidays, preceding the Meeting or an adjournment thereof.

*.....if I am a Non-Registered Shareholder?*

All of the Shares beneficially owned by a non-registered Shareholder (a “**Non-Registered Shareholder**”) are registered in the name of a depository or a nominee such as a trustee, financial institution or securities broker (an “**intermediary**”). For example, Shares listed in an account statement provided by the broker of a Shareholder are not registered in the Shareholder’s name.

Applicable securities laws require Shareholders' intermediaries to seek voting instructions from them in advance of the Meeting. Accordingly, you will receive or have already received from your intermediary a request for voting instructions for the number of Shares you beneficially own. This form will include instructions on how to provide voting instructions to your intermediary or to appoint yourself or another person to access and vote at the Meeting on your behalf during the live webcast.

*How do I give voting instructions?*

You may provide your voting instructions by following the instructions on the voting instruction form provided to you by your intermediary. You are encouraged to do so online at [www.proxyvote.com](http://www.proxyvote.com) or by telephone if your intermediary provides you with this option. You may also mark your voting instructions on the voting instruction form or form of proxy provided to you by your intermediary, sign it, and return it as instructed and within the timelines provided by your intermediary. Your voting instructions must be received by Broadridge by the proxy deadline.

*How do I appoint myself (or another person) to vote at the Meeting?*

If you wish to access the virtual Meeting and vote during the live webcast (or appoint another person to do so, other than the named proxyholders), you are encouraged to make this appointment online at [www.proxyvote.com](http://www.proxyvote.com) using the instructions provided on your voting instruction form or form of proxy, if your intermediary provides you with this option. Alternatively, you may do so by inserting your name (or the name of such other person) in the space provided for the proxyholder appointment in your voting instruction form, and return it as instructed by your intermediary. Do not complete the voting section of the voting instruction form or form of proxy, since you or your designate will vote at the Meeting during the live webcast.

Since the Meeting will take place virtually, the process for any Non-Registered Shareholder to appoint themselves or another person (other than the named proxyholders) to access and vote at the Meeting during the live webcast is different than it would be for an in person meeting. In addition to the steps above, you must follow the additional instructions on your voting instruction form or form of proxy very carefully, including:

1. inserting an "Appointee Name" and designating an 8-character "Appointee Identification Number" online at [www.proxyvote.com](http://www.proxyvote.com) or in the spaces provided on your form of proxy. You must complete this step regardless of whether you wish to appoint yourself or another person (other than the named proxyholders); and
2. if you have appointed someone other than yourself to access and vote at the Meeting on your behalf, informing your appointed proxyholder of the exact Appointee Name and 8-character Appointee Identification Number prior to the Meeting.

You are encouraged to appoint yourself or such other person (other than the named proxyholders) online at [www.proxyvote.com](http://www.proxyvote.com) as this will reduce the risk of any mail disruptions in the current environment and will allow you to share the Appointee Information you have designated with any other person you have appointed to represent you at the Meeting more easily. If you do not designate the Appointee Information as required when completing your appointment online or on your voting instruction form or if you do not provide the exact Appointee Identification Number and Appointee Name to any other person (other than the named proxyholders) who has been appointed to access and vote at the Meeting on your behalf, neither you nor that other person, as applicable, will be able to access the Meeting and vote.

*What is the deadline for returning my voting instructions?*

Your intermediary must receive your voting instructions or your appointment in sufficient time for your intermediary to act on them. You are encouraged to provide your voting instructions or appointment online at [www.proxyvote.com](http://www.proxyvote.com) in accordance with the instructions on your voting instruction form or form of proxy and you must do so by no later than 48 hours, excluding Saturdays and holidays, preceding the Meeting or an adjournment thereof. If you prefer, you may also complete and return your voting instruction form or form of proxy to Broadridge at: Data Processing Centre, P.O. Box 3700 STN Industrial Park, Markham, ON, L3R 9Z9, in which case Broadridge must receive your completed voting instruction form prior to the proxy deadline.

*If I change my mind how do I revoke my prior voting instructions?*

You can revoke your prior voting instructions by providing new instructions at a later time online at [www.proxyvote.com](http://www.proxyvote.com), by telephone or on a voting instruction form or form of proxy with a later date, in each case in accordance with the instructions on your voting instruction form or form of proxy, provided that your new instructions are received by your intermediary in sufficient time for your intermediary to act on them. You can revoke your prior appointment by providing new Appointment Information at a later time online at [www.proxyvote.com](http://www.proxyvote.com) or on a voting instruction form or form of proxy with a later date, in each case in accordance with the instructions on your voting instruction form or form of proxy, provided that your new appointment is received by your intermediary in sufficient time for your intermediary to act on them. In order to be effective, your new voting instructions or appointment must be received by Broadridge no later than 48 hours, excluding Saturdays and holidays, preceding the Meeting or an adjournment thereof. Instructions received after such deadline but before the Meeting may only be effective to revoke any prior instructions or appointment. Otherwise, contact your intermediary if you want to revoke your prior voting instructions or appointment.

If you are eligible to access and vote at the Meeting during the live webcast and you have previously provided voting instructions or appointed another person to vote on your behalf you may access the Meeting and revoke your prior instructions or appointments, but you will not be able to vote on any matter at the Meeting during the live webcast unless the proxy deadline has been waived. If you do not wish to revoke your prior instructions or appointments, you will still be able to access the Meeting and you will be able ask questions

Proxies, voting instructions and appointments received after the proxy deadline may only be effective to revoke previously submitted proxies, voting instructions or appointments. The Corporation reserves the right to accept late proxies, voting instructions and appointments and to waive the proxy deadline with or without notice, but is under no obligation to accept or reject any particular late proxy, voting instructions or appointments.

*How will my Shares be voted if I give my proxy?*

**The management representatives designated in the enclosed form of proxy will vote or withhold from voting the Shares in respect of which they are appointed proxy on any ballot that may be called for in accordance with the instructions of the Shareholder as indicated on the form of proxy and, if the Shareholder specifies a choice with respect to any matter to be acted upon, the Shares will be voted accordingly. Where no choice is specified in the form of proxy, such Shares will be voted "FOR" the matters described therein and in this Information Circular.**

The enclosed form of proxy confers discretionary authority upon the person appointed proxy thereunder to vote with respect to amendments or variations of matters identified in the Notice of Meeting and with respect to other matters that may properly come before the Meeting. In the event that amendments or variations to matters identified in the Notice of Meeting are properly brought before the Meeting or any other business is properly brought before the Meeting, it is the intention of the management representatives designated in the enclosed form of proxy to vote in accordance with their best judgment on such matters or business. At the time of the printing of this Information Circular, management knows of no such amendment, variation or other matter which may be presented to the Meeting.

#### **DELIVERY OF PROXY MATERIALS**

Proxy materials are being sent to registered Shareholders directly and will be sent to intermediaries to be forwarded to all Non-Registered Shareholders (as defined below). The Company does not intend to pay for intermediaries/brokers to deliver to meeting materials for the Meeting to Non-Registered Shareholders who have objected to their name being made known to the Company. Accordingly, an objecting Non-Registered Shareholder will not receive meeting materials unless such Shareholder's intermediary assumes the cost of delivery.



## NOTICE AND ACCESS

The Company is sending meeting materials for the Meeting to Beneficial Shareholders using the “notice and access” provisions of *National Instrument 54-101 – Communication with Beneficial Owners*. Pursuant to such provisions, the Company provides Beneficial Shareholders with a notice on how they may access the Information Circular electronically instead of providing a paper copy. The Company is not sending meeting materials for the Meeting to registered Shareholders using the “notice and access” provisions of *National Instrument 51-102 – Continuous Disclosure Obligations*.

## VOTING SHARES AND PRINCIPAL HOLDERS THEREOF

As of March 22, 2021, there are 21,244,402 Shares of the Company issued and outstanding, each of which entitles the holder to one vote on a ballot. There are no other voting securities of the Company issued and outstanding. On a show of hands, every person present and entitled to vote at the Meeting will be entitled to one vote.

Only registered holders of Shares at the close of business on March 22, 2021, the record date for the Meeting established by the directors, are entitled to vote at the Meeting.

To the knowledge of the Company’s directors and executive officers, no person beneficially owns, or controls or directs, directly or indirectly, Shares carrying more than 10% of the voting rights attached to any class of voting securities, other than:

<u>Name</u>	<u>Number of Shares<sup>(1)</sup></u>	<u>Percentage of Outstanding Shares</u>
Peter M. Bull	4,443,548 Shares	20.9%

(1) The information as to the class and number of voting securities beneficially owned, or controlled or directed, directly or indirectly, not being within the knowledge of the Company has been based solely upon reports filed on the System for Electronic Disclosure by Insiders (SEDI) at [www.sedi.ca](http://www.sedi.ca).

## ELECTION OF DIRECTORS

The number of directors to be elected at the Meeting is determined from time to time by resolution of the board of directors, such number being not more than ten and not less than three. The Company currently has eight directors. The Company’s board of directors have fixed the number of directors to be elected at the Meeting at eight. The term of office of each of the present directors expires at the close of the Meeting. All directors elected at the Meeting will hold office for a term expiring at the close of the next annual meeting of Shareholders or until their successors are appointed, unless his or her office is vacated earlier in accordance with the bylaws of the Company or the *Canada Business Corporations Act*.

In the following table, for each person proposed to be nominated for election as a director, is stated his name, province or state, and country of residence, the period or periods during which he has served as a director, his principal occupation, and the number of Shares beneficially owned or controlled or directed by him, directly or indirectly, as at the date hereof:

<u>Name, Province or State, and Country of Residence<sup>(1)</sup></u>	<u>Period of Service as a Director<sup>(2)</sup></u>	<u>Principal Occupation and, if not Previously Elected as a Director, Occupation During the Past 5 Years<sup>(1)</sup></u>	<u>Number of Shares<sup>(3)</sup></u>
Robert J. Brown British Columbia, Canada	Since January 2016	President and Chief Executive Officer of the Company	150,194 Shares
Peter M. Bull <sup>(4)(5)</sup> British Columbia, Canada	Since April 2013	President of P.M. Bull & Company Ltd. (a commercial real estate company)	4,443,548 Shares

<u>Name, Province or State, and Country of Residence<sup>(1)</sup></u>	<u>Period of Service as a Director<sup>(2)</sup></u>	<u>Principal Occupation and, if not Previously Elected as a Director, Occupation During the Past 5 Years<sup>(1)</sup></u>	<u>Number of Shares<sup>(3)</sup></u>
Michelle A. Lewis <sup>(4)(5)</sup> Texas, USA	Since May 2017	Principal, CapStreet Group (a Texas based private equity firm)	12,831 Shares
Jim C. Macaulay <sup>(4)(5)</sup> Michigan, USA	Since August 2016	Chief Financial Officer, The Marvin Companies (windows and doors companies)	26,257 Shares
E. Lawrence Sauder <sup>(4)</sup> British Columbia, Canada	Since June 2011	Chair, Metrie Canada Ltd. (a manufacturer and distributor of interior finishings)	225,458 Shares
William Sauder <sup>(4)(5)</sup> British Columbia, Canada	Since June 2011	President, Omax Investments Ltd. (a wastewater management, retail plumbing and hardware distribution business)	82,394 Shares
Rob Taylor <sup>(4)</sup> Texas, USA	Since July 2019	President, Sonepar North America (a distributor of electric products, solutions, and related services)	12,007 Shares
Graham M. Wilson <sup>(4)(5)</sup> British Columbia, Canada	Since January 2004	President, Grawil Consultants Inc. (a consulting and investments company)	47,841 Shares

(1) The information as to province or state, and country of residence and principal occupation, not being within the knowledge of the Company, has been furnished by the respective directors individually.

(2) Includes service as trustee of the Fund, the predecessor of the Company.

(3) The information as to the number of Shares beneficially owned, or controlled or directed, directly or indirectly, not being within the knowledge of the Company, has been based solely upon reports filed on the System for Electronic Disclosure by Insiders (SEDI) at [www.sedi.ca](http://www.sedi.ca).

(4) Member of the Compensation, Nominating and Corporate Governance Committee.

(5) Member of the Audit Committee.

**Unless such authority is withheld, the management representatives named in the accompanying form of proxy intend to vote for the election of the director nominees whose names are set forth herein.**

### Majority Voting Policy

The board of directors have adopted a policy (the “**Majority Voting Policy**”) providing for majority voting in director elections at any meeting where an “uncontested election” of directors is held. An “uncontested election” means an election where the number of nominees for election as directors is equal to the number of directors to be elected.

Pursuant to the Majority Voting Policy, the forms of proxy circulated in connection with a meeting of Shareholders at which an election of directors is conducted will provide Shareholders with the ability to vote in favour of, or to withhold from voting for, each director nominee. If the number of proxy votes withheld for a particular director nominee is greater than the votes in favour of that nominee, the director nominee is required to immediately tender his or her resignation to the Chair of the board of directors.

Following receipt of a resignation, the Compensation, Nominating and Corporate Governance Committee will consider whether or not to accept the offer of resignation and will recommend to the board of directors whether or not to accept it. The Compensation, Nominating and Corporate Governance Committee will be expected to recommend that the board of directors accept the resignation unless the committee determines there are exceptional circumstances that will warrant the continued service of the resigning director.

Within 90 days following the applicable meeting of Shareholders, the board of directors is required to make its decision on the Compensation, Nominating and Corporate Governance Committee's recommendation. The board of directors is expected to accept the resignation of the resigning director unless the board of directors determines there are exceptional circumstances that warrant the continued service of the resigning director. The board of directors is required to promptly issue a news release disclosing its decision, including the reasons for rejecting the resignation offer, if applicable. A copy of such news release would concurrently be provided to the Toronto Stock Exchange. If a resignation is accepted, the board of directors may, in accordance with the Company's bylaws and the *Canada Business Corporations Act*, appoint a new director to fill the vacancy created by the resignation, reduce the size of the board of directors, leave the vacancy open, call a special meeting to fill the vacancy, or any combination of the foregoing.

A resigning director is not permitted to participate in any deliberation of the Compensation, Nominating and Corporate Governance Committee or the board of directors at which his or her resignation is to be considered. In the event that any director who received a greater number of proxy votes withheld than votes in favour of such director's election does not tender his or her resignation in accordance with the Majority Voting Policy, he or she will not be nominated by the board directors.

### **Orders, Bankruptcies and Penalties**

To the knowledge of the Company, no proposed director is, at the date hereof, or has been, within ten years before the date hereof, a director, chief executive officer or chief financial officer of any company that: (i) was subject to a cease trade order or similar order, or an order that denied the relevant company access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days, that was issued while the proposed director was acting in the capacity as director, chief executive officer or chief financial officer; or (ii) was subject to a cease trade or similar order, or an order that denied the relevant company access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days, that was issued after the proposed director ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer.

To the knowledge of the Company, no proposed director: (i) is, as at the date hereof, or has been within ten years before the date hereof, a director or executive officer of any company that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or (ii) has, within the ten years before the date hereof, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold assets of the proposed director.

To the knowledge of the Company, no proposed director, or a holding company of such proposed director, has been subject to: (i) any penalties imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or (ii) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable securityholder in deciding whether to vote for a proposed director.

### **Advance Notice Requirements for Nominations**

The Company's bylaws require that advance notice be provided to the Company in circumstances where nominations of persons for election to the board are made by Shareholders of the Company other than pursuant to a requisition of a meeting of Shareholders made pursuant to the provisions of the *Canada Business Corporations Act* or a shareholder proposal made pursuant to the provisions of that Act. The bylaws fix a deadline by which Shareholders must submit nominations to the Company prior to any annual or special meeting of Shareholders and sets forth the minimum information that a Shareholder must include in the notice to the Company for the notice to be in proper written form. A copy of the bylaws have been filed under the Company's profile at [www.sedar.com](http://www.sedar.com).

## EXECUTIVE COMPENSATION

### Compensation Discussion and Analysis

#### Objectives

The Company is primarily engaged in the distribution of architectural building products. The Company is committed to strengthening its competitive position and to growing its business over the long term. Due to the competitive nature of the industry, executive talent have significant career mobility and, as a result, the competition for experienced executives is great. The existence of this competition and the need for talented and experienced executive officers to realize the Company's business objectives underlies the design and implementation of the Company's compensation programs.

The objectives of the Company's compensation program are to:

- attract and retain qualified executive officers;
- motivate executive officers to deliver strong business performance;
- maintain competitive compensation levels for executive officers;
- ensure a significant portion of executive compensation is dependent upon individual and overall business performance, aligning the interests of executive officers with the interests of Shareholders, to create Shareholder value; and
- ensure the executive compensation program is simple to communicate and administer.

The Company believes that compensation levels should reflect performance – both personal performance of the Named Executive Officers (as hereafter defined) and the performance of the Company as a whole. The Company provides a base fixed compensation, as well as compensation that is variable, or “at risk” in nature. For 2020, the Named Executive Officers were eligible to receive bonuses under the annual incentive plan that range from 0% to 165% of their respective base salaries. This approach helps link compensation to performance by making a significant portion of the Named Executive Officers' compensation in any given year variable and, consequently, subject to decrease or increase based on Company and individual performance during the year. This approach also aligns the interest of the Named Executive Officers with Shareholders. The annual incentive plan is complimented by the Company's long term incentive plan (the “**Long Term Incentive Plan**”), the objective of which is to provide the Named Executive Officers with an incentive to maximize the long term performance of the Company and further align the interests of the Named Executive Officers with Shareholders.

The Company also seeks to retain and motivate the Named Executive Officers, and attract new executives, by offering compensation programs and packages that are competitive with those offered by comparable companies in the Company's market comparator group. To support this principle, the Company periodically reviews comparative compensation data provided by compensation consultants to assess the competitiveness of the compensation provided to the Named Executive Officers. The Company uses this data as one factor in determining the appropriate levels of compensation to award the Named Executive Officers.

While the Company's objective is to pay for performance and remain competitive in the marketplace for executive talent, the Company considers the expense of compensation and benefits in relation to the Company's consolidated budget and financial strength as a significant factor in determining compensation levels. Consequently, the Company carefully considers information relating to the anticipated cost that will be incurred in making any determination with respect to proposed compensation decisions.

The Company keeps its compensation program simple to communicate and administer by focusing on base salary, an annual incentive plan, and the Long Term Incentive Plan.

## Elements of Compensation

### *Base Salary*

The Company provides a base salary so that the Named Executive Officers have regular income to cover day-to-day expenses. The Compensation, Nominating and Corporate Governance Committee believes that competitive base salaries are important in attracting and retaining talented executives.

In reviewing the base salary of each Named Executive Officer, the Company considers the responsibilities, performance and experience of the Named Executive Officer; the base salaries of comparable executives within the Company's market comparator group; historical compensation and contractual commitments; and, recommendations of the Chief Executive Officer related to each Named Executive Officer's base salary other than the Chief Executive Officer's base salary. In considering base salary levels, the Compensation, Nominating and Corporate Governance Committee do not utilize any specific weighting of the above factors. On average in 2020, base salary represented 37.7% of the Company's total compensation package for the Named Executive Officers.

### *Annual Incentive Awards*

In addition to base salaries, the Company provides the Named Executive Officers with annual incentive awards that are paid as cash bonuses. The Compensation, Nominating and Corporate Governance Committee believes the annual incentive plan is important in attracting and retaining talented executives and motivating executive officers to deliver strong business performance.

Annual incentive awards for the Chief Executive Officer, the Senior Vice President, Corporate Development, and the Chief Financial Officer were based upon the following performance goals:

- Adjusted EBITDA (earnings before interest, taxes, depreciation and amortization) achieved, excluding foreign exchange gains and losses and the impact of acquisitions ("financial metric"); and
- achievement of strategic goals, for example the achievement of certain milestones related to the Company's technology strategy or related to the Company's acquisition strategy, as approved by the Compensation, Nominating and Corporate Governance Committee, in the case of the Chief Executive Officer, or by the Chief Executive Officer, in the case of the Senior Vice President, Corporate Development, and the Chief Financial Officer ("goals metric").

Annual incentive awards for the President, Rugby, was based upon the following performance goals:

- EBITDA (earnings before interest, taxes, depreciation and amortization) achieved, for the Rugby business excluding acquisitions ("financial metric"); and
- achievement of a net working capital days metric, measured against targets approved by the Chief Executive Officer ("financial metric").

Annual incentive awards for the Senior Vice President, U.S., was based upon the following performance goals:

- Adjusted EBITDA (earnings before interest, taxes, depreciation and amortization) achieved, excluding foreign exchange gains and losses and the impact of acquisitions ("financial metric"); and
- achievement of income, return on net assets, sales growth, and strategic goals measured against targets approved by the Chief Executive Officer ("financial metric").

For the Chief Executive Officer, the target annual incentive awards are set as a percentage of his base salary. For 2020, the target annual incentive award was 100% of base salary, with a maximum of 165% and a minimum of 0%. In determining the applicable percentage of base salary to be awarded as an annual incentive award a sliding scale is applied to the financial and the goals metric. The actual annual incentive award as a percentage of salary in 2020 earned by the Chief Executive Officer was 125.2%.

For the Senior Vice President, Corporate Development, and Chief Financial Officer, the target annual incentive awards are set as a percentage of their respective base salary. For 2020, the target annual incentive award was 60% of base salary, with a maximum of 100% and a minimum of 0%. In determining the applicable percentage of base salary to be awarded as an annual incentive award a sliding scale is applied to the financial metric and an all or none measurement applied to the goals metric. The actual annual incentive award as a percentage of salary in 2020 earned by the Senior Vice President, Corporate Development, and Chief Financial Officer was 75.2%.

For the President, Rugby, the target annual incentive awards are set as a percentage of his base salary. For 2020, the target annual incentive award was 55% of base salary, with a maximum of 110% and a minimum of 0%. In determining the applicable percentage of base salary to be awarded as an annual incentive award a sliding scale is applied to the financial metrics. The actual annual incentive award as a percentage of salary in 2020 earned by the President, Rugby, was 82.6%.

For the Senior Vice President, U.S., the target annual incentive awards are set as a percentage of his base salary. For 2020, the target annual incentive award was 55% of base salary, with a maximum of 110% and a minimum of 0%. In determining the applicable percentage of base salary to be awarded as an annual incentive award a sliding scale is applied to the financial metrics. The actual annual incentive award as a percentage of salary in 2020 earned by the Senior Vice President, U.S., was 67.8%.

The Compensation, Nominating and Corporate Governance Committee can exercise discretion to amend annual incentive awards absent attainment of the performance goals, or to reduce or increase the size of any amount or payout. Such discretion was not applied to any of the Named Executive Officers in respect of the previous financial year. The Compensation, Nominating Committee and Corporate Governance Committee can also exercise discretion to grant additional annual incentive awards to the Named Executive Officers based on such factors that the committee determines relevant. Such discretion was not applied to any of the Named Executive Officers in respect of the previous financial year.

#### *Long Term Incentive Plan*

The Company provides the Named Executive Officers with awards pursuant to the Company's Long Term Incentive Plan. The Compensation, Nominating and Corporate Governance Committee believes that the Long Term Incentive Plan is important in attracting and retaining talented executives, motivating executive officers to deliver strong business performance over the long term, and to align the interests of executive officers with the interests of Shareholders.

The Long Term Incentive Plan authorized the issuance of Shares pursuant to the grant of restricted share units and performance share units to directors, officers and employees of, and consultants to, the Company and its affiliates ("**Eligible Persons**"). Under the terms of the Long Term Incentive Plan, restricted share units and performance share units may only be granted to Eligible Persons.

As at December 31, 2020, the maximum number of Shares issuable under the Long Term Incentive Plan was 2,100,000 (representing approximately 9.9% of the outstanding Shares of the Company), there were awards outstanding under the Long Term Incentive Plan pursuant to which a maximum of 421,694 Shares (assuming the payout multiplier applicable at the time of settlement of the performance share units is one) may be issued (representing approximately 2.0% of the outstanding Shares of the Company), and there were 671,375 Shares available for future awards under the Long Term Incentive Plan (representing approximately 3.2% of the outstanding Shares of the Company). The actual number of Shares issued or available for future awards will depend upon the number of Long Term Incentive Plan units settled in cash, and the payout multiplier applicable at the time of settlement of performance share units, which is contingent upon whether pre-determined escalating performance criteria are achieved. At the Meeting, the Shareholders will be called upon to consider an ordinary resolution to increase the number of Shares reserved and available for issuance under the Long Term Incentive Plan. See "Increase Shares Reserved for Issuance under Long Term Incentive Plan".

The following table sets forth the burn rate for the Long Term Incentive Plan for each of the fiscal years ended December 31, 2020, 2019 and 2018, expressed as the number of securities granted under the Long Term Incentive Plan for the applicable fiscal year divided by the weighted average number of securities outstanding for the applicable fiscal year:

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Long Term Incentive Plan Burn Rate <sup>(1)</sup>	1.6%	0.9%	0.7%

(1) The table above assumes the payout multiplier applicable at the time of settlement of the performance share units is one.

The Long Term Incentive Plan provides that the number of Shares issued to insiders pursuant to the plan and other Share compensation arrangements of the Company within a one year period, or issuable at any one time, may not exceed 10% of the issued and outstanding Shares. The aggregate number of Shares issuable pursuant to the Term Incentive Plan to an Eligible Person who is a non-employee director shall not exceed one percent (1%) of the issued and outstanding Shares and awards issued under the Long Term Incentive Plan, together with all other Share compensation arrangements, to any one non-employee director may not have an aggregate value greater than \$150,000 per annum per Director.

Each restricted share unit will entitle the holder to be issued the number of Shares designated in the grant agreement for that restricted share unit. Shares issuable pursuant to restricted share units will vest and be issued on the date or dates determined by the Compensation, Nominating and Corporate Governance Committee and set out in the grant agreement, provided such date or dates are not later than December 31st following the third anniversary of the date the restricted share unit was granted. Each performance share unit will entitle the holder to be issued the number of Shares designated in the grant agreement for the performance share unit multiplied by a payout multiplier which may range from a minimum of zero to a maximum of two depending on the achievement of performance criteria, for example a total shareholder return target, as determined by the Compensation, Nominating and Corporate Governance Committee. Shares issuable pursuant to performance share units will be issued on the date set out in the grant agreement if the performance criteria are satisfied, provided such date is not later than December 31st following the third anniversary of the date the restricted share unit was granted.

The Shares to which a grantee is entitled under a restricted share unit or performance share unit may, at the discretion of the board of directors of the Company, be settled by the Company in Shares issued from treasury, Shares purchased by the Company in the secondary market, in an amount of cash equal to the fair market value of such Shares, or any combination of the foregoing. The board of directors has adopted a policy of permitting employees to elect to receive half of the fair market value of any settled awards in cash.

If any restricted share units or performance share units granted under the Long Term Incentive Plan expire, terminate or are cancelled for any reason without the Shares issuable under the restricted share unit or performance share unit having been issued in full, those Shares will become available for the purposes of granting further restricted share units or performance share units under the Long Term Incentive Plan. To the extent any Shares issuable pursuant to restricted share units or performance share units are settled in cash or with Shares purchased in the market, those Shares will become available for the purposes of granting further restricted share units or performance share units.

The Long Term Incentive Plan provides for cumulative adjustments to the number of Shares to be issued pursuant to restricted share units or performance share units on each date that dividends are paid on the Shares by an amount equal to a fraction having as its numerator the amount of the dividends per Share and having as its denominator the fair market value of the Shares on the trading day immediately preceding the distribution payment date. Fair market value is the weighted average price that the Shares trade on the Toronto Stock Exchange for the five trading days on which the Shares traded immediately preceding that date.

In the event of a “Change of Control” (as defined in the Long Term Incentive Plan) of the Company, the vesting provisions attaching to the restricted share units or performance share units are accelerated and all Shares issuable under any outstanding restricted share units or performance share units will be issued immediately before the date upon which the Change of Control is completed and the adjustment ratio and payout multiplier applicable to any performance share units will be set by the board of directors based on its assessment of the performance criteria prior to the date of the Change of Control.

If a grantee ceases to be an Eligible Person as a result of termination for cause, effective as of the Termination Date, as defined in the Long Term Incentive Plan, all outstanding grant agreements under which restricted share units

or performance share units have been granted to such grantee will be immediately terminated, the grantee will forfeit all rights to receive Shares thereunder and the grantee will not be entitled to receive any damages or other amounts in respect of such forfeited restricted share units or performance share units. Unless otherwise provided in a grant agreement, if a grantee ceases to be an Eligible Person as a result of being terminated other than for cause, effective as of the date that is 60 days after the Termination Date and notwithstanding any other severance entitlements or entitlement to notice of compensation in lieu thereof, all outstanding grant agreements under which performance share units or restricted share units have been granted to such grantee will be terminated, the grantee will forfeit all rights to receive Shares thereunder and the grantee will not be entitled to receive any damages or other amounts in respect of such forfeited restricted share units or performance share units. The grant agreements for the Named Executive Officers and any Vice President provide that if such person ceases to be an Eligible Person as a result of being terminated other than for cause, a pro rata portion of the Shares issuable to such person under any outstanding grant agreements will be issued. If a grantee ceases to be an Eligible Person as a result of termination of the grantee's employment or service by the grantee for any reason other than the grantee's death, disability or retirement, effective as of the date notice at resignation is given, all outstanding grant agreements under which restricted share units or performance share units have been granted to such grantee will be terminated, the grantee will forfeit all rights to receive Shares thereunder and the grantee will not be entitled to receive any damages or other amounts in respect of such forfeited restricted share units or performance share units. If a grantee ceases to be an Eligible Person as a result of such grantee's disability, retirement or death, a pro rata portion of the Shares issuable to such grantee under any outstanding grant agreements will be issued as of the Termination Date in the case of disability or retirement and as of the date of death in the case of death. A grantee's eligibility to receive further grants of restricted share units and performance share units under the Amended and Restated Long Term Incentive Plan ceases on the Termination Date.

Other than if a grantee ceases to be an Eligible Person as a result of the grantee's death, the right to receive Shares pursuant to restricted share units or performance share units may only be exercised by the Eligible Person personally. Except as otherwise provided in the Long Term Incentive Plan, no transfer of a restricted share unit or performance share unit vests any interest in the restricted share units or performance share units whatsoever in any transferee and, immediately upon any transfer or attempt transfer, such restricted share units or performance share units will terminate and be of no further force or effect.

The board of directors of the Company reserves the right to amend, modify or terminate the Long Term Incentive Plan and any restricted share unit or performance share unit granted under it at any time without the consent of a grantee if and when it is advisable in the absolute discretion of the board, provided that such amendment cannot materially adversely alter or impair the rights of any grantee except as otherwise permitted under the Long Term Incentive Plan. In addition, the board of directors of the Company may, by resolution, amend the Long Term Incentive Plan and any restricted share unit or performance share unit granted under it without Shareholder approval, provided however, that the board of directors of the Company will not be entitled to amend the Long Term Incentive Plan and any restricted share unit or performance share unit granted under it without Toronto Stock Exchange and Shareholder approval: (i) to increase the maximum number of Shares issuable pursuant to the plan; (ii) to increase the permitted level of insider participation in the plan; (iii) to increase the permitted payout multiplier to greater than two; (iv) to extend the term of any performance share unit or restricted share unit held by an insider; or (v) amend the amendment provisions of the plan. No amendments were made to the Long Term Incentive Plan during the fiscal year ended December 31, 2020. In March of 2021, the Company made the following amendments to the Long Term Incentive Plan that did not require Shareholder approval: (i) to provide that the aggregate number of Shares issuable pursuant to the Long Term Incentive Plan to an Eligible Person who is a non-employee director shall not exceed one percent (1%) of the issued and outstanding Shares and awards issued under the Long Term Incentive Plan, together with all other Share compensation arrangements, to any one non-employee director shall not have an aggregate value greater than \$150,000 per annum per Director; (ii) to provide that, in the event of a Change of Control, the adjustment ratio and payout multiplier applicable to any performance share units will be set by the board of directors based on its assessment of the performance criteria prior to the date of the Change of Control; and (iii) to clarify certain other provisions of the Long Term Incentive Plan.

In 2020, each Named Executive Officer was granted restricted share units and performance share units intended to have an annual value of approximately 40% to 100% of that Named Executive Officer's salary. The 2020 grant of restricted share units provided for the vesting of Shares on December 31, 2022. The 2020 grant of performance share units provided for the vesting of Shares on March 31, 2023 and have a payout multiple of between zero and two depending on whether the Company meets targets in respect of total shareholder returns as compared to a peer group,



and growth in earnings per share. The value of restricted share units and performance share units that vested in 2020 ranged between 26.7% and 69.4% of the Named Executive Officer's salary.

#### *Defined Contribution Plan*

The Company offers defined contribution pension plans to the Named Executive Officers: a group registered retirement savings plan ("RRSP") in Canada and 401(k) plans in the United States. The Company offers four 401(k) plans in the United States - one is offered to employees at the Company's Paxton business unit, one is offered to employees at the Company's HMI business unit, one is offered to employees at the Company's Rugby business unit, and one is offered to employees at the Company's Hardwoods business unit. The plans for the Named Executive Officers are identical to the plans offered to all of the Company's employees in the same jurisdiction and business unit. The Compensation, Nominating and Corporate Governance Committee does not believe that the defined contribution plans should represent a significant portion of the Compensation of the Named Executive Officers. In 2020, contributions by the Company to the Company's defined contribution plans represented 1.1% of total compensation for the Named Executive Officers.

The Chief Executive Officer, the Senior Vice President, Corporate Development, and the Chief Financial Officer participate in the defined contribution pension plan in Canada. The plan is a group RRSP administered by Sun Life Financial Trust Inc. The Company matches employee contributions up to the lesser of 5% of monthly earnings or the legislated government maximum, and the participating Named Executive Officers can make additional voluntary contributions, for total combined contributions up to the legislated government maximums. The group RRSP account is self-directed, with each participating Named Executive Officer able to choose from among the investment options offered by Sun Life Financial Trust Inc. and any interest and earnings on the investments held in the RRSP account vary in accordance with the terms and performance of the particular investments chosen. Participating Named Executive Officers are eligible to participate in the RRSP plan on the date of hire. Employer contributions to the RRSP plan are subject to a two year vesting period.

The President, Rugby participates in the Rugby 401(k) Plan. The plan is a qualified retirement 401(k) plan administered by Voya National Trust. The Company matches employee contributions up to 0.25% of monthly earnings on the first 5% and the participating employee can make additional voluntary contributions, for total combined contributions up to the legislated government maximums. The 401(k) account is self-directed, with the participating employee able to choose from among the investment options offered by Voya National Trust and any interest and earnings on the investments held in the 401(k) account vary in accordance with the terms and performance of the particular investments chosen. The participating employee is eligible to participate in the 401(k) plan from 90 days after their respective date of hire. Employer contributions to the 401(k) plan are subject to a vesting schedule.

The Senior Vice President, U.S. participates in the Hardwoods 401(k) Plan. The plan is a qualified retirement 401(k) plan administered by Voya National Trust. The Company matches employee contributions up to 4% of monthly earnings and the participating employee can make additional voluntary contributions, for total combined contributions up to the legislated government maximums. The 401(k) account is self-directed, with the participating employee able to choose from among the investment options offered by Voya National Trust and any interest and earnings on the investments held in the 401(k) account vary in accordance with the terms and performance of the particular investments chosen. The participating employee is eligible to participate in the 401(k) plan from their respective date of hire however no matching contributions are made by the employer until six months after the employee joins the plan. Employer contributions to the 401(k) plan are subject to immediate vesting.

#### *Benefits and Perquisites*

The Company offers only limited perquisites to the Named Executive Officers, and only where the Company believes such perquisites promote the retention of the Named Executive Officers or promote the efficient performance of the Named Executive Officers' duties. In addition to benefits that are made available to all employees, the Named Executive Officers are provided with either a leased vehicle and reimbursement for vehicle operating expenses, or a vehicle allowance. The Compensation, Nominating and Corporate Governance Committee does not believe that perquisites and benefits should represent a significant portion of the compensation package for Named Executive Officers, and in 2020 perquisites and benefits represented 2.2% of total compensation for the Named Executive Officers.

### *Severance and Change in Control Arrangements*

The Compensation, Nominating and Corporate Governance Committee believes that severance and change of control benefits are necessary in order to attract and retain high calibre executive talent. Severance benefits are appropriate, particularly with respect to a termination without cause since in that scenario, both the Company and the Named Executive Officer have a mutually agreed upon severance package that is in place prior to any termination event which provides certainty and the flexibility to make a changes in executive management if such change is in the Company's best interests. Severance and change in control benefits were negotiated and set with regard to comparable benefits granted to executives with similar positions in the Company's market comparator group, the experience level of the individual, the complexity of the position and other relevant market factors. For more information on severance and change in control arrangements for the Named Executive Officers, see "Termination and Change of Control Benefits" below.

### **Setting Executive Compensation**

#### *Compensation Committee*

The Compensation, Nominating and Corporate Governance Committee presently consists of Peter M. Bull, Michelle A. Lewis (Chair), Jim C. Macaulay, E. Lawrence Sauder, William Sauder, Rob Taylor and Graham M. Wilson. Each member of the committee is "independent", as such term is defined in *National Instrument 52-110 – Audit Committees*.

The (i) direct experience of each Compensation, Nominating and Corporate Governance Committee member that is relevant to the performance of his responsibilities as a committee member and (ii) skills and experience the Compensation, Nominating and Corporate Governance Committee have to make decisions on the suitability of the Company's compensation policies and practices, are described below:

*Peter M. Bull* – Mr. Bull is the President of P.M. Bull & Company Ltd., a commercial real estate business, and holds interests in a number of real estate and building material companies. In such roles, Mr. Bull is required to have an understanding of and assess, and supervise others who manage, compensation policies and practices.

*Michelle A. Lewis* – Ms. Lewis is a Principal at CapStreet Group, a Texas based private equity firm. Prior to this, Ms. Lewis was the Chief Strategy Officer of DistributionNOW Inc., an oil and gas and industrial distributor. Prior to this, Ms. Lewis was a Principal at Mercer Consulting, a human resource consulting and benefits firm where she managed the Human Resource Effectiveness Practice in the Southwest Market. Ms. Lewis' prior experience also includes senior roles in consulting and corporate restructuring, where she served in interim management positions or advised clients on human resource matters. In such roles, Ms. Lewis was responsible for designing compensation plans and was required to have an understanding of and assess, and supervise others who manage, compensation policies and practices.

*Jim C. Macaulay* – Mr. Macaulay served from 1994 to 2013 as Vice President of Steelcase Inc., an office furniture, architectural and technology products company. In such role, Mr. Macaulay was responsible for designing compensation plans and was required to have an understanding of and assess, and supervise others who managed, compensation policies and practices.

*E. Lawrence Sauder* – Mr. Sauder has since 2008 been the Non-Executive Chairman of, and from 2004 to 2008 was the Non-Executive Vice-Chairman of, International Forest Products Limited, a forest products company. Mr. Sauder also served as president of the Sauder Industries Limited, a manufacturer and distributor of building products, from 1988 to 2005. In such roles, Mr. Sauder is and was required to have an understanding of and assess, and supervise others who managed, compensation policies and practices.

*William Sauder* – Mr. Sauder is President of Omax Investments Ltd., a wastewater management, retail plumbing and hardware distribution business. Mr. Sauder also served until 2012 in a variety of operational roles, including, as Executive Vice President, at Sauder Industries Limited, a manufacturer and distributor of building products. In such roles, Mr. Sauder was required to have an understanding of and assess, and supervise others who managed, compensation policies and practices.

*Rob Taylor* - Mr. Taylor is president of Sonepar North America, a distributor of electrical products, solutions and related services, and is responsible for operations in the United States, Canada, Mexico and Central America. Before joining Sonepar, Mr. Taylor led the global sales and marketing integration efforts for Eaton's acquisition of Cooper Industries. Mr. Taylor's prior experience includes other senior roles such as Chief Marketing Officer for Cooper Industries, General Manager for General Electric's Consumer and Industrial Division, and President of General Electric's Home Electrical Products. In such roles, Mr. Taylor was responsible for designing compensation plans and was required to have an understanding of and assess, and supervise others who manage, compensation policies and practices.

*Graham M. Wilson* – Mr. Wilson served from 1988 to March 2002 as Chief Financial Officer of Westcoast Energy Inc., a natural gas transmission and energy company. In such role, Mr. Wilson was required to have an understanding of and assess, and supervise others who managed, compensation policies and practices.

The responsibilities, powers and operation of the Compensation, Nominating and Corporate Governance Committee are set forth in the committee's mandate which is attached to this Information Circular as Appendix C.

#### *Roles and Responsibilities*

The Compensation, Nominating and Corporate Governance Committee is responsible for the administration of the Company's compensation programs for the Named Executive Officers. Members of management, including the Chief Executive Officer, are invited to committee meetings from time to time, but excused from discussions and decisions with respect to their particular compensation decisions.

The Chief Executive Officer is actively engaged in the Company's compensation programs (other than with respect to his own compensation package). The Chief Executive Officer conducts an annual evaluation of each of the Named Executive Officer's performance for the previous year, and recommends salary adjustments, annual incentive awards, and Long Term Incentive Plan awards to the Compensation, Nominating and Corporate Governance Committee. The recommendations are reviewed and approved by the committee after discussion and adjustment, if appropriate.

#### *Process*

Executive compensation, including any annual incentive cash bonus, is reviewed and set by the board of directors of the Company and the Compensation, Nominating and Corporate Governance Committee at meetings held typically in December of each year. At these meetings, the performance of the Named Executive Officers is also reviewed. The results of the Named Executive Officers' performance and compensation review by the Compensation, Nominating and Corporate Governance Committee is typically communicated to the Named Executive Officers in February of each year. Long Term Incentive Plan awards are typically determined and granted by the Compensation, Nominating and Corporate Governance Committee at meetings in February or March of each year.

#### **Compensation Consultant**

The Company does not retain the services of a compensation consultant each year, but rather, on a periodic basis to evaluate the market competitiveness of the Company's compensation programs. In November of 2019, the Compensation, Nominating and Corporate Governance Committee retained Lane Caputo Compensation (the "**Compensation Consultant**") to assist it in determining the appropriate compensation for the board of directors and Named Executive Officers. The mandate of the Compensation Consultant was to conduct a review of the competitiveness of compensation levels provided to the Company's executives and independent board of directors. The Compensation Consultant was also engaged to assist the Company in the review, evaluation, and design of the Company's compensation plans. The Compensation Consultant has provided no other services to the Company or to its affiliated or subsidiary entities, or to any of its directors or members of management other than or in addition to those described above.

The following table sets forth, by category, the fees billed to the Company by the Compensation Consultant for the financial years ended December 31, 2020 and December 31, 2019:

Fee category	2020	2019
Executive compensation-related fees	\$39,000	-
All other fees	-	-
Total	\$39,000	-

“**Executive compensation-related fees**” is the aggregate fees billed by each consultant or advisor, or any of its affiliates, for services related to determining compensation for any of the Company’s directors and executive officers.

“**All other fees**” is the aggregate fees billed for all other services provided by each consultant or advisor, or any of its affiliates, that are not reported in “Executive compensation-related fees”.

Except as described above, during the financial years ended December 31, 2020 and December 31, 2019, no fees were billed by any consultant or advisor, or any of affiliates thereof, for services related to determining compensation for any of the Company’s directors and executive officers.

### **Benchmarking**

The Company engaged the Compensation Consultant in 2020 to provide market benchmarking data for director and executive compensation which includes retainers and fees, base salaries, short term incentive awards, and long term equity awards. Working in conjunction with the Company, the Compensation Consultant developed a North American peer group of 18 companies. The parameters for the peer group selection included similar industry, size, maturity, and geographic operation. The majority of the information compiled by the Compensation Consultant reflected compensation data derived from the most recent proxy circular statements, which represented the publicly available information available at the time the Compensation Consultant prepared its’ report. The companies comprising the Company’s peer group were: Beacon Roofing Supply Inc., Bluelinx Holdings Inc., BMC Stock Holdings Inc., Boise Cascade Company, CanWel Building Materials Group Ltd., DXP Enterprises Inc., Foundation Building Materials Inc., GMS Inc., Intertape Polymer Group Inc., MRC Global Inc., Premium Brands Holdings Corp., Richelieu Hardware Ltd., Russel Metals Inc., ShawCor Ltd., Taiga Building Products Ltd., Uni-Select Inc., Veritiv Corp. and Wajax Corp.

For comparison purposes, at the time of the Compensation Consultant’s analysis the Company’s annual revenues and market capitalization ranked near the 20<sup>th</sup> percentile against the comparator group.

### **Recovery of Compensation**

The Company has adopted an executive compensation recovery policy which provides that the board of directors may, in its sole discretion, to the full extent permitted by law and to the extent it determines that it is in the Company’s best interest to do so, require the reimbursement of all or a portion of any incentive compensation paid or awarded to a Named Executive Officer, if:

- (a) the amount of a bonus or incentive compensation was calculated based upon, or contingent on, the achievement of certain financial results that were subsequently the subject of or affected by a restatement of all or a portion of the Company’s financial statements;
- (b) the Named Executive Officer engaged in gross negligence, intentional misconduct or fraud that caused or partially caused the need for the restatement; and
- (c) the amount of the bonus or incentive compensation that would have been awarded to or the profit realized by the Named Executive Officer had the financial results been properly reported would have been lower than the amount actually awarded or received.

## Share Ownership Guidelines

The Company has adopted Share ownership guidelines to encourage key executives to own Shares and RSUs at least equal in value to: (i) for the Chief Executive Officer, four times his base salary; (ii) for the Senior Vice Presidents, Corporate Development, and Chief Financial Officer, three times their respective base salaries; and (iii) for the President, Rugby, and the Senior Vice President, U.S., two times their base salary. In determining whether an executive has met the minimum shareholding requirement, the total number of Shares and RSUs held by the executive is valued at the greater of the: (i) actual cost; and (ii) market value, being the weighted average trading price of the Shares on the Toronto Stock Exchange for the five trading days preceding the applicable valuation date for such Shares. In the event that an executive does not meet the Share ownership guidelines, then that executive is required to refrain from selling any Shares held by the executive and any additional Shares that vest to the executive under the Long Term Incentive Plan. Such trading restriction will remain in place until such time as the executive is in compliance with the Share ownership guidelines. The following table provides a summary of the number of Shares and RSUs held by each Named Executive Officer as at March 4, 2021, the value of such Shares and RSUs, and the value of Shares and RSUs required to be held pursuant to the Share ownership guidelines:

Name	Number of Shares and RSUs <sup>(1)</sup>	Value of Shares and RSUs Held (\$) <sup>(2)</sup>	Value of Shares and RSUs Required to be Held (\$)
Robert Brown	222,197	6,170,411	2,800,000
Lance Blanco	111,050	3,083,859	984,000
Faiz Karmally	36,507	1,013,799	825,000
Drew Dickinson	81,253	2,256,396	804,900
Dan Besen	49,252	1,367,728	804,900

- (1) The information as to the number of Shares beneficially owned, or controlled or directed, directly or indirectly, not being within the knowledge of the Company, has been based solely upon reports filed on the System for Electronic Disclosure by Insiders (SEDI) at [www.sedi.ca](http://www.sedi.ca).
- (2) Calculated by multiplying the total equity by the greater of (i) actual cost of the Shares and (ii) market value of the Shares, being the weighted average trading price of the Shares on the Toronto Stock Exchange five days prior to March 4, 2021, being \$27.77.

## Prohibition on Hedging

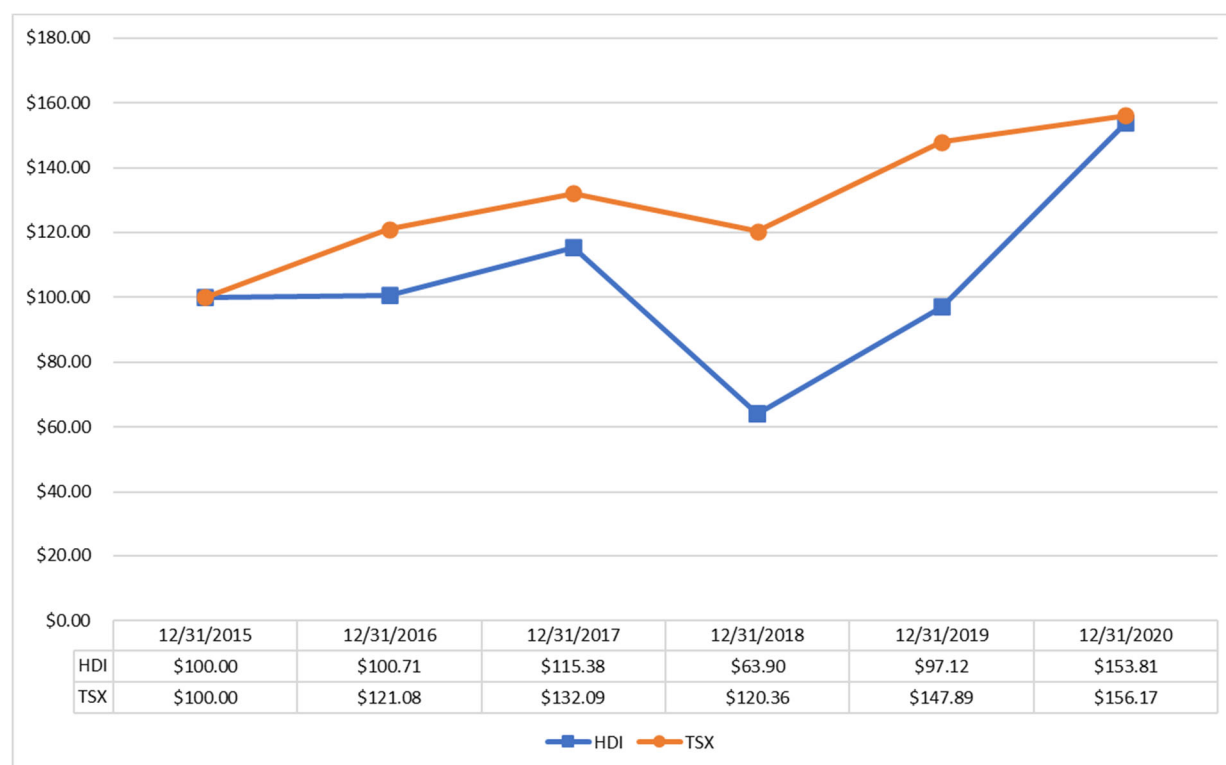
The Company has adopted a policy prohibiting Named Executive Officers from, at any time, purchasing financial instruments, including prepaid variable forward contracts, instruments for the short sale or purchase or sale of call or put options, equity swaps, collars, or units of exchangeable funds, that are designed to or that may reasonably be expected to have the effect of hedging or offsetting a decrease in the market value of any securities of the Company.

## Compensation Related Risks

The Compensation, Nominating and Corporate Governance Committee considered the implications of the risks associated with the Company's compensation policies and practices. The Compensation, Nominating and Corporate Governance Committee is responsible for overseeing, and periodically considers, risks associated with the Company's compensation policies and practices. The practices the Company uses to identify and mitigate compensation policies and practices that could encourage a Named Executive Officer or individuals at a principal business unit or division to take inappropriate risks or excessive risks include regular monitoring of the business, regularly meeting with managers throughout the organization, and requiring board of directors' approval of all major corporate decisions. The Company has not identified any risks arising from the Company's compensation policies and practices that are reasonably likely to have a material adverse effect on the Company.

## Performance Graph

The following chart compares the cumulative total Shareholder return, assuming the reinvestment of dividends, on the Shares with the cumulative total return from the S&P/TSX Composite Index for the period from December 31, 2015 to the most recently completed financial year end. The calculations assume an initial investment of \$100.



## Actual Values

	Dec. 31, 2015	Dec. 31, 2016	Dec. 31 2017	Dec. 31 2018	Dec. 31 2019	Dec. 31 2020
Hardwoods Distribution Inc. (Total Return)	\$19.33	\$19.47	\$22.31	\$12.37	\$18.81	\$29.84
S&P/TSX Composite Index	40,881.84	49,500.53	54,002.68	49,203.94	60,460.25	63,846.13

From December 31, 2015 to December 31, 2016, total compensation of the Named Executive Officers increased by 13.9%, while total return from an investment in the Shares increased 0.7%. From December 31, 2016 to December 31, 2017, total compensation of the Named Executive Officers increased by 71%, while total return from an investment in the Shares increased 14.6%. From December 31, 2017 to December 31, 2018, total compensation of the Named Executive Officers decreased by 20%, while total return from an investment in the Shares decreased 44.6%. From December 31, 2018 to December 31, 2019, total compensation of the Named Executive Officers decreased by 7%, while total return from an investment in the Shares increased 52%. From December 31, 2019 to December 31, 2020, total compensation of the Named Executive Officers increased by 32%, while total return from an investment in the Shares increased 59%.

### Summary Compensation Table

The following table provides a summary of the compensation earned in respect of the last three financial years by (i) any individual who acted as Chief Executive Officer or Chief Financial Officer of the Company for any part of the most recently completed financial year, (ii) each, if any, of the three most highly compensated executive officers of the Company, including its subsidiaries, or the three most highly compensated individuals acting in a similar capacity, other than the Chief Executive Officer and Chief Financial Officer, at the end of the most recently completed financial year and whose total compensation was, individually, more than \$150,000 for that financial year, and (iii) each, if any, individual who would have been an executive officer under (ii) but for the fact that the individual was not an executive officer of the Company or its subsidiaries, nor acting in a similar capacity, at the end of that financial year (the “Named Executive Officers”):

Name and Principal Position	Year	Salary (\$)	Share-Based Awards (\$) <sup>(1)</sup>	Option-Based Awards (\$)	Non-Equity Incentive Plan Compensation (\$)		Pension Value (\$)	All Other Compensation (\$) <sup>(3)</sup>	Total Compensation (\$)
					Annual Incentive Plans <sup>(2)</sup>	Long-Term Incentive Plans			
Robert Brown President and Chief Executive Officer	2020	700,000	700,000	-	876,079	-	-	40,715	2,316,794
	2019	600,000	600,000	-	535,969	-	-	39,465	1,775,434
	2018	600,000	600,000	-	522,489	-	-	33,170	1,755,659
Lance Blanco <sup>(4)</sup> Senior Vice President, Corporate Development	2020	328,000	196,800	-	246,679	-	-	40,715	812,194
	2019	292,000	175,200	-	156,503	-	-	40,715	664,418
	2018	292,000	175,200	-	152,567	-	-	33,170	652,937
Faiz Karmally Vice President and Chief Financial Officer	2020	275,000	165,000	-	206,504	-	-	37,115	683,619
	2019	225,000	135,000	-	120,593	-	-	37,115	517,708
	2018	225,000	135,000	-	117,560	-	-	29,570	507,130
Drew Dickinson <sup>(5)(6)</sup> President, Rugby	2020	402,450	160,980	-	332,558	-	-	15,396	911,383
	2019	331,750	132,700	-	165,875	-	-	13,049	643,374
	2018	324,000	307,978	-	97,200	-	-	12,745	741,922
Dan Besen <sup>(6)</sup> Senior Vice President, U.S.	2019	402,450	160,980	-	273,013	-	-	48,886	885,328
	2019	331,750	132,700	-	128,586	-	-	52,551	645,587
	2018	324,000	129,600	-	119,880	-	-	41,467	614,947

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- (1) The grant date fair value of each restricted share unit and performance share unit granted under the Long Term Incentive Plan is equal to the weighted average trading price of the Shares on the Toronto Stock Exchange five days prior to the date of such grant, being \$17.55 to \$18.90, \$12.47, and \$9.30 to \$21.65 for the grants in 2018, 2019 and 2020, respectively.
- (2) Represents amounts earned under an annual incentive plan in the form of cash bonuses.
- (3) Represents amounts paid for automobile lease payments, insurance and other automobile operating expenses as well as matching contributions to RRSPs or 401(k) plans.
- (4) Mr. Blanco devoted approximately 80% of his working time to the Company in 2018 and 2019. In 2020 he transitioned to full time.
- (5) On August 16, 2018, Mr. Dickinson was appointed President, Rugby. Prior to that time, Mr. Dickinson was the Chief Operating Officer, Rugby.
- (6) Mr. Dickinson and Mr. Besen are paid in United States dollars. Amounts reported in the table have been translated from United States dollars to Canadian dollars based upon the average Bank of Canada noon rate for that year (2018: US\$0.7716 = Cdn\$1, 2019: US\$0.7536 = Cdn\$1, 2020: US\$0.7454 = Cdn\$1).

The Company has entered into employment agreements with Mr. Brown for his services as Chief Executive Officer, with Mr. Blanco for his services as Senior Vice President, Corporate Development, with Mr. Karmally for his services as Chief Financial Officer, with Mr. Dickinson for his services as President, Rugby, and with Mr. Besen for his services as Senior Vice President, U.S. Each of the agreements is for an indefinite term. Pursuant to their respective employment agreements, commencing July 1, 2020, Mr. Brown is entitled to an annual salary of \$800,000, Mr. Blanco is entitled to an annual salary of \$365,000, Mr. Karmally is entitled to an annual salary of \$325,000, Mr. Dickinson and Mr. Besen are entitled to an annual salary of US\$350,000.

### Incentive Plan Awards

The following table sets forth, for each Named Executive Officer, all option-based and share-based awards outstanding at the end of the most recently completed financial year. All awards have been transferred at fair market value.

Name	Option-Based Awards				Share-Based Awards		
	Number of Securities Underlying Unexercised Options (#)	Option Exercise Price (\$)	Option Expiration Date	Value of Unexercised In-the-Money Options (\$) <sup>(1)</sup>	Number of Shares or Units of Shares that Have Not Vested (#) <sup>(2)</sup>	Market or Payout Value of Share-Based Awards that Have Not Vested (\$) <sup>(2)(3)</sup>	Market or Payout Value of Vested Share-Based Awards Not Paid Out or Distributed (\$)
Robert Brown	-	-	-	-	155,073	3,979,173	-
Lance Blanco	-	-	-	-	43,318	1,111,539	-
Faiz Karmally	-	-	-	-	36,510	936,846	-
Drew Dickinson	-	-	-	-	34,851	894,276	-
Dan Besen	-	-	-	-	35,513	911,263	-

- (1) The share-based awards are restricted share units and performance share units granted under the Long Term Incentive Plan. See “Long Term Incentive Plan” above for a description of the restricted share units and performance share units.
- (2) Excludes share-based awards for which the entitlement criteria can no longer be met.
- (3) Calculated by multiplying the number of share-based awards that may be earned by the closing market price of the Shares on the Toronto Stock Exchange on December 31, 2020, being \$25.66 and assuming the multiplier at the time of settlement for performance share units is equal to one (the actual multiplier will vary between nil and two and is contingent upon whether pre-determined escalating performance criteria are achieved).

The following table sets forth the value of option-based and share-based awards and non-equity incentive plan compensation vested or earned by the Named Executive Officers during the most recently completed financial year:

Name	Option-Based Awards – Value Vested During the Year (\$)	Share-Based Awards – Value Vested During the Year (\$) <sup>(1)</sup>	Non-equity Incentive Plan Compensation – Value Earned During the Year (\$)
Robert Brown	-	485,967	876,079
Lance Blanco	-	137,564	246,679
Faiz Karmally	-	113,712	206,504
Drew Dickinson <sup>(2)</sup>	-	115,105	332,558
Dan Besen <sup>(2)</sup>	-	107,306	273,013

- (1) The aggregate value of the share-based awards vested during the financial year is based on the closing price of the Shares on the Toronto Stock Exchange on the vesting date. In the case of restricted share units this is \$25.32. No performance share units vested in 2020.
- (2) Amounts reported in the table have been converted from United States dollars to Canadian dollars based upon the average Bank of Canada rate for that year, being US\$0.7454 = Cdn\$1.



### Pension Plan Benefits

The Company does not have a defined benefit plan or a deferred compensation plan. The Company does have a defined contribution plan. See “Defined Contribution Plan” above. The following table sets forth information in respect of the Company’s defined contribution plan for the Named Executive Officers:

Name	Accumulated Value at Start of Year (\$)	Compensatory <sup>(1)</sup> (\$)	Accumulated Value at Year End (\$)
<b>Group RRSP - Canada</b>			
Robert Brown <sup>(2)</sup>	246,504	13,615	268,953
Lance Blanco	332,843	13,615	378,651
Faiz Karmally	160,448	13,615	204,958
<b>401(k) Plan – United States</b>			
Drew Dickinson <sup>(3)</sup>	482,260	7,455	589,481
Dan Besen <sup>(3)</sup>	1,818,045	10,786	1,887,494

- (1) The amounts in the column entitled “Compensatory” are comprised of employer contributions.
- (2) Mr. Brown contributes to a spousal RRSP. The matching contributions by the Company are made to Mr. Brown’s RRSP.
- (3) Compensatory amounts reported in the table have been converted from United States dollars to Canadian dollars based upon the Bank of Canada average rate for that year, being US\$0.7454 = Cdn\$1. The accumulated value at the start of the year and accumulated value at the end of the year have been converted from United States dollars to Canadian dollars based upon the year end Bank of Canada closing rate being US\$0.7699 = Cdn\$1 and US\$0.7854 = Cdn\$1 respectively.

### Termination and Change of Control Benefits

The Company has entered into employment agreements with each of Mr. Brown, Mr. Blanco and Mr. Karmally for their services respectively as Chief Executive Officer, Senior Vice President, Corporate Development, and Chief Financial Officer. Each of the agreements provides that the employee may terminate the agreement upon three months’ notice. The Company may terminate each of the agreements for cause without notice. In the event the Company terminates the employment of Messrs. Brown, Blanco or Karmally without cause, Messrs. Brown, Blanco and Karmally will, subject to compliance with certain non-competition, non-solicitation and confidentiality obligations, be entitled to an amount equal to 1.5 times “Total Remuneration”, payable in 36 equal semi-monthly instalments. “Total Remuneration” means total gross salary and bonus earned by each of Messrs. Brown, Blanco and Karmally in respect of the calendar year immediately preceding the year in which the employment ends. Had Messrs. Brown, Blanco and Karmally been terminated on January 1, 2021 they would have received \$2,364,119, \$862,019 and \$722,256, respectively, pursuant to this obligation. In addition, if Messrs. Brown, Blanco, or Karmally are terminated without cause, they will be entitled to continue their employee benefits for a term of 12 months. If, within six months of a change of control, Messrs. Brown, Blanco or Karmally are terminated without cause, then they will be entitled to receive a payment of 2.0 times Total Remuneration, and no additional obligation will be owed to them under their employment agreement. Had Messrs. Brown, Blanco and Karmally been terminated on January 1, 2021 they would have received \$3,152,158, \$1,149,358 and \$963,008, respectively, pursuant to this obligation.

The Company has entered into an employment agreement with Mr. Dickinson for his services as President, Rugby. The agreement provides that Mr. Dickinson may terminate the agreement upon three months’ notice. The Company may terminate the agreement for cause without notice. In the event the Company terminates the employment of Mr. Dickinson without cause, Mr. Dickinson will, subject to the Company receiving a release of claims, and Mr. Dickinson’s compliance with certain non-competition, non-solicitation and confidentiality obligations, be entitled to a pro-rated amount of their annual incentive compensation and to an amount equal to 12 months base salary, payable in 12 equal semi-monthly instalments. Had Mr. Dickinson been terminated on January 1, 2021 he would have received \$735,008, respectively, pursuant to this obligation.

The Company has entered into an employment agreement with Mr. Besen for his services as Senior Vice President United States. The agreement provides that Mr. Besen may terminate the agreement upon three months' notice. The Company may terminate the agreement at any time. The agreement also provides that in the event that Mr. Besen resigns, or his employment is terminated without cause, Mr. Besen is entitled to an amount equal to 1.5 times the total remuneration, defined as total salary and bonus earned by the employee in the fiscal year immediately preceding the date of the employee's termination, which is intended to reflect the 18 month period during which the employee will be prohibited pursuant to the agreement from competing with the Company. Had Mr. Besen resigned or been terminated without cause on January 1, 2021, he would have received \$1,013,194 pursuant to this obligation. In addition, Mr. Besen will be entitled to continue his employee benefits for a term of 18 months.

Except as described above, there are no contracts, agreements, plans or arrangements that provide for payments to a Named Executive Officer at, following or in connection with any termination (whether voluntary, involuntary or constructive), resignation, retirement, a change of control of the Company or its subsidiaries or a change in the Named Executive Officer's responsibilities (excluding perquisites and other personal benefits if the aggregate of this compensation is less than \$50,000).

### Compensation of Directors

During the most recently completed financial year, each director of the Company, who is not also a Named Executive Officer, was paid an annual retainer as follows:

Position	Annual Retainer Amount (\$)
Chair	\$176,250
Director (excluding the chair)	105,000
Audit Committee chair	10,000
Compensation, Nominating and Governance Committee Chair	5,000

A minimum of 50% of the annual retainer relating to the chair and director position is required to be paid in restricted share units pursuant to the Long Term Incentive Plan and the balance in cash. Directors may elect to receive more than 50% of their retainer in restricted share units.

The following table provides a summary of compensation provided to each director of the Company, who is not also a Named Executive Officer, for the most recently completed financial year:

Name	Fees Earned (\$)	Share- Based Awards (\$) <sup>(1)</sup>	Option- Based Awards (\$)	Non-Equity Incentive Plan Compensation (\$)	Pension Value (\$)	All Other Compensatio n (\$)	Total (\$)
Peter Bull	-	105,000	-	-	-	-	105,000
Michelle Lewis	57,500	52,500	-	-	-	-	110,000
Jim Macaulay	10,000	105,000	-	-	-	-	115,000
E. Lawrence Sauder	88,125	88,125	-	-	-	-	176,250
William Sauder	-	105,000	-	-	-	-	105,000
Rob Taylor	-	105,000	-	-	-	-	105,000
Graham Wilson	52,500	52,500	-	-	-	-	105,000

(1) Share based awards consist of restricted share units granted to directors in 2020. These restricted share units vested on December 31, 2020 and were converted to Shares on that date.

The following table sets forth the value of option-based and share-based awards and non-equity incentive plan compensation vested or earned by each director of the Company, who is not also a Named Executive Officer, during the most recently completed financial year:

Name	Option-Based Awards – Value Vested During the Year (\$)	Share-Based Awards – Value Vested During the Year (\$) <sup>(1)(2)</sup>	Non-equity Incentive Plan Compensation – Value Earned During the Year (\$)
Peter Bull	-	266,442	-
Michelle Lewis	-	133,208	-
Jim Macaulay	-	266,442	-
E. Lawrence Sauder	-	210,839	-
William Sauder	-	266,442	-
Rob Taylor	-	266,442	-
Graham Wilson	-	133,208	-

- (1) The share-based awards are restricted share units granted under the Long Term Incentive Plan and are received by the directors in lieu of all or part of their annual retainer. Restricted share units granted to directors vested on December 31, 2020. The number of restricted share units received was equal to the amount of the annual retainer paid in restricted share units divided by the weighted average trading price of the Shares on the Toronto Stock Exchange five days prior to the grant date, being \$9.30 to \$21.65.
- (2) The aggregate value of the share-based awards vested during the financial year is based on closing price of the Shares on the Toronto Stock Exchange on the vesting date, being \$25.32.

The Company maintains Share ownership guidelines encouraging each non-executive director to own Shares and RSUs at least equal in value to three times the current base annual retainer received by the director for serving as a member of the board of directors or chairing the board of directors. In determining whether a director has met the minimum shareholding requirement, the total number of Shares and RSUs held by the director is valued at the greater of the: (i) actual cost; and (ii) market value, being the weighted average trading price of the Shares on the Toronto Stock Exchange for the five trading days preceding the applicable valuation date for such Shares. In the event that a director does not meet the Share ownership guidelines, then that director is required to refrain from selling any Shares held by the director until such time as the director is in compliance with the Share ownership guidelines. The following table provides a summary of the number of Shares and RSUs held by each director, who is not also a Named Executive Officer, as at December 31, 2020, the number of restricted share units held as at March 4, 2021, the total equity held, the value of such equity and the value of equity required to be held pursuant to the Share ownership guidelines:

Name	Number of Shares and RSUs <sup>(1)</sup>	Value of Shares and RSUs Held (\$) <sup>(2)</sup>	Value of Shares and RSUs Required to be Held (\$)
Peter Bull	4,443,548	123,397,328	315,000
Michelle Lewis	12,831	356,317	315,000
Jim Macaulay	26,257	729,157	315,000
E. Lawrence Sauder	225,458	6,260,969	528,750
William Sauder	82,394	2,288,081	315,000
Rob Taylor	12,007	333,434	315,000
Graham Wilson	42,580	1,182,447	315,000

- (1) The information as to the number of Shares beneficially owned, or controlled or directed, directly or indirectly, not being within the knowledge of the Company, has been based solely upon reports filed on the System for Electronic Disclosure by Insiders (SEDI) at [www.sedi.ca](http://www.sedi.ca).
- (2) Calculated by multiplying the total equity by the greater of (i) actual cost of the Shares and (ii) market value of the Shares, being the weighted average trading price of the Shares on the Toronto Stock Exchange five days prior to March 4, 2020, being \$27.77.

### Directors' and Officers' Liability Insurance

The Company and certain of its subsidiaries maintain policies of insurance for their directors and officers. Under the policies, each entity has reimbursement coverage to the extent that it has indemnified the directors and officers in excess of a deductible of \$100,000. The policy includes securities claims coverage, insuring against any legal obligation to pay on account of any securities claims brought against the Company and its subsidiaries. The total

limit of liability is shared among the insured entities and their respective directors and officers so that the limit of liability is not exclusive to any one of the entities or their respective trustees, directors and officers. The annual premium in the current financial year is \$80,934. The premiums for the policy are not allocated between the insured directors and officers as separate groups.

### SECURITIES AUTHORIZED FOR ISSUANCE UNDER SHARE COMPENSATION PLANS

The following table sets forth the compensation plans under which Shares of the Company are authorized for issuance, as of December 31, 2020, the Company's most recently completed financial year.

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights <sup>(1)</sup>	Weighted-average exercise price of outstanding option, warrants and rights <sup>(2)</sup>	Number of securities remaining available for future issuance under equity compensation plans
Equity compensation plans approved by securityholders	421,694	Nil	671,375
Equity compensation plans not approved by securityholders	Nil	Nil	Nil
Total	421,694	Nil	671,375

(1) Includes restricted share units and performance share units issuable pursuant to the Long Term Incentive Plan, and assumes the payout multiplier applicable at the time of settlement of the performance share units is at the target one times.

(2) Excludes restricted share units and performance share units issuable pursuant to the Long Term Incentive Plan.

### INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS

No director, executive officer or employee of the Company, no former director, executive officer or employee of the Company, no proposed nominee for election as a director of the Company, and no associate of any such director, executive officer or proposed nominee is, or at any time during the Company's most recently completed financial year was, indebted to the Company or indebted to another entity where such indebtedness is or has been the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by the Company, other than routine indebtedness.

### INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS

To the knowledge of the Company, no informed person of the Company, nor any proposed director, nor any associate or affiliate of any informed person or proposed director, has any material interest, direct or indirect, in any transaction since the commencement of the Company's last financial year or in any proposed transaction which has materially affected or would materially affect the Company or any of its subsidiaries and that, directly or indirectly, involves remuneration for services.

### INTEREST OF CERTAIN PERSONS IN MATTERS TO BE ACTED UPON

Except as described elsewhere in this information circular, no person who has been a director or executive officer of the Company at any time since the beginning of the Company's last financial year, no proposed nominee of management of the Company for election as director of the Company, and no associate or affiliate of any of the foregoing persons, has any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, in any matter to be acted upon at the Meeting other than the election of directors or the appointment of auditors.

### MANAGEMENT CONTRACTS

There are no management functions of the Company or any of its subsidiaries which are to any substantial degree performed by a person other than the directors or executive officers of the Company or a subsidiary, other than management functions performed by a subsidiary for another subsidiary.

## STATEMENT OF CORPORATE GOVERNANCE

A discussion of the Company's governance system within the context of National Instrument 58-101 - Disclosure of Corporate Governance Practices is attached to this Information Circular as Schedule "A".

In addition to the governance system described in Schedule "A", the Company has implemented governance systems in connection with information security risk. Oversight of information security risk is within the mandate of the Audit Committee, all the members of which are "independent" within the meaning of *National Instrument 52-110 - Audit Committees* of the Canadian Securities Administrators. Of the members of the board of directors, four have information security experience. Management reports to the board of directors periodically on information security matters. To mitigate information security risks, the Company undertakes preventative measures, including controlling access to its network and applications using secure firewalls and limiting access to an "as-needed" basis. To identify information security risks, the company uses various detection methods, including monitoring event logs for firewalls, server, mail systems, and applications. The Company periodically provides information security training to applicable employees. The Company has not experienced any information security breaches. The Company's information security standards are not audited or certified by third parties.

As it relates to sustainability, this would be within the mandate of the board of directors.

## APPOINTMENT OF AUDITORS

At the Meeting, the Shareholders will be called upon to appoint KPMG LLP, Chartered Professional Accountants, as auditors of the Company, to hold office until the next annual general meeting of the Company, at a remuneration to be fixed by the directors. KPMG LLP has acted as the auditors of the Company and its predecessor, Hardwoods Distribution Income Fund, since January 30, 2004.

**The board of directors recommend that the Shareholders vote for the appointment of KPMG LLP, Chartered Professional Accountants, as auditors of the Company, at a remuneration to be fixed by the directors.**

**Unless such authority is withheld, the management representatives named in the accompanying form of proxy intend to vote for the appointment of KPMG LLP, Chartered Professional Accountants, as auditors of the Company, to hold office until the next annual general meeting of the Company, at a remuneration to be fixed by the directors.**

## INCREASE SHARES RESERVED FOR ISSUANCE UNDER LONG TERM INCENTIVE PLAN

At the Meeting, the Shareholders will be called upon to consider an ordinary resolution to increase the number of Shares reserved and available for issuance under the Company's Long Term Incentive Plan.

The terms of the Long Term Incentive Plan are summarized under the heading "Executive Compensation – Compensation Discussion and Analysis – Elements of Compensation – Long Term Incentive Plan". The Long Term Incentive Plan is the sole share-based compensation plan of the Company.

As of the date of this Information Circular, there are awards outstanding under the Long Term Incentive Plan pursuant to which a maximum of 604,265 Shares (assumes the payout multiplier applicable at the time of settlement of the performance share units is two) may be issued (representing approximately 2.8% of the outstanding Shares of the Company). There are currently 671,375 Shares reserved and available for issuance under the Long Term Incentive Plan. The Company wishes to amend the Long Term Incentive Plan to increase the number of Shares reserved and available for issuance thereunder to 1,000,000 Shares (representing approximately 4.71% of the outstanding Shares of the Company as of the date of this Information Circular). Management believes it is necessary to amend the Long Term Incentive Plan to allow for the issuance of additional awards to eligible persons to assist the Company in attracting and retaining qualified directors, officers, employees and consultants and to further align the interests of persons to whom awards may be granted with those of the Shareholders.

Under the rules of the Toronto Stock Exchange, an amendment to increase the number of Shares reserved and available for issuance under the Long Term Incentive Plan requires approval of the Shareholders. Accordingly,

Shareholders will be called upon at the Meeting to consider an ordinary resolution (the “**Plan Resolution**”) to amend the Long Term Incentive Plan to increase the number of Shares reserved and available for issuance thereunder to 1,000,000 Shares. The full text of the Plan Resolution is set forth below:

“WHEREAS:

- A. the Company has established a long term incentive plan dated May 20, 2010, as amended (the “**Long Term Incentive Plan**”); and
- B. the Company wishes to amend the Long Term Incentive Plan to increase the number of Shares reserved and available for issuance thereunder to 1,000,000 Shares.

BE IT RESOLVED, as an ordinary resolution, THAT:

1. subject to the approval of the Toronto Stock Exchange, the amendment to the Long Term Incentive Plan to provide that the maximum number of Shares reserved and available for issuance thereunder is 1,000,000 Shares be authorized and approved;
2. notwithstanding that this resolution has been passed by the shareholders of the Company, the board of directors may revoke such resolution at any time before it is effected without further action by the shareholders; and
3. any director or officer of the Company is hereby authorized, for and on behalf of the Company, to execute and deliver all documents and instruments and to do all other things as in the opinion of such director or officer may be necessary or desirable to implement this resolution and the matters authorized hereby, such determination to be conclusively evidenced by the execution and delivery of any such document or instrument and the taking of any such action.”

To be effective, the Plan Resolution must be approved by a majority of the votes cast in person or by proxy at the Meeting on the resolution.

**The board of directors recommend that the shareholders vote for the Plan Resolution.**

**Unless such authority is withheld, the management representatives named in the accompanying Form of Proxy intend to vote for the Plan Resolution.**

#### **PARTICULARS OF OTHER MATTERS TO BE ACTED UPON**

Management knows of no matters to come before the Meeting other than those referred to in the Notice of Meeting accompanying this Information Circular. However, if any other matters properly come before the Meeting, it is the intention of management representatives named in the form of proxy accompanying this Information Circular to vote the same in accordance with their best judgment of such matters.

#### **SHAREHOLDER PROPOSALS**

Any Shareholder who intends to present a proposal at the Company’s 2022 annual general meeting of Shareholders must send the proposal to the Secretary of the Company at #306 – 9440 202<sup>nd</sup> Street, Langley, British Columbia, V1M 4A6. In order for the proposal to be included in the information circular that management of the Company sends to Shareholders for that meeting, the proposal:

- must be received by the Company no later than December 21, 2021; and
- must comply with the requirements of section 137 of the *Canada Business Corporations Act*.

The Company is not obligated to include any shareholder proposal in its information circular for the 2022 annual general meeting of Shareholders if the proposal is received after the December 21, 2021 deadline.

**ADDITIONAL INFORMATION**

Additional information relating to the Company may be found on SEDAR at [www.sedar.com](http://www.sedar.com). Additional financial information is provided in the Company's audited consolidated financial statements and management's discussion and analysis for the Company's most recently completed financial year. A copy of the Company's financial statements and management's discussion and analysis is available upon written request to the Secretary of the Company at #306 – 9440 202<sup>nd</sup> Street, Langley, British Columbia, V1M 4A6.

**APPROVAL OF CIRCULAR**

The undersigned hereby certifies that the contents and the sending of this Information Circular have been approved by the directors of the Company.

DATED at Vancouver, British Columbia, this 22<sup>nd</sup> day of March, 2021.

**BY ORDER OF THE BOARD OF DIRECTORS**

*"E. Lawrence Sauder"*  
Director

**APPENDIX “A”**

**STATEMENT OF CORPORATE GOVERNANCE PRACTICES**

<b>CORPORATE GOVERNANCE DISCLOSURE REQUIREMENT</b>	<b>OUR CORPORATE GOVERNANCE PRACTICES</b>						
<b>1. Board</b>							
(a) Disclose the identity of directors who are independent.	<p>The Board has determined that each of Peter Bull, Michelle Lewis, Jim Macaulay, Lawrence Sauder, William Sauder and Graham Wilson are “independent”. In this Appendix “A”, references to “independent” have the meaning ascribed thereto in <i>National Instrument 52-110 - Audit Committees</i> of the Canadian Securities Administrators.</p> <p>There are no familial relationships among directors, except that Lawrence Sauder and William Sauder are siblings.</p>						
(b) Disclose the identity of directors who are not independent, and describe the basis for that determination.	<p>The Board has determined that Rob Brown is not independent by virtue of being the President and Chief Executive Officer of the Company.</p>						
(c) Disclose whether or not a majority of directors are independent. If a majority of directors are not independent, describe what the board of directors (the “Board”) does to facilitate its exercise of independent judgement in carrying out its responsibilities.	<p>A majority of the directors are independent.</p>						
(d) If a director is presently a director of any other issuer that is a reporting issuer (or the equivalent) in a jurisdiction or a foreign jurisdiction, identify both the trustee/director and the other issuer.	<p>Directors who are presently a director of another reporting issuer are as follows:</p> <table border="0"> <tr> <td><i>Director</i></td> <td><i>Name of Reporting Issuer</i></td> </tr> <tr> <td>Peter Bull</td> <td>Tree Island Steel Ltd.</td> </tr> <tr> <td>Lawrence Sauder</td> <td>Interfor Corporation</td> </tr> </table>	<i>Director</i>	<i>Name of Reporting Issuer</i>	Peter Bull	Tree Island Steel Ltd.	Lawrence Sauder	Interfor Corporation
<i>Director</i>	<i>Name of Reporting Issuer</i>						
Peter Bull	Tree Island Steel Ltd.						
Lawrence Sauder	Interfor Corporation						



<b>CORPORATE GOVERNANCE DISCLOSURE REQUIREMENT</b>	<b>OUR CORPORATE GOVERNANCE PRACTICES</b>
<p>(e) Disclose whether or not the independent directors hold regularly scheduled meetings at which non-independent directors and members of management are not in attendance. If the independent directors hold such meetings, disclose the number of meetings held since the beginning of the issuer's most recently completed financial year. If the independent directors do not hold such meetings, describe what the Board does to facilitate open and candid discussion among its independent directors.</p>	<p>Non-independent directors and members of management are excluded from a portion of each regularly scheduled meeting of the Board. The Board held a total of 7 meetings during the Company's most recently completed year, at which non-independent directors and members of management were excluded from a portion of the meeting.</p>
<p>(f) Disclose whether or not the chair of the Board is an independent director. If the Board has a chair or lead director who is an independent director, disclose the identity of the independent chair or lead director, and describe his or her role and responsibilities. If the Board has neither a chair that is independent nor a lead director that is independent, describe what the Board does to provide leadership for its independent directors.</p>	<p>Lawrence Sauder is the chair of the Board and is an independent director.</p>
<p>(g) Disclose the attendance record of each director for all Board meetings held since the beginning of the issuer's most recently completed financial year.</p>	<p>The Board held a total of 7 meetings during the Company's most recently completed financial year, which were attended by all directors.</p> <p>The Audit Committee held a total of 4 meetings during the Company's most recently completed financial year, which were attended by all committee members.</p> <p>The Compensation, Nominating and Corporate Governance Committee held a total of 3 meetings during the Company's most recently completed financial year, which were attended by all committee members.</p>
<p><b>2. Board Mandate</b></p>	
<p>Disclose the text of the Board's written mandate. If the Board does not have a written mandate, describe how the Board delineates its role and responsibilities.</p>	<p>The text of the mandate of the Board (called "Terms of Reference for the Board of Directors") is attached to this Information Circular as Appendix "B".</p>

<b>CORPORATE GOVERNANCE DISCLOSURE REQUIREMENT</b>	<b>OUR CORPORATE GOVERNANCE PRACTICES</b>
<b>3. Position Descriptions</b>	
(a) Disclose whether or not the Board has developed written position descriptions for the chair and the chair of each Board committee. If the Board has not developed written position descriptions for the chair and/or the chair of each Board committee, briefly describe how the Board delineates the role and responsibilities of each such position.	The Board has developed a written position description for the chair of the Board, and the mandate for each committee of the Board contains written position descriptions for the chair of each committee.
(b) Disclose whether or not the Board and CEO have developed a written position description for the CEO. If the Board and CEO have not developed such a position description, briefly describe how the Board delineates the role and responsibilities of the CEO.	The Board and the Chief Executive Officer have developed a written position description for the Chief Executive Officer.
<b>4. Orientation and Continuing Education</b>	
(a) Briefly describe what measures the Board takes to orient new directors regarding:	
(i) the role of the Board, its committees and its directors, and	The Board have adopted a Directors Information Manual which contains, among other things, the mandates of the Board and each of the committees of the Board. This manual has been reviewed by the directors, and a copy of the manual has been provided to each of the directors.
(ii) the nature and operation of the issuer's business.	The Chief Executive Officer reviews with the Board at each Board meeting the nature and operations of the business of the Company. The Board meet with other members of senior management of the Company periodically to review each of their specific operations.
(b) Briefly describe what measures, if any, the Board takes to provide continuing education for its directors. If the Board does not provide continuing education, describe how the Board ensures that its directors maintain the skill and knowledge necessary to meet their obligations as directors.	Members of the Board are encouraged to participate in seminars and other continuing education programs for directors. The auditors periodically review at meetings of the Audit Committee of the Board the emerging standards for corporate governance, and the Board meet with independent counsel to the Company to review the governance practices of the directors and the obligations of the Board.

CORPORATE GOVERNANCE DISCLOSURE REQUIREMENT	OUR CORPORATE GOVERNANCE PRACTICES
<b>5. Ethical Business Conduct</b>	
(a) Disclose whether or not the board has adopted a written code for the directors, officers and employees. If the board has adopted a written code:	
(i) disclose how a person or company may obtain a copy of the code;	The code is available at the Canadian Securities Administrator's System for Electronic Dissemination and Retrieval (SEDAR) at <a href="http://www.sedar.com">www.sedar.com</a> .
(ii) describe how the Board monitors compliance with its code, or if the Board does not monitor compliance, explain whether and how the Board satisfies itself regarding compliance with its code; and	A copy of the code of ethical business conduct is provided to each of the directors, officers and employees of the Company, and each is requested to certify that he/she has read the code and that, to the best of his or her knowledge, information or belief, no breach of the code has occurred except those instances reported by him or her for remedial action. This certification is to be provided annually. A copy of the code will be provided to each new director, officer or employee.
(iii) provide a cross-reference to any material change report filed since the beginning of the issuer's most recently completed financial year that pertains to any conduct of a director or executive officer that constitutes a departure from the code.	No material change reports have been filed by the Company since January 1, 2020, the beginning of the Company's most recently completed financial year, that pertain to any conduct of a director or executive officer that constitutes a departure from the code.
(b) Describe any steps the Board takes to ensure directors exercise independent judgement in considering transactions and agreements in respect of which a director or executive officer has a material interest.	Each director and executive officer is required to disclose to the Board information regarding any transaction or agreement in respect of which that director or executive officer has a material interest and, in the case of a director, to abstain from voting on any matter in respect of such transaction or agreement. The Board may request the director to excuse himself or herself from the portion of any Board meeting at which such transaction or agreement is discussed.
(c) Describe any other steps the Board takes to encourage and promote a culture of ethical business conduct.	The Board encourages and promotes a culture of ethical business conduct through setting the "tone at the top" and requires the Chief Executive Officer to conduct himself in a manner that exemplifies ethical business conduct. Each director is entitled to engage outside advisors at the Company's expense in appropriate circumstances.

<b>CORPORATE GOVERNANCE DISCLOSURE REQUIREMENT</b>	<b>OUR CORPORATE GOVERNANCE PRACTICES</b>
<b>6. Nomination of Directors</b>	
(a) Describe the process by which the Board identifies new candidates for Board nomination.	The Compensation, Nominating and Corporate Governance Committee of the Board is mandated to identify new candidates for Board nomination, should the need arise.
(b) Disclose whether or not the Board has a nominating committee composed entirely of independent directors. If the Board does not have a nominating committee composed entirely of independent directors, describe what steps the Board takes to encourage an objective nomination process.	The Compensation, Nominating and Corporate Governance Committee of the Board, which has the mandate of a nominating committee, is composed entirely of independent directors.
(c) If the Board has a nominating committee, describe the responsibilities, powers and operation of the nominating committee.	The mandate of the Compensation, Nominating and Corporate Governance Committee of the Board delineates the responsibilities, powers and operation of the committee when discharging its duties as nominating committee, and is attached to this Information Circular as Appendix "C". The committee meets regularly.
<b>7. Compensation</b>	
(a) Describe the process by which the Board determines the compensation for the issuer's directors and officers.	The written mandate of the Compensation, Nominating and Corporate Governance Committee of the Board includes responsibility to review and recommend adjustments for compensation to directors as warranted in the future. Compensation for officers is reviewed annually by the Compensation, Nominating and Corporate Governance Committee of the Board. See this Information Circular under the heading "Executive Compensation – Compensation Discussion and Analysis" for a discussion on the process by which the compensation for officers is determined.
(b) Disclose whether or not the Board has a compensation committee composed entirely of independent directors. If the Board does not have a compensation committee composed entirely of independent directors, describe what steps the Board takes to ensure an objective process for determining such compensation.	The Compensation, Nominating and Corporate Governance Committee of the Board is composed entirely of independent directors.

<b>CORPORATE GOVERNANCE DISCLOSURE REQUIREMENT</b>	<b>OUR CORPORATE GOVERNANCE PRACTICES</b>
(c) If the Board has a compensation committee, describe the responsibilities, powers and operation of the compensation committee.	The mandate of the Compensation, Nominating and Corporate Governance Committee of the Board delineates the responsibilities, powers and operation of the committee when discharging its duties as a compensation committee, and is attached to this Information Circular as Appendix "C".
<b>8. Other Board Committees</b>	
If the Board has standing committees other than the audit, compensation and nominating committees identify the committees and describe their function.	The Compensation, Nominating and Corporate Governance Committee of the Board is also responsible for the corporate governance of the Company. The mandate of the Compensation, Nominating and Corporate Governance Committee delineates the responsibilities, powers and operation of the committee when discharging its duties as a corporate governance committee, and is attached to this Information Circular as Appendix "C".
<b>9. Assessments</b>	
Disclose whether or not the Board, its committees and individual directors are regularly assessed with respect to their effectiveness and contribution. If assessments are regularly conducted, describe the process used for the assessments. If assessments are not regularly conducted, describe how the Board satisfies itself that the Board, its committees, and its individual directors are performing effectively.	<p>The Board and its committees have adopted a procedure to assess the effectiveness and contribution of the directors.</p> <p>The chair of the Board annually reviews written assessments received from each director to assess the effectiveness and contribution of the directors.</p>
<b>10. Director Term Limits and Other Mechanisms of Board Renewal</b>	
Disclose whether or not the issuer has adopted term limits for the directors on its board or other mechanisms of board renewal and, if so, include a description of those director term limits or other mechanisms of board renewal. If the issuer has not adopted those director term limits or other mechanisms of board renewal, disclose why it has not done so.	The Company has not adopted term limits for directors because the Board believes the imposition of arbitrary term limits may result in an effective director being disqualified and discounts the value of experience and continuity. The Compensation, Nominating and Corporate Governance Committee of the Board is responsible for assessing the effectiveness of the Board and board renewal is one of the factors the Committee utilizes in its evaluation.

CORPORATE GOVERNANCE DISCLOSURE REQUIREMENT	OUR CORPORATE GOVERNANCE PRACTICES
<b>11. Policies Regarding the Representation of Designated Groups on the Board</b>	
<p>(a) Disclose whether the issuer has adopted a written policy relating to the identification and nomination of women, indigenous peoples (First Nations, Inuit and Métis), persons with disabilities and members of visible minorities (collectively, the “<b>Designated Groups</b>”) as directors. If the issuer has not adopted such a policy, disclose why it has not done so.</p>	<p>In 2019, the Company adopted a written board policy (the “Diversity Policy”) relating to the identification and nomination of diverse directors and women directors in particular. In 2020, the Company amended the Diversity Policy to include all members of the Designated Groups in particular. Under the Diversity Policy, diversity includes gender, sexual preference, disability, age, ethnicity, business experience, functional expertise, stakeholder expectations, culture and geography.</p>
<p>(b) If an issuer has adopted a policy referred to in (a), disclose the following in respect of the policy:</p>	
<p>(i) a short summary of its objectives and key provisions,</p>	<p>The Company is committed to a merit based system for Board composition. The Diversity Policy provides that when identifying suitable candidates for appointment to the Board, the Company will consider candidates on merit against objective criteria having due regard to the benefits of diversity and the needs of the Board. The Diversity Policy also provides that any search firm engaged to assist the Board or the Governance, Nominating and Compensation Committee in identifying candidates for appointment to the Board will be directed to include diverse candidates generally, and Designated Groups in particular, and such candidates will be included in the Board’s evergreen list of potential Board nominees.</p>
<p>(ii) the measures taken to ensure that the policy has been effectively implemented,</p>	<p>The Governance, Nominating and Compensation Committee is responsible for monitoring compliance with the Diversity Policy. The Committee will measure the representation of the Designated Groups on the Board on an annual basis and report to the Board with respect to the annual and cumulative progress in achieving the key objectives of the Diversity Policy.</p>
<p>(iii) annual and cumulative progress by the issuer in achieving the objectives of the policy, and</p>	<p>The Diversity Policy was adopted by the Company in 2019 and was expanded from women to all members of the Designated Groups in 2020. The directors of the Company self identify as being members of the following Designated Groups: one (13%) women; and none identify as indigenous peoples (First Nations, Inuit and Métis), persons with disabilities, or visible minorities.</p>
<p>(iv) whether and, if so, how the board or its nominating committee</p>	<p>To measure the effectiveness of the Diversity Policy, the Governance, Nominating and Compensation Committee will review (i) the number of members of the Designated</p>

<b>CORPORATE GOVERNANCE DISCLOSURE REQUIREMENT</b>	<b>OUR CORPORATE GOVERNANCE PRACTICES</b>
measures the effectiveness of the policy.	Groups considered or brought forward for board positions and (ii) the skills, knowledge, experience and background of any such Designated Group candidates to ensure that members of the Designated Groups are being fairly considered relative to other candidates.
<b>12. Consideration of the Representation of the Designated Groups in the Director Identification and Selection Process</b>	
Disclose whether and, if so, how the board or nominating committee considers the level of representation of the Designated Groups on the board in identifying and nominating candidates for election or re-election to the board. If the issuer does not consider the level of representation of the Designated Groups on the board in identifying and nominating candidates for election or re-election to the board, disclose the issuer's reasons for not doing so.	In accordance with the Diversity Policy, the Compensation, Nominating and Corporate Governance Committee of the Board considers the diversity of the Board, including the level of representation of the Designated Groups, as one of the factors in identifying and nominating candidates for election or re-election to the Board. The other factors that the Committee considers are: the competencies and skills that the Board considers to be necessary for the Board, as a whole, to possess; the competencies and skills that the Board considers each existing director to possess; the competencies and skills each new nominee will bring to the Board; the time and energy of the proposed nominee to devote to the tasks; and, the understanding by the proposed nominee of the nature of the business and operations of the Company.
<b>13. Consideration Given to the Representation of the Designated Groups in Executive Officer Appointments</b>	
Disclose whether and, if so, how the issuer considers the level of representation of the Designated Groups in executive officer positions when making executive officer appointments. If the issuer does not consider the level of representation of women in executive officer positions when making executive officer appointments, disclose the issuer's reasons for not doing so.	The Company considers diversity, including the level of representation of the Designated Groups, as one of the factors in making executive officer appointments. The Company also considers the skills and experience necessary for the position.
<b>14. Issuer's Targets Regarding the Representation of the Designated Groups on the Board and in Executive Officer Positions</b>	
(a) For purposes of this Item, a "target" means a number or percentage, or a range of numbers or percentages,	

<b>CORPORATE GOVERNANCE DISCLOSURE REQUIREMENT</b>	<b>OUR CORPORATE GOVERNANCE PRACTICES</b>
<p>adopted by the issuer for each group referred to in the definition for Designated Groups on the issuer's board or in executive officer positions of the issuer by a specific date.</p>	
<p>(b) Disclose whether the issuer has adopted a target regarding the Designated Groups on the issuer's board. If the issuer has not adopted a target, disclose why it has not done so.</p>	<p>The Company has not adopted a target regarding the Designated Groups on the Board. Diversity, including the level of representation by the Designated Groups, is one of the factors that the Compensation, Nominating and Corporate Governance Committee of the Board considers in identifying and nominating candidates for election or re-election to the Board. The other factors that the Committee considers are described in part 12 above. The Compensation, Nominating and Corporate Governance Committee of the Board believes all of these factors are relevant to ensure high functioning Board members and that establishing targets based upon only the Designated Groups may disqualify desirable director candidates.</p>
<p>(c) Disclose whether the issuer has adopted a target regarding the Designated Groups in executive officer positions of the issuer. If the issuer has not adopted a target, disclose why it has not done so.</p>	<p>The Company has not adopted a target regarding the Designated Groups in executive officer positions of the Company. Diversity, including the level of representation by the Designated Groups, is one of the factors that the Company considers in identifying executive officers. The other factors that the Company considers are described in part 13 above. The Company believes all of these factors are relevant to ensure appropriate executive officers and that establishing targets based upon only the Designated Groups may disqualify desirable executive officer candidates.</p>
<p>(d) If the issuer has adopted a target referred to in either (b) or (c), disclose:</p>	
<p>(i) the target, and</p>	
<p>(ii) the annual and cumulative progress of the issuer in achieving the target.</p>	
<p><b>15. Number of Members of the Designated Groups on the Board and in Executive Officer Positions</b></p>	
<p>(a) Disclose the number and proportion (in percentage terms) of directors on the issuer's board who are members of the Designated Groups.</p>	<p>The directors of the Company self identify as being members of the following Designated Groups: one (13%) women; and none identify as indigenous peoples (First Nations, Inuit and Métis), persons with disabilities, or visible minorities.</p> <p>The chair of the Nominating, Compensation, and Governance committee is a women.</p>



CORPORATE GOVERNANCE DISCLOSURE REQUIREMENT	OUR CORPORATE GOVERNANCE PRACTICES
<p>(b) Disclose the number and proportion (in percentage terms) of executive officers of the issuer, including all major subsidiaries of the issuer, who are members of the Designated Groups.</p>	<p>The Executive Officers of the Company, including all major subsidiaries, self identify as being members of the following Designated Groups: one person with disabilities (11%), one visible minority (11%); and no Executive Officers identify as women or indigenous peoples (First Nations, Inuit and Métis).</p>

## **APPENDIX “B”**

### **HARDWOODS DISTRIBUTION INC. (the “Corporation”)**

#### **TERMS OF REFERENCE OF THE BOARD OF DIRECTORS**

##### **I. PURPOSE**

These terms of reference are for the board of directors (the “Board”) of the Corporation.

The Board acknowledges that the Corporation is the sole shareholder of the general partner of Hardwoods Specialty Products LP (“Hardwoods LP”) and Hardwoods Specialty Products US LP (“Hardwoods USLP”), which carry on the business of the Corporation.

The primary responsibility of the Board is to foster the long-term success of the business of the Corporation consistent with the Board’s fiduciary responsibilities to the Corporation.

The Board has the responsibility to oversee the conduct of the business of the Corporation, the indirect responsibility to oversee the conduct of the business of Hardwoods LP and Hardwoods USLP and to supervise management which is responsible for the day-to-day conduct of business. In addition to the Board’s fundamental objective to maximize dividends made to its shareholders while preserving long-term value, in performing its functions the Board also considers the legitimate interests that other stakeholders such as employees, suppliers, customers and communities may have in the Corporation. In supervising the conduct of the business, the Board through the CEO shall set the standards of conduct for the Corporation.

##### **II. PROCEDURES AND ORGANIZATION**

The Board is to be composed of a majority of individuals who are “independent” within the meaning of National Instrument 52-110, as amended and referenced in Tab 11 of the Directors’ Information Manual. A director is independent if he or she has no direct or indirect material relationship with the Corporation. A “material relationship” is a relationship which could, in the view of the Board, be reasonably expected to interfere with the exercise of the director’s independent judgment.

The Board operates by delegating certain of its authorities, including spending authorizations, to management and by reserving certain powers to itself. The capital and maintenance authority levels are outlined in Administrative Guidelines for the Board.

The Board retains the responsibility for managing its own affairs including by:

- (a) selecting its Chair;
- (b) if the Chair is not independent, develop a procedure to provide leadership for its independent directors;
- (c) nominating candidates for election to the Board, after considering the recommendations of the Compensation, Nominating and Corporate Governance Committee;
- (d) constituting committees of the Board;
- (e) determining director compensation; and
- (f) holding regularly scheduled meetings at which members of management are not in attendance.

Subject to the by-laws of the Corporation and the *Canada Business Corporations Act*, the Board may constitute, seek the advice of and delegate powers, duties and responsibilities to committees of the Board.

### III. DUTIES AND RESPONSIBILITIES

#### *Selection of Management*

The Board has the responsibility:

- (a) to appoint and replace the CEO;
- (b) to monitor the CEO's performance;
- (c) to approve the CEO's compensation;
- (d) to provide advice and counsel in the execution of the CEO's duties; and
- (e) to the extent feasible, to satisfy itself as to the integrity of the CEO and other executive officers in order to create a culture of integrity throughout the organization.

Acting upon the advice of the CEO, and the recommendation of the Compensation, Nominating and Corporate Governance Committee, the Board has the responsibility for approving the appointment and remuneration of all corporate officers.

The Board has the responsibility for ensuring that plans have been made for management succession for executive management, including appointing, training and monitoring senior management.

#### *Orientation and Continuing Education*

The Board shall ensure that all new directors receive a comprehensive orientation. All new directors should fully understand the role of the Board and its Committees, as well as the contribution individual directors are expected to make (including, in particular, the commitment of time and energy that the Board expects from its directors); and

The Board shall provide continuing education opportunities for all directors, so that individuals may maintain or enhance their skills and abilities as directors, as well as to ensure their knowledge and understanding of the issuer's business remains current.

#### *Compliance Reporting and Corporate Communications*

The directors have the responsibility:

- (a) to ensure that the financial performance of the Corporation is adequately reported to its shareholders and regulators on a timely and regular basis;
- (b) to ensure that the financial results are reported fairly and in accordance with generally accepted accounting principles;
- (c) to ensure that the Corporation has appropriate disclosure controls and procedures that enable information to be recorded, processed, summarized and reported within the time periods required by law;
- (d) to approve and monitor compliance with all significant policies and procedures by which Hardwoods is operated;
- (e) to direct management to implement systems which are designed to ensure that Hardwoods operates at all times within applicable laws and regulations, and to the highest ethical and moral standards;

- (f) to ensure the timely reporting of any developments that are required to be disclosed by applicable law;
- (g) to report annually to its shareholders on the stewardship of the Board for the preceding year (the Annual Report);
- (h) to assist the Corporation to enable it to communicate effectively with its shareholders, stakeholders and the public generally;
- (i) to direct to management to ensure that legal requirements have been met, and that documents and records have been properly prepared, approved and maintained, including the following requirements identified in the Canada Business Corporations Act:
  - (i) to manage the affairs and business of the Corporation;
  - (ii) to act honestly and in good faith with a view to the best interests of the Corporation;
  - (iii) to exercise the care, diligence and skill of a reasonably prudent person; and
  - (iv) in particular, it should be noted that the following matters must be considered by the Board as a whole:
    - (A) to submit to the shareholders any question or matter requiring the approval of the shareholders;
    - (B) to fill a vacancy among the directors or in the office of the auditor;
    - (C) to issue securities except in the manner and on the terms authorized by the directors;
    - (D) to declare dividends;
    - (E) to purchase, redeem or otherwise acquire shares issued by Hardwoods;
    - (F) to pay a commission to any person in consideration of that person purchasing or agreeing to purchase shares of Hardwoods from Hardwoods or from any other person, or procuring or agreeing to procure purchasers for any such shares;
    - (G) to approve a management proxy circular;
    - (H) to approve a take-over bid circular or directors' circular;
    - (I) to approve any financial statements; and
    - (J) to adopt, amend or repeal by-laws of Hardwoods

#### **IV. TERMS OF REFERENCE FOR A DIRECTOR**

##### *Goals and Objectives*

As a member of the Board, each director shall:

- (a) fulfill the legal requirements and obligations of a director which includes a comprehensive understanding of the statutory and fiduciary roles;

- (b) represent the interests of all shareholders in the governance of the Corporation ensuring that the best interests of the Corporation are paramount; and
- (c) participate in the review and approval of Corporation policies and strategy and in monitoring their implementation.

*Duties and Responsibilities*

Board Activity

As a member of the Board, each director shall:

- (a) exercise good judgment and act with integrity;
- (b) use his abilities, experience and influence constructively;
- (c) be an available resource to management and the Board;
- (d) respect confidentiality;
- (e) advise the CEO and/or Chair when introducing significant and/or previously unknown information or material at a Board meeting;
- (f) understand the difference between governing and managing, and not encroach on management's area of responsibility;
- (g) identify potential conflict areas - real or perceived - and ensure they are appropriately identified and reviewed;
- (h) when appropriate, communicate with the Chair and CEO between meetings;
- (i) demonstrate a willingness and availability for one on one consultation with the Chair and CEO; and
- (j) evaluate the performance of the CEO and the Corporation.

*Preparation and Attendance*

To enhance the effectiveness of Board and committee meetings, each director shall:

- (a) prepare for Board and committee meetings by reading reports and background materials prepared for each meeting;
- (b) maintain an excellent Board and committee meeting attendance record<sup>1</sup>; and
- (c) have acquired adequate information necessary for decision making.

*Communication*

Communication is fundamental to Board effectiveness and therefore each director shall:

- (a) participate fully and frankly in the deliberations and discussions of the Board;

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<sup>1</sup> The target is 100% attendance. Anything less than 75% without extenuating circumstances, would create considerable concern for the Board.

- (b) encourage free and open discussion of the affairs of the Corporation by the Board; and
- (c) ask probing questions, in an appropriate manner and at proper times.

*Independence*

Recognizing that the cohesiveness of the Board is an important element in its effectiveness, each director shall:

- (a) be a positive force with a demonstrated interest in the success of the Corporation;
- (b) establish an effective, independent and respected presence and a collegial relationship with other Board members; and
- (c) speak and act independently.

*Committee Work*

In order to assist Corporation committees in being effective and productive, each director shall:

- (a) participate on committees and become knowledgeable with the purpose and goals of the committee; and
- (b) understand the process of committee work, and the role of management and staff supporting the committee.

*Business, Corporation and Industry Knowledge*

Recognizing that decisions can only be made by well informed directors, each director shall:

- (a) become generally knowledgeable of the Corporation's products and industry;
- (b) develop an understanding of the unique role of the Corporation within its various communities;
- (c) maintain an understanding of the regulatory, legislative, business, social and political environments within which the Corporation operates;
- (d) become acquainted with the officers of the Corporation;
- (e) remain knowledgeable about the Corporation's facilities and visit them when appropriate; and
- (f) be an effective ambassador and representative of the Corporation.

**V. ADMINISTRATIVE GUIDELINES FOR THE BOARD**

1. The Board assumes the responsibility for the stewardship of the Corporation. While, in law, the Board is called upon to manage the business, this is done by proxy through the President and Chief Executive Officer ("CEO") who is charged with the day-to-day leadership and management of the Corporation.
2. The Board has the statutory authority and obligation to protect and enhance the assets of the Corporation in the interest of all stakeholders. Although directors are elected by the shareholders to bring special expertise or a point of view to Board deliberations, the best interest of the Corporation must be paramount at all times.
3. The capital and maintenance expenditure authority levels are outlined below.

4. Terms of reference for the Board, the Chair, committees and the CEO are annually reviewed by the Compensation, Nominating and Corporate Governance Committee and any changes are recommended to the Board for approval.
5. Every year the Board review and approve a long range strategic plan and one-year operating and capital plans for the Corporation.
6. The Board has concluded that the appropriate size for the Board is eight members.
7. All directors stand for election every year.
8. The Board does not believe that directors who retire from or otherwise change their current position responsibilities should necessarily retire from the Board. There should, however, be an opportunity for the Board, through the Compensation, Nominating and Corporate Governance Committee, to review the appropriateness of continued Board membership.
9. The Board believes there should be a majority of independent directors on each board and no more than two directors who are not independent on the Board.<sup>[2]</sup>
10. The Board currently supports the concept of the separation of the role of Chair from that of the CEO. The Board is able to function independently of management when necessary and the Chair's role is to effectively manage and provide leadership to the Board and to interface with the CEO.
11. The Board will evaluate the performance of the CEO at least annually. The evaluation will be based on criteria that include the performance of the business, the accomplishment of long-term strategic objectives and other non-quantitative objectives established at the beginning of each year.
12. The CEO has the special responsibility to manage and oversee the required interfaces between Hardwoods Specialty Products LP, Hardwoods Specialty Products US LP and the public and to act as the principal spokesperson for the Corporation. This includes the responsibility for managing the equity and other financial market interfaces on behalf of the Corporation.
13. The Chair of the Board, with the assistance of the CEO, will establish the agenda for each Board Meeting. Each Board member is free to suggest the inclusion of items on the agenda.
14. The Board will meet at least four times per year and schedule meetings one year in advance.
15. Materials will be delivered at least three days in advance of meetings for items to be acted upon. Presentations on specific subjects at Board meetings will only briefly summarize the material sent to directors so that discussion can be focused on issues relevant to the material.
16. The Board encourages the CEO to bring employees into Board meetings who can provide additional insight into the items being discussed because of personal involvement in these areas, and/or employees who represent future potential who the CEO.
17. The Board is responsible, in fact as well as in procedure, for selecting candidates for Board membership. The Board delegates the screening process to the Compensation, Nominating and Corporate Governance Committee of the Corporation.

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<sup>[2]</sup> A director is independent if he or she has no direct or indirect material relationship with the Corporation or any of its subsidiaries. A "material relationship" is a relationship which could, in the view of the Board, be reasonably expected to interfere with the exercise of a director's independent judgment. The meaning of independence, as contained in National Instrument 52 – 110 as amended and referenced in Tab 11 of the Directors' Information Manual.

18. The Compensation, Nominating and Corporate Governance Committee will annually assess the effectiveness of the Board and their respective committees.
19. Committees established by the Board analyze in depth policies and strategies, usually developed by management, which are consistent with their terms of reference. They examine proposals and where appropriate make recommendations to the full Board. Committees do not take action or make decisions on behalf of the Board unless specifically mandated to do so.
20. The current committees of the Board are the Audit Committee and the Compensation, Nominating and Corporate Governance Committee. From time to time the Board may create ad hoc committees to examine specific issues on behalf of the Board.
21. Committee members and Committee Chairs are appointed by the directors and the Board respectively, and where possible, consideration is given to having directors rotate their committee assignments.
22. Committees annually review their terms of reference and changes are recommended to the Board through the Compensation, Nominating and Corporate Governance Committee for approval.
23. Succession and management development plans will be reviewed by the Compensation, Nominating and Corporate Governance Committee and reported annually by the CEO to the Board.
24. The Board ensures new directors are appropriately introduced to the Corporation and its industry and that those directors receive the necessary ongoing industry training and development.
25. The Board meets during each meeting on an “in camera” basis without management present.
26. The Board and committees may engage separate independent counsel and/or advisors at the expense of the Corporation. An individual director may engage separate independent counsel and/or advisors at the expense of the Corporation in appropriate circumstances with the approval of the Chair.
27. Attached to these Administrative Guidelines is the Forward Agenda for the Board of Directors.
28. These Guidelines are reviewed and approved annually by the Board.

**Capital and Maintenance Expenditure Authority Levels**

<b>President and Chief Executive Officer</b> Authority Level in Excess of Amount in Approved Budget
\$250,000.00



## HARDWOODS DISTRIBUTION INC.

## BOARD OF DIRECTORS FORWARD AGENDA

<b>Meeting Timing Agenda Items:</b>	<b>Q1</b>	<b>Q2</b>	<b>Q3</b>	<b>Q4</b>
<b>A. Governance</b>				
Annual Meeting		X		
Director/Board Performance Review	X			
CEO Performance Review	X			
Director Nominating Report	X			
Appoint Officers		X		
Appoint Committees		X		
Set Record Date for AGM	X			
Review Committee Terms of Reference	X			
Review disclosure controls and procedures.				X
<b>B. Financial</b>				
Quarterly Results	X	X	X	X
Year End Results	X			
Audit Committee Report	X	X	X	X
<b>C. Plans and Strategies</b>				
Strategic Plan	X			X
Operating Plan, Capital Budgets				X
Succession Plan	X			
Compensation Plans	X			X
<b>D. Operations</b>				
CEO Report	X	X	X	X
Review of Key Corporate Policies		X		
<b>E. Other</b>				
Director Consents/Disclosure Letters	X			
Annual Statutory Disclosure Documents	X			

## APPENDIX “C”

### HARDWOODS DISTRIBUTION INC. (the “Corporation”)

#### TERMS OF REFERENCE FOR THE COMPENSATION, NOMINATING AND CORPORATE GOVERNANCE COMMITTEE

## I. PURPOSES

The purpose of the Compensation, Nominating and Corporate Governance Committee (the “Committee”) is to provide a focus on board of directors (the “Board”) governance that will enhance performance, to assess and make recommendations regarding Board effectiveness, and to establish a process for identifying, recruiting and recommending candidates for membership on the Board. Ultimately the full Board recommends the election of directors.

The purpose of the Committee is also to establish a plan of continuity for executives and other key employees, and to ensure a broad plan of executive compensation is established that is competitive and motivating in order to attract, hold and inspire the Executive Management and other key employees and to oversee compliance by Executive Management with the Corporation’s Code of Corporate Behaviour.

For the purposes hereof, “Executive Management” means all members of the Executive of the Corporation and its subsidiaries (collectively, “Hardwoods”) and such other officers of subsidiaries of Hardwoods as may be designated by the Board.

## II. COMPOSITION AND TERMS OF OFFICE

Following each annual meeting of shareholders of the Corporation, the Board shall appoint not less than three members to the Committee. Unless otherwise approved by the Board, each member of the Committee shall meet all applicable independence<sup>2</sup> and other requirements of law.

The Committee Chair shall be appointed by the Board who, unless otherwise approved by the Board shall be an independent director.

If the Committee is not composed entirely of independent directors, develop procedures to ensure an objective process for determining compensation and nominee, and otherwise discharging the duties of the Committee.

Any Committee member may be removed or replaced at any time by the Board and shall cease to be a member upon ceasing to be a director of the Corporation. Each member shall hold office until the close of the next annual meeting of shareholders of the Corporation or until the member resigns or is replaced, whichever first occurs.

The Committee shall meet at least annually per year. Additional meetings may be held as deemed necessary by the Committee Chair or as requested by any member.

A quorum for the transaction of business at all meetings of the Committee shall be a majority of the authorized number of members. Questions arising at any meeting shall be determined by a majority of votes of the members present, and in case of an equality of votes the Chair shall have a second casting vote.

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<sup>2</sup> A director is independent if he or she has not direct or indirect material relationship with the Corporation or any of its subsidiaries. A “material relationship” is a relationship which could, in the view of the Board of Directors, be reasonable expected to interfere with the exercise of a director’s independent judgment. The meaning of independence, as contained in National Instrument 52 – 110 as amended and referenced in Tab 11 of the Directors’ Information Manual.

The Committee may invite such directors, officers and employees of the Corporation as it may see fit from time to time to attend meetings and assist in the discussion and consideration of the business of the Committee, but without voting rights.

A resolution approved in writing by all the members shall be as valid and effective as if it had been passed at a meeting duly called and constituted. Such resolution may be in two or more counterparts which together shall be deemed to constitute one resolution in writing. Such resolution shall be filed with the minutes of the proceedings of the Committee and shall be effective on the date stated thereon or on the latest date stated on any counterpart.

The Committee shall keep regular minutes of proceedings and shall cause them to be recorded in books kept for that purpose, and shall report the same to the Board at such times as the Board may, from time to time, require.

The Secretary of the Committee shall be such person as it deems appropriate.

The Committee shall have the authority to engage and compensate any outside advisor that it determines to be necessary to permit it to carry out its duties.

The Committee shall have the authority to delegate any of its duties and responsibilities to individual members or subcommittees.

### **III. CHAIR OF THE COMMITTEE**

The Chair of the Committee shall:

- (a) call and conduct the meetings of the Committee;
- (b) be entitled to vote to resolve any ties;
- (c) prepare and forward to members of the Committee the agenda for each meeting of the Committee, and include, in the agenda, any items proposed for inclusion in the agenda by any member of the Committee;
- (d) review with the CEO the Corporation's policies and strategies in determining the compensation of its executive officers and employees;
- (e) engage, on behalf of the Committee and the Board, independent consultants to advise the Committee on the compensation strategies and policies of the Corporation;
- (f) appoint a secretary to take minutes of the meetings of the Committee; and
- (g) act in a manner that the Committee meetings are conducted in an efficient, effective and focused manner.

### **IV. DUTIES AND RESPONSIBILITIES**

#### **Nominations**

Subject to the powers and duties of the Board, the Board hereby delegates to the Committee the following powers and duties to be performed by the Committee on behalf of and for the Board.

The Committee shall:

- (a) annually develop and update a long term plan for the composition of the Board that takes into consideration the current strengths, skills and experience on the Board, retirement dates and the strategic direction of Hardwoods;

- (b) prior to nominating or appointing individuals as directors, the Board should adopt a process involving the following steps:
  - (i) considering what competencies and skills the board, as a whole, should possess; and
  - (ii) assessing what competencies and skills each existing director possesses, by considering the Board as a group and paying attention to the personality and other qualities of each director.
- (c) in consultation with the Chair of the Board recommend to the Board nominees for election and re-election as members of the Board, considering the following:
  - (i) the competencies and skills that the Board considers to be necessary for the Board, as a whole, to possess;
  - (ii) the competencies and skills that the Board considers each existing director to possess;
  - (iii) the competencies and skills each new nominee will bring to the Board; and
  - (iv) the time and energy of the proposed nominee to devote to the task and who understands the nature of the business and operation of Hardwoods.
- (d) review, monitor and make recommendations regarding new director orientation and the ongoing development of existing members of the Board.

### **Corporate Governance**

Subject to the powers and duties of the Board, the Board hereby delegates to the Committee the following powers and duties to be performed by the Committee on behalf of and for the Board.

The Committee shall:

- (a) develop and monitor Hardwoods' overall approach to corporate governance issues and, subject to approval by the Board, implement and administer the system;
- (b) advise the Board or any of the committees of the Board of any corporate governance issues, which the Committee determines ought to be considered by the Board or any such committees;
- (c) assess the independence and qualifications of the members of each of the Committees of the Board as required by applicable law and make recommendations to the Board regarding the composition of such committees;
- (d) review with the Board, on a regular basis, but not less than annually, the role of the Board, the terms of reference for each of the committees of the Board, the Chair and the CEO;
- (e) review with the Board, on a regular basis, the methods and processes by which the Board fulfils its duties and responsibilities, including without limitation:
  - (i) the size of the Board, with a view to facilitating effective decision making;
  - (ii) the number and content of meetings;
  - (iii) the annual schedule of issues to be presented to the Board at its meetings or those of its committees;

- (iv) material which is to be provided to the directors generally and with respect to meetings of the Board or its committees;
- (v) resources available to the directors; and
- (vi) the communication process between the Board and management;
- (f) be responsible for the management and administration of a system, which enables a committee or an individual director to engage separate independent counsel and/or advisors at the expense of Hardwoods in appropriate circumstances;
- (g) make recommendations to the Board regarding changes or revisions to the Board Manual;
- (h) establish and administer a process (including a review by the full Board and discussion with management) for assessing the effectiveness of the Board as a whole and committees of the Board;
- (i) monitor compliance by Executive Management with Hardwoods' Code of Corporate Behaviour, including reviewing with legal counsel the adequacy and effectiveness of Hardwoods' procedures to ensure proper compliance. The Committee shall also recommend amendments to the Hardwoods' Code of Corporate Behaviour to the Board, as the Committee deems appropriate;
- (j) recommend to the Board an appropriate evaluation process for the Board as a whole and, at the appropriate time, directors individually;
- (k) recommend the directors' compensation plan to the Board;
- (l) when/if the Chair of the Board and the CEO are combined, function as a forum for concerns of individual directors about matters that are not readily or easily discussed at full meetings of the Board;
- (m) prepare recommendations for the Board regarding any reports required or recommended on corporate governance (e.g. public reports required to meet the TSX or securities commission guidelines);
- (n) annually review and set the Board Forward Agenda; and
- (o) have such other powers and duties as delegated to it by the Board.

### **Compensation/ Human Resources**

Subject to the powers and duties of the Board, the Board hereby delegates to the Committee the following powers and duties to be performed by the Committee on behalf of and for the Board.

The Committee shall:

- (a) review the organizational structure and report any significant organizational changes, along with the Committee's recommendations, to the Board;
- (b) review and approve corporate goals and objectives relevant to CEO compensation, evaluating the CEO's performance in light of those corporate goals and objectives, and determining (or making recommendations to the Board with respect to) the CEO's compensation level based on this evaluation;

- (c) review management's succession plans for Executive Management, including specific development plans and career planning for potential successors prior to their presentation to the Board by the CEO;
- (d) review the compensation philosophy and guidelines for Executive Management, for recommendation to the Board for its consideration and approval;
- (e) review and recommend the compensation of each member of Executive Management, and report its broad conclusions to the Board for its consideration and approval;
- (f) recommend to the Board for consideration and approval any long term incentive plan, stock option plan, pension plan or employee benefit plan to be granted to Executive Management and guidelines with respect thereto;
- (g) with respect to long term incentive plans or the granting of stock options to Executive Management:
  - (i) in conjunction with management, administer such long term incentive plan, stock option plans or other benefit plans as determined and established by the Board to be granted to Executive Management;
  - (ii) review management's recommendations for and, subject to confirmation by the Board, approve the granting of stock options or awards under a long term incentive plan to Executive Management and other key employees of Hardwoods and its subsidiaries; and
  - (iii) suggest and review any amendments which the Committee considers necessary to any employee stock option plan or long term incentive plan and make recommendations to the Board with respect to those amendments; provided however, that all amendments to such plans shall be subject to the consideration and approval of the Board;
- (h) within any guidelines established by the Board:
  - (i) in conjunction with management, administer the matching contribution plan;
  - (ii) suggest and review any amendments which the Committee considers for the matching contribution plan and make recommendations to the Board for the consideration and approval of the Board; provided however, that all amendments to such plans be subject to the consideration and approval of the Board;
- (i) subject to the approval of the Board, review and approve benefits other than those applicable to employees generally to be granted to Executive Management including levels and types of benefits;
- (j) approve and recommend to the Board any changes in the benefit provisions of any pension plan;
- (k) consider and make recommendations to the Board for its approval all matters concerning incentive awards, perquisites and other remuneration matters with respect to Executive Management;
- (l) oversee the selection of and terms of reference for outside consultants to review the Executive Management compensation program as appropriate;
- (m) with respect to boards of directors of unrelated corporations which operate for profit and which compensate members of their boards and/or significant commitments with respect to non-profit organizations:
  - (i) review a limit on the number of such boards on which individual members of senior management may participate;

- (ii) receive notice of proposed membership by a member of senior management and upon consultation with the CEO have a right to object to such membership; and
- (iii) confirm in writing, through the CEO, to such member of senior management that Hardwoods shall not indemnify the employee nor be exposed to liability with respect to the employee's participation on such board;
- (n) lead and implement the CEO's review process and report the results of the process to the Board;
- (o) review and approve the Compensation Committee Report for publication in the annual information circular and other applicable regulatory reports; and
- (p) have such other powers and duties as delegated to it by the Board.

## **V. ACCOUNTABILITY**

The Committee shall report to the Board at its next regular meeting all such action it has taken since the previous report.

The Committee is authorized to request the presence at any meeting, but without voting rights, of a representative from the external advisors, senior management, legal counsel or anyone else it considers to be able contribute substantively to the subject of the meeting and assist in the discussion and consideration of the business of the Committee, including directors, officers and employees of Hardwoods.

## **VI. REGULAR BOARD ASSESSMENTS**

The Board, its Committees and each individual director should be assessed regarding his, her or its effectiveness and contribution. An assessment should consider:

- (a) in the case of the Board or a Committee, its mandate or charter, and
- (b) in the case of an individual director, the applicable position description(s), as well as the competencies and skills each director is expected to bring to the Board.

## **VII. FORWARD AGENDA**

A. The attached forward agenda pages outline the Committee's schedule of activities during the year.

**HARDWOODS DISTRIBUTION INC.****Compensation, Corporate Governance and Nominating Committee Forward Agenda****Governance Timetable:**

<b>Meeting Timing Agenda Item</b>	<b>Q1</b>	<b>Q2</b>	<b>Q3</b>	<b>Q4</b>
1. Board Composition				
(a) Review Board composition and succession	X			
(b) Recommend nominees for election and re-election	X			
2. Review independence and qualifications of Committee members	X			
3. Review director orientation program	X			
4. Review Board Manual	X			
5. Set forward agendas for the Board	X			
6. Review Committee Terms of Reference	X			
7. Review Code of Corporate Behaviour	X			
8. Review Board, Chair and committee performance	X			
9. Review Board compensation	X			
10. Approve statutory disclosure re: governance	X			

**Compensation Timetable:**

<b>Meeting Timing Agenda Item</b>	<b>Q1</b>	<b>Q2</b>	<b>Q3</b>	<b>Q4</b>
<b>A. Human Resource Systems</b>				
1. Review compensation philosophy				X
2. Review organization structure				X
3. Review succession and development plans				X
4. Select and retain outside review of compensation				X
5. Conduct CEO's review process	X			



<b>Meeting Timing Agenda Item</b>	<b>Q1</b>	<b>Q2</b>	<b>Q3</b>	<b>Q4</b>
<b>B. Reports</b>				
1. Review and approve compensation report for annual information circular	X			
<b>C. Executive Compensation Policies</b>				
1. Consider new long term incentive plan, stock option, pension or benefit plans for Executive Management				X
2. Consider amendments to existing, pension or benefit plans for Executive Management			-	X
3. Approve benefits other than those applicable to employees generally, to be granted to Executive Management				X
<b>D. Policy Administration</b>				
1. Recommend compensation of each Member of Executive Management				X
2. Administer Matching Contribution Plan				X
3. Review key human resources policies				X
<b>E. Other</b>				
1. Review limits for senior management participation on outside Board				X
2. Receive notice of proposed memberships on outside Board				X
3. Confirm in writing non-indemnification of senior management on outside Board				X