


# CANWEL BUILDING MATERIALS GROUP LTD.

## NOTICE OF ANNUAL GENERAL MEETING

## OF SHAREHOLDERS

## AND

## MANAGEMENT INFORMATION CIRCULAR

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**ANNUAL GENERAL MEETING OF SHAREHOLDERS**

**TO BE HELD ON MAY 9, 2017**

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These materials require your immediate attention. Should you not understand the contents of this document, please consult your professional advisors.

**CANWEL BUILDING MATERIALS GROUP LTD.**

**NOTICE OF ANNUAL GENERAL MEETING OF SHAREHOLDERS**

**NOTICE IS HEREBY GIVEN** that the annual general meeting (the "**Meeting**") of holders (the "**Shareholders**") of common shares ("**Common Shares**") of CanWel Building Materials Group Ltd. (the "**Corporation**") will be held at [The Vancouver Club, 915 West Hastings Street, Vancouver, BC], on Tuesday, the 9th day of May, 2017 at 1:00 p.m. (Vancouver time) for the following purposes:

1. **TO RECEIVE** the financial statements of the Corporation, for the year ended December 31, 2016, together with the report of the auditors thereon;

2. **TO ELECT** directors for the ensuing year;

3. **TO APPOINT** auditors of the Corporation and authorize the directors to fix their remuneration; and

4. **TO TRANSACT** such other business as may properly come before the Meeting or any postponement or adjournment thereof.

As a holder of Common Shares, you are entitled to attend the Meeting and to cast one vote for each Common Share that you own. If you are a registered Shareholder ("**Registered Shareholder**") and are unable to attend the Meeting, you will still be able to vote on the items of business set out above by completing a form of proxy, included with this Information Circular. **To be valid, registered Shareholders must submit the form of proxy not later than 1:00 p.m. (Vancouver time) on May 5, 2017 or, if the Meeting is adjourned or postponed, not later than 48 hours (excluding Saturdays, Sundays and statutory holidays) preceding the time for any reconvened meeting, at the offices of CST Trust Company, P.O. Box 721, Agincourt, ON M1S 0A1, or fax it to CST Trust Company, Attention: Proxy Department at 416.368.2502, or 1.866.781.3111 (toll free within North America).**

If you are a non-registered beneficial Shareholder, you must follow the instructions provided by your broker, securities dealer, bank, trust company or similar entity in order to vote your Common Shares.

The accompanying Information Circular provides additional information relating to the matters to be dealt with at the Meeting and forms part of this notice.

**DATED** at Vancouver, British Columbia this 30th day of March, 2017.

**BY ORDER OF THE BOARD OF DIRECTORS OF CANWEL BUILDING MATERIALS GROUP LTD.**

"*Amar S. Doman*"
Chair of the Board of Directors
CanWel Building Materials Group Ltd.

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# CANWEL BUILDING MATERIALS GROUP LTD.

## MANAGEMENT INFORMATION CIRCULAR

**Dated as of March 30, 2017**

## INTRODUCTION

This management information circular (the "**Information Circular**") is furnished in connection with the solicitation by or on behalf of management of CanWel Building Materials Group Ltd. (the "**Corporation**") of proxies to be used at the annual general meeting (the "**Meeting**") of holders (the "**Shareholders**") of common shares ("**Common Shares**") of the Corporation to be held on May 9, 2017 at The Vancouver Club, 915 West Hastings Street, Vancouver, BC, commencing at 1:00 p.m. (Vancouver time) and at any postponement or adjournment thereof, for the purposes set forth in the accompanying notice of meeting (the "**Notice of Meeting**").

Enclosed with this Information Circular and the attached Notice of Meeting is a form of proxy (a "**Form of Proxy**") for use in connection with the Meeting.

Unless the context indicates otherwise, all references to the "**Corporation**" or "**CanWel**" refer to CanWel Building Materials Group Ltd., successor to CanWel Holdings Corporation and, as applicable, its predecessor, CanWel Building Materials Income Fund (the "**Fund**"). All references to "*CanWel Group*" refer to the Corporation, together with the operations controlled and consolidated by it, unless otherwise indicated.

### The Corporation

The Corporation is the successor to the Fund. The Corporation was created from the continuation of CanWel Holdings Corporation, which was the immediate successor to the Fund following the completion of the conversion of the Fund from an income trust to a corporation by way of a court-approved plan of arrangement under the *Business Corporations Act* (British Columbia) (the "**BCBCA**") on February 1, 2010 (the "**2010 Conversion**"). The Fund had been created effective May 18, 2005 when CanWel Building Materials Ltd., the predecessor to the Fund, converted into an income trust (the "**2005 Conversion**"). The 2010 Conversion effectively reversed the 2005 Conversion and, on February 1, 2010, the holders of units of the Fund ("**Trust Units**") and the holders of Class B exchangeable limited partnership interests ("**Exchangeable LP Units**") of CanWel Holding Partnership exchanged their Trust Units and Exchangeable LP Units (and associated special voting units of the Fund) for Common Shares on a one-for-one basis. Following completion of the 2010 Conversion, the Fund and certain of its subsidiary entities were dissolved as these entities were no longer required in a corporate structure. The Corporation was incorporated under the BCBCA on December 11, 2009 and was continued to the Federal jurisdiction on May 11, 2010 following CanWel's 2010 annual and special meeting.

### Cautionary Statement on Forward-Looking Statements

This Information Circular contains forward-looking information and other forward-looking statements within the meaning of applicable Canadian securities laws that involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of the CanWel Group or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. When used in this Information Circular, such statements may contain words as "may," "will," "intend," "should," "expect," "believe," "outlook," "predict," "remain," "anticipate," "estimate," "potential," "continue", "plan," "could,"

"might," "project," "targeting" or the negative of these terms or other similar terminology. Forward-looking information in this Information Circular includes, without limitation, statements regarding management's beliefs, intentions, results, performance, goals, achievements, future events, plans and objectives, business strategy, access to capital, dividends, taxes, capital expenditures, projected costs, and similar statements concerning anticipated future events, results, achievements, circumstances, performance or expectations that are not historical facts. These statements reflect management's current expectations regarding future events and operating performance, are based on information currently available to management and speak only as of the date of this Information Circular.

All forward-looking statements in this Information Circular are qualified by these cautionary statements. Forward-looking statements involve significant risks and uncertainties, should not be read as guarantees of future performance or results, should not be unduly relied upon and will not necessarily be accurate indications of whether or not such results will be achieved. Factors that could cause actual results to differ materially from the results discussed in the forward-looking statements, include, but are not limited to: changes in Canadian income tax law, actual future market conditions being different than anticipated by management, actual future operating financial results of the Corporation being different than anticipated by management, and risks described in the Corporation's annual information form dated March 30, 2017 under the heading "Risk Factors". Forward-looking information is based on various material factors or assumptions, which are based on information currently available to the Corporation. Material factors or assumptions that were applied in drawing a conclusion or making an estimate set out in the forward-looking information may include, but are not limited to: the financial and operating attributes of the CanWel Group as of the date hereof, assumptions regarding the performance of the Canadian and US economy the relative stability of interest rates, volatility of commodity prices and more limited availability of access to equity and debt capital markets to fund, at acceptable costs, the Corporation's future plans or future growth plans, the implementation and success of the integration of completed acquisitions, the ability of the Corporation to refinance its debts as they mature, the Canadian and US housing and building materials markets, the amount of the Corporation's cash flow from operations; tax laws; and the extent of the Corporation's future acquisitions and capital spending requirements or planning as well as the general level of economic activity (and the impact of macroeconomic events in other sectors such as oil and gas pricing and foreign exchange and interest rates), in Canada, and abroad, discretionary spending and unemployment levels. Readers are cautioned that the preceding list of material factors or assumptions is not exhaustive. Although the forward-looking statements contained in this Information Circular are based upon what management believes are reasonable assumptions, the Corporation cannot assure readers that actual results will be consistent with these forward-looking statements.

The forward-looking statements contained in this Information Circular are made as of the date of this Information Circular and should not be relied upon as representing the Corporation's views as of any date subsequent to the date of this Information Circular. The Corporation assumes no obligation to update or revise these forward-looking statements to reflect new information, events, circumstances or otherwise, except as required by applicable law.

**References to Currency**

Unless otherwise stated, all references in this Information Circular to monetary amounts are expressed in Canadian dollars. All references to "$" are to Canadian dollars and all references to "US$" are to United States dollars.

## PROXY SOLICITATION AND VOTING

### Common Shares

The Corporation has outstanding one class of shares that entitles holders to vote at meetings of Shareholders, being the Common Shares. Each Common Share outstanding on the Record Date (as defined below) is entitled to one vote on all matters to be voted on at the Meeting.

### Registered Shareholders

A registered Shareholder (a "**Registered Shareholder**") is a Shareholder who holds Common Shares in his, her or its own name (that is, not in the name of, or through, an intermediary such as a broker, securities dealer, bank, trust company or similar entity (an "**Intermediary**")). A Registered Shareholder may attend the Meeting and cast one vote for each Common Share registered in the name of such Registered Shareholder on any and all resolutions put before the Meeting. If such Registered Shareholder does not wish to vote for any matter proposed at the Meeting, he, she or it may withhold their vote from, or vote their Common Shares against, as applicable, any resolution at the Meeting.

A Registered Shareholder who is unable to attend the Meeting, or does not wish to personally cast his, her or its votes, may authorize another person at the Meeting to vote on his, her or its behalf. This is called voting by proxy. See "Appointment and Revocation of Proxies" below for information concerning the process for voting by proxy.

### Non-Registered Shareholders

**Information set forth in this section is very important to persons who hold Common Shares otherwise than in their own name.** A non-registered Shareholder (a "**Beneficial Holder**") is a Shareholder who holds his, her or its Common Shares through an Intermediary. Such Intermediary is the registered holder of the Beneficial Holder's Common Shares and is the entity legally entitled to vote those Common Shares at the Meeting. Common Shares that are listed in an account statement provided to a Shareholder by a broker are probably not registered in the Shareholder's own name on the records of the Corporation; such Common Shares are more likely registered in the name of the Shareholder's broker or an agent of the broker. Only proxies deposited by Registered Shareholders can be recognized and acted upon at the Meeting.

*These shareholder materials are being sent to both Registered Shareholders and Beneficial Holders of the Common Shares. If you are a Beneficial Holder, and the Corporation or its agent has sent these materials directly to you, your name and address and information about your holdings of Common Shares, have been obtained in accordance with applicable securities regulatory requirements from the Intermediary holding on your behalf.*

In order for a Beneficial Holder to vote his, her or its Common Shares at the Meeting, they must carefully follow the procedures and instructions received from the Intermediary. Applicable regulatory policy in Canada requires Intermediaries to seek voting instructions from Beneficial Holders in advance of Shareholders' meetings. Instead of completing the Form of Proxy provided to Registered Shareholders, Beneficial Holders will be asked to complete and deliver a different form to their respective Intermediaries. This form will instruct the Intermediary how to vote on behalf of the Beneficial Holder.

Most brokers now delegate responsibility for obtaining instructions from Beneficial Holders to Broadridge Financial Solutions (Canada) Inc., ("**Broadridge**"). Broadridge typically prepares a machine-readable voting instruction form, mails those forms to Beneficial Holders and asks Beneficial Holders to return the forms to Broadridge. Broadridge then tabulates the results of all instructions received and

provides appropriate instructions representing the voting of Common Shares to be represented at the Meeting. A Beneficial Holder receiving a Broadridge voting instruction form cannot use that voting instruction form to vote Common Shares directly at the Meeting. The voting instruction form must be returned to Broadridge well in advance of the Meeting in order to have the Common Shares voted.

Although Beneficial Holders may not be recognized directly at the Meeting for the purposes of voting Common Shares registered in the name of an Intermediary, a Beneficial Holder may attend at the Meeting as proxyholder for the registered holder (i.e., the Intermediary) and vote their Common Shares in that capacity. Beneficial Holders who wish to attend the Meeting and indirectly vote their own Common Shares as proxyholder for the registered holder should enter their own names in the blank space on the voting instruction form provided to them and return the same to their Intermediary, in accordance with the instructions provided by such Intermediary, well in advance of the Meeting.

**Solicitation of Proxies**

The solicitation of proxies for the Meeting will be made primarily by mail, but proxies may also be solicited personally or by telephone on behalf of management of the Corporation. The cost of the solicitation will be borne by the Corporation. The information contained herein is given as at March 24, 2017, except where otherwise noted.

**Appointment and Revocation of Proxies**

The Form of Proxy enclosed with this Information Circular is a form of proxy that Registered Shareholders may use to authorize another person to vote on their behalf at the Meeting. The persons named in the Form of Proxy are directors and/or officers of the Corporation. **A Shareholder who wishes to appoint some other person to represent him, her or it at the Meeting may do so by crossing out the names of directors and/or officers of the Corporation pre-printed on the enclosed Form of Proxy and inserting such other person's name in the blank space provided in the Form of Proxy. Such other person need not be a Shareholder of the Corporation.**

To be valid, proxies must be deposited at the offices of CST Trust Company, P.O. Box 721, Agincourt, ON M1S 0A1, Attention: Proxy Department, or fax to CST Trust Company, Attention: Proxy Department at 416.368.2502, or 1.866.781.3111 (toll free within North America), at any time up to and including 1:00 p.m. (Vancouver time) on May 5, 2017. If the Meeting is postponed or adjourned, proxies must be deposited not later than 48 hours (excluding Saturdays, Sundays and statutory holidays) preceding the time of any reconvened meeting at which the proxy is to be used.

A Shareholder who has given a proxy may revoke the proxy: (a) by completing and signing another Form of Proxy bearing a later date and depositing it as aforesaid; (b) by depositing an instrument in writing executed by the Shareholder or by his or her attorney authorized in writing or, if the Shareholder is a corporation, under its corporate seal or by an officer or attorney thereof duly authorized, at the Proxy Department, CST Trust Company, P.O. Box 721, Agincourt, ON M1S 0A1 or fax to CST Trust Company, Attention: Proxy Department at 416.368.2502, or 1.866.781.3111 (toll free within North America) at any time up to and including the last business day preceding the day of the Meeting, or any postponement or adjournment thereof, at which the proxy is to be used; or (c) in any other manner permitted by law.

**Voting of Proxies**

The persons named in the accompanying Form of Proxy will vote the Common Shares in respect of which they are appointed, on any ballot that may be called for, in accordance with the instructions of the Shareholder as indicated on the proxy. In the absence of such specification, such Common Shares will be

voted: (a) FOR the election of the nine nominees to the board of directors of the Corporation listed under the heading "Business of the Meeting – Election of Directors"; and (b) FOR the appointment of Ernst & Young LLP as auditors of the Corporation and authorizing the directors to fix their remuneration.

The persons appointed under the Form of Proxy are conferred with discretionary authority with respect to amendments to, or variations of matters identified in the Form of Proxy and Notice of Meeting, and with respect to any 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, it is the intention of the persons designated in the enclosed Form of Proxy to vote in accordance with their best judgment on such matter of business. At the time of printing this Information Circular, the board of directors of the Corporation (the "**Directors**" or "**Board of Directors**") knew of no such amendments, variations or other matter.

**Advance Notice By-Law**

The Corporation's By-Law No.2 (the "**Advance Notice By-Law**"), which sets out advance notice requirements for nominations of persons for election to the Board are made by Shareholders other than pursuant to: (a) a requisition of a meeting made pursuant to the provisions of the *Canada Business Corporations Act* (Canada) (the "**CBCA**"); or (b) a Shareholder proposal made pursuant to the provisions of the CBCA, was confirmed by shareholders at the 2014 Annual and Special Meeting of Shareholders of the Corporation. Among other things, the Advance Notice By-Law fixes a deadline by which Shareholders must submit director nominations to the Corporation prior to any annual or special meeting of Shareholders and sets forth the information that a Shareholder must include in the notice to the Corporation. In the case of an annual meeting of Shareholders, notice to the Corporation must be provided not less than 30 days and not more than 65 days prior to the date of the annual meeting. In the case of a special meeting of Shareholders (which is not also an annual meeting), notice to the Corporation must be provided no later than the close of business on the 15th day following the day on which the first public announcement of the date of the special meeting was made.

The Board believes that the Advance Notice By-Law is consistent with Shareholder rights and democracy, and benefits the Shareholders for the following reasons:

- the Advance Notice By-Law does not prevent Shareholders from making director nominations;

- the Advance Notice By-Law ensures an orderly, fair and open nomination process and that Shareholders are properly informed, in a timely way, in advance of a proxy contest and have the relevant information to knowledgeably vote on contested director elections; and

- the Advance Notice By-Law prevents the possibility of a small group of Shareholders taking advantage of a poorly attended meeting to nominate their slate of directors from the floor, thereby imposing their slate on what could be a majority of Shareholders who are unaware that this could happen.

These requirements are intended to provide all shareholders with the opportunity to evaluate and review all proposed nominees and vote in an informed and timely manner regarding said nominees. A copy of the Advance Notice By-Law is available on SEDAR at www.sedar.com. As of the date hereof, the Corporation has not received any notice of a shareholder's intention to nominate directors at the Meeting pursuant to the Advance Notice By-Law.

## QUORUM

For the Meeting, two persons present in person or represented by proxy and representing in the aggregate at least 25% of the votes attached to the outstanding Common Shares will constitute a quorum.

## INTERESTS OF CERTAIN PERSONS OR COMPANIES IN MATTERS TO BE ACTED UPON

To the knowledge of the Directors, except as otherwise set out in this Information Circular or in the Corporation's annual information form dated March 30, 2017 (the "**AIF**"), which is incorporated by reference in this Information Circular and can be accessed on SEDAR at *www.sedar.com*, no Director, officer or insider of the CanWel Group, or any 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.

## VOTING SECURITIES AND PRINCIPAL HOLDERS THEREOF

The Corporation is authorized to issue an unlimited number of Common Shares. As of the date of this Information Circular, there were 61,184,219 Common Shares issued and outstanding.

At the Meeting, each Shareholder of record at the close of business on March 24, 2017, the record date established for the notice of the Meeting (the "**Record Date**"), will be entitled to one vote for each Common Share held on all matters proposed to come before the Meeting, even though they may have since that date disposed of their Common Shares, and, except as otherwise determined from time to time by the Directors, no Shareholder becoming such after the Record Date will be entitled to receive notice of and vote at such Meeting or any postponement or adjournment thereof, or to receive Shareholder materials in connection therewith, or to be treated as a Shareholder of record for purposes of such other action.

To the knowledge of the Directors, no person or company beneficially owns, directly, or indirectly, or exercises control or direction over voting securities carrying more than 10% of the voting rights attached to the issued and outstanding Common Shares other than as disclosed below under "Other Business of the Meeting – Election of Directors".

### TFC Securityholders Agreement

On February 1, 2010, the Corporation and The Futura Corporation ("**TFC**") entered into a securityholders agreement (the "**TFC Securityholders Agreement**"). The TFC Securityholders Agreement provides TFC with the following rights to nominate members of the Board of Directors:

(i) so long as TFC and any of its associates or affiliates, and any family members of its controlling shareholder or any company, trust or other entity owned by or maintained for the benefit of any such person (collectively, the "**TFC Group**") holds or controls at least 25% of the outstanding Common Shares, TFC will be entitled to nominate three directors of the Corporation;

(ii) so long as the TFC Group holds or controls at least 10% but less than 25% of the outstanding Common Shares, TFC will be entitled to nominate two directors of the Corporation; and

(iii) so long as the TFC Group holds or controls at least 5% but less than 10% of the outstanding Common Shares, TFC will be entitled to appoint one director of the Corporation.

Any individual appointed by TFC pursuant to paragraphs (i), (ii) or (iii) above, shall have the right, subject to certain limitations, to be appointed, at the request of such nominee, to committees and special committees of the Board of Directors.

## OTHER BUSINESS OF THE MEETING

### Receipt of Financial Statements

The comparative periods and audited financial statements of the Corporation for the period commencing January 1, 2016 and ended December 31, 2016 and the report of the auditors thereon will be placed before the Shareholders at the Meeting. No formal action will be taken at the Meeting to approve the financial statements. If any Shareholder has questions regarding such financial statements, such questions may be brought forward at the Meeting.

### Election of Directors

The Corporation is required to have a minimum of three and a maximum of 20 Directors. The names of the current Directors are set forth below. The number of Directors is determined from time to time by resolution of the Directors. The current number of Directors and the number of Directors to be elected at the Meeting has been fixed at nine. The present term of office of each Director will expire at the close of the Meeting.

**The persons named in the enclosed Form of Proxy, if not expressly directed to the contrary in such Form of Proxy, intend to vote for the election, as Directors, of each of the proposed nominees whose names are set forth below.** It is not contemplated that any of the proposed nominees will be unable to serve as a Director but, should that occur for any reason prior to the Meeting, the persons named in the enclosed Form of Proxy reserve the right to vote for another nominee at their discretion. Each Director elected will hold office until the next annual meeting or until his successor is elected or appointed.

The following table sets forth the names of, and certain information relating to, the persons proposed to be nominated for election as Directors.

| Name & Municipality of Residence | Principal Occupation | Date Appointed as a Director[6] | Ownership or Control Over Common Shares[1] |
|---|---|---|---|
| Amar S. Doman<br>British Columbia, Canada | Chairman and CEO, CanWel, President and CEO, TFC | December 31, 1999 | 11,169,564 [2] |
| Stephen W. Marshall<br>British Columbia, Canada | Vice-President, Treated Wood, CanWel Treating Division | March 29, 2004 | 118,750 |
| Marc Séguin<br>British Columbia, Canada | President, CanWel Building Materials Division and CBML | May 8, 2012 | 64,027 |
| Ian M. Baskerville[3][4][5]<br>Ontario, Canada | Senior Vice President & General Counsel, Compass Group Canada | March 29, 2004 | 107,638 |
| Sam Fleiser[4][7]<br>Ontario, Canada | President of Tradecap Inc. | May 7, 2013 | 61,000 |
| Tom Donaldson[3][4][5]<br>New Brunswick, Canada | Corporate Director, Former President and Chief Executive Officer, CBML | January 24, 2004 | 87,022 |
| Kelvin Dushnisky[3][4][5]<br>Ontario, Canada | President, Barrick Gold Corporation, Chair Acacia Mining plc | March 29, 2004 | 43,551 |
| Harry Rosenfeld<br>British Columbia, Canada | Executive Vice President, TFC | May 16, 2016 | 158,370[7] |
| Siegfried J. Thoma[3][4][5]<br>Oregon, U.S.A. | President and Chief Executive Officer, Progressive Services Corporation | March 29, 2004 | 11,270 |

Notes:
(1) The information as to Common Shares beneficially owned, directly or indirectly, controlled or directed by each proposed Director, has been furnished by the respective nominees individually.
(2) Mr. Doman owns 29,895 Common Shares directly, and the balance of these Common Shares indirectly through his control of TFC.
(3) Member of the Compensation Committee.
(4) Member of the Audit Committee.
(5) Member of the Nominating and Corporate Governance Committee.
(6) Except for Messrs. Fleiser, Séguin and Rosenfeld, indicates date on which each applicable person became a trustee or director of a predecessor to the Corporation.
(7) Mr. Rosenfeld controls 128,116 of the Common Shares directly, and the remaining Common Shares are held by his spouse.

To the knowledge of the Directors, and based solely on a review of public filings as of the date hereof, no proposed Director (including his associates or affiliates), beneficially owns, directly or indirectly, or controls or directs, securities carrying 10% or more of the voting rights attached to all voting securities of the Corporation or any of its subsidiaries, except Amar Doman who owns, directly or indirectly, 11,169,564 Common Shares representing approximately 18.3% of the Common Shares.

Set forth below is a description of the background of the Directors of the Corporation. Mr. Rosenfeld is nominated for election pursuant to the TFC Securityholder Rights Agreement. Each of the Directors of the Corporation has been engaged for more than five years in his present principal occupation or in other capacities with CBML or an Affiliate, except as set forth below.

**Amar S. Doman**, *Chairman, Chief Executive Officer and Director*. Mr. Doman was the founder of TFC and was responsible for the initial acquisition of CBML from its previous owners. Mr. Doman was also responsible for acquisitions of the CanWel Hardware, CanWel Treating, Broadleaf Logistics Company, NorthWest Wood Treaters, North American Wood Preservers, Pastway Planing Limited, California Cascade Industries and the acquisition of Jemi Fibre Corp. and has steadily built CanWel to its current level. Mr. Doman has over 25 years' experience in the building materials manufacturing and distribution industries. He is the Chairman of the Board of Directors and CEO for CBML and is the Chairman and President of TFC. Mr. Doman is also a member and chair of the board of directors of Tree Island Steel Ltd. (TSX: TSL). Mr. Doman is a former member of the board of the Heart and Stroke Foundation of Canada and is a former director of the Canadian Institute of Treated Wood and the Building Supply Dealers Association of British Columbia. Mr. Doman was also named Ernst & Young Pacific Region Business to Business Entrepreneur of the Year in 2005.

**Stephen W. Marshall**, *H.B.A, B.A. Vice President, Treated Wood, CanWel Treating Division and Director*. Mr. Marshall is the Vice-President, Treated Wood, CanWel Treating Division and a director of CanWel. Mr. Marshall initially joined Futura Forest Products Ltd. in 1993, prior to the acquisition by CanWel of its business that formed the Surewood Forest Products Division in 2001. Mr. Marshall was the President of the Surewood Forest Products division until December, 2014. Prior to joining Futura Forest Products Ltd., Mr. Marshall was the General Manager for Hilan Wood Preservers, a competitor of CBML in the Ontario market, a retail investment advisor for Pemberton Securities Inc. in Toronto, Ontario and also worked the Institutional Sales desk for Nikko Securities Co. International Inc. in London, U.K.

**Marc Séguin**, *B.A.A. President, CanWel Building Materials Division and Director*. Mr. Séguin joined CanWel as General Manager, Quebec Region based in Blainville, QC, in November, 2006. In 2008, he also assumed responsibility for CanWel's Chalifour division, the building materials distribution division of CanWel Hardware Inc., until this division was divested in November, 2010. Mr. Séguin was appointed to his current position in June, 2011. Prior to joining CanWel, from 1999 to 2006 he was General Manager at Montreal-based Laminage M.E.S. Inc., a leading provider of specialized lamination products for interior decoration. Twice from 1989 to 1991 and from 1992 to 1998, he was the Sales and Marketing Manager at Daubois Inc., the largest manufacturer of bagged cement based products in Quebec. He participated in the company's board meetings in this role. He began his career with Lipton in the food industry in the early 1980's until 1988 and again from 1991 to 1992, where performed a variety of roles, including Sales Representative, Key Account Manager, Regional Sales Manager and Product Manager, in the provinces of both Quebec and Ontario. Mr. Séguin received his BAA from the University of Quebec (Montreal).

**Ian M. Baskerville**, B*.A., LL.B. Director*. Mr. Baskerville is General Counsel and Senior Vice President, Compass Group Canada Ltd., which is Canada's leading foodservices and support services provider. Mr. Baskerville was formerly General Counsel, Vice-President Human Resources and Corporate Secretary for The Second Cup Ltd. Prior to which, he was formerly Legal Counsel at Cara Operations Limited. Mr. Baskerville obtained a Bachelor of Arts degree from the University of Victoria in 1993 and his Bachelor of Laws degree from the University of Western Ontario in 1997. He was called to the Ontario Bar in 1999 and is a member of the Law Society of Upper Canada.

**Tom Donaldson**, *M.B.A. Director*. Mr. Donaldson joined CBML as General Manager, Atlantic Division based in Dartmouth, Nova Scotia in June 1995. In July 2002, he became Vice President and General Manager, Western Canada and in January 2004, he became President and CEO of CBML, where he served until his retirement in January 2010. Mr. Donaldson was also the President of Sodisco-Howden Group Inc. and CanWel Hardware Inc. from January 2005 to January 2010. During his career at CBML, Mr. Donaldson has served on a number of national project teams and committees on special projects, and witnessed the initial public offering of CBML on the TSX in 2004, and then its conversion to and from a trust in 2005 and 2010, respectively. Prior to joining CBML, Mr. Donaldson was Regional Sales Marketing Manager with Emco Supply Ltd. for Atlantic Canada. Mr. Donaldson also served on the Board of Directors for the Make A Wish Foundation in Atlantic Canada. Mr. Donaldson holds a Masters of Business Administration from Saint Mary's University in Halifax, Nova Scotia.

**Kelvin Dushnisky**, *B.Sc. (Hon.), M.Sc., J.D. Director.* Mr. Dushnisky is a lawyer with senior executive experience associated with a number of private and public companies. He joined Barrick Gold Corporation (TSX, NYSE) in 2002 and most recently was promoted to President in 2015, and Chairman of Acacia Mining plc (formerly African Barrick Gold plc) (LSE) in 2013. Before joining Barrick, Mr. Dushnisky was a Managing Director of Altara Securities Inc. (acquired by an affiliate of Manulife Securities Inc. in 2003). He is the former Vice-Chair, General Counsel and a founding Director of EuroZinc Mining Corporation. He is a former Vice-President of Sutton Resources Ltd. (acquired by Barrick in 1999), and has held directorships with a number of public companies in the mining, oil and gas and hospitality sectors. Mr. Dushnisky is also a member of the board of the World Gold Council, the International Council for Mining and Metals, the Institute of the Americas, the Canadian Institute for the Americas and the Canadian Chamber of Commerce.

**Sam Fleiser**, *CPA, CA. Director*. Mr. Fleiser is the President of Tradecap Inc., a privately held company providing trade and inventory finance to Canadian mid-market companies. From January 2013 until December 2015, Mr. Fleiser was President of Alignvest Private Debt Ltd., a privately held finance company providing financing to distressed or under-performing companies. Prior his role at Alignvest, he was founder and President of Callidus Capital Corporation, before its public listing in 2014 (TSX:CBL). Mr. Fleiser has more than 30 years of experience in managing, building and restructuring numerous businesses in a wide variety of industries. Prior to forming Callidus in 2003, Mr. Fleiser specialized in assisting distressed businesses facing serious financial or management crisis. Mr. Fleiser is a director of Tree Island Steel Ltd. (TSX:TSL), numerous private companies and is an active member of the Turnaround Management Association (TMA) and the Commercial Finance Association (CFA). Mr. Fleiser is has a B.Comm equivalent from The University of the Witwatersrand, Johannesburg, South Africa and is a member of the Institute of Chartered Accountants of Ontario.

**Harry Rosenfeld**, *B.A. Director*. Mr. Rosenfeld is the Executive Vice President of TFC. He joined TFC in 2004. From 1997 to 2004, Mr. Rosenfeld was employed by Congress Financial Corporation of Canada, where as Senior Vice President and Portfolio Manager he directed the Credit and Administration functions for one of the largest asset based lenders in Canada. A former Vice President with Bank of New York Financial Corporation, Mr. Rosenfeld has over 30 years of financing, mergers and acquisition and banking experience. Mr. Rosenfeld is a director of Tree Island Steel Ltd. (TSX:TSL), and is a former Treasurer and Director of the CFA (Commercial Finance Association) and has been a guest speaker at various financing and industry seminars. Mr. Rosenfeld holds a B.A. from the University of Waterloo.

**Siegfried J. Thoma**, *Director*. Mr. Thoma is currently the President and CEO of Progressive Services Corporation, a company that Mr. Thoma formed in September, 2003. Progressive is involved in United States sales, marketing and distribution of building materials from foreign producers into the United States. Mr. Thoma was formerly international trading manager of Rayonier Inc. which he joined in August 2001. Mr. Thoma has over 30 years' experience in the forestry industry and, prior to joining Rayonier Inc., he was the General Manager, International Division, of Cascade Empire Corporation from

October 1998 to August 2001 and was the Director of Business at Louisiana Pacific Corporation from May 1991 to October 1998. His previous experience also includes work as a commodity fund manager at Tricon U.S.A., Inc.

*Share Ownership Guidelines*

Effective March 6, 2014, the Board adopted, on a voluntary basis, share ownership guidelines for its independent directors. The guidelines require equity ownership holdings by each independent director of three times his or her annual retainer. Such directors were provided three years from the implementation of these guidelines, or from his or her appointment, to reach the minimum required level of share ownership.

*Majority Voting*

Effective March 26, 2013, and as amended on March 6, 2014 and March 24, 2017 to comply with certain recent TSX requirements, the Board adopted majority voting principles for the election of Directors at an annual meeting of Shareholders. This includes continuing the practice of ensuring that the proxy forms used for the election of Directors by Shareholders enable Shareholders to vote in favour of, or withhold their vote for, each Director nominee separately. In an uncontested election, any Director nominee who receives a greater number of votes "withheld" than votes "for" shall immediately submit to the Board his or her resignation, which shall take effect only upon the acceptance by the Board.

The Board, upon recommendation of the Governance and Nominating Committee, shall determine either to accept or not accept the Director's resignation on exceptional circumstances not later than 90 days after the date of the Shareholder meeting that triggered the offer of resignation, and the Board shall disclose publicly its determination on a timely basis. The Board considers the following as potentially exceptional circumstances:

1. the Corporation would not be compliant with legal or contractual requirements as a result of accepting the director's resignation;

2. the director is a key member of an active committee and accepting the resignation of the director could jeopardize the achievement of the committee's mandate; or

3. majority voting was used for a purpose inconsistent with the policy objectives of the majority voting requirement (which could include using an CanWel's majority voting policy as an indirect means to obtain control of the Board).

The Director nominee will not participate in any committee or Board deliberations on the resignation offer.

If a resignation is accepted, the Board may leave the vacancy unfilled until the next annual general meeting of the Corporation, fill the vacancy through the Board appointment of a new Director or call a special meeting of Shareholders at which a Director nominee will be proposed for election by Shareholders.

Following the Board's decision on the resignation, the Board shall promptly disclose its decision whether or not to accept the applicable director's resignation in a news release, including a full statement of the reasons for rejecting the resignation, if applicable. The news release will be disseminated and a copy will be provided to the TSX.

In the event of a contested election, where the number of nominees for Director exceeds the number of Directors to be elected, subject to applicable law, the voting method to be applied for purposes of electing Directors at the meeting will be determined by the chair of the meeting in his or her sole discretion. For greater certainty, the chair of the meeting may, in the context of a contested election, use slate voting for Director elections.

### Appointment of Auditors

Ernst & Young LLP, Chartered Accountants, of 700 West Georgia Street, Vancouver, British Columbia, V7Y 1A1 will be nominated at the Meeting for appointment as auditor of the Corporation at a remuneration to be fixed by the Board. Ernst & Young were appointed as the Corporation's auditors on November 3, 2011.

**The persons named in the enclosed Form of Proxy, if not expressly directed to the contrary in such Form of Proxy, will vote such proxies in favour of a resolution to appoint Ernst & Young LLP as auditors of the Corporation and authorize the Directors to fix their remuneration.**

## EXECUTIVE COMPENSATION

### Compensation Committee

The Compensation Committee has the responsibility to, among other things, review and make recommendations to the Directors concerning the compensation of the Chief Executive Officer, Chief Financial Officer and the three most highly compensated executive officers of the Corporation (other than the Chief Executive Officer and the Chief Financial Officer) (collectively, the "**Named Executive Officers**" or "**NEOs**") within, where applicable, the constraints of the agreements described under "Executive Compensation – Compensation of Executive Officers of the Corporation – Severance and Other Termination Benefits".

The Compensation Committee was comprised of four members as of December 31, 2016: Messrs. Thoma (Chairman), Baskerville, Donaldson and Dushnisky. All members of the Compensation Committee are considered "independent" in accordance with the definition set out in National Instrument 58-101 – *Disclosure of Corporate Governance Practices*. Having served as advisors, board members and as executives, including holding such positions as Chairman, Vice Chairman, Chief Executive Officer, President, Executive Vice-President, Senior Vice-President, Vice-President and General Counsel to wide variety of companies, and often in multiple international jurisdictions, Mr. Thoma, Mr. Baskerville, Mr. Donaldson and Mr. Dushnisky have adequate skills and experience related to making decisions on the suitability of the Corporation's compensation policies and practices. Several of the members of the Compensation Committee, including the Chair, have served in this capacity for a number of years, including with the predecessor of the Corporation and as part of this role, have had access to relevant information regarding compensation governance and applicable market practices, including access to compensation consultants and other experts from time to time, to give them the tools required to make decisions relating to the suitability of the Corporation's compensation policies and practices.

### Compensation Discussion and Analysis

*Executive Compensation Philosophy*

CanWel's executive compensation programs have been established on the following principles:

- to attract, motivate and retain qualified individuals with the necessary education, skill sets and experience to achieve CanWel's goals;

- to serve the long term interests of CanWel's Shareholders by aligning the interests of management and Shareholders; and

- to relate total compensation to CanWel's financial performance by having a pay-for-performance philosophy.

Within this overall philosophy, CanWel strives to provide total compensation that is market competitive with the approximate median of its peer group, adjusted as appropriate from the benchmarks for factors relative to CanWel and the industry in which CanWel operates.

*Peer Group*

The peer group that the Corporation uses for executive compensation benchmarking purposes for the NEOs is set forth in the table below. This group includes entities that, where possible, have similar characteristics in common with CanWel, including, but not limited to, industry, size (revenue, location and number of employees) and/or corporate structure. Benchmark compensation is considered and then adjusted for factors including, but not limited to, matters such as industry, corporate structure, revenues, location and number of employees, and the role and specific responsibilities with which the NEO is charged.

- Canfor Pulp Products Inc.
- Goodfellow Inc.
- Hardwoods Distribution Inc.
- Norbord Inc.
- Richilieu Hardware Ltd.
- Stella-Jones Inc.
- Strongco Corporation
- Taiga Building Products Ltd.
- Tree Island Steel Ltd.
- Wajax Corporation
- Western Forest Products Inc.

*Stress-testing*

In addition to analyzing compensation in the construct of the peer group, when reviewing certain NEO compensation programs, CanWel reviewed proprietary third party reports in the ordinary context of its business, and did not incur any material expenses in connection with obtaining information in connection with the Meeting. CanWel also reviewed third party public reports regarding compensation. (Information from these reports was also considered in connection with the compensation program for the Directors.) NEO compensation and the program constructs were evaluated under various scenarios to estimate potential outcomes and the relation of such outcomes to the peer group benchmarks as well as to ensure the program design provides incentives which reinforce CanWel's strategic and financial objectives.

*Executive Compensation Components*

Compensation for the Named Executive Officers of CanWel consists of three general components:

- base salary;
- short term incentive plan ("**STIP**") or annual bonus; and
- other perquisites and benefit programs.

<u>Base Salary</u>

Base salaries represent a fixed portion of NEO compensation and vary by job responsibility. CanWel provides a base salary because it is customary in the marketplace for comparable entities, and because the provision of a base salary encourages retention of key employees by providing a stable and predictable component of compensation. NEO salaries are reviewed annually by the Compensation Committee, and revised or approved for the forthcoming year, as contractual obligations permit. Additionally, periodic salary adjustments are considered upon a promotion, change in job responsibility or when otherwise

necessary for equitable reasons. The Chief Executive Officer's base salary was established in connection with the evolution in the job responsibilities and his employment agreement, and the Committee consults with the Chief Executive Officer regarding the salaries of the other Named Executive Officers. The Committee then considers such matters and recommends to the Board of Directors a level of base salary appropriate to each Named Executive Officers. The Committee primarily considers the recommendations of the Chief Executive Officer, market data, peer group review, a general review of the executive's compensation (individually and relative to the other executives), and the individual performance of the executive.

Short Term Incentive Plan

CanWel implements annual bonuses as an incentive to promote achievement of individual and corporate performance goals. This component of compensation places more emphasis on the annual profitability and the potential rewards associated with future performance of the CanWel Group and the individual executive. Annual bonuses are determined based on agreements with the individual executive as well as pursuant to the STIP. Cash incentives are designed to encourage and facilitate the attainment of the CanWel Group's overall goals, by focussing the executive on several criteria, including but not limited to:

- promoting the attainment of specific financial goals;
- supporting the strategic business objectives; and
- rewarding achievement of individual performance objectives.

In March 2016, the Compensation Committee approved the STIP goals for the NEOs for fiscal 2016, which provides for cash incentives upon the achievement of pre-established corporate goals and individual performance. At such time, the Committee also approved the financial goals and performance categories used in establishing bonus targets for fiscal 2016 under the STIP. There is no established policy or formula for allocating any individual's total compensation as between cash and non-cash incentives. Non-cash incentives have been provided through CanWel's RSU Plan on an ad hoc basis, based on discussion between the CEO, the Compensation Committee and the recipient. (See "Securities Authorized for issuance under Equity Compensation Plans – Restricted Equity Common Share Plan" below). All references to cash incentives, therefore also include references to non-cash incentives, as applicable. This approach is designed to provide CanWel with flexibility to respond to marketplace and individual performance factors in attracting and retaining executive talent and encouraging performance which advances the attainment of CanWel's goals and objectives.

Under the STIP, the CEO is eligible for a bonus upon the achievement of certain specific minimum financial metrics which relate to the attainment of CanWel's budgeted EBITDA[1] (the "**quantitative metrics**"). The CEO is entitled to a STIP bonus on a sliding-scale basis, with no bonus being payable unless certain specified minimum metrics are achieved (the "**hurdle rate**"). In 2016, the quantitative metrics were attained for all relevant divisions, and accordingly this was a factor and was reflected in the quantum of qualitative bonuses awarded to the other NEOs in fiscal 2016.

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[1] Reference is made to EBITDA, which represents earnings before interest, provision for income taxes, gain or loss on sale of fixed assets, depreciation and amortization, goodwill impairment loss and share-based compensation. This is a non-IFRS measure and, as there is no generally accepted method of calculating EBITDA, the measure as calculated by the Corporation may not be comparable to similarly-titled measures reported by other companies. EBITDA is presented as CanWel believes it is a useful indicator of a Corporation's ability to meet debt service and capital expenditure requirements and because CanWel interprets trends in EBITDA as an indicator of relative operating performance. EBITDA should not be considered by an investor as an alternative to net income or cash flows as determined in accordance with Canadian IFRS.

Under the STIP, NEOs other than the Chairman and CEO are also eligible for a cash bonus upon the achievement of quantitative metrics as well as for the attainment of individual objectives. These hurdle rates and target metrics are not necessarily identical to those applicable to the CEO, and may include divisional, regional and individual objectives (the "**qualitative metrics**"). The analysis of the qualitative metrics, as it applies to each NEO, includes, among other things, an assessment of customer, vendor and employee relationships. These participants may earn up to a fixed maximum percentage of their base salary as a STIP bonus for the attainment of their specific quantitative metrics, and, are also eligible to be awarded up to an equal maximum percentage of their base salary as a STIP bonus for the attainment of qualitative metrics on a discretionary basis.

As discussed above, after considering competitive pressures, among other things, which include heightened competition in CanWel's industry for top managerial talent, the Corporation has determined that it would be prejudicial to CanWel's interests to publicly disclose the precise metrics employed. While there can be no certainty that the NEOs will achieve their annual incentive plan targets for 2017 or in any given year, particularly given current economic circumstances, these targets are difficult but historically achievable to some degree.

The following table presents the maximum bonus payable under the STIP in respect of the quantitative metrics and qualitative metrics that apply to each eligible NEO for the fiscal year ended December 31, 2016, which were amended by the Compensation Committee after the acquisition of Jemi Fibre Corp.

| Name | ( | Quantitative Metrics | + | Qualitative Metrics | ) = | Maximum STIP Opportunity |
|---|---|---|---|---|---|---|
| | (% of base salary) | | | | | |
| Amar Doman, *Chairman and CEO* | ( | 0%-100% | + | N/A | ) = | 100% |
| James Code, *Chief Financial Officer* | ( | 0%-100% | + | 0%-75% | ) = | 175% |
| Marc Séguin, *President CanWel Building Materials Division* | ( | 0%-100% | + | 0%-75% | ) = | 175% |
| Steve Marshall, *Vice-President, Treated Wood, CanWel* | ( | 0%-100% | + | 0%-75% | ) = | 175% |

**Perquisites and Other Personal Benefits**

CanWel also provides the NEOs with perquisites and other personal benefits that CanWel believes are reasonable, competitive in the market and consistent with its overall compensation program to better enable CanWel to attract and retain superior employees for key positions. The NEOs are generally provided a company car or car allowance, payment of fitness club fees, health care and life insurance and reimbursement for relocation expenses, if applicable. The Committee periodically reviews the levels of perquisites and other personal benefits provided to NEOs.

Costs of the perquisites and personal benefits described above for the NEOs for fiscal 2016 that meet the threshold established by Canadian securities regulations are included in the "All Other Compensation" column of the Summary Compensation Table set forth below.

**Risk Management**

The Compensation Committee is responsible, among other things, for ensuring that the Corporation's compensation policies and practices encourage behaviours that align with the long-term interests of the Corporation and its Shareholders. While the programs and practices are not structured to reward excessive risk taking, the Compensation Committee recognizes that some level of risk taking is necessary to achieve outcomes that are in Shareholders' best interests and has structured the compensation programs to effectively manage risk.

Elements of the Corporation's compensation program that discourage excessive risk-taking include, but not limited to:

(a) a mix of short- and long-term compensation;

(b) multiple performance goals for short-term incentives to determine incentive payouts, which balances the risks associated with relying on any one performance factor;

(c) a mix of corporate and individual performance objectives for short-term incentives, again, to balance the risks associated with relying on any one performance factor;

(d) equity compensation that has a vesting component to sustain long-term value in line with Shareholder interests;

(e) "at risk" compensation – i.e., future vesting awards – typically is weighted in favour of long-term incentives to discourage the attainment of short-term goals at the expense of long-term corporate objectives; and

(f) limits (set as a percentage of base salary) on the maximum amount of bonuses payable to an executive officer.

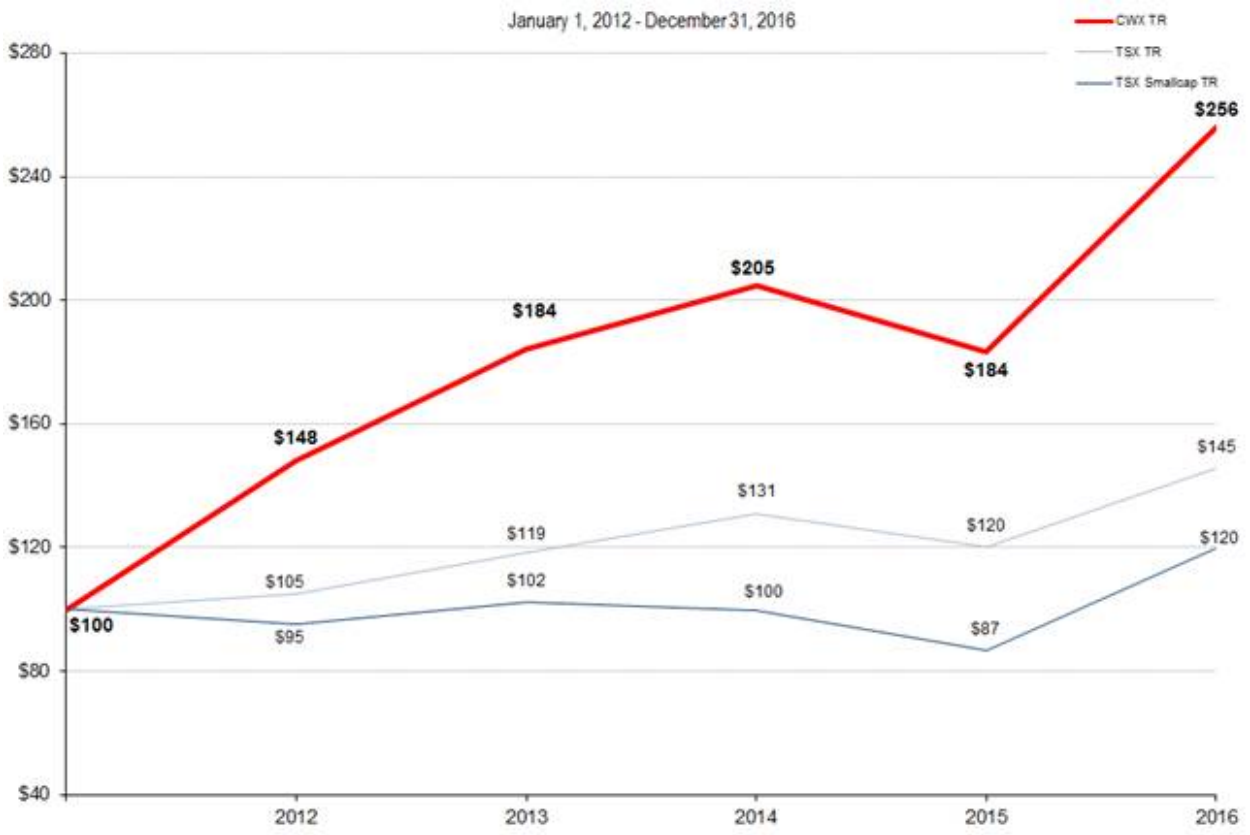
The Compensation Committee has not identified any risks arising from the Corporation's current compensation practices and policies. The Compensation Committee has determined that the Corporation's compensation practices and policies are unlikely to have a material adverse impact on the Corporation and is satisfied that the current compensation practices provide the necessary framework and governance to align the interests of executive officers, the Corporation and its Shareholders.

**Financial Instruments**

The Corporation's compensation program does not provide for the purchase by a NEO or Director of financial instruments, such as prepaid variable forward contracts, equity swaps, collars or units of exchange funds, that are designed to hedge or offset a decrease in market value of equity securities granted as compensation or held, directly or indirectly, by a NEO or Director. The Compensation Committee has advised the NEOs that such hedging is not permitted by the Corporation.

**Performance Graph**

The following graph compares the total cumulative return for Shareholders of the Corporation assuming $100 invested in Common Shares (and assuming reinvestment of distributions and/or dividends) with the cumulative total return of the S&P/TSX Small Cap Index, of which the Corporation was added in 2010, for the period January 1, 2012 to December 31, 2016. The cumulative return of the Common Shares is based on the closing prices of the Common Shares on the TSX on December 31, 2012, 2013, 2014, 2015 and 2016, or, if there was no trading on such date, the closing price on the last trading day prior to such date.




As evidenced by the performance graph, total shareholder return since inception has generally paralleled the total return of the S&P/TSX Small Cap Index during the same period. Compensation levels for the Named Executive Officers over the same period are generally consistent with the Corporation's financial performance over this period. Except to the extent, if any, that total shareholder return as measured by the chart above has tracked the Corporation's financial performance, NEO compensation may not have directly paralleled the chart; this is due, in part, to the fact that while the Common Share or former trust unit prices have moved generally in tandem with other companies or trusts forming part of the S&P/TSX Small Cap Index (or formerly the S&P/TSX Trust Index), NEO compensation during the same period has been more closely aligned with the Corporation's performance on earnings-based measures which may differ from the market price of the Common Shares or trust units. Assessing the appropriateness of executive compensation in light of multiple factors, which include, but are not limited to, indices of shareholder return, competitiveness vis-a-vis CanWel's peer group and other qualitative and quantitative factors, is an ongoing process and CanWel's approach to executive compensation remains peer-based and performance-based and continues to provide incentives to management to achieve CanWel's strategic and financial objectives.

## Compensation of Executive Officers of the Corporation

*Summary Compensation Table*

The following table provides a summary of the compensation for each of CanWel's NEOs for the financial years ended December 31, 2014, 2015 and 2016.

| Name and Principal Position | Year | Salary ($) | Share-based awards ($) | Option-based awards ($) | Non-equity incentive compensation ($) | | Pension value ($) | All other compensation[2] ($) | Total compensation ($) |
|---|---|---|---|---|---|---|---|---|---|
| | | | | | Annual incentive plans[1] | Long-term incentive plans | | | |
| Amar S. Doman, *Chairman and CEO* | 2016 | 600,000 | – | – | 600,000 | – | 1,423 | – | 1,201,423 |
| | 2015 | 600,000 | – | – | 450,000 | – | 1,375 | – | 1,051,375 |
| | 2014 | 600,000 | – | – | 450,000 | – | 1,500 | – | 1,051,500 |
| James Code, *Chief Financial Officer* | 2016 | 266,000 | – | – | 266,000 | – | 10,600 | – | 542,600 |
| | 2015 | 260,000 | – | – | 195,000 | – | 10,673 | – | 465,673 |
| | 2014 | 245,000 | – | – | 183,750 | – | 9,585 | – | 438,335 |
| Marc Séguin, *President CanWel Building Materials Division* | 2016 | 400,000 | – | – | 300,000 | – | 13,005 | – | 713,005 |
| | 2015 | 375,000 | – | – | 281,250 | – | 12,154 | – | 668,404 |
| | 2014 | 345,000 | – | – | 258,750 | – | 14,054 | – | 617,804 |
| Stephen W. Marshall, *Vice-President, Treated Wood, CanWel* | 2016 | 246,000 | – | – | 200,000 | – | 9,785 | – | 455,785 |
| | 2015 | 240,000 | – | – | 180,000 | – | 9,842 | – | 429,842 |
| | 2014 | 225,000 | – | – | 168,500 | – | 9,346 | – | 402,846 |
| Stuart Heath[3] *President, California Cascade Division* | 2016[4] | 371,000 | – | – | – | – | – | – | 371,000 |
| | 2015[4] | 185,500 | – | – | – | – | – | – | 185,500 |
| | 2014 | – | – | – | – | – | – | – | – |

Notes:

(1) This element of NEO compensation in 2016 was payable in accordance with its terms after year-end, and represented 47% of total 2016 compensation paid to Messrs. Doman, Code, Séguin and Marshall. While there can be no certainty that the NEOs will achieve their annual incentive plan targets for 2017 or in any given year, particularly given current economic circumstances, these targets are difficult but historically achievable to some degree. In the past, NEOs have met these targets to some degree as indicated by the comparative prior year information provided. See "Executive Compensation Components – Short Term Incentive Plan" for further information.

(2) All other annual compensation (includes car allowance/company car, fitness memberships and parking) is less than $50,000 and 10% of total annual salary and bonus for each of the Named Executive Officers.

(3) Mr. Heath joined CanWel as part of the California Cascade Acquisition which closed on July 2, 2015, and, accordingly, his 2015 information is pro-rated.

(4) Amounts in US Dollars.

Defined Benefit Pension Plan

CBML maintains a non-contributory defined benefit pension plan, as well as a post-retirement benefits plan for eligible employees and executives who joined CBML prior to December 31, 1999. This plan was closed to new participants on August 1, 2000. The CanWel Building Materials Division provided additional post-retirement benefits to eligible employees, including dental coverage and extended provincial health care. Eligible employees are employees who joined CBML prior to August 1, 2000, who attained 55 years of age prior to December 31, 2005, and who retire from active employment with CBML after completing ten years of service.

There are no current NEO participants participating in the CanWel Building Materials Ltd. Salaried Employees' Pension Plan.

Defined Contribution Pension Plan

The pension plan for the applicable NEOs is made up of basic defined contribution registered plans pursuant to which CBML either contributes or matches contributions, to a NEOs plan.

The following table presents the entitlement under defined contribution plans for each of the NEOs who have elected to participate in such plan (other than the former President and CEO of the Fund, who participates in the defined benefit plan) as of the beginning and end of the Corporation's financial year ended December 31, 2016:

| **Name[(1)]** | **Accumulated value at start of year ($)** | **Compensatory ($)** | **Non-compensatory ($)** | **Accumulated value at year end ($)** |
|---|---|---|---|---|
| Amar Doman, *Chairman and CEO* | 48,380 | 1,423 | 0 | 49,803 |
| Marc Séguin, *President CanWel Building Materials Division* | 191,856 | 13,005 | 29,686 | 234,547 |
| James Code, *Chief Financial Officer* | 106,079 | 10,600 | 19,385 | 136,064 |
| Stephen Marshall, Vice-President, Treated Wood, CanWel | 178,449 | 9,785 | 36,892 | 225,125 |

Notes:

(1) Messrs. Doman, Séguin, Code and Marshall as of 2016 participate in a plan in which they may contribute up to 4% of their pay, with a matching contribution by CBML, subject to the Income Tax Act limits.

***Severance and Other Termination Benefits***

Messrs. A. Doman, Séguin and Marshall have entered into agreements with CBML governing certain terms relating to their employment. These agreements remain in effect until terminated by either party pursuant to its terms. Upon termination of employment by CBML, without cause, the agreements provide that the employees are entitled to a severance payment equal to 24 months for the Chair and CEO and 12 months otherwise, of annual base salary, and bonus as may be applicable, on the date of termination. In the event of a change of control of CBML (other than a change of control arising solely as a result of certain specified events, including a treasury issuance of securities pursuant to a public offering), and termination either: (i) by CBML, without cause, or (ii) in the case of Chair and CEO or President of CBML, by such employee for any reason within 12 months, and or the Vice-President, Treated Wood,

CanWel Treating Division within 90 days, respectively, following such change of control, the employees are entitled to the applicable severance payment described above and the full vesting of all options held at the date of termination. Additionally, these employees are bound by certain restrictive covenants in favour of CBML, including covenants not to disclose confidential information and, in the case of Messrs. Séguin and Marshall, not to compete with CBML, or solicit its employees for employment, during a period equivalent to the duration of the severance period. CBML selected the events which would trigger payment upon certain termination scenarios and upon a change of control using a peer and market-based approach, with adjustments as appropriate to industry norms and the job responsibilities performed by each of Messrs. Doman, Séguin and Marshall.

The following table provides the total value of all severance, incremental payments, payables and other termination benefits that would have been paid to each NEO, had their employment terminated as at December 31, 2016 under various termination scenarios. For greater certainty, the terms of employment for the other NEOs not listed below do not include any change of control provisions. For further details see "Summary Compensation Table".

| Name | Retirement ($) | Change of Control ($) | Voluntary Termination after change of control ($) | Termination - Not for Cause ($) | Termination - For Cause ($) |
|---|---|---|---|---|---|
| Amar Doman,<br>*Chairman and CEO* | - | 2,402,846 | 2,402,846 | 2,402,846 | - |
| Marc Séguin,<br>*President CanWel Building Materials Division* | - | 713,005 | 713,005 | 713,005 | - |
| Stephen Marshall,<br>*Vice-President, Treated Wood, CanWel* | - | 455,785 | 455,785 | 455,785 | - |

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Note:

(1) All amounts are stipulated by a formula pursuant to a contract.

### Compensation of Directors

Each independent director (as described below) is paid an annual fee of $40,000 (up to 100% in RSUs at their individual election) plus $1,500 per meeting of the Board of Directors or Committee meeting. The chairman of each Committee receives additional compensation of $10,000 per year, except the chairman of the Audit Committee who receives $20,000. In addition, all Directors are reimbursed for out-of-pocket expenses for attending meetings of the Board of Directors and Committees thereof. For the period ended December 31, 2016, Directors were paid an aggregate amount of $391,000 in respect of meeting committee and chair fees. For greater certainty, no management Directors receive any compensation for acting in their capacity as Directors or as directors of any of the Corporation's subsidiaries.

The following table shows the fee amounts earned by individual Directors in respect of their membership on the Board of Directors and its Committees for fiscal 2016:

| Name | Fees Earned ($) | Share-based Award ($) | Non-equity Incentive Plan Compensation ($) | Pension Value ($) | All Other Compensation[(1)] ($) | Total ($) |
|---|---|---|---|---|---|---|
| Ian Baskerville | 64,000 | – | – | – | – | 64,000 |
| Tom Donaldson | 69,000 | – | – | – | – | 69,000 |
| Kelvin Dushnisky | 54,000 | 20,000 | – | – | – | 74,000 |
| Sam Fleiser | 75,000 | – | – | – | – | 75,000 |
| Siegfried Thoma | 79,000 | – | – | – | – | 79,000 |
| Martin Melone[(2)] | 30,000 | – | – | – | – | 30,000 |
| **TOTAL** | **341,000** | **20,000** | **–** | **–** | **–** | **391,000** |

Notes:

(1) No other compensation was earned, however appropriate travel expenses for board business would have been reimbursed.

(2) Martin Melone resigned as a member of the Board of Directors on April 11, 2016.

Incentive Plan Awards

There are no outstanding options to purchase or acquire securities of CanWel at the end of December 31, 2016.

## SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS

The following table sets forth details of CanWel's equity compensation plans as at the end of CanWel's fiscal year ended December 31, 2016:

| Plan Category | Number of securities to be issued upon exercise of outstanding options, warrants and rights (a) | Weighted-average exercise price of outstanding options, warrants and rights (b) | Number of shares remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c) |
|---|---|---|---|
| Equity compensation plans approved by Shareholders – ESP Plan | - | - | 768,992 |
| Equity compensation plans approved by Shareholders – RSU Plan | - | - | 1,500,000[(1)] |
| Equity compensation plans not approved by Shareholders | - | - | 0 |
| **Total** | **-** | **-** | **2,442,852** |

Notes:

(1) The RSU Plan was amended on March 24, 2017 to fix the number of RSUs reserved for issuance at 1,500,000.

**Restricted Equity Common Share Plan**

CanWel's RSU Plan was approved by Shareholders at the annual and special meeting of Shareholders held on May 8, 2014, and amended on March 24, 2017 to fix the number of RSUs reserved for issuance thereunder at 1,500,000. Previously, the RSU Plan was an "evergreen" plan; after the amendment it is now a fixed number plan. The RSU Plan replaced the predecessor version of the plan established May 12, 2011 which replaced the plan adopted on February 1, 2010, which in turn replaced that which existed prior to the 2010 Conversion. The purpose of the RSU Plan is to enhance the Corporation's ability to attract and retain talented individuals to serve as members of the Board of Directors and as employees of the Corporation and its subsidiaries, including CBML, and to promote a greater alignment of interests between such individuals and Shareholders.

The RSU Plan provides for the allotment of restricted equity common shares ("**RSUs**") to participants in the plan at the discretion of the Compensation Committee. Participants under the plan may include directors of the Corporation or a director, officer, employee or consultant of CBML or any of its affiliates designated by the Compensation Committee to be a participant.

Generally, RSUs granted under the plan will vest at the sole discretion of the Compensation Committee, either (a) one-third on the date of grant, one-half of the remaining unvested portion on the first anniversary of the date of grant, and the balance on the second anniversary of the date of grant, (b) one-third on each of the first three anniversaries of the date of grant or (c) pursuant to such vesting terms and conditions as may otherwise be determined by the Compensation Committee. However, vesting may be accelerated at the discretion of the Compensation Committee. Within 30 days of vesting, the Corporation will issue to a participant that number of Common Shares equal to the number of vested RSUs then credited to such participant, less applicable withholdings. Dividends are accrued on unvested RSUs and are used to award additional RSUs to the holder of the underlying RSUs by valuing an RSU based on the 5 day volume weighted average trading price of the Common Shares on TSX.

Common Shares reserved for issuance to insiders of the Corporation and its subsidiaries pursuant to outstanding RSUs, together with the number of Common Shares reserved for issuance to such persons pursuant to any other compensation arrangements, shall not exceed 10% of the then outstanding Common Shares, as calculated immediately prior to the issuance in question; and the number of Common Shares issued to insiders of the Corporation and its subsidiaries pursuant to outstanding RSUs together with the number of Common Shares issued to such persons pursuant to other compensation arrangements, within any one year period, shall not exceed 10% of the then outstanding Common Shares.

Subject to the Compensation Committee's discretion, described below, if a participant's directorship and/or employment terminates for any cause other than death, the individual shall forfeit all rights, title and interest with respect to the unvested RSUs. If a participant's directorship or employment terminates for any cause other than death, the Compensation Committee may, in its sole discretion, accelerate the vesting of such individual's unvested RSUs, with the effect that the date of termination, may be deemed to be the vesting date in respect of such RSUs.

The RSU Plan provides that the Board of Directors may at any time and from time to time, without shareholder approval, amend any provision of the RSU Plan, including, without limitation: (a) for the purpose of making formal, minor or technical modifications to any of the provisions of the plan, including amendments of a "housekeeping" nature; (b) to correct any ambiguity, defective provision, error or omission in the provisions of the plan; (c) to amend the vesting, redemption or payment provisions of the plan or any RSUs; (d) to change the termination provisions of RSUs or the plan that does not entail an extension beyond any original expiry date; (e) to facilitate a cash payment option; or (f) any other amendment that does not require shareholder approval under applicable laws or the rules of the TSX; provided, however, that: (g) no such amendment may be made without the consent of each affected

participant in the plan if such amendment would adversely affect the rights of such affected participants under the plan for RSUs previously granted unless the Corporation, at its option, acquires such existing rights at an amount equal to the fair market value of such rights at such time as verified by an independent valuator and (h) shareholder approval shall be obtained in accordance with the requirements of the TSX for any amendment: (i) to extend the term of any RSUs granted under the plan benefitting an insider of the Corporation that is a participant; (ii) subject to limited exceptions, to increase the maximum number of Common Shares which may be issued under the plan; (iii) to remove or to exceed the insider participation limitations; or (iv) to the amendment provisions of the plan.

The interest of any participant under the RSU Plan or in any RSU will not transferable during the participants lifetime, but following death such interest will enure to the benefit of the participant's beneficiary as designated in accordance with the plan.

The RSU Plan provides that a maximum of 1,500,000 Common Shares will be authorized for issuance upon the redemption of all RSUs granted under the RSU Plan (such number representing approximately 2.45% of Common Shares issued and outstanding as at the date hereof). As at the date hereof there are no RSUs outstanding. The Corporation issued and had vested 3,802 RSUs in the year ended December 31, 2016.

**Employee Common Share Purchase Plan**

The current amended and restated employee common share purchase plan of CanWel (the "**ESP Plan**") was approved by Shareholders at the annual and special meeting of Shareholders held on May 16, 2016, May 12, 2011 and February 1, 2010, which in turn replaced that which existed prior to the 2010 Conversion. Pursuant to the ESP Plan, employees of CanWel, excluding insiders, are eligible to invest in Common Shares through employee contributions.

The ESP Plan allows the Corporation to provide Common Shares as an incentive to employees through purchases of Common Shares at the treasury purchase price, which is defined in the plan as the average closing price for trades of board lots of Common Shares on the TSX for the five trading days immediately prior to the purchase date, less a discount of 15%.

CanWel will not provide financial assistance to participants under the ESP Plan.

Participation in the plan will terminate automatically if the participant becomes totally ill and permanently disabled; the participant dies; the participant retires from employment with the Corporation or an Affiliate (within the meaning of National Instrument 45-106 – Prospectus and Registration Exemptions); the participant does not perform any services for the Corporation or an Affiliate during a particular calendar year; the participant's employment with the Corporation or an Affiliate voluntarily terminates or is terminated (for cause or otherwise); or the participant becomes bankrupt.

All rights of participation in the ESP Plan will be personal and no assignment or transfer of any interest in the Common Shares held by the administrator under the plan will be permitted or recognized.

The ESP Plan provides that the Board of Directors may at any time and from time to time, without shareholder approval, amend any provision of the plan, including, without limitation: (a) for the purpose of making formal, minor or technical modifications to any of the provisions of the plan, including amendments of a "housekeeping" nature; (b) to correct any ambiguity, defective provision, error or omission in the provisions of the plan; (c) to amend the vesting, maturation, payment or withdrawal provisions of the plan or any Common Shares purchased thereunder, as applicable; (d) to change any of the termination provisions of the plan that does not entail an extension beyond any original expiry date; (e) to facilitate a cash payment option; or (f) any other amendment that does not require shareholder

approval under applicable laws or the rules of the TSX, provided, however, that: (g) no such amendment of the plan may be made in a manner which would deprive a participant of any benefits that have accrued to the date of amendment or which would cause or permit any Common Shares or cash held pursuant to the plan or any contributions made under the plan to revert to or become the property of the Corporation (other than pursuant to the existing vesting and termination provisions); and (h) shareholder approval shall be obtained in accordance with the requirements of the TSX for any amendment: (i) to increase the maximum number of Common Shares which may be issued under the plan, except in connection with (i) a subdivision, consolidation, conversion or reclassification by the Corporation, or any action of a similar nature affecting such Common Shares; or (ii) an amendment permitted by the above.

The ESP Plan provides that a maximum of 1,000,000 Common Shares will be authorized for issuance under the ESP Plan (representing approximately 1.63% of Common Shares issued and outstanding as at the date hereof). As at the date hereof CanWel has issued an aggregate of approximately 57,148 Common Shares under the ESP Plan to certain employees of the CanWel Group. Common Shares issued under the ESP Plan are subject to the vesting restrictions set out therein, which generally provide for vesting one year from the original date of grant. Distributions on unvested Common Shares during the vesting period will be held under the ESP Plan.

## DIRECTORS' AND OFFICERS' INSURANCE

The Directors and officers of the Corporation, former trustees of the Fund and the directors and officers of CBML were, during the Corporation's financial year ended December 31, 2016, covered under an insurance policy that provides an aggregate limit of liability to the insured Directors or officers, former trustees of the Fund and the directors and officers of CBML of $90 million. The by-laws of CBML and the amended and restated declaration of trust of the Fund dated May 18, 2005 also provide for the indemnification of Trustees, directors and officers from and against liability and costs in respect of any action or suit against them in connection with the execution of their duties of office, subject to certain customary limitations.

Upon completion of the 2010 Conversion, the Corporation entered into indemnity agreements with each of the Directors and officers of the Corporation, which provide for the indemnification of such individuals from and against liability and costs in respect of any action or suit against them in connection with the execution of their duties as a Director or officer, either for the Corporation or any subsidiary entity (as applicable), subject to certain customary limits.

## INDEBTEDNESS OF DIRECTORS AND OFFICERS

As of the date hereof, no individual who is a Director or senior officer of the Corporation, or at any time during the most recently completed financial year of the Corporation was, a Director or senior officer of the Fund or any of its subsidiaries, no individual proposed as a nominee for election as a Director of the Corporation and no associates or any such trustee, officer or proposed nominee, is indebted to the Corporation, except for routine indebtedness by one director regarding expense advances (which have repayment arrangements in accordance with usual commercial practice).

## INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS

To the knowledge of the Directors, no informed person (as defined in National Instrument 51-102 – *Continuous Disclosure Obligations*) of the Corporation, no proposed director of the Corporation and no known associate or affiliate of any such informed person or proposed director, during the year ended December 31, 2016, has or has had any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, in any transaction which has or would materially affect CanWel or any of its subsidiaries, except as set forth below or in the AIF, which is incorporated by reference in this

Information Circular and can be accessed on SEDAR at www.sedar.com. All defined terms not defined herein have the meanings ascribed to them in the AIF.

Certain distribution facilities used by the Corporation to store and process inventory are leased from a company in which a Director and an officer of the Corporation, have a minority interest and the land and buildings of certain of the treatment plants are leased from entities solely controlled by a Director. All lease rates were market tested in advance of the signing of the lease agreements and were determined to be at market rates

Lease payments to such related parties were $3.2 million in the year ended December 31, 2016, compared to approximately $3.1 million in 2015. The minimum payments under the terms of these leases are as follows: $3.2 million in 2017 and 2018, $2.9 million in 2019 and $1.5 million in 2020 and $1.9 million thereafter.

During the year ended December 31, 2016, the Corporation paid fees of $1.3 million for management fees and other services to a company owned by a Director, and was charged professional fees of $981,000 by a company owned by an officer of the Corporation.

During the year the Corporation purchased $2.9 million of product from a public company in which a Director of the Corporation has an ownership interest. These purchases are in the normal course of operations and are recorded at exchange amounts.

For additional information, please see note 28 of the Corporation's consolidated financial statements for the year ended December 31, 2016, which are available at www.sedar.com.

## STATEMENT OF GOVERNANCE PRACTICES

The following describes the Corporation's governance practices with reference to National Policy 58-201 – *Corporate Governance Guidelines* and National Instrument 58-101 – *Disclosure of Corporate Governance Practices* (collectively, the "**Governance Guidelines**"), which are initiatives of the Canadian Securities Administrators.

The Board of Directors and management recognize that effective corporate governance practices are fundamental to the long term success of the Corporation. Sound corporate governance contributes to Shareholder value through increased confidence. In light of the Governance Guidelines and best practice standards in Canada, the Board of Directors and management have implemented a sophisticated set of governance policies and procedures and is committed to maintaining a high standard of corporate governance.

### Composition of the Board of Directors

As of December 31, 2016, the Board of Directors was composed of nine Directors. Assuming that the Shareholders of the Corporation vote in favour of the Director nominees, the number of members of the Board of Directors will be set at nine. The Board of Directors has determined that five of the nine Directors for the year ended December 31, 2016 were independent as such term is defined in the Governance Guidelines. The independent Directors were Messrs. Baskerville, Donaldson, Dushnisky, Fleiser and Thoma. Mr. Doman, Mr. Séguin, Mr. Marshall and Mr. Rosenfeld are not independent as they are the Chairman and Chief Executive Officer of CanWel, the President of CanWel, the Vice-President, Treated Wood, CanWel and Executive Vice-President of TFC, respectively. Mr. Donaldson is considered independent pursuant to TSX Guidelines as of January 31, 2013.

The independent directors do not have regularly scheduled meetings. However, they have the opportunity to hold ad hoc meetings that are not attended by the non-independent directors and members of management and they avail themselves of this opportunity, at their entire discretion, whenever they deem necessary. While the Board of Directors anticipated holding regularly scheduled meetings in fiscal 2016 at which only independent Directors were in attendance, in practice, the independent Directors functioned independently of the non-independent Directors by holding *in camera* meetings as part of all board meetings, and informally conferring on board matters as such members determined necessary or desirable. In 2016, the independent Directors regularly met without management and non-independent Directors following meetings of the Board of Directors. The opinions of independent Directors are also actively solicited by the Board Chair at each meeting of the Board of Directors. In addition, it is important to note that all of the Committees of the Board of Directors are composed entirely of independent Directors, thus providing an opportunity for open and candid discussion of issues without the presence of management.

In addition to acting as Directors of the Corporation, Mr. A. Doman is a member and chairman of the board of Directors of Tree Island Steel Ltd. (TSX). Mr. Dushnisky is a member of the board of Barrick Gold Corporation (TSX, NYSE) and a member and chairman of the board of Acacia Mining plc (formerly African Barrick Gold plc) (LSE). Mr. S. Fleiser and Mr. H. Rosenfeld are members of the board of directors of Tree Island Steel Ltd. (TSX).

The following table sets forth the number of Board of Directors and Committee meetings held and attendance by Directors for the year ended December 31, 2016:

| Director | Board Meetings Attended | Committee Meetings Attended |
|---|---|---|
| Amar S. Doman | 7/7 | N/A |
| Tom Donaldson | 7/7 | 10/10 |
| Stephen Marshall | 7/7 | N/A |
| Ian Baskerville | 6/7 | 10/10 |
| Kelvin Dushnisky | 7/7 | 10/10 |
| Sam Fleiser | 7/7 | 4/4 |
| Marc Séguin | 7/7 | N/A |
| Siegfried Thoma | 7/7 | 10/10 |
| Harry Rosenfeld(1) | 4/4 | N/A |
| Jacob Kotzubei(2) | 1/1 | N/A |
| Martin R. Melone(3) | 1/1 | 2/2 |

(1) Harry Rosenfeld was elected as a member of the Board of Directors on May 16, 2016.

(2) Jacob Kotzubei resigned as a member of the Board of Directors on April 11, 2016.

(3) Martin Melone resigned as a member of the Board of Directors on April 11, 2016.

Certain of the Directors also serve as directors and/or trustees on boards of other reporting issuers. Please see "Business of the Meeting – Election of Directors".

**Board Chair**

The Board Chair is a duly elected member of the Board of Directors and is appointed by the Board of Directors each year for a one year term, with such appointment being (except when a vacancy is being filled) at the first meeting of the Board of Directors following the annual general meeting of Shareholders. The current Board of Directors' Chairman (the "**Board Chair**") is Mr. A. Doman. The Board Chair is not independent as such term is defined in the Governance Guidelines. As indicated above, a majority of the

members of the Board of Directors are independent. The Board believes that the five independent Directors have a strong voice at all meetings of the Board and no single individual assumes a specific leadership position with respect to the independent Directors. Additionally, all committees of the Board of Directors are comprised exclusively of independent directors. The Board of Directors is provided with unfettered access to information regarding the Corporation's activities, upon request, and the Board of Directors, and any committee, is empowered to engage outside advisors when deemed appropriate.

The responsibilities of the Board Chair include providing leadership to the Directors in discharging their mandate, setting the long-term strategic vision of the Corporation, and liaising with senior management on operational matters. Among other things, the Board Chair generally oversees meetings of the Board of Directors and presides over meetings of the Shareholders. The Board Chair is the liaison between the Directors and management, and is responsible for promoting the proper flow of information to the Directors to keep them fully apprised of all material matters and developments.

The Board Chair is the founder of the CBML business, a member of management of CBML, and has a significant indirect ownership interest in the Corporation. The Board of Directors has adopted a specific position description for the Board Chair (see "Position Descriptions" below). The Board Chair leads the Board based on his experience with the CanWel business.

**Board Mandate**

Following completion of the 2010 Conversion and the reorganization of the Corporation's subsidiaries in 2011, the Corporation has taken steps to prepare a written mandate of the Board of Directors. The written mandate is under review by the Board of Directors and has not yet been adopted. Currently, the Board of Directors is responsible for supervising the activities and managing the investments and affairs of the Corporation, and is generally using the written charter of the board of trustees of the Fund for its guiding principles. The Board of Directors generally discharges its responsibilities either directly or through the Audit Committee, the Compensation Committee and the Nominating and Corporate Governance Committee. Currently, specific responsibilities of the Board of Directors include:

- Appointing Management – including final approval of all senior management appointments and the oversight of succession planning programs;

- Strategic Planning – including the review and approval of strategic plans that take into account, among other things, the opportunities and risks inherent to the Corporation;

- Monitoring of Financial Performance – including the review of reports of management concerning the Corporation's ongoing financial performance and results of operations and review and approval of the Corporation's audited and interim financial statements and management's discussion and analysis;

- Risk Management – including the identification of the Corporation's principal business risks and the implementation of appropriate systems to effectively monitor and manage such risks;

- Internal Control and Management Information Systems – including the review of reports of management and the Audit Committee concerning the adequacy of the Corporation's internal control and management information systems;

- Establishing Policies and Procedures – including the approval and monitoring of all policies and procedures such as those related to governance and ethics;

- Communication and Reporting – including the oversight of the timely and accurate disclosure of financial reports and other developments; and

- Other Responsibilities – including those related to orientation and continuing education of the Board of Directors, its Committees and individual Director evaluations.

**Position Descriptions**

The Board of Directors has adopted a specific position description for the Chair of the Board of Directors and each of the Committees of the Board of Directors and for the Chief Executive Officer of CanWel. Copies of these position descriptions can be obtained by request to the Corporate Secretary of CanWel. The Board of Directors engages in regular dialogue with the Chair of each Committee concerning the roles and responsibilities appropriate for such individuals. The Charters of the Compensation Committee and the Nominating and Corporate Governance Committee also inform the roles and responsibilities of the respective Chairs of each Committee.

**Orientation and Continuing Education**

All new Directors receive an orientation about CanWel. They are briefed on the role of the Board of Directors, its Committees, the contribution individual Directors are expected to make, and on the nature and operation of the Corporation and CanWel. New Directors are provided with briefings and copies of the Corporation's key documents, including the Corporation's Code, as defined below, insider trading and continuous disclosure policies, and Board and Committee mandates and charters. New Directors are also encouraged to visit operational facilities in order to familiarize themselves with the operations of CanWel.

Directors participate in a continuing education program that, among other things, assists Directors in maintaining and enhancing their skills and abilities as Directors and ensures that their knowledge and understanding of the Corporation and CanWel, and the industry in which CanWel operates, remain current. Management makes periodic presentations to Directors concerning developments in the operations of the Corporation and CanWel and developments in industry trends and practices. Generally, these update presentations by Management take place at the quarterly meetings of the Board of Directors. Directors are also encouraged to contact management of CanWel regarding specific questions about the business and operations of the Corporation or CanWel or the role of Directors.

**Code of Business Conduct and Ethics**

The Corporation adheres to a Code of Business Conduct and Ethics (the "**Code**") that sets out the principles that should guide the behaviour of Directors and directors, officers and employees of CanWel. The Code addresses, among others, the following issues:

(a) conflicts of interest, including transactions and agreements in respect of which a Director, director, officer or employee has a material interest;
(b) protection and proper use of corporate assets and opportunities;
(c) confidentiality of corporate information;
(d) fair dealing with the issuer's security holders, customers, suppliers, competitors and employees;
(e) compliance with laws, rules and regulations; and
(f) reporting of any illegal or unethical behaviour.

Complaints in connection with the Code may be reported to a supervisor or to the Chair of the Audit Committee.

The Board has delegated oversight of compliance with the Code to the Nominating and Corporate Governance Committee and, as noted above, the Audit Committee will act on any issues arising from non-compliance with the Code. The Corporation requires its Directors and senior officers to complete an acknowledgement, which is included in the Corporation's annual effectiveness or other questionnaires, whereby they confirm they have read the Code and agree to follow its terms and fully comply. Furthermore, the Corporation's standard employee new hire kit provides another opportunity for management and employees to confirm they have read and understand the Code.

The Board of Directors (or any Committee to whom that authority has been delegated) can grant waivers of compliance with the Code for the benefit of Directors or directors or senior officers of CanWel in appropriate circumstances. No such waiver has been granted since the adoption of the Code and consequently, the Corporation filed no material change report during the last fiscal year pertaining to any conduct of a Director, director or executive officer that constitutes a departure from the Code.

In addition, as set out in the charter of the Board of Directors, a Director or director or senior officer of CanWel must disclose, in writing to the Corporation or CanWel, as applicable, the nature and extent of any material interest they have in an actual or proposed contract or transaction. A Director or director or senior officer of CanWel required to make such disclosure shall not vote on any resolution to approve the contract or transaction unless it relates primarily to their remuneration as a Director or director, officer, employee or agent of the Corporation or CanWel, as applicable, or is for indemnity or insurance. Also, any actual or proposed contract or transaction that is not in the ordinary course of business in which a Director or director or senior officer of CanWel has any material interest is required to be first approved by the Nominating and Corporate Governance Committee, who then makes a recommendation to the Board of Directors.

A copy of the Code is provided (as part of the Corporation's comprehensive policy manual) to each new Director or director, officer or employee of CanWel. A copy of the Code can also be obtained by request to the Corporate Secretary of CanWel.

**Determination of Compensation**

The Compensation Committee is comprised of five independent directors, as such term is defined in the Governance Guidelines. All members attended all meetings of the Committee held during the last fiscal year.

The responsibilities and duties of the Committee include, among other things, to:

- review and make recommendations to the Board of Directors concerning the appointment of officers of the Corporation and its subsidiaries;
- annually review the Chief Executive Officer's goals and objectives for the upcoming year, provide an appraisal of the Chief Executive Officer's performance and review his compensation;
- make recommendations concerning the remuneration of NEOs, Directors, directors and officers of the Corporation's subsidiaries where applicable; and
- administer and make recommendations regarding the operation of the short-term incentive plan and any other employee incentive plans.

The Compensation Committee assists the Board of Directors in determining the compensation of the NEOs, Directors and of the Directors and officers of CanWel. The Committee makes recommendations to the Board of Directors with respect to the compensation of Directors and directors and officers of CanWel by, among other things, considering industry norms, by reference to the complexity of each position and, where applicable, by reference to the past performance of a Director or director or officer of CanWel.

Management of CanWel also provides input to the Committee that is evaluated by the Committee in the context of these considerations.

**Nomination of Directors**

The Nominating and Corporate Governance Committee is comprised of five independent directors, as such term is defined in the Governance Guidelines. All members attended all meetings of the Committee held during the last fiscal year.

The Nominating and Corporate Governance Committee is responsible for developing the Corporation's approach to governance issues, filling vacancies among the Directors and directors of its subsidiaries, and periodically reviewing the effectiveness of the Directors and directors of its subsidiaries and the contribution of individual Directors and directors of its subsidiaries.

The Nominating and Corporate Governance Committee identifies new candidates for board nomination by canvassing management, counsel and financial and other advisors, as well as members of other boards. The Committee looks for candidates that will improve and complement the skill set of the existing Board. Once the Committee has identified a potential candidate, the Committee reviews, among other things, the track record of such candidate as a board member of other public and private companies, as applicable, and the candidate's relevant industry experience, and then conducts an interview with the candidate and the candidate's references. The Committee then makes a determination as to whether the candidate should be recommended to the Board of Directors. Management of CanWel also has input into the identification process for nominees.

**Governance – Disclosure and Trading Policies**

As described below, the Audit Committee is responsible for oversight of financial disclosure. In addition, the Nominating and Corporate Governance Committee is responsible for adopting and periodically reviewing and updating the Corporation's written disclosure and trading policies. These policies, among other things:

- articulate the legal obligations of the Corporation, its affiliates and their respective directors, officers and employees with respect to confidential information;

- identify spokespersons of the Corporation and CanWel, who are the only persons authorized to communicate with third parties such as analysts, media and investors;

- provide guidelines on the disclosure of forward-looking information;

- require advance review by senior executives of CanWel of any disclosure of information to ensure the information is not material, to prevent the selective disclosure of material information and to ensure that, if selective disclosure does occur, a news release is issued immediately; and

- establish "black-out" periods immediately prior to and following the disclosure of quarterly and annual financial results and immediately prior to the disclosure of certain material changes, during which periods the Corporation, its affiliates and their respective directors, officers and employees may not purchase or sell Common Shares, and mandate compliance with applicable securities laws in respect of trading in the Corporation's securities.

**Audit Committee**

The Audit Committee assists the Directors in fulfilling their responsibilities of oversight and supervision of the accounting and financial reporting practices and procedures of the Corporation, the adequacy of internal accounting controls and procedures, and the quality and integrity of financial statements of the Corporation. In addition, the Audit Committee is responsible for directing the auditors' examination of specific areas and for the selection of independent auditors of the Corporation. All members attended the four meetings of the Committee held during the last fiscal year. All members of the Audit Committee are financially literate within the meaning of applicable securities laws. Information concerning the Audit Committee can be found at Appendix 1 of the Corporation's AIF, available at www.sedar.com.

**Assessments**

The Nominating and Corporate Governance Committee is responsible for developing and recommending to the Board of Directors a process for reviewing the competencies, skills and effectiveness of the Board of Directors as a whole and the Committees and the contributions of individual Directors. The Committee is also responsible for overseeing the execution of the review process approved by the Board of Directors and management and meets annually in this regard, and additionally, as required, on an ad hoc basis. During the review process, the Committee considers: (i) input from Directors, where appropriate, including through an annual effectiveness questionnaire; (ii) attendance of Directors at meetings of the Board of Directors and any Committee; (iii) the charter of each Committee; and (iv) the competencies and skills each individual Director is expected to bring to the Board of Directors and each Committee. In addition, in assessing the effectiveness of the Board of Directors and the Committees as a whole, the Nominating and Corporate Governance Committee considers regulatory developments with respect to corporate governance, as well as the corporate governance practices of other similarly situated corporations. The Nominating and Corporate Governance Committee analyzes its findings and, if deemed necessary, presents such finding to the Board of Directors for further consideration. Upon review of such findings, the Nominating and Corporate Governance Committee and the Board considers whether any changes to the composition, structure or charter of the Board or committee are appropriate.

**Diversity**

The Corporate Governance Committee believes that having a diverse Board and senior management offers a depth of perspective and enhances Board and management operations. The Corporate Governance Committee identifies candidates to the Board and management of the Corporation that possess skills with the greatest ability to strengthen the Board and management and the Corporation is focused on continually increasing diversity within the Corporation. The Corporate Governance Committee does not specifically define diversity, but values diversity of experience, perspective, education, race, gender and national origin as part of its overall annual evaluation of director nominees for election or re-election as well as candidates for management positions. Gender, experience and geography are of particular importance to the Corporation in ensuring diversity within the Board and management. Recommendations concerning director nominees are, foremost, based on merit and performance, but diversity is taken into consideration, as it is beneficial that a diversity of backgrounds, views and experiences be present at the Board and management levels.

The Corporation attempts to recruit and select board and management candidates that represent both gender diversity and business understanding and experience. However, the Board does not support fixed percentages for any selection criteria, as the composition of the Board and management is based on the numerous factors established by the selection criteria and it is ultimately the skills, experience, character and behavioral qualities that are most important to determining the value which an individual could bring to the Board or management of the Corporation.

At the senior management level of the Corporation, approximately 29% (2 of the 7) members of CanWel's leadership team, are female. There are currently no female directors. The Corporation does not have a formal policy on the representation of women on the Board or senior management of the Corporation. The Corporate Governance Committee already takes gender into consideration as part of its overall recruitment and selection process in respect of its Board and senior management and will continue to do so. However, the Board does not believe that quotas or strict rules set forth in a formal policy necessarily result in the identification or selection of the best candidates. As such, the Corporation does not see any meaningful value in adopting a formal policy in this respect at this time as it does not believe that it would further enhance gender diversity beyond the current recruitment and selection process carried out by the Corporate Governance Committee.

The Board is mindful of the benefit of diversity on the Board and management of the Corporation and the need to maximize the effectiveness of the Board and management and their respective decision-making abilities. Accordingly, in searches for new Directors, the Corporate Governance Committee will consider the level of female representation and diversity on the Board and management and this will be one of several factors used in its search process. This will be achieved through continuously monitoring the level of female representation on the Board and in senior management positions and, where appropriate, recruiting qualified female candidates as part of the Corporation's overall recruitment and selection process to fill Board or senior management positions, as the need arises, through vacancies, growth or otherwise. Where a qualified female candidate can offer the Corporation a unique skill set or perspective (whether by virtue of such candidate's gender or otherwise), the Corporate Governance Committee anticipates that it may typically recommend such a female candidate over a male candidate. Where the Corporate Governance Committee believes that a male candidate and a female candidate each offer the Corporation substantially the same skill set and perspective, such Committee anticipates that it will consider numerous other factors beyond gender and the overall level of female representation in deciding the candidate who will be recommended.

**Term Limits and Over-boarding**

The Corporate Governance Committee has considered whether to propose that the Board adopt term limits for directors, and has determined not to do so for a variety of reasons. The Corporation and the Board believes that the institutional memory and the perspective of longer service directors with industry experience gleaned through multiple price and economic cycles in the economy and the housing or building materials industry is of benefit to the Board. The ongoing involvement of directors who have participated in completed acquisitions through the integration phases has important benefits. In addition, the Corporate Governance Committee believes that other policies of the Board such as the annual performance assessment of Directors provide effective mechanisms to promote periodic board renewal to the extent this would be beneficial to the Corporation and its Shareholders. Of the nine directors nominated at the meeting, approximately 33% have been elected or appointed to the Board within the last six calendar years. The Board believes that the diversity of views afforded by a combination of longer-term and newly-appointed Directors can contribute to effective decision making. Additionally, the Corporate Governance Committee is studying recent commentary on director "over-boarding", and will informally review outside directorships of the board at least annually. None of the Board sit on more than two other public boards as of the date hereof.

## OTHER BUSINESS

The Directors are not aware of any matter intended to come before the Meeting other than those items of business set forth in the attached Notice of Meeting. If any other matters properly come before the Meeting, it is the intention of the persons named in the Form of Proxy to vote in respect of those matters in accordance with their judgment.

## ADDITIONAL INFORMATION

Financial information for the Corporation is provided in the Corporation's financial statements for the fiscal period ended December 31, 2016, together with the management's discussion and analysis. This information and additional information relating to the Corporation is available at www.sedar.com.

Copies of the Corporation's AIF, annual report (including management's discussion and analysis), financial statements and this Information Circular may be obtained by request to the Corporate Secretary of CanWel.

## APPROVAL OF DIRECTORS

The contents and the sending of this Information Circular to the Shareholders have been approved by the Board of Directors of the Corporation.

By Order of the Board of Directors

"*Amar S. Doman*"
Chair of the Board of Directors
CanWel Building Materials Group Ltd.

Dated: March 30, 2017