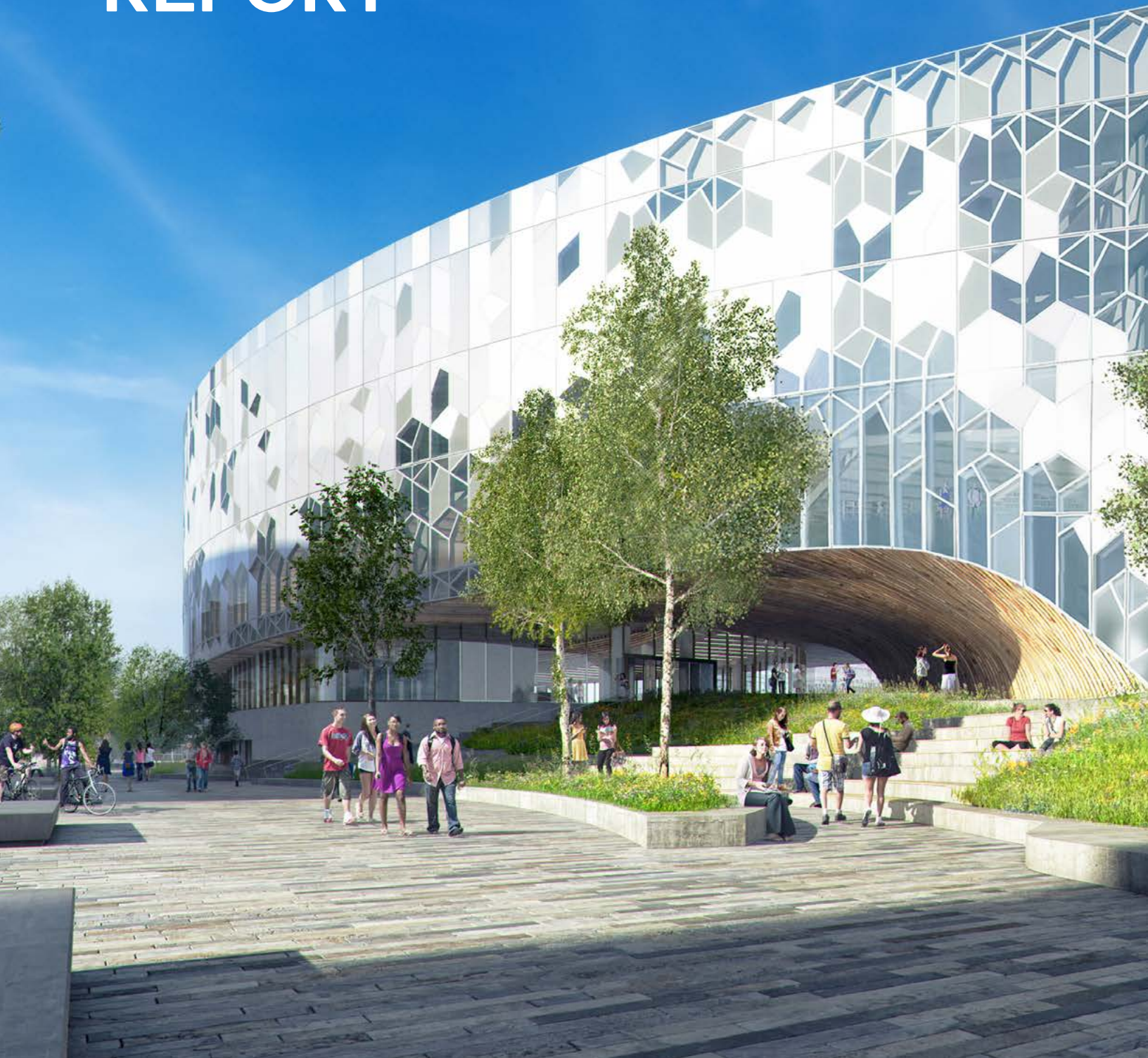


2023 SUSTAINABILITY REPORT



ADENTRA

Forward Looking Statements

Certain statements in this report contain forward-looking information within the meaning of applicable securities laws in Canada. The words “anticipates”, “believes”, “budgets”, “could”, “estimates”, “expects”, “forecasts”, “intends”, “may”, “might”, “plans”, “projects”, “schedule”, “should”, “will”, “would” and similar expressions are often intended to identify forward-looking information, although not all forward-looking information contains these identifying words. The forward-looking information in this report includes, but is not limited to: the Company’s plan to adopt reporting standards as established by the Global Reporting Initiative and the Sustainability Accounting Standards Board; the Company’s commitment to sourcing from vendors that operate legally and ethically, ensuring its products come from sources that are managed sustainably, increasing its trade in products that enhance fiber and material efficiency, and minimizing its environmental footprint by maximizing efficiency and reducing waste throughout its operations; the Company’s intention of reducing GHG emissions; and, the Company’s commitment to cultivating a workplace that promotes the health, safety and well-being of its employees, encourages a culture of diverse opinion, perspective and background, and builds high-quality future talent and succession pipelines.

The forward-looking information is based on assumptions which include, but are not limited to: the Company does not lose any key personnel; the Company is able to sustain its level of sales and earnings margins; the Company is able to grow its business long term and to manage its growth; the Company is able to integrate acquired businesses; the Company can comply with existing regulations and will not become subject to more stringent regulations; the Company’s management information systems upon which the Company is dependent are not impaired; and, the Company is not adversely impacted by disruptive technologies.

The forward-looking information is subject to risks, uncertainties and other factors that could cause actual results to differ materially from historical results or results anticipated by the forward-looking information. The factors which could cause results to differ from current expectations include, but are not limited to: the Company depends on key personnel, the loss of which could harm the Company’s business; the Company’s products may be subject to negative trade outcomes; the Company may be unable to grow the Company’s business long term and to manage any growth; the Company is unable to integrate acquired businesses; the Company may fail to comply with existing regulations or become subject to more stringent regulations; product liability claims could affect the Company’s revenues, profitability and reputation; the Company is dependent upon its management information systems; disruptive technologies could lead to reduced revenues or a change in the Company’s business model; and, other risks described in the Company’s Annual Information Form and Management’s Discussion and Analysis for the quarter ended September 30, 2022.

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

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WELCOME

ADENTRA is a world-class distributor of architectural building products operating under our flagship brands across North America. We are uncompromising in our commitment to be the preferred choice for our customers, the best partner for our vendors, and a great place to work for our valued employees.

ADENTRA is one of North America's largest distributors of architectural products to fabricators, home centers and professional dealers servicing the new residential, repair and remodel, and commercial construction end markets. We currently operate a network of 87 regional customer service centers in the United States and Canada.

Throughout our more than 60-year history, ADENTRA's business has revolved around sustainable resources. Now, as our business continues to grow and evolve, our attention to environmental, social and governance issues is also transforming. This year we are pleased to begin reporting on our efforts with the first annual ADENTRA Sustainability Report. Our report is grounded in our core values – Integrity, Fairness, People, and Passion – and our approach to sustainability aligns with our continued pursuit of superior financial performance. It is a commitment we are making as we work to build an even stronger future for our company, employees, customers, and investors.

A MESSAGE FROM OUR PRESIDENT AND CEO



WE HAVE ALWAYS BEEN A COMPANY THAT RESPONDS TO CHANGE WITH CONFIDENCE, TURNING TO FACE THE WINDS OF OPPORTUNITY AND ADVERSITY AND ADAPTING, GROWING, AND IMPROVING OUR BUSINESS IN RESPONSE

Dear stakeholders,

Our embrace of change is evident in our transformation from a regional hardwood lumber and plywood distributor to today's position as North America's premiere distributor of architectural building products.

It is seen in sales that have grown from \$900 million to over \$2.5* billion in just the past three years.

It is reflected in our recent re-branding under our new name, ADENTRA. Deriving from "dentro", the Latin word for "within," ADENTRA reflects the foundational elements of our rapidly growing company; the corporate structure, operating systems, and expertise of our teams; and the facilities and products that provide creative material solutions for our customers across North America.

Our embrace of change is also evident in this, our first sustainability report. While we are a company that has always prioritized responsible management and good governance, we are increasing our focus on sustainability to align with the growth and evolution of our business. We want to build an even stronger and more sustainable future for our company, our people, our customers, and our investors. Reporting on sustainability topics helps us do this, first by requiring us to identify the key indicators of sustainability for our business, and secondly by measuring our progress against specific goals and objectives. As the saying goes, "What gets measured, gets done."

So, what will we measure in this report?

With significant input from individuals across our organization and the guidance of our external sustainability advisor, KPMG, we have identified three broad areas of focus:

- ◆ Building environmental and material stewardship
- ◆ Cultivating healthy workplaces
- ◆ Championing privacy, ethics, and transparency

In this inaugural report we will explain why we are focusing on these areas and what they mean to us. We will also start to establish benchmarks for how we will measure them going forward. In subsequent reports we will report on the progress we are making.

Just like ADENTRA, I expect this report will change and evolve over time. We will become better and stronger because of it. In the meantime, we hope our first 2023 Sustainability Report provides insight into the ways we are working to create a positive impact on our world and the stakeholders we interact with.

Rob Brown
President and CEO

*ADENTRA's revenues in U.S. dollars for the trailing twelve months ended September 30, 2022



ABOUT THIS REPORT

This is the first Sustainability Report of ADENTRA Inc., formerly Hardwoods Distribution Inc. The purpose of this inaugural report is to introduce our sustainability topics, outline our framework for reporting, and identify benchmarks against which we can measure our progress and our performance going forward.

Reporting Period and Cycle

Our reporting period will align with ADENTRA's fiscal year, which runs from January 1 to December 31. Data in this report reflects our 2022 fiscal year. Going forward, we will produce our sustainability reports annually and we expect to publish our next report in March/April of 2024.

Reporting Standards

As we evolve on our sustainability journey, we plan to adopt reporting standards as established by the Global Reporting Initiative (GRI) and the Sustainability Accounting Standards Board (SASB). Established in 1997, GRI provides global, sector-agnostic disclosure standards for company operations' impact on stakeholders at large. SASB, established in 2011, takes a financial materiality-based approach to sustainable disclosure, aiming to provide a more sector-focused view on the financial impacts of environmental, social and governance issues on a company. The two frameworks are complimentary and mutually supportive. Within the coming years, we intend to be fully aligned to GRI/ SASB for the long-term, joining the movement to make sustainable progress trackable and scalable.

Scope of the Report

This report covers all fully consolidated companies and subsidiaries of ADENTRA as at December 31, 2022. The data on personnel relate to the entire ADENTRA group of companies, except where noted otherwise, and refer to full-time equivalents as an annual average. Consumption and environmental data refer to the fully consolidated companies, including the operations of ADENTRA, Hardwoods, Mid-Am, Novo, Rugby, and Paxton.

Further information

Further information about ADENTRA's operations and financial performance can be found on our website at [ADENTRAgroup.com](https://www.adentragroup.com).



OVERVIEW

2.1 ADENTRA AT A GLANCE

We are uncompromising in our commitment to be the preferred choice for our valued customers, the best partner for our vendors, and a great place to work for our valued employees.



5
FLAGSHIP BRANDS



87
REGIONAL CUSTOMER SERVICE CENTERS



+3,000
EMPLOYEES



+75,000
CUSTOMERS

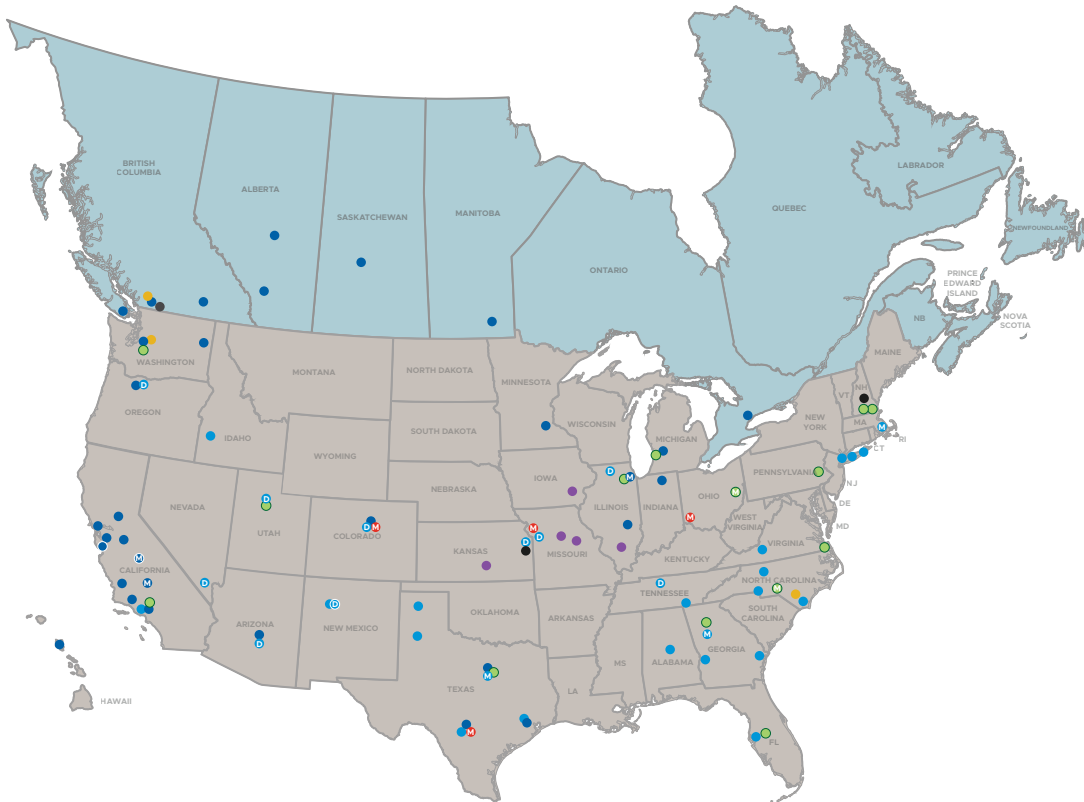


+6.7 M
SQ FT OF WAREHOUSE AND SECONDARY MANUFACTURING SPACE



+\$2.5 B*
U.S. DOLLARS TTM ANNUAL REVENUE

ADENTRA ACROSS NORTH AMERICA



D DOOR MANUFACTURING **M** MOULDING AND MILLWORK MANUFACTURING

- ADENTRA**
HARDWOODS HEAD OFFICE - VANCOUVER (LANGLEY), BC
MID-AM HEAD OFFICE - SPRING HILL, KS
RUGBY HEAD OFFICE - CONCORD, NH
- HARDWOODS**
Materials That Inspire
24 US LOCATIONS
KAPOLEI, OAHU, HI
PORTLAND, OR
SEATTLE, WA
SPOKANE, WA
CHICAGO, IL (D)
ELKHART, IN
GRAND RAPIDS, MI
MATTSON, IL
MINNEAPOLIS, MN
DENVER, CO
DALLAS, TX
HOUSTON, TX
SAN ANTONIO, TX
BAKERSFIELD, CA (D)
CHATSWORTH, CA
FRESNO, CA (D)
LOS ANGELES, CA / SAN DIEGO AREA
MODESTO, CA
PHOENIX, AZ
SACRAMENTO, CA / NORTHERN NEVADA
SAN FRANCISCO, CA / BAY AREA
SAN JOSE, CA
SAN LUIS OBISPO, CA
SANTA CRUZ, CA
- 8 CANADIAN LOCATIONS
CALGARY, AB
EDMONTON, AB
SASKATOON, SK
KELOWNA, BC
VANCOUVER, BC
VICTORIA, BC
TORONTO, ON
WINNIPEG, MB
- Rugby**
Architectural Building Products
31 LOCATIONS
ATLANTA, GA (D)
BIRMINGHAM, AL
CHARLOTTE, NC
CHATTANOOGA, TN
COLUMBUS, GA
KERNERSVILLE, NC
ROANOKE, VA
SAVANNAH, GA
WILMINGTON, NC
DALLAS, TX (D)
HOUSTON, TX
ALBUQUERQUE, NM (D)
AMARILLO, TX
LOS ANGELES, CA
LUBBOCK, TX
PHOENIX, AZ (D)
KANSAS CITY, MO (D)
NASHVILLE, TN (D)
SLATERS, MS (D)
ROCKFORD, IL (D)
BOSTON - STOUGHTON, MA (D)
BROOKLYN, NY
CARLSTADT, NJ
LONG ISLAND, NY
ROSE, ID
DENVER, CO (D)
LAS VEGAS, NV (D)
PORTLAND, OR (D)
SALT LAKE CITY, UT (D)
- NOVO**
Building Products
14 LOCATIONS
ALLENTOWN, PA
AMHERST, NH
ARCHDALE, NC (D)
BALL GROUND, GA
BOWERSVILLE, OH (D)
CHICAGO, IL
CHESAPEAKE, VA
CORONA, CA
DALLAS, TX
LAKELAND, FL
PULFALUP, WA
SALEM, NH
WEST VALLEY CITY, UT
ZEELAND, MI
- MID-AM**
5 LOCATIONS
CENTRALIA, IL
CHILLICOTHE, MO
MOBERLY, MO
MT PLEASANT, IA
WICHITA, KS
- TRIPLE STAR LUMBER COMPANY**
4 LOCATIONS
CINCINNATI, OH (D)
DENVER, CO (D)
KANSAS CITY, MO (D)
SAN ANTONIO, TX (D)
- ADENTRA IMPORTS**
ADENTRA IMPORTS - VANCOUVER, BC
ADENTRA IMPORTS LUMBER DIVISION - LELAND, NC
ADENTRA PANEL DIVISION - RENTON, WA

*ADENTRA's revenues in U.S. dollars for the trailing twelve months ended September 30, 2022



COMPANY OVERVIEW

Market Position: Through our wide-reaching vast North American network of regional customer service centers, we provide best-in-class supply solutions to over 75,000 customers using four channels to market: industrial, home center, ProDealer, and architects and designers.

Products and Services: ADENTRA supplies an extensive assortment of architectural products for the building envelope, and interior working and living environments. Products include interior and exterior doors, windows, stair components, mouldings and millwork items, architectural panels, decorative surfaces, composites, kitchen cabinetry, decorative and functional hardware, specialty plywood, and high-grade hardwood lumber.

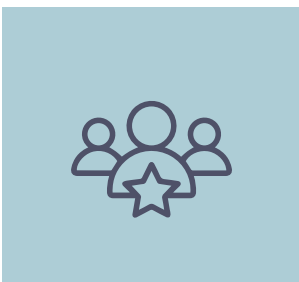
End-Markets: Approximately 40% of the products we sell end up in new residential construction applications. Another approximately 40% ends up in R&R (Repair and Remodeling) applications. A majority of the remaining 20% resides in commercial/institutional construction sectors.

People: We employ over 3,000 employees and maintain a pronounced professional and entrepreneurial sales and customer service culture.

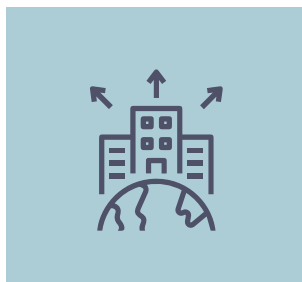
Network: We operate a North American network of 87 regional customer service centers with approximately 90% of our annual sales generated in the United States and 10% in Canada.

Our Strategy/Mission: We are focused on leveraging our size, capabilities, and strong financial position to create a world-class distribution company.

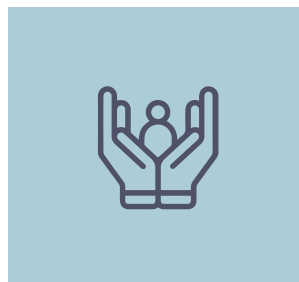
OUR OBJECTIVES INCLUDE:



Being a market leader in our products



Developing and expanding our product offering with high-value solutions



Supporting the success of our operations and our stakeholders with operational excellence



Continuing to pursue acquisitions that complement our strategies

EVOLUTION OF ADENTRA

For more than 60 years we have been a pioneer and market leader in building our North American network of 87 regional customer service centers. Today we are the largest distributor of architectural building products in North America.



2004

Completed initial public offering and used the proceeds to acquire an 80% interest in Sauder Hardwoods Inc., a Canadian-headquartered hardwood lumber and sheet goods distribution business. The public entity was formed as an income trust fund under the name Hardwoods Distribution Income Fund

2005

Opened two new branches in Minneapolis, Minnesota, and Neoga, Illinois

2011

Reorganized corporate structure from an income trust structure to a corporate structure. Changed our name to Hardwoods Distribution Inc. or "HDI"

Acquired Frank Paxton Hardwood Lumber, a leading manufacturer and distributor of premium hardwood lumber, millwork, and architectural sheet goods. Paxton operated from five branches located in Chicago, Illinois; Cincinnati, Ohio; Denver, Colorado; Kansas City, Missouri; and San Antonio, Texas

2013

Acquired Olam Wood Products, a Leland, North Carolina-based importer of high-quality African and South American tropical lumber and decking material

2014

Acquired Hardwoods of Michigan Inc., a sawmill and kiln drying operation located in Clinton, Michigan

2016

Acquired Rugby Architectural Building Products, a wholesale distributor of architectural building products. Headquartered in Concord, New Hampshire, Rugby brought us 28 distribution facilities serving over 22,000 customers across 48 states

2017

Acquired Eagle Plywood and Lumber, a single-site wholesale distributor located in Dallas, Texas

Acquired Downes and Reader Hardwood Company Inc., a distributor of hardwood lumber with four locations in the Northeast United States

2018

Acquired Atlanta Hardwood Corporation, located in Georgia and Alabama

2019

Acquired Far West Plywood, a single-site distributor located in Southern California

Acquired Pacific Mutual Door Company, a wholesale distributor of interior and exterior doors, custom millwork and other ancillary building products with four facilities located in Nashville, Tennessee; Kansas City, Missouri; Olathe, Kansas; and Albuquerque, New Mexico

2020

Acquired Diamond Hardwoods, a wholesale distributor of architectural building products with two facilities located in Fresno and Bakersfield, California

Acquired Aura Hardwoods, a wholesale distributor of architectural building products with six facilities located in Modesto, Rancho Cordova, San Jose, San Luis Obispo, Fresno and Santa Cruz, California

Acquired River City Millwork, a wholesale distributor of interior and exterior doors, custom millwork, and other ancillary products located in Rockford, Illinois

2021

Acquired Novo Building Products Holding LLC (Novo), a value-added supplier and manufacturer of specialty building products, supplying stair parts, doors and other specialty millwork products to home centers and ProDealers. Novo brought us a network of 14 facilities primarily in the Eastern and Midwestern United States, Florida, and Texas

Sold HMI Hardwoods LLC, a sawmill and kiln drying operation located in Clinton, Michigan

2022

Acquired Mid-Am Building Supply, a large supplier of building products, including doors, millwork and other diversified building materials. Mid-Am operates six sales and warehouse facilities in the Midwestern United States

Changed our corporate name and identity with our rebranding as "ADENTRA"

2023

Published our first sustainability report



2.2 OUR SUSTAINABILITY JOURNEY



WE INVOLVED MULTIPLE STAKEHOLDERS IN OUR SUSTAINABILITY DISCOVERY PROCESS TO BEST REFLECT OUR MARKET, INDUSTRY AND INVESTORS' UNIQUE CIRCUMSTANCES AND SENTIMENTS



For over 60 years, ADENTRA's business has revolved around renewable resources. Core to our product philosophy is a commitment to sustainability, which we embody by manufacturing or distributing products made from legally harvested sources and meeting or exceeding industry and government regulatory guidelines.

We have built on this commitment by adding new environmentally responsible materials to our product offerings, achieving Forest Stewardship Council Chain of Custody certification at 56 of our locations, incorporating waste prevention and recycling initiatives into our operations, and working to be an excellent employer and providing a great place to work.

Now we want to go further.

Our goal is to nurture a culture that prioritizes sustainability and responsibility throughout our operations. By more fully integrating environmental, social and governance practices into our business processes, we believe we can increase the benefits and reduce the risks that derive from our interaction with our world and our stakeholders.

TAKING THE FIRST STEPS

In 2021 we launched a process to identify the sustainability themes and topics that are most relevant to our company and important to our stakeholders:

- ❖ Engaged an external sustainability advisor
- ❖ Formed a committee of senior company leaders and set objectives for our sustainability program
- ❖ Conducted a market review of reporting practices and expectations
- ❖ Conducted interviews with a wide range of internal stakeholders to assess current performance and identify priorities
- ❖ Ran an internal workshop to review findings and prioritize a shortlist of sustainability topics
- ❖ Developed and refined our framework
- ❖ Held an ambition-setting/calibration workshop to assess our current performance and desired future performance
- ❖ Developed our approach based on our agreed framework, current performance and desired future performance:
 - ❖ Created a list of top-priority sustainability topics
 - ❖ Shortlisted our topics based on stakeholder consensus
 - ❖ Developed a detailed and tailored sustainability approach and set of ambitions for ADENTRA, organized into three major themes



2.3 OUR APPROACH AND FRAMEWORK

Our process identified nine sustainability topics that are particularly relevant to ADENTRA and our stakeholders. We organized these topics under three broader themes:

- ◆ Environmental topics are addressed under “Building Environmental and Material Stewardship.”
- ◆ We examine social topics as part of “Cultivating Healthy Workplaces.”
- ◆ Governance topics, including data security and corporate ethics and compliance, are broadly grouped under “Championing Privacy, Ethics and Transparency.”



Building Environmental and Material Stewardship

- ◆ Ensuring ethical, environmentally sensitive sourcing
- ◆ Increasing materials efficiency and waste management
- ◆ Reducing greenhouse gas emissions



Cultivating Healthy Workplaces

- ◆ Improving workplace health and safety
- ◆ Increasing diversity, equity and inclusion
- ◆ Enhancing employee engagement, attraction and retention



Championing Privacy, Ethics and Transparency

- ◆ Data privacy and security
- ◆ Ethics and compliance
- ◆ Responsible governance and transparency



SUSTAINABILITY PRIORITIES

BUILDING ENVIRONMENTAL AND MATERIAL STEWARDSHIP





3.1.1. INTRODUCTION

ADENTRA distributes architectural building products, most of which are from renewable sources. These products are sourced from more than 30 countries worldwide, transported by ship, rail and truck to our 87 regional customer service centers, and then on to our over 75,000 customers across North America.

In managing this large and complex supply chain, ADENTRA is committed to:

- ◆ Sourcing from vendors that operate legally and ethically
- ◆ Ensuring our products come from sources that are managed sustainably
- ◆ Increasing our trade in products that enhance fiber and material efficiency
- ◆ Minimizing our environmental footprint by maximizing efficiency and reducing waste throughout our operations

3.1.2. ETHICAL AND SUSTAINABLE SOURCING



WE HAVE A COMMITMENT TO THE ETHICAL AND SUSTAINABLE SOURCING OF MATERIALS, ACCOUNTING FOR BOTH THE ENVIRONMENTAL IMPACTS OF THE PRODUCTS WE SELL AS WELL AS OUR VENDORS' COMMITMENT TO ETHICAL COMPLIANCE



Responsible sourcing is deeply embedded in **ADENTRA's values**.^{*} We are serious about our responsibility to ensure our products are derived from legally and sustainably harvested sources and manufactured in facilities that operate ethically.

^{*} ADENTRA is a world-class distributor of architectural products. We are uncompromising in our commitment to be the preferred choice for our customers, the best partner for our vendors, and a great place to work for our valued employees.



3.1.2. ETHICAL AND SUSTAINABLE SOURCING

(continued)

Our sourcing model is based on the American National Standards Institute’s Standard for Due Diligence in Procuring/Sourcing Legal Timber and fully aligns with the U.S. Lacey Act, which prohibits the import of illegally harvested timber. Overseen by ADENTRA’s Compliance Director, Vice-President Imports, and Senior Vice President, Corporate Development, and managed with a robust and well-documented compliance process that includes regular audits and extensive employee training, our sourcing model helps to ensure that we adhere to the following core commitments:

- ◆ We do not buy or import illegally harvested timber, including timber taken from parks or protected areas, harvested without permission, or harvested out of compliance with regulations
- ◆ We have zero tolerance for trade in restricted and/or at-risk wood species as defined by the U.S. and Canadian governments
- ◆ We are actively working to increase the proportion of our product supply that is certified as coming from “managed” forests, specifically forests that have been independently audited and certified, as well as forests managed by a credible, independent third party

Within our North American distribution network, 57 of our regional customer service centers are certified by the Forest Stewardship Council (FSC) for Chain of Custody (by SCS Global Services, FSC-COC-000144 for Hardwoods, by LLC SCS-COC-001211 for Rugby, and by Preferred by Nature NC-COC-003134 for Paxton). The Forest Stewardship Council is a global, not-for-profit organization dedicated to the promotion of responsible forest management worldwide. It defines standards based on agreed principles for responsible forest stewardship that are supported by environmental, social, and economic stakeholders. The FSC also guarantees the integrity of the supply chain for certified products and ensures that products have been harvested from forests that meet stringent environmental, social, and economic standards or are from verified recycled sources.

Our approach to global wood product sourcing does not rely on third-party brokers or wholesalers. Rather, we maintain our own Global Sourcing Team that buys directly from vendors. This 20-person team inspects every manufacturer we work with, making first-hand assessments of their policies and operating metrics, and with the use of regular technical and quality control audits, ensures they comply with our expectations for operating conditions, inbound fiber, and product quality. If a vendor violates our requirements, we have the right to terminate our business relationship with them.

	2022
Vendor audits completed including third-party lab testing	> 50
Onsite, in-person inspections of vendor manufacturing operations completed	> 100

3.1.3. MATERIALS EFFICIENCY AND WASTE MANAGEMENT

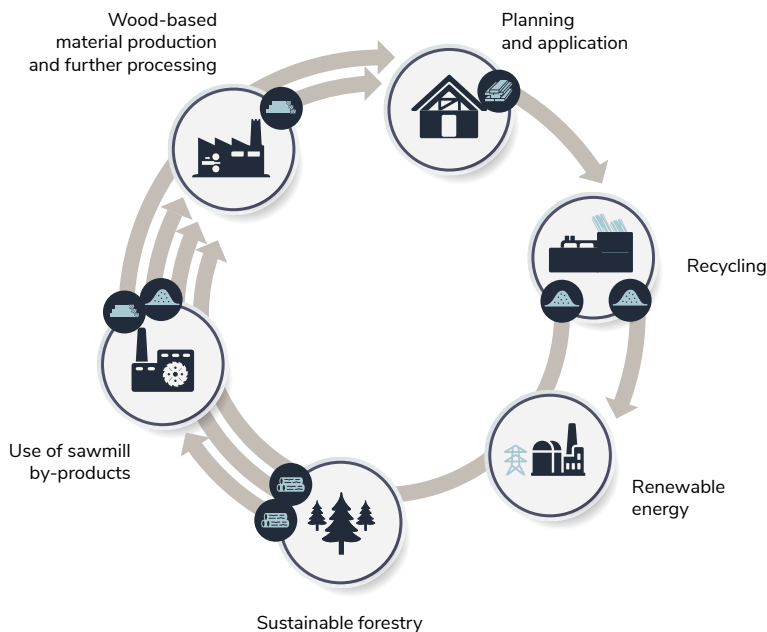
BUILDING ON MATERIALS EFFICIENCY

Further enhancing our supply sustainability is a product mix that is steadily evolving to make better and more efficient use of wood fiber. Where our product offering was once dominated by solid lumber and plywood products drawn from higher- value portions of the log, today ADENTRA's offerings include medium density fiberboard (MDF) and particleboard products made from wood material that was once considered waste, as well as leading-edge products that combine recycled material with innovative manufacturing methods to create highly sustainable product offerings.

Our choice of vendors plays a critical role in our materials efficiency. We partner with manufacturers known for embedding sustainability into their industrial processes. This includes suppliers that reduce their environmental footprint through "clean tech" approaches to material substitutions and increased use of recycled material in their products.

We also have significant supply relationships with companies that focus on the use of sustainable fiber and sawmill by-products, and emphasize efficient processing, recycling, and renewable energy throughout their manufacturing operations.

Sustainable Environmental Cycle:



VERIFYING GLOBAL SUPPLIERS THROUGH DIRECT SOURCING

Decades ago we determined that it was not acceptable to simply buy products from offshore sources and only fulfill a logistics function to transport them to North American users. Instead we created a Global Sourcing Team to work inside our vendors' supply chains to ensure that production meets our high standards. Approximately half of our imported products today are managed in this way by ADENTRA Imports' Global Sourcing Team.

Vendors are initially approved through a rigorous audit process to conform to both our quality standards as well as supply chain compliance for emissions and Lacey Act requirements for legal fiber. We seek sustainably managed products from around the world that are managed with high levels of environmental and social responsibility. Factories meeting ISO 14001 and 9001 standards ensure the highest level of compliance and control.

Internal production control is exercised by ADENTRA Imports as we oversee raw material specifications, production parameters, and finished product quality standards to meet North America's most demanding requirements. Adherence to stringent emissions standards is assured both by our mills and by third-party certifiers. As an added measure, to ensure that our customers receive the very best, ADENTRA has independent third-party laboratories corroborate the manufacturers' results.

Through the success of ADENTRA Imports' initiatives, we have developed a number of privately branded products, including Dragon Ply Premium Hardwood Plywood, Echo Wood Reconstituted Wood Veneers, Drawersides, and Lotus Decorative Laminates. These high-value products have developed an enviable reputation for quality and consistency and are available through our regional customer service centers and by direct shipment to customers in other parts of the world.

TAKING ACTION IN OUR OPERATIONS

Our materials efficiency is supported by careful management of products within our care. We know that inventory that becomes damaged because of mishandling, or obsolete due to oversupply, can end up in landfill. By focusing on refining and improving inventory planning and management, we can reduce the volumes of product that end up as waste. Generally, less than 2% of our inventory is written off annually.

We also manage other controllable areas for reducing waste in our operations and actively promote recycling and waste management. Specific initiatives include:

- ❖ Operations-based collection and recycling programs for paper, plastic and metal products
- ❖ Electronic invoicing, which reduces our requirement for paper and the use of fossil fuels in the delivery of those invoices
- ❖ Extensive use of digital sales collateral, which greatly reduces our need for paper products
- ❖ The use of consumable paper products made from post-consumer recycled and Forest Stewardship Council (FSC) fiber and cardboard product cover sheets made from 100% recycled cardboard

Going forward we will continue to build on these initiatives, including encouraging our vendors to use more recycled and recyclable materials in their packaging and shipping materials, and ensuring we have our own systems in place to collect and recycle these materials.



3.1.4. GREENHOUSE GAS EMISSIONS AND CLIMATE CHANGE

“Forests and forest products can significantly contribute to climate change mitigation by stabilizing and even potentially decreasing the concentration of carbon dioxide (CO²) in the atmosphere. Harvested wood products represent a common widespread and cost-efficient opportunity for negative emissions. After harvest, a significant fraction of the wood remains stored in the harvested wood products for a period that can vary from some months to many decades whereas atmospheric carbon is immediately sequestered by vegetation re-growth. This temporal mismatch between oxidation of the harvested wood products and carbon uptake by vegetation generates a net sink that lasts over time.”

Jordan, CM., Hu, X., Arvesen, A. et al. Contribution of forest wood products to negative emissions: historical comparative analysis from 1960 to 2015 in Norway, Sweden and Finland. *Carbon Balance and Management* 13, 12 (2018). <https://doi.org/10.1186/s13021-018-0101-9>

While many of the wood products ADENTRA distributes can have a mitigating impact on climate change, other aspects of our operations are not as emissions neutral. For example, we generate greenhouse gases through our use of electricity and thermal energy to operate our regional customer service centers. We also rely on fossil fuels to transport our products, fuel our business vehicles, and operate our forklifts.

We recognize the importance of reducing our greenhouse gas emissions and we are striving to minimize our impact through a variety of initiatives.

Within our regional customer service centers, we are installing high-efficiency LED lighting to replace older, less efficient technologies such as high-pressure sodium lamps, metal halide lamps and fluorescent lights. Not only does this save energy and reduce carbon emissions, but it also improves safety by providing better visibility. To date we have converted over 80% of our facilities to LED lighting and we will continue to explore new options for energy saving solutions.

We are also currently examining the use of fossil fuels across our operations with the intention of reducing greenhouse gas emissions, while also increasing our efficiency. New initiatives we are exploring include:

- ◆ Adding electric, hybrid and/or high-efficiency vehicle models to our business fleet
- ◆ Expanding our use of route optimization software for deliveries to maximize vehicle efficiency and minimize emissions
- ◆ Replacing aging forklifts with lower emission/higher-efficiency models
- ◆ Working with our third-party contractors and truck lease companies to gain a better understanding of the options available to improve fuel efficiency and reduce greenhouse gas emissions in their truck fleets

Beginning in 2023 we plan to undertake a data exercise to identify our greenhouse gas emissions based on a representative sampling of our operations and fuel consumption across our vehicle fleets.

CULTIVATING HEALTHY WORKPLACES





3.2.1. INTRODUCTION

ADENTRA is committed to cultivating a workplace that promotes the health, safety and well-being of our employees; encourages a culture of diverse opinion, perspective and background; and builds high-quality future talent and succession pipelines.

Across the organization, we are focused on the specific areas of:

- ◆ Workplace Health and Safety
- ◆ Diversity, Equity and Inclusion
- ◆ Employee Engagement, Attraction and Retention

We strongly believe that as we advance in each of these areas, we create a positive impact on the well-being and retention of our employees, which in turn contributes to increased organizational efficiency and effectiveness.

3.2.2. WORKPLACE HEALTH AND SAFETY

Our standards for employee safety are high, reflecting our adherence to Occupational Safety and Health Administration (OSHA) standards, provincial workers compensation standards, and our own belief that our employees' well-being is a vital and ethical responsibility of our company.

We embed oversight for safety at the board level, with our directors receiving an update on safety at regular meetings. Additionally, every monthly meeting of our CEO and operating vice presidents begins with a review of company-wide safety performance. Across our operations, a team of 10 occupational health and safety professionals are tasked with ensuring appropriate safety protocols are observed and that we are actively working to mitigate risks. In 2022 we further expanded our safety team with the addition of three new safety professionals.

To ensure the efficacy of our safety programs is measured objectively, we contract with three independent organizations, HUB International, Safety Supply and Travelers, to provide independent, third-party safety consulting services, including mock OSHA audits, risk assessments and detailed site audits. We also conduct operation-specific Keystone Audits at our Novo facilities.

Third-party safety audits conducted in 2022

> 20



FOCUSING ON PREVENTION

One of the most critical components of our safety programs is the regular, mandatory safety training we provide to employees. While our training programs are closely tailored to the specific activities at different facilities, our overall safety framework focuses on prevention with adherence to:

- ◆ Identifying potential hazards within each of our operations and developing action plans to eliminate or minimize them
- ◆ Training employees to recognize safety and health hazards
- ◆ Educating employees on precautions to prevent accidents
- ◆ Providing appropriate protective equipment and ensuring employees use it
- ◆ Regularly auditing our operations to verify compliance with our standards

Our goal across our operations is continuous improvement. To make sure we are moving in the right direction we keep close track of key safety metrics, including completion rates for safety training among our employees and incident records of all workplace injuries.

	2021	2022
Recordable Incident Rate (RIR)	4.1	3.2
Lost Time Injury Rate (LTIR)	1.8	1.6

3.2.3. DIVERSITY, EQUITY AND INCLUSION

CREATING A WELCOMING ENVIRONMENT

We believe that to instill diversity, equity, and inclusion into our workplace, we must create a culture and environment where everyone who works for ADENTRA feels safe and valued, regardless of age, gender, ethnicity, religion, sexual orientation, or physical ability.

In working to meet this goal, we have expanded our management training program to increase sensitivity around cultural and generational diversity and to improve skills for managing a diverse workforce. We have also implemented respectful workplace policies and training programs for employees and supervisors, which highlight diversity and inclusion. In 2022 we expanded this program to include LGBTQ+ sensitivity training.

At our operations in Canada and California, we have implemented workplace harassment and violence prevention policies and programs, in line with federal and state government mandates. These programs include the development, implementation, and enforcement of written anti-harassment policies, with training for all employees and implementation of complaint and investigation protocols. In 2023 we will begin to roll this program out across our entire Hardwoods U.S. and Paxton brand networks with the goal of having anti-harassment programs in place by the end of 2024.

	2022
Regional customer service centers with workplace harassment/violence prevention policies in place	ALL
Regional customer service centers that have completed the workplace harassment/violence prevention training	37

PROMOTING DIVERSITY

While we are making good progress in creating a safer, more welcoming environment, ADENTRA operates in an historically non-diverse industry. We recognize the need to be deliberate about our efforts to hire and retain a more diverse workforce. This includes training our hiring managers, recruiters, and others to create opportunities for a broader range of job candidates, and advancing women and people of color into more of our sales and management roles.

Our efforts start at the top where we have set a target for at least 30% of our Board of Directors to be comprised of women. In 2022 we appointed two more women directors, bringing to three the number of women directors on our nine-person board.

Going forward, we are also committed to documenting the diversity of our new hires as we start to build more awareness and transparency around both our hiring practices and the composition of our workforce.

WOMEN IN LEADERSHIP ROLES

	2021	2023
Representation of women on our Board of Directors	11.1% (1 of 9)	33.3% (3 of 9)

EXPANDING LEARNING WITH ADENTRA UNIVERSITY

ADENTRA was one of the first companies in our industry to provide comprehensive training for our sales teams. As our employees honed their skills and acquired product knowledge, toured manufacturers' facilities, and learned to understand and think about products with a new level of depth and expertise, the benefits to both vendors and customers became evident. Our sales training program became yet another of ADENTRA's differentiating strengths.

Naturally, it seemed a significant loss when COVID-19 restrictions put the brakes on this in-person training in 2020. But our program quickly pivoted to an online webinar platform to ensure our sales training program continued. Dubbed 'ADENTRA University,' the new online series included all the topics covered by our regular training program, with one key difference: ADENTRA University could accommodate far more learners. This meant we could offer the program to a wider range of ADENTRA employees and they took us up on the opportunity.

In the year and a half since launching ADENTRA University, employees from across the company have registered for nearly 1,600 available seats and enrollment has expanded beyond our sales team to include specification reps, operations personnel, and managers.

With this new platform now a certified success among ADENTRA employees, we intend to leverage its capabilities to broaden the range of training we can provide. In 2023 we plan to add courses in human resources, recruiting, management training, and more. Over time, we believe ADENTRA University has the potential to become one of our most significant tools for supporting employee learning and engagement within our company.

3.2.4. EMPLOYEE ENGAGEMENT, ATTRACTION AND RETENTION

We want our employees to have a strong engagement with ADENTRA to encourage their passion for the business, deliver a higher level of customer service, empower talent, and ultimately, increase retention among a committed and highly capable workforce.

We have always believed that providing a clear pathway for people to grow and evolve within our company is one of the best ways to build engagement and retention, and we have pursued this with our 'hire to retire' approach.

In practice, 'hire to retire' means introducing new employees into entry-level positions in our warehouses and on our sales teams where they gain experience, supported with relevant training, before being gradually promoted into successively more senior positions. It is typical for our senior branch and sales managers to have worked their way up through the company over a period of years. Many of our senior executives also started with us in more junior roles before achieving their current positions.

'Hire to retire' will remain an important part of our culture, but as we grow and integrate new businesses, we are also beginning to formalize our processes. Current initiatives we are pursuing include:

- ◆ Measuring employee satisfaction to identify opportunities where we can improve engagement and retention
- ◆ Ensuring employees are listened to and have a voice in the organization
- ◆ Talent mapping our employees and developing those who have potential and interest in moving forward in the business
- ◆ Continuing to ensure our benefits and compensation are competitive within our industry and the broader market

OUR FIRST EMPLOYEE ENGAGEMENT SURVEY

In 2022 we initiated our first company-wide employee engagement study to identify and map employee engagement. Our study, which was conducted by an independent global leader in engagement research, looked specifically at perspectives of leadership and communication at ADENTRA, and dug deeper into how employees feel about our values, products, and service levels.

Forty-eight percent of our employees completed the survey. Going forward we are committed to conducting employee engagement surveys every two years and sharing engagement scores as part of our ongoing sustainability reporting.

	2022
Employee engagement score as measured on our survey	72%
ADENTRA University courses attended	751

CHAMPIONING PRIVACY, ETHICS AND TRANSPARENCY





3.3.1. INTRODUCTION

As our business grows and becomes increasingly complex, protecting our reputation becomes more challenging and essential.

We believe protection of privacy, strong corporate ethics, and responsible governance are fundamental requirements when it comes to gaining and maintaining the trust of our stakeholders. We are ensuring we have the appropriate controls and oversight in place to operate at the highest level on each of these topics.

3.3.2. DATA PRIVACY AND SECURITY

At ADENTRA, we leverage data across virtually every aspect of our business, from placing and fulfilling product orders, to managing employee benefits programs, to communicating and interacting with our stakeholders.

While we rely on digital technology to increase our efficiency and enhance our operations, it is essential that we respect our stakeholders' rights to privacy and their expectations that the sensitive information they entrust to us is collected, stored, and processed securely. Our own business sustainability also depends on protecting ourselves against data breaches and illegal access that could potentially impede our operations, compromise our reputation, and/or damage us financially.

For all of these reasons, we have made cyber security a priority for our organization and target continuous improvement in our systems and capabilities.

COMPLIANCE AND GOVERNANCE

Oversight of cyber security at the board level is provided by our Audit Committee, which regularly reviews our preparedness and performance. Internally, our cyber security activities are overseen by our Director of Infrastructure and Cyber Security and our Director of Compliance.

Our cyber security program is modeled on the National Institute of Standards and Technology's (NIST's) Framework for Cyber Security to help us organize our activities and achieve specific outcomes. We have also achieved Level 3 compliance for the majority of our operations under the Cyber Maturity Model Certification (CMMC) guidelines, a globally recognized cyber security standard originally created for companies contracting with the U.S. Department of Defense (DoD).

Level 3 CMMC compliance requires that we establish, maintain, and resource a plan demonstrating the management of security activities to mitigate risk to our organization. This means achieving "good cyber hygiene" across practices and ensuring that these processes are "institutionalized," i.e., not only implemented and documented, but managed. We have put an action plan in place with adequate resources to ensure long-term implementation of our plan.



FOUR KEY AREAS OF CYBER SECURITY ACTION AND RESPONSIBILITY:

1. Strengthening our capabilities to detect, understand and contain threats

Our risk management practices include:

- ❖ Regular auditing of our cyber security capabilities conducted by independent and trusted partners, including quarterly vulnerability testing and annual gap assessments
- ❖ A cyber security incident response program
- ❖ Intrusion detection and prevention across our network traffic

2. Improving our technology controls

We continually strengthen our internal technical and procedural controls with implementation of:

- ❖ Industry-best perimeter defenses around our data
- ❖ Two-factor authentication for all network access
- ❖ Privilege account management
- ❖ Endpoint security software and mobile device management tools to protect against ransomware and malware, while facilitating threat hunting and incident response

3. Building cyber awareness and training employees to recognize and guard against security threats

- ❖ We have developed and implemented a comprehensive, continuous, third-party security and privacy awareness training program for all employees

4. Strengthening data security by understanding and protecting our sensitive data

- ❖ As part of our CMMS protocol, we have created and implemented comprehensive back-up and recovery plans to ensure business continuity in the event of cyber threats, disasters, or other risks to our data and network security

CYBER SECURITY AUDITS

	2022
Number of internal audits completed	12
Number of third-party audits completed	4



3.3.2. DATA PRIVACY AND SECURITY

(continued)

CYBER SECURITY AUDITS

A key component of our data security protocol is ensuring that all employees, from our most recent hires to our most senior executives, complete frequent and mandatory cyber security training. All across our organization, employees complete training modules throughout the year, learning to avoid phishing attempts, recognize malware threats, and to practice better cyber security hygiene.

CYBER SECURITY TRAINING	2022
Employees participating in cyber security training	100%
Average number of training sessions completed per employee	12

* Does not include operations acquired subsequent to the end of fiscal 2021.



3.3.3. ETHICS AND COMPLIANCE

Ethics are a cornerstone to our success as a business. Conducting business honestly and with integrity is critical to maintaining our reputation with our employees, customers, suppliers, shareholders, and the general public. Operating in a manner that preserves and enhances our company's good reputation is one of our most valuable assets.

To ensure awareness and compliance with our ethical values, ADENTRA has created the following corporate policies, each approved by the Board of Directors. ADENTRA employees are required to review these policies annually and affirm their awareness and understanding of them in writing.

1. CORPORATE ETHICS AND CONDUCT

Our Code of Corporate Ethics and Behavior assists ADENTRA team members in maintaining the highest standards of ethical conduct in their corporate and professional dealings. We ensure that everyone who makes business decisions knows they are accountable for those decisions and are required to report the results promptly through channels which lead to the Board. Our Code also covers transparency in financial transactions; addresses integrity in dealings, including our zero-tolerance approach to bribery, corruption, and the giving of improper preference; outlines rules regarding political contributions and conflicting business interests; addresses compliance with laws including competition laws; and provides rules and channels for reporting unethical behavior.

2. WHISTLE BLOWING POLICY

We provide a mechanism for all ADENTRA employees, managers, officers, and directors to confidentially report suspected wrongdoing in relation to ADENTRA's accounting, internal accounting controls or auditing matters to the Board's Audit Chair, and to have those concerns addressed in a timely and confidential manner. Only the Chair of the Audit Committee has access to the voicemail messages left by employees to ensure the confidentiality of any reported concern. It is up to the Chair to appoint one or more internal and or external investigators to investigate reports promptly and fully, under their supervision.

3. DISCLOSURE AND INSIDER TRADING

ADENTRA has developed a comprehensive Disclosure and Insider Trading Policy that formalizes our guidelines around transactions involving ADENTRA securities. This policy applies to each of our directors, officers and employees, and guides their actions in the appropriate buying and selling of ADENTRA shares and the disclosure of material information about ADENTRA.



3.3.4. RESPONSIBLE GOVERNANCE AND TRANSPARENCY

Our Board of Directors provides business oversight and accountability, collaborating with the ADENTRA leadership team to build on best practices and continually improve our governance and transparency.

All except two members of our board are independent directors, helping to foster independent decision making and mitigate conflicts of interest that may arise.

Our Board of Directors meets six times per year and receives regular updates from our leadership team on topics including:

- ◆ Safety
- ◆ Responsible sourcing
- ◆ Supply chain management
- ◆ Environmental compliance
- ◆ Employee engagement and inclusion
- ◆ Cyber security and data privacy
- ◆ Ethics and compliance

Our key governance practices and metrics are summarized in the table below. For more details about our board, please refer to our most recent Management Proxy Circular.

BOARD AND GOVERNANCE INFORMATION (As of December 31, 2022)

Size of board	9
Number of independent directors	7
Women board members	33.3%
Average age of directors	61
Mandatory retirement age	None
Separate chair and CEO	Yes
Independent chair	Yes
Average board tenure	6 years
Annual election of directors	Yes
Majority voting policy	Yes
Code of Conduct for directors, officers and employees	Yes
Share ownership guidelines for directors and executive officers	Yes
Board meetings held in 2022	6
Board and committee meeting attendance in 2022	100%



ADENTRA