



Polytubes (2009) Inc.
Sustainability Report
2014



**Polytubes:
Making the right products,
at the right time,
in the right way**

This 2014 Sustainability Report is prepared in accordance with the Core requirements of GRI-G4 Sustainability Reporting Guidelines



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Our Approach to Reporting



At Polytubes, we see this sustainability report as another means to communicate with our customers, employees, suppliers, investors, regulators and non-governmental organizations. We are committed to maintaining tight-knit communication channels with our different stakeholders. Regular communication and reporting helps us keep aligned with our goals and the needs of our stakeholders, at the same time direct us on a path of continual improvement.

About this Report

Welcome to our first sustainability report. This report discloses our sustainability performance data from January 2014 through December 2014, and is prepared in accordance with the core requirements of GRI-G4 Sustainability Reporting Guidelines. By publishing this report, we reaffirm our commitment to transparency, accountability and responsiveness to our stakeholders.

Boundary and Scope

This year's report includes the operations in Alberta. All financial data is presented in

Canadian dollars, unless otherwise stated and all numerical data is presented using the metric system. The range of aspects covered in the report are based on a formal materiality assessment process. All reported data is based on internal monitoring, which is periodically reviewed for its relevance and accuracy.

The Reporting Process

Our aim is to distinguish ourselves as a leading manufacturer of polyethylene pipes. Our Sustainability Report is intended to present how we work from a social, environmental and economic perspective and add value to our stakeholders through sustainable business practices. This report is our step towards clear, honest and transparent communication with our stakeholders. We intend to publish annual sustainability reports.

External Assurance

We have involved some of our key stakeholders during the preparation and internal evaluation of the reported information. This report is not externally verified and assured by an independent assurance provider. However, all reported information has been reviewed and verified internally.

Statement from the General Manager

At Polytubes 'sustainability' has a simple meaning – living and growing within your means and generating value to our customers and other stakeholders. These means include fiscal resources, natural resources, social boundaries and even the human capital. We have been able to weave this meaning into the very fabric of our business.

Within our first Sustainability Report, we take you through our journey so far. This report also establishes our sustainability targets across all impact areas in our value chain. We provide a detailed account of the progress made and the challenges faced in creating a sustainable business and in providing a strong mechanism to build understanding among all our stakeholders.

Polytubes focuses on and holds a dominant market share in the small pipe market in Western Canada. In our core market, Poly-tubes starts with a huge advantage – we're the dominant market player. Our name is synonymous with small diameter polyethylene pipe in the west. We have been able to do this by providing consistently good quality products.

Polytubes expansion into the Eastern market in 2015 will involve the start-up of another manufacturing plant which will be located in Peterborough, ON. Polytubes is already in the first stages of the start-up and looks forward to being fully operational in 2016.

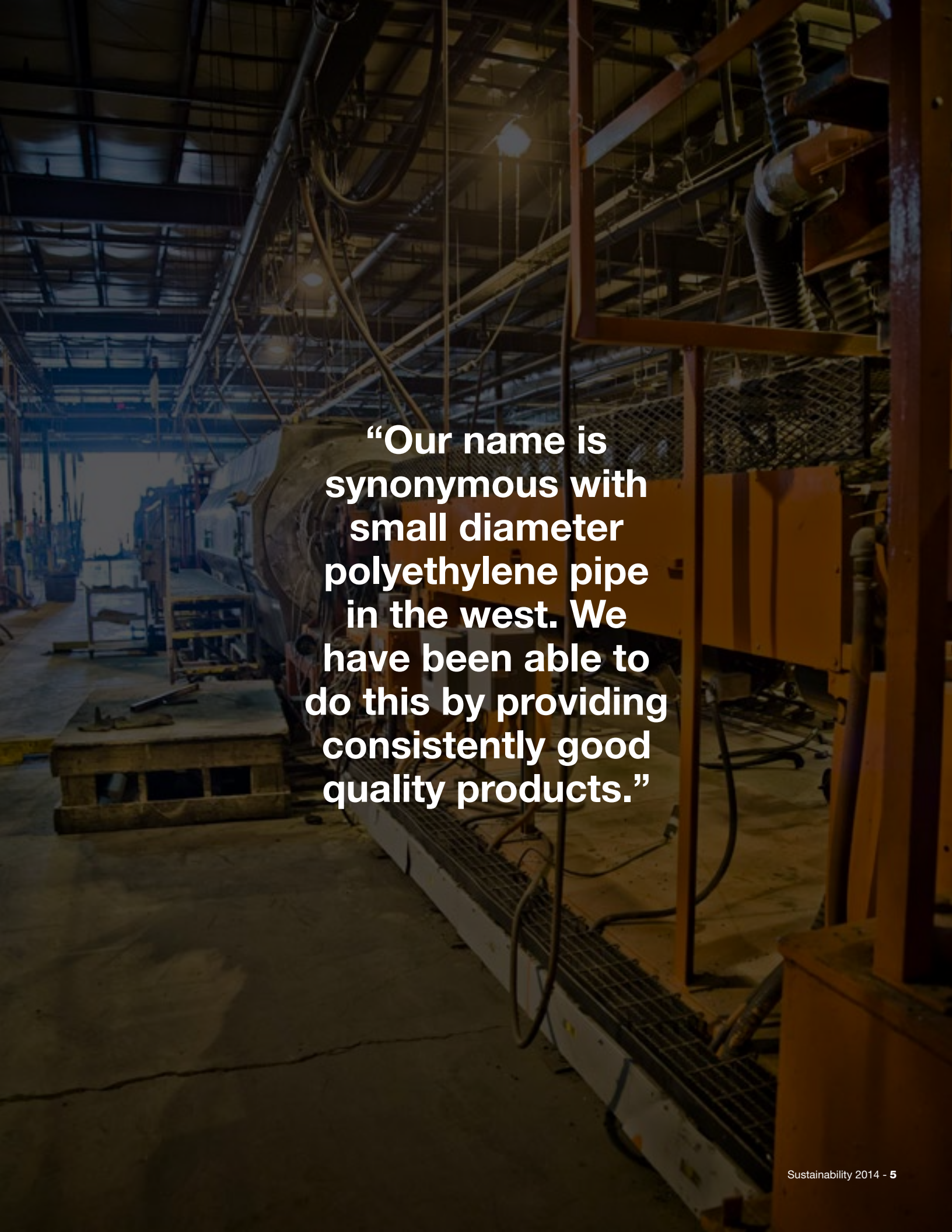
Polytubes strongly believes in transparency, which is applied throughout our organization. Every month, departments meet to review company and department-specific results and discuss issues. Each department

sets specific targets and many quantified performance metrics which are monitored on a regular basis. This year we focused on the preventable waste in operations. These are used to create some friendly competition. Mostly it's about 'bragging rights' but it does reinforce the transparency of our organization, our attention to important metrics and our recognition of performance. And our transparency goes both ways.

We do this in the belief that honesty is generally reciprocated and builds trust, which leads to everyone being able to rely on others both within the organization and outside. Keeping this focus, our vision is to improve the quality of our products and enhance our ability to give back to the local community while keeping our negative impacts on environment to a minimum. Over the coming years we will channelize our efforts towards improving our operational efficiency and strengthening our relationship with the key stakeholders.

With our first Sustainability Report, we are pleased to present for the first time a complete report on our sustainability activities that has been compiled in accordance with the internationally recognized guidelines of "Global Reporting Initiative" and by doing so, we have set a key objective: to report on our sustainability activities regularly, transparently and within standard industry parameters.

Jim Stergiou
General Manager



“Our name is synonymous with small diameter polyethylene pipe in the west. We have been able to do this by providing consistently good quality products.”



**We are committed
to establishing,
promoting,
maintaining and
improving a culture
of sustainability,
health and safety,
community and
environmental
responsibility.**



**Our close-fitting
communication
channels and
ongoing practice of
regularly examining
and realigning our
goals are integral
assets - the
message is clear:
Transparency,
Integrity and
Honesty.**



**Our Sustainability
Vision**



A vision statement is an aspirational message that describes a company's primary goals. A clear and concise Vision Statement effectively communicates and inspires strategic operational and decision making processes. In developing a vision statement a company needs to determine where it hopes to be in the near future and illustrate how it will accomplish this.

Our vision is to make wise use of raw materials to produce best quality products while constantly seeking to know the future implications of our actions. We intend to achieve this by paying close attention to the environmental, social and economic impacts of our business.

Making the right products, at the right time, in the right way.



Who We Are



In this evolving society, the most powerful and enduring companies are built from the heart. We have built Polytubes with the strength of the human spirit. This is why our foundations are stronger than ever. Authenticity is what makes us last.

Head Office and Manufacturing:

16221 123 Ave NW,
Edmonton, AB T5V 1N9

Distribution Centers:

7700 Cannor Road,
Chilliwack, BC V2R 5K1
416 Pido Road,
Peterborough, ON K9J 6X7



Polytubes manufactures polyethylene (PE) pipes for various industry sectors and industrial markets as well as custom and specialty products. Our manufacturing plant site is located in Edmonton, Alberta, with an operating capacity of seventeen extruders. Our distribution centers are in Chilliwack, British Columbia and Peterborough, Ontario.

Polytubes manufactures products for the following industries:

- Oil and Gas**
- Water (Potable)**
- Irrigation**
- Gas Distribution**
- Liner Products**
- Drainage**
- Mining and Industrial**
- Conduit**
- Geothermal**
- Ice Rink**
- Submersible Pump Applications**
- Storm and Sanitary Sewer**

Our business model is to be unique in offering customers a full range of in-demand stock keeping units (SKUs) in stock, with reliable product quality and timely delivery, without

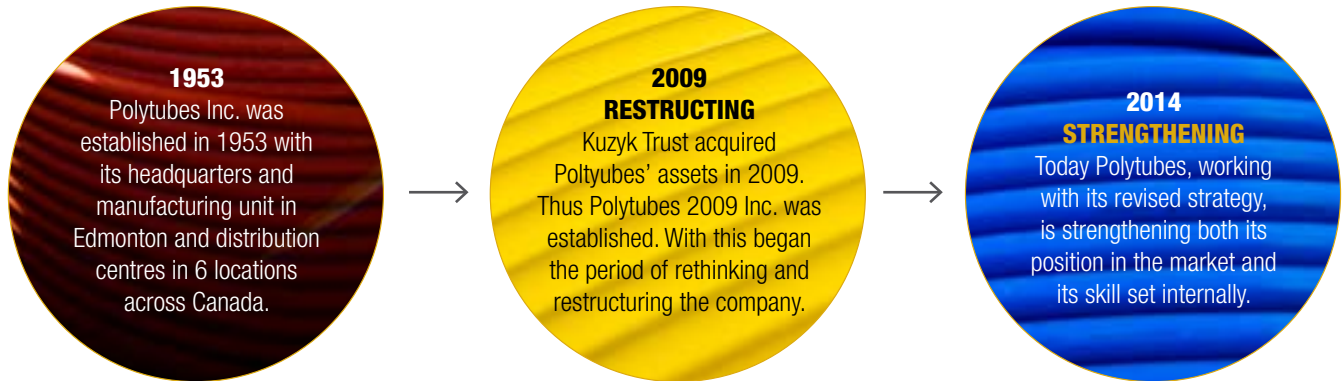
channel conflict. Polytubes holds a dominant (75 %+) market share in its core market.

Polytubes' core market is the small diameter PE pipe market in western Canada, consisting of 3 segments:

BLACK PIPE	YELLOW PIPE	WEeping TILE
Moving liquids (water) or protecting wiring. Sold mainly through distributors who make frequent truck-sized orders of multiple SKUs.	Natural gas distribution. Rigorous standards, special testing and handling. Sold directly to gas utilities, predominantly under multi-year contracts.	Underground Drainage. Two product variations and specialized equipment. Sold mainly through distributors.



**Our Journey
So Far**



1953

Polytubes Inc. was established in 1953 with its headquarters and manufacturing unit in Edmonton and distribution centres in 6 locations across Canada.

2009

RESTRUCTURING

Kuzyk Trust acquired Polytubes' assets in 2009. Thus Polytubes 2009 Inc. was established. With this began the period of rethinking and restructuring the company.

2014

STRENGTHENING

Today Polytubes, working with its revised strategy, is strengthening both its position in the market and its skill set internally.

● We hold roughly three quarters of the market share in core production of polyethylene pipes.

Polytubes has been in the plastics pipe industry since 1953 and is dedicated to manufacturing plastic pipe with the highest quality standards to meet our customer's needs. In 1977 Polytubes was transformed into a family run operation by Jim McCaffery. Polytubes grew from a single plant with one production line to three plants, over 40 production lines and four distribution centers. The manufacturing plant sites were located in Edmonton, Alberta, with an operating capacity of seventeen extruders, and Peterborough, Ontario with the capacity for nine extrusion lines.

Polytubes is committed to manufacturing quality products with a high degree of accountability towards the products we make. As a result of this commitment a move towards ISO 9001 Certification was made. In 1998 Polytubes received the ISO 9002 Certification standard for Quality Management Systems. In 2000 Polytubes was re-certified as an ISO 9001:2000 manufacturing company. Our continuous conformance to ISO 9001 re-enforces Polytubes desire to manufacture the highest quality products and continual improvement with an even higher degree of accountability for the industry.

Polytubes sales grew by 75% between 2003 and its peak of \$85.6 M in 2006. This was primarily as a result of new demand from the natural gas industry, to pipe low-pressure coal-bed methane. That new demand collapsed as rapidly as it had arisen, which led its creditors to force it into insolvency. In December of 2009, the Kuzyk Trust acquired Polytubes' assets out of the Companies' Creditors Arrangement Act (CCAA). For most of the preceding decade it had been the dominant pipe manufacturer in western Canada and a significant force in the east as well. Polytubes 2009 Inc. is a limited partnership company with 100% LP units owned by the Kuzyk Trust.



The Edmonton Journal documented a success story in 1959 where Polytubes was involved in the construction of the artificial ice bridge across the North Saskatchewan River, which was used for a transport route of gravel trucks. Alberta Polytubes produced nearly eight kilometers of specialized plastic piping which was used to pump refrigerant thicken the span to create the ice bridge.

You can read more about this story at www.edmontonjournal.com/1959+bridge+over+North+Saskatchewan+success/10779386/story.html



● **The skills and dedication of our team have made excellence a reality.**

The real story of the new Polytubes is just how we have taken a business that failed and are turning it into a strong competitor. We have overcome aversion from some suppliers and reservation among many employees to create a cohesive team that, together, provide stability and good value for all who work with us – customers, employees and suppliers

This transformation required huge changes:

- We closed one of two manufacturing facilities and three of six distribution facilities.
- We restructured our team and did it efficiently.
- More importantly, we empowered our employees and made them a part of our decision-making.

Since then, the management team at Polytubes has been stable, effective and highly motivated. Interestingly, the leaders of every functional area (sales, manufacturing and distribution) were people who had spent most of their careers at Polytubes.



**Highlights of Our
Performance**



This is our fifth year under the new management and in these five short years we have stabilized our operations and progressed on the road to prosperity. Here are some snapshots:

Operational

- Our sales restructuring has enabled us to:
- Bring our distribution yards from seven yards covering 29 acres in 2009 to three yards on 11 acres in 2014
 - Reduce obsolete stocking inventory from 7.8% of total stocking inventory in 2011 to 0.0% in 2013 and YTD 2014
 - Reduce waste from downtime due to resin outages from 3,456 operating hours in 2011 to 2,160 operating hours in 2014
 - Reduction in scrap rates from 14.3% in 2011 to 4.4% in 2013

Environment

- Waste raw material recycling ensures scrap goes into manufacturing instead of landfills
- Ensuring good quality raw material usage in manufacturing prevents chances of any potential soil and water contamination
- Introduction of wall monitors on extrusion lines helped deliver substantial raw material saving
- Significant saving of energy by regular energy monitoring and operating only half the plant through efficient production scheduling
- Considerable reduction in water usage owing to open loop water cooling

Growth

- Building a customer-focused approach to sales and marketing
- Customer-driven approach to inventory availability
- Ever-improving manufacturing
- Building leaders

Strategy

- Establishing strong communication channels with the stakeholders
- Improving internal processes and setting clear goals
- Start measuring sustainability performance
- Use reporting as a catalyst for sustainable development

People

- Health and safety policy affirms management's personal commitment to establish a safe workplace
- All employees trained on basic and job specific occupational health and safety
- Drop in turnover rate from 12.1% in 2011 to 5.2% in 2014
- Reduction in WCB costs from \$153 in 2011 to \$54 in 2014
- In 2014, our WCB rating was 34% below the industry average



Extension [mm]
.0000

Load [kN]
-.00481

Test

Method

Report

Graph 1

Specimen 1 to 5



**Ethics and
Governance**

Results 1

	T1 [mm]	W1 [mm]	T2 [mm]	W2 [mm]	Load at Yield (Zero Slope) [N]	Load at Break (Standard) [N]	Hoop tensile @ Yield [MPa]
1	12.36	6.39	11.73	6.81	3,901.64	988.40	24.56
2	12.34	6.14	11.65	6.22	3,775.02	1,061.95	25.4
3	12.36	6.72	11.66	6.53	3,899.23	2,954.88	24.4
4	12.34	6.51	11.65	6.36	3,776.69	1,683.53	24.4
5	12.32	6.04	11.65	6.13	3,595.67	919.89	24.4
Average	12.34	6.36	11.67	6.41	3,789.65	1,521.73	24.4



Ethics and Governance Framework

Four critical things that we have done at Polytubes since taking over in 2009 include:

1. **Transparency** – From the owner through senior management, we strive to be transparent about our thinking and intentions. We encourage open dialogue and transparency. The alignment between our operations and principles, allows our employees and managers to be able to discuss any problems and challenges, without any fear or undue pressure in their minds. This brings in the value of honesty in our dealings with all our stakeholders.
2. **Growth** – So long as we can grow our business, we create room at the top for good people to ascend without dislocating good people we already have. It is the basic tenet of our working at Polytubes – building a great organization not by keeping just the right technology but by keeping the right people.
3. **Elevation based on merit, only** – At every level, we strive to find (or develop) the best person for the job and promote dedicated people who can achieve results. Neither age nor years of experience are important factors if people have demonstrated their abilities. Some of our rising stars are relatively young, from other industries and from other countries.
4. **Pulling on a rope** – This is one of the owner's long-standing cryptic expressions. Taken from ice (or mountain) climbing, the idea is that no one can progress until the person below them has come to take their place. In a business, this means that each person is responsible for finding and training their successor. If their successor fails, then they have to return to their former role until a new successor is found. We've never seen someone fail twice.

Personal Assurance

The senior management at Polytubes has made their commitment and support clear through the policy statements. The statements present their personal assertion to comply by the law and beyond. The management expects every manager, supervisor, contractor, and employee to support this commitment. We are committed to

sustainable and accountable business practices with regard to ethics, governance, health and safety, environment, employee development and diversity and inclusiveness. We respect and are committed to fostering human rights, dignity and the diverse contributions of all.

Communication and Guidance

Strategic planning is an iterative process that starts between the owner and General Manager (GM). Planning is then shared by the GM monthly with functional area leaders and discussed in quarterly board meetings involving the owner, three independent board members, the GM and the controller. Fleshing out and assessing strategic options often involve all senior managers.

Amplifying the Power

We make our products in close assistance with a wide range of business partners, both in the plastic and other industries. We rely on our suppliers to provide us quality raw material which enables us to make exceptional product. We expect our suppliers to adhere to the ethical business practices that we follow every day. These principles guide us every day on various aspects such as correct recordkeeping, competitive and confidential information, protection and use of company assets, sales and marketing practices, anticorruption, insider trading, conflicts of interest and gifts exchanges. We require suppliers to provide a safe working environment for their workers, to treat workers with respect, and to work in an environmentally sound way. We make all efforts to support our suppliers towards a common goal of continuous improvement in supply chain sustainability.



**Strategic planning
is an iterative
process – A
process that we
are dedicated to,
to ensure strong
communication and
guidance.**



**Cost reduction
does not equal
efficiency –
We focus on
strengthening our
communication
channels to drive
our success.**

A photograph of a man in a factory setting. He is wearing a black beanie, large red earplugs, and safety glasses. He is looking down at a laptop and some papers on a desk. The background shows industrial equipment and other workers in a factory environment. A white circle is overlaid on the image, containing the text.

**Our Sustainability
Value Drivers:
Commitment to
Excellence**



● Identification and prioritization of major sustainability indicators is an ongoing process for us.

We have identified four Sustainability Value Drivers which are the pillars of our commitment to excellence.

1. Operational Efficiency

Being able to deliver our products to our customers in the most cost-effective manner possible while still ensuring the high quality of our products. This is a continuing process that enables us to work towards achieving excellence.

Our business model is to be unique in offering customers a full range of in-demand SKUs in stock, with reliable product quality and timely delivery, without channel conflict.

2. Employee Satisfaction and Retention

Maintaining employee engagement is one of the top priorities in Polyubes approach to achieve business excellence and to ensure that we have established our four core principles. These four core principles include Care, Transparency, Inclusiveness and Fairness.

An engaged employee is one who is involved in and enthusiastic about his/her work and will act in a way which furthers the organization’s interests and improves the company’s excellence and top quality performance.

3. Reputation Enhancement

Polyubes is synonymous with small diameter Polyethylene pipe in western Canada. Enhancing our reputation for reliable product quality with customers is one of our means to accomplish excellence.

Preserving and increasing our good reputation is an essential strategic asset for us. With Polyubes’s reputation, we are able to differentiate ourselves and retain customers and employees, while our stakeholders demonstrate higher levels of satisfaction and loyalty to our brand.

4. Compliance and Beyond

At Polyubes we are committed to maintaining the health and safety of all employees, environmental protection, and quality manufacturing and distribution of our products. In doing so we, ensure compliance to all applicable government regulations at all stages of our operations. We also strive to attain additional operational certifications and acknowledgements.

Complying with applicable guidelines implies not only strong ethics and governance, but also professional competence and the ability to meet certain standards set by law or regulation. This demonstrates our commitment to excellence.



**Commitment
to Operational
Efficiency**



A major factor in Polytechnic turn around performance has been our focus on operational efficiency. Five years later, we still remain committed to it. Here's how we execute it:

Information is the key

At Polytechnic we have a culture of transparency and open dialogue. Through this we ensure that the employees have access to reliable and consistent information. This not only keeps them updated but also empowers them to make timely decisions. Strategic planning is an ongoing communication flow from major customers through key account managers to the manufacturing leader (scheduling), to the distribution leader, and back to customers (order fulfillment).

Cost reduction does not equal efficiency

In our work philosophy cost structure alone is not important. What are important are reliable quality, reliable supply and ease of doing business. So instead of putting our energy into finding ways and means of cost cutting, we chose to strengthen our communication channels internally and with our customers. The manufacturing schedule, inventory reporting and delivery schedules are the main coordination tools. However, our near daily direct communication among Polytechnic's leaders drives success.

Best of both worlds

Through process optimization and proper equipment care, we have been able to get good efficiency from our old equipment. Also

having good management systems (such as quality management systems as per ISO 9001) has helped us standardize the quality and delivery of our products. By putting in place our innovative and supply operating systems we have been able to achieve both efficiency in production and effectiveness in systems.

Steady and able leadership

To build dedicated, striving people who are capable of rising as our business grows, we know we have to provide both the training or tools to succeed and opportunities to learn and demonstrate what they can do. This is relatively easy when people are moving up within their functional area. It is more challenging for leaders, however leaders are given special attention. The GM spends a lot of time working with the owner and board members on strategic and tactical matters that often start out as new experiences. The GM, in turn, is expected to create opportunities for Polytechnic's senior management teams to learn and develop in analogous ways. The GM and senior managers are encouraged to bring board members or other experienced advisors in to educate or guide our people, and to approve participation in outside classes, at Polytechnic's expense, to broaden or deepen their management skills and business perspective.

● **A compelling strategic plan leads to operational effectiveness.**



**Commitment
to Employee
Satisfaction**



● We greatly appreciate and value the contributions that each individual employee brings to our facilities. Their personalities, creativity, and individuality strengthens our abilities to meet our goals.

Maintaining Employee Engagement

Polytubes employs 97 people: 70 in manufacturing, 12 in distribution, 6 in accounting and administration, 5 in sales and 5 in management, supervisors, and leads. In 2014, the turnover was 5.2%. This exceptionally low turnover is a proxy of our goal of employee engagement which we try to achieve through consistently being:

Caring – From the President to the shift leaders, everyone genuinely cares about those we work with and Polytubes' success. Most important are daily activities that do not get captured in statistics. We demonstrate care through changes we make in operations and distribution to improve safety. Our health and safety committee is comprised of members from every department. They meet monthly to disseminate best practices on safety.

Transparent – Transparency applies throughout our organization up to our managers who all have an open door policy. Every month, departments meet to review company and department-specific results and discuss issues. Each department sets specific targets and many have quantified performance metrics that are used to create some friendly competition between shifts. Mostly it's about 'bragging rights' but it does reinforce the transparency of our organization, our attention to important metrics and our recognition of performance. We also have suggestion boxes throughout our facilities and we try to address all comments during departmental meetings, at Town Halls, or within one-on-one meetings as appropriate.

Inclusive – While we all have different roles to play, there is a deep sense of equality and inclusion in our team. Every month we have an event or celebration to bring everyone together in an informal way. Some years we have a big BBQ that involves friendly, sometimes intense, soccer games.

Fair – While focused on meritocracy we measure performance in a lot of ways. The results of those measures are discussed in peer forums where leaders are appreciated and everyone shares so we can improve collectively. We openly promote from within and out current leaders of every function have come up from the ranks. They are the 'walk' to our 'talk' such that if you excel, you can go far at Polytubes.

Non Discrimination and Diversity

Polytubes is committed to hiring and employment practices that do not discriminate on the bases of race, creed, religion, color, sex, age, family status, marital status, handicap, political convictions, nationality, ancestry, place of origin, language, sexual orientation, and social conditions.

Polytubes treats all employees and prospective employees fairly and equitably. Polytubes is responsible for the consistent application and administration of this policy in accordance with applicable provincial Human Rights legislation. Effective administration of this policy is ensured through continual monitoring of personnel. In 2014, there were no incidents or accidents related to discrimination or human rights.

Polytubes is dedicated to providing a work environment free from discrimination and harassment. We do not condone harassment of or by any of its employees in the work place or at any work-related functions or in any other circumstances. Full cooperation and assistance of all employees is expected.

Employee Development and Training

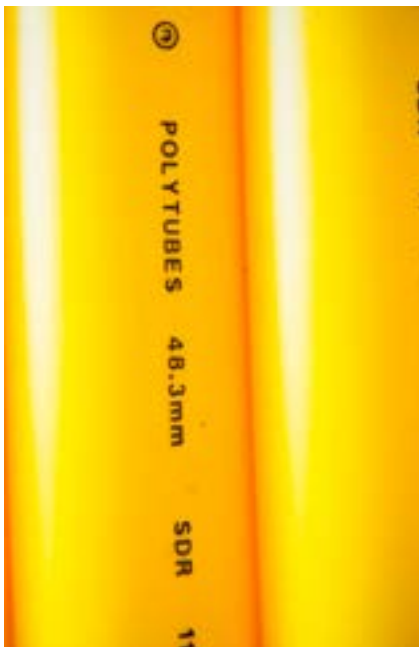
Polytubes greatly appreciates and values the contribution that each employee brings to their facilities and is supportive of the productivity, dignity and self-esteem of every employee. Polytubes encourages employees to improve their skills in their present jobs and to prepare for potential advancement. Developing leaders is an ongoing process at every level at Polytubes. People at every level are given training and opportunities to expand their responsibility within our team. Advancement is based on performance. Perhaps the best evidence of this is that all the functional area leaders have been with Polytubes for the bulk of their careers and have been promoted to their current positions from within.

We also continue to bring in outside resources to guide our team in developing new capabilities and perspectives.

Various on-site training opportunities exist and different departments allow for varying training certificates to be earned. The in-house training program outlines various training levels and exams employees are required to learn. Safety is the goal and is pointed out in every training level.

A group of seven industrial workers in a factory setting. The workers are arranged in two rows: three standing in the back and four kneeling in the front. They are wearing various work clothes, including blue and grey uniforms with reflective stripes, caps, and safety glasses. The background shows industrial equipment, shelves, and overhead lights. A white circle is superimposed over the center of the image, containing the text.

**Commitment to
Our Brand and
Reputation**



In keeping with the expectations of our customers, suppliers and our employees we strive to have and maintain a sustainable business approach. Sustainability is now a key attribute of our brand and reputation.

Since our acquisition by Kuzyk Trust five years ago, we have grown and changed the way we work. Fundamentally we have shifted our reactive business strategy into a more effective proactive sustainability strategy. We realized that rather than managing our standing by reacting to situations, we could create value by engaging our stakeholders effectively and bringing in transparency in our dealings.

This insight has been vital in our efforts to:

- Gain improvements in quality management
- Increase our productivity
- Ensure effective use of resources
- Enhance our brand and reputation
- Build a strong and skilled team

We realize brand reputation takes a long time to build. A company's reputation may be vulnerable through internet and social media, suppliers and contractors, employees and any litigation over ethical business practices and compliance violations. We intend to maintain our commitment to our brand and reputation by:

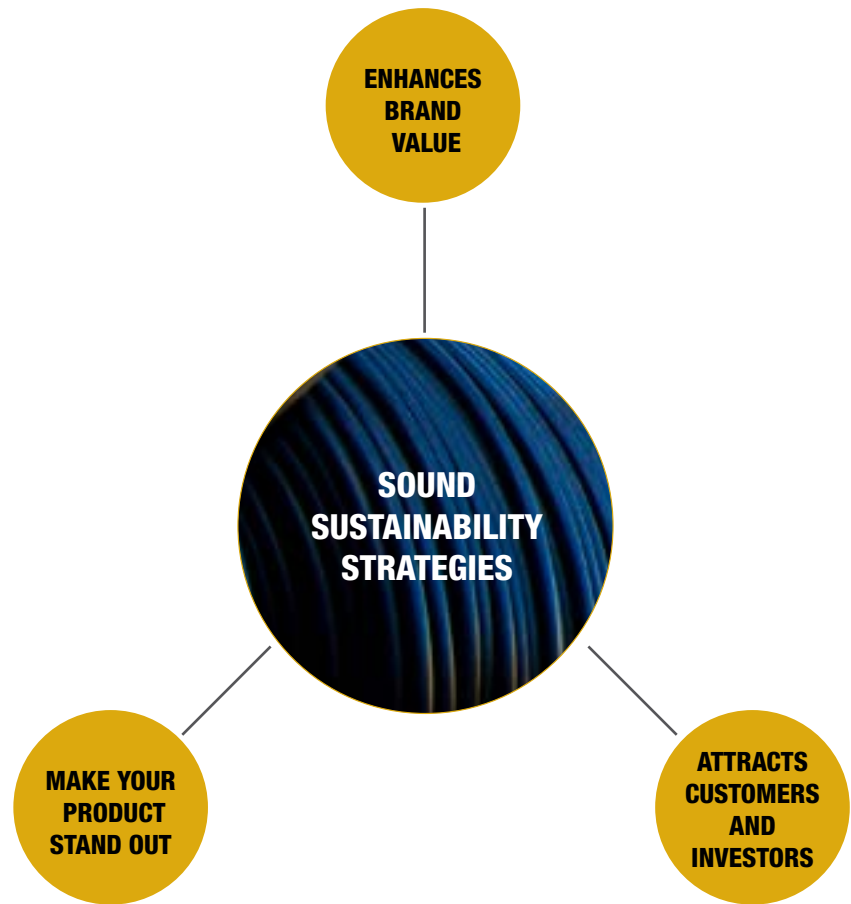
- Maintaining ethical business practices in talent acquisition and retention
- Emphasizing safe work practices to ensure safe and healthy work force
- Keeping open lines of communication and maintaining transparency
- Exercising due diligence when entering into a new a contract or association

All products being manufactured are made in compliance with Polyubes Specification Book and Production Schedule. Product Procedure Inspections ensure that all products meet the specified requirements and it is the responsibility of the Production Personnel to bring any uncertainties to the attention of the Quality Assurance department. These responsibilities and procedures ensure that we at Polyubes maintain a strong reputation and reliable brand.

● Above all, our strength is expressed from within our skilled and dedicated workforce. Keeping the entire team engaged and satisfied is a key priority - engaged employees help fashion a resilient and memorable brand.



**Commitment to
Compliance and
Beyond**



● As laws continue to be enacted and the complexity of the regulatory structure increases, we continue to be compelled to demonstrate compliance. This is not a burden to us – At Polytubes our ongoing compliance is the foundation of our successful business.

We believe having sound sustainability strategies has significant benefits towards achieving the triple bottom line of environmental, social and economic considerations. We see benefits that go beyond merely complying to applicable regulations. Some of these additional benefits include heightened value of the Poly tubes brand, additional customer and investor interest, and the production of distinct and high quality products.

As a principle we comply with all applicable laws, statues, regulations, standards and codes. Our business practices however, drive us to go beyond compliance. For example we decided to pursue and have successfully obtained certification within

international management systems standard as per ISO 9001:2008. This is a purely voluntary standard for quality management that demonstrates Poly tubes dedication and efforts of meeting and going beyond basic regulatory and operational compliance measures. During 2014, we did not receive any non-compliance sanctions or fines related to applicable laws or regulations.

We remain committed to maintaining a safe and healthy workplace, strengthening stakeholder relationships, keeping our impact on the environment to a minimum and maintaining transparency. At the same time we also believe as a respectable corporate enterprise that we need to go beyond mere compliance in these areas and continually seek ways and means to improve our performance and make meaningful contributions to the society we operate in.



We aim at working together with our stakeholders towards fulfilling our dedication to sustainability, environmental responsibility, product standards, and going beyond compliance.



**Our stakeholders
are our partners
in growth – Their
contributions are
vital to Poly tubes
approach to
sustainable
business
operations.**

A man with glasses and a dark t-shirt featuring a 'Black Valley Great Outdoors' logo is centered in the image. A white circle highlights his face and upper torso. The background is dark with bokeh light effects.

Our Stakeholders

How We Engage With Our Stakeholders

OUR KEY STAKEHOLDERS			
<p>OUR EMPLOYEES</p> <ul style="list-style-type: none"> • Direct engagement with supervisors and senior management • Performance reviews • Safety meetings • Learning and development programs • Open door policy 	<p>THE PROMOTERS</p> <ul style="list-style-type: none"> • Board/management meetings • One-on-one interviews with senior managers for various reporting and strategic issues • Leadership development opportunities • Company retreats 	<p>OUR CUSTOMERS</p> <ul style="list-style-type: none"> • Daily phone calls, emails • Regular meetings • Clear contracts • Surveys and other feedback mechanisms 	<p>THE REGULATORS</p> <ul style="list-style-type: none"> • Indirect communication through industry bodies • Regulator organized workshops and conferences

Our Key Stakeholders



Stakeholder engagement is an important part of our business practices.

We create tight-knit communication channels with our stakeholders and address any concerns or issues, jointly develop strategies to address them and build strong relationships. Our stakeholders are our partners in work. Working with partners is vital in fulfilling our vision and developing a sustainable business. We consider our first Sustainability Report as another vital tool to use in engaging with our stakeholders. This report highlights the concerns of our stakeholders and how we plan to address them. We receive their concerns and issues through our ongoing interactions and communication with them.

We would like to thank our stakeholders for their helpful feedback and dedicating their time to help us ensure that our reporting is more responsive to their interests and needs.



What Matters To Us



The concept of materiality is one of the most fundamental guiding principles in GRI. It is the process of identifying the most significant sustainability topics or aspects for an organization. Following a systematic process of assessing material aspects for Polytubes we have been able to effectively prioritize the issues. This evaluation has enabled us to identify what aspects we should focus on for improving in our plans and programs and what to emphasize in our Sustainability Report.

Materiality Assessment Process

We conducted a materiality assessment using the following procedure.



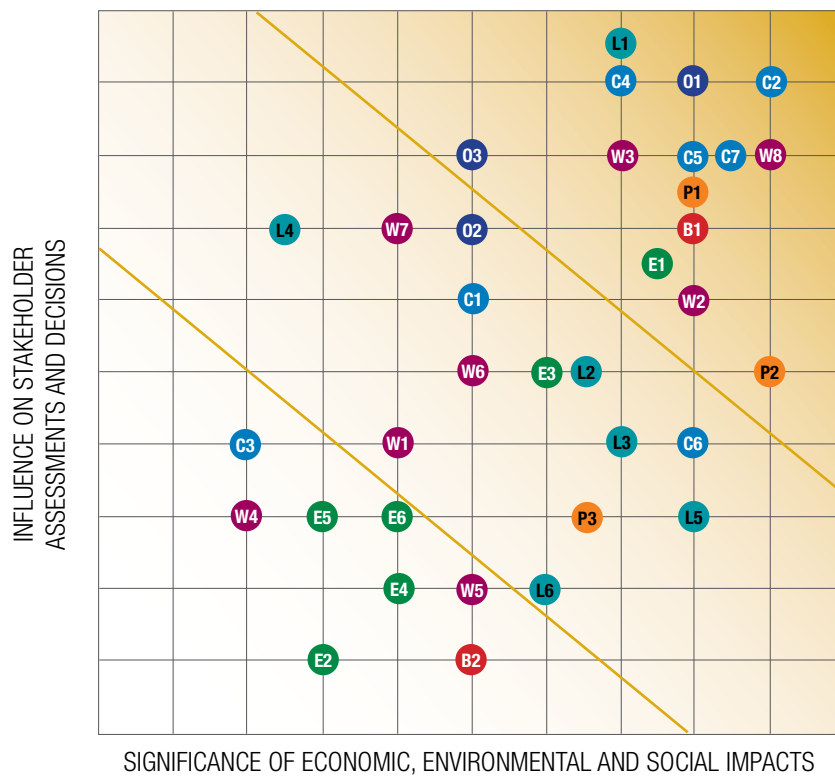


The results obtained highlight the material issues that are facing our business. This material assessment approach is an iterative and dynamic process that we intend to be involved in from our first report onwards. Polytubes intends to systematically and frequently engage with all our stakeholders to ensure that we integrate their opinions within the company's vision.

Materiality Assessment

During the process of mapping of our aspects, as presented in the figure below, we accounted for the following:

- Significance of economic, environmental and social impacts to Poly tubes
- Level of influence on stakeholders' assessments and decisions



CUSTOMERS

- C1 Timeline
- C2 Quality
- C3 Price
- C4 Response to Concerns
- C5 Specifications
- C6 Relationship

EMPLOYEES

- W1 Wages
- W2 Work Environment
- W3 Group Benefits/Health Care
- W4 Hours of Work
- W5 Certifications
- W6 Employee Recognition

PROMOTERS

- P1 Reputation
- P2 Health and Safety
- P3 Worker Engagement

REGULATORS - BUSINESS & PRODUCTS

- B1 Compliance
- B2 Innovation & Technology

REGULATORS - ENVIRONMENT

- E1 Compliance
- E2 Environmental Protection Expenditure
- E3 Hazardous Waste Generation and Disposal
- E4 Energy Use
- E5 Water Consumption
- E6 Scrap Material Recycling-Reuse

REGULATORS - OHS

- O1 Compliance
- O2 Worker Competence
- O3 Emergency Preparedness

REGULATORS - LABOUR

- L1 Compliance
- L2 Compensation
- L3 Human Rights
- L4 Equality
- L5 Diversity and Inclusiveness
- L6 Benefits



**Managing
Sustainability
at Polytubes**



Taking risks is an inherent part of business. Some of our activities may have damaging effects on the environment or the community. There also may be fiscal risks that are involved with our operations. We believe having a clear approach to addressing these potential risks within sustainable operations will enable us to mitigate these risks in a timely and prudent manner. Below we have illustrated our approach to recognizing potential risks and how we proceed to manage them at Polytubes.

Our Approach

Polytubes lives by “making the right products, at the right time, in the right way.” We believe our success depends on our ability to operate responsibly socially, environmentally and economically. Our objective is to make high quality and reliable products while ensuring the best use of our resources and providing opportunities for our employees and benefiting society the best we can.



Our approach to ensuring sustainable operations and management of potential risks involves the evaluation of the following categories:

Our Risk Categories

OPERATIONAL	STRATEGIC	COMPLIANCE	FISCAL	ENVIRONMENTAL
<ul style="list-style-type: none"> • Product quality • Extra or obsolete inventory • Supply chain • Equipment breakdown • Availability and timely delivery of products • Safety incidents 	<ul style="list-style-type: none"> • Change in industry/market • Protect proprietary interest • Joint venture • Employee turnover • Staff skill set • Sales shortfall 	<ul style="list-style-type: none"> • Failure to monitor regulatory requirements • Extra inspections • Certifications maintenance • Industrial associations expectations 	<ul style="list-style-type: none"> • Taxes • Fines • Warranty expenses • Controlling capital expenditures • Rising monthly costs • Debts 	<ul style="list-style-type: none"> • Water resources • Emissions • Energy consumption • Waste disposal • Traffic

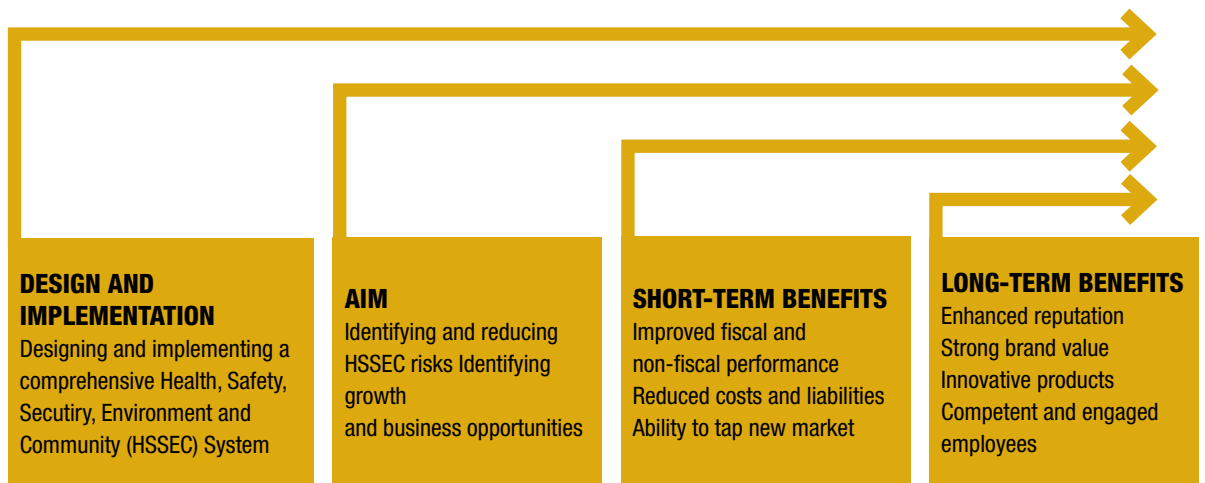
These categories are being evaluated on the basis of issues material to us at the moment or those risks known to us which could potentially hinder Polyubes in achieving our sustainability objectives.



Addressing the Risks

Risk management procedures are an integral part of our business planning and review cycle. The management is responsible for identifying the critical business risks and for the designing and executing of adequate responses. In addition to the current practices of risk identification and mitigation through our business processes and quality management systems (ISO 9001) approach, in the near future, Polytubes may develop a wholesome Health, Safety, Security, Environment and Community (HSSEC) system. This

type of comprehensive system is designed and intended to address the various risks identified in a proactive manner. The graphic below illustrates an overview of the approach to implementing an HSSEC system and the prospective resulting long and short term benefits.



At Polytubes we go beyond mere compliance and continually seek ways to improve our performance and our ability to make meaningful contributions to the society we operate in.





The resources we depend on are the same resources that society relies upon. Wise and responsible use of our shared resources is at the heart of our operations.

POLYTUBES



Report on Environment



Systems utilizing plastic pipe are a sustainable and environmentally responsible choice that will serve generations to come. They are energy efficient during manufacturing and provide peak protection from contamination during service. PE pipe systems require significantly less energy to fabricate, transport and install than metal or concrete alternatives. With superior resistance to corrosion and abrasion, plastic piping systems also supply long service life, excellent joint performance and offer leak free protection.



Reducing emissions of CO₂, a greenhouse gas, could be accomplished by the selection of products with lower total process and transportation energy requirements, such as plastic pipe.

A certain percentage of waste is generated, as trim, during blown extrusion when the bubble is split into two webs. Startup, breakdowns and machinery problems can also contribute to the production of waste.

With a focus on environmental protection and a strategy to address major environmental issues like natural resources conservation and energy use, we set good practices such as recycling materials, energy saving and water reuse. In Polytubes, we are committed to protecting the environment.

We have identified four main environmental action focal points to address in Polytubes. These four action focal points include waste reduction, energy reduction, raw materials management and water reuse.

Waste

In the production of Polyethylene (PE) pipe, waste can mean a lot of things and arise in a lot of ways. We believe it helps to simplify

things so we focus on waste of resin and time. We engage very experienced engineers to work with our manufacturing leaders and staff to attack both kinds of waste. We found our biggest preventable source of resin waste came because of the way Poly tubes used to set product parameters. The practice had been to err on the side of caution – to target being on the high side of what the product specification required. In 2012, we changed this approach in two ways. The first, was to make the specification norm the appropriate target for wall thickness. The second, was to tighten the range of variability around the norm over time. These projects were successful because of the effective communication of the background information and purpose of the project to all manufacturing staff. Additionally, we ensure that the performance of the project is prominently and visually represented on each extrusion line at all times. The total savings from this project in 2013 alone were \$480,000, or 1.6% of revenue.

In order to reduce waste from downtime due to resin outages we made a shift in 2012 from regional salespeople to key account/product line managers. Each key account/project line manager focuses on the black pipe, yellow pipe and large diameter markets. This sales restructuring enhanced our product expertise and enabled an integrated view of each market segment. Sharing this more detailed and integrated information has enabled us to reduce waste from downtime due to resin outages from 3,456 operating hours in 2011 to 2,160 operating hours in 2014.

Additionally, we did not have any significant spills during 2014. Our ability to reduce waste and maintain zero spill operations has enhanced our environmental performance.



Raw Materials

Polytubes has recognized that raw materials are the single most important part of our process in order to meet customer requirements. For this reason all suppliers of resin must provide evidence of a quality program, by supplying current ISO certification documents. At Polytubes, we recycle 99.6% of the materials in house and 0.04% is done through a third party. Our raw materials include:

MASTERBATCH

Masterbatch is a material that is a major component in most of our products and can have a direct affect in the quality of the final product. For this reason all Masterbatch suppliers for CSA approved pipe must provide evidence of a quality program, by supplying current ISO certification documents, and must meet an approved concentrate for that particular resin material.

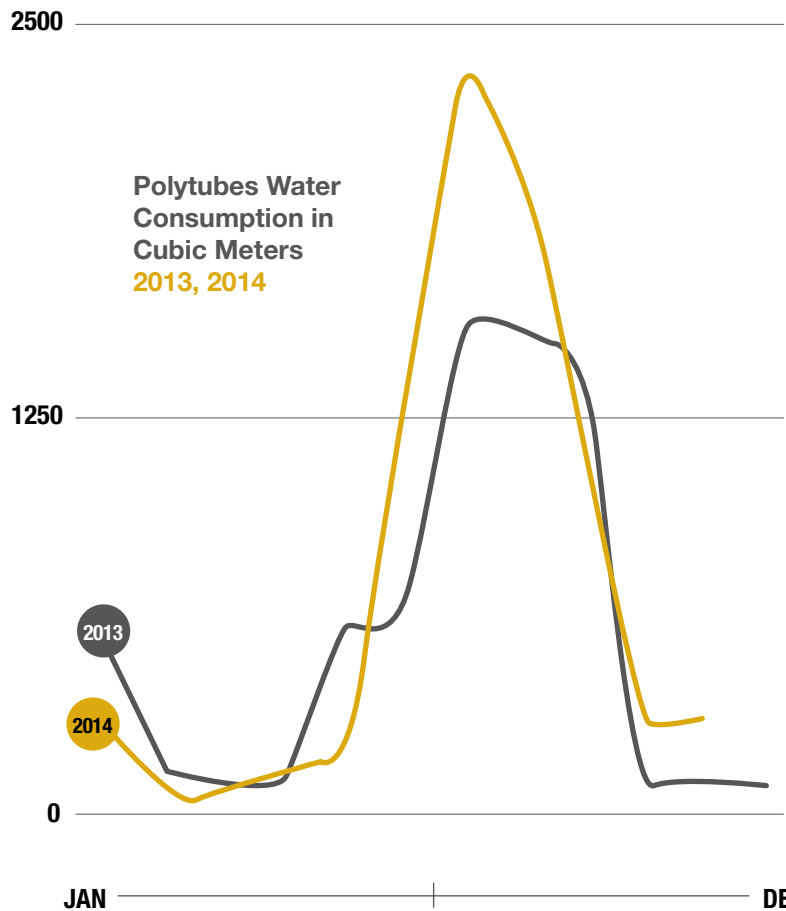
MINOR COMPONENTS

All minor components are those which do not affect product quality. The suppliers of minor components do not need to provide evidence of a quality program or have a completed quality survey. They are approved for use by the Purchasing Agent, who takes into consideration price, on time service, and availability. An inventory comparison schedule is in place for ordering these components.

Water

We rely on the City of Edmonton for our water supply. The primary source of water is the North Saskatchewan River. A variety of methods are used in the cooling process of the Polyethylene pipes. Cooling procedures such as total emersion and spray cooling are carried out to remove residual heat from the pipes. Reusing water that is used in the water cooling systems allows us to better manage the water

consumption during operation activities. Our water discharge from various lines as they are running is minimal inside the plant. In 2014 we recycled 16,000 gallons of water (100% recycled through our filters and pumps).





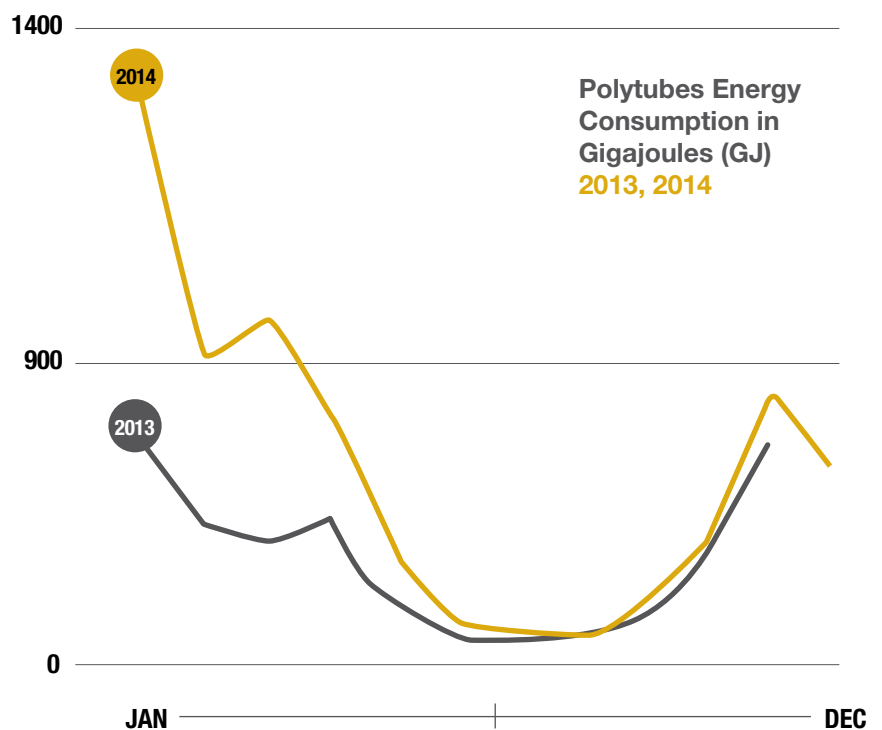
Energy

In order to improve our use of energy efficiency we developed a system for when all of the fifteen extrusion lines are operating. At this time one part of the plant remains switched off which assures that no energy power is being wasted.

Climate Change

Polytubes is conscious of issues contributing to climate change and its likely impact on the global sustainability. Though, our activities do not have a significant impact, we do our bit by minimizing the air emissions, power consumption and optimizing our material usage. We are committed to saving resources throughout the entire production process as well as achieving energy-efficient operations at both plants. We actively monitor the transportation of raw material and shipment of finished products to minimize our emissions in the supply chain. Use of rail for raw material has helped us significantly reduce our emissions.

Currently, we have not estimated the GHG emissions from our operations but we plan to estimate our CO₂ emissions during the next reporting cycle and report in the subsequent reports.



The background of the page is a close-up, top-down view of a stack of light-colored wood planks. The planks are arranged in a regular, grid-like pattern, with their ends facing the viewer. The wood grain is clearly visible on the top surfaces. A thin white circle is centered on the page, framing the title text.

Report on Society



Our work involves a fair degree of exposure to health and safety risks. We believe that all our employees and suppliers have a right to a safe and healthy work environment. Hence health and safety of employees and contractors is a priority for us. Producing quality products following safe work practices, while keeping our environmental effects to a minimum, are our ultimate goal.

Health and Safety

We are committed to maintaining the health and safety of all employees and protecting the environment at Polytubes. Thus compliance with all applicable government regulations is important and crucial. All employees, managers, workers, supervisors and contractors are to meet or exceed health and safety expectations and to follow company rules and regulations. Our goals are to eliminate any foreseeable hazards to personal injury, property or process. Employees and management are all responsible for safe work procedures and practices

At Polytubes, we provide resources to implement and improve the health and safety programs. These improvements are fulfilled through training, manpower, meetings, materials and ongoing enhancements to the facility.

Managing Hazards

Workers are involved with hazard identification and assessment and formal hazard control processes. The health and safety committee and company suggestion boxes help contribute to ongoing improvements of existing controls.

Personal Protective Equipment (PPE) is always available for all persons. Examples of PPE requirements include hearing protection at entrances, safety vests, hard hats, eye protection, and many other items. All PPE is to be maintained in good condition and is easily accessible in the PPE cabinet.

Workers and supervisors are involved with the inspection process and are assigned to the corrective actions on the reports.

Incidents

Employees are told during their first day orientations how to report work related incidents, illness or injuries. Employees have been trained on accident/incident investigations to find the cause or unsafe condition/procedure that contributed to the accident/incident or illness. These investigations are intended to ensure that we can identify the root causes of such accidents/incidents. This leads to experiential learning and understanding of what preventative measures to take for similar instances in the future.

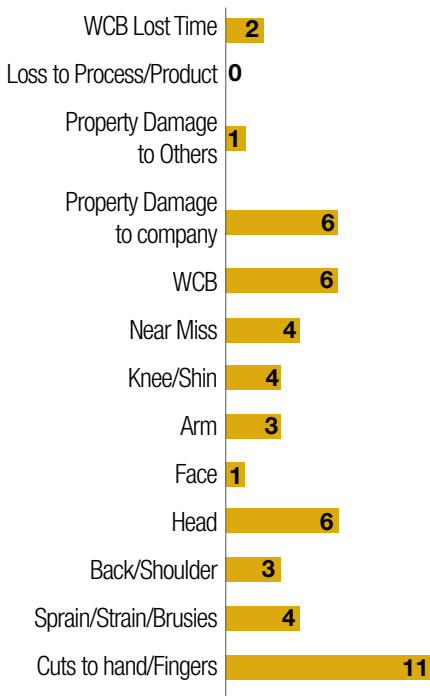
Local Community

Polytubes does not have any personnel policies or employment practices that provide for preferential treatment of persons from local vicinities. We believe that our workforce should reflect the geographical location where we conduct our business today and tomorrow. Our dedication to fair treatment and to acquiring a representative workforce helps guide our hiring decisions. We also ensure that we remain committed to the criterion of choosing the best candidate for each individual job.

Polytubes is dedicated to working closely with local suppliers to educate them about their purchasing requirements. We also concentrate on communicating with our local suppliers about the benefits of building local economy. Polytubes always considers the use of local suppliers and or local content in all purchasing decisions.

Channel loyalty influences our approach to corporate social responsibility. We support charitable causes through our distributors but avoid excessive public exposure ourselves. We take avoiding action to remain outside of the public spotlight because we do not want end users to know we exist. It is considerably better if Polytubes remains to be recognized, trusted, and remembered in the public sphere as the name for high quality small polyethylene pipe.

NUMBER OF FIRST AID INCIDENTS AND WCB REPORTS IN 2014





Our Economic Performance



The economic performance of a company shows how much value it has created for its stakeholders. For Polytubes this means having a sustainable business that takes into consideration all of the positive and negative effects of its activities. These effects that are accounted for are those that have the potential to impact the fiscal health, environmental management, and social well-being of Polytubes.

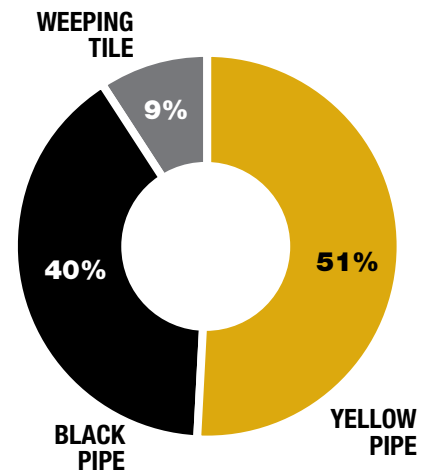
Polytubes continues to conduct business with suppliers who are globally competitive and who will provide a consistent product accompanied by the lowest long term cost of ownership. Polytubes remains dedicated to working closely with local suppliers to facilitate ongoing understanding of the beneficial outcomes that these devoted associations have on building the local economy.

● Economic performance for us means having a sustainable business that takes into account the positive and negative effects of our activities.

Market Share and Sales

The Canadian market for polyethylene pipe is effectively divided geographically and by product size. In most of the small polyethylene pipe market, channel strategy is also a key distinguishing characteristic; with some distributors focusing solely on serving industrial distributors while others focus on serving big box retailers. Polytubes dominates the small diameter pipe market in western Canada which is predominately served by industrial distributors. At Polytubes we believe that effective sales and marketing strategies, consistent inventory management, and efficient logistics are important to ensuring our ongoing success in the polyethylene pipe market.

Polytubes YTD Sales (%)





Financial Performance

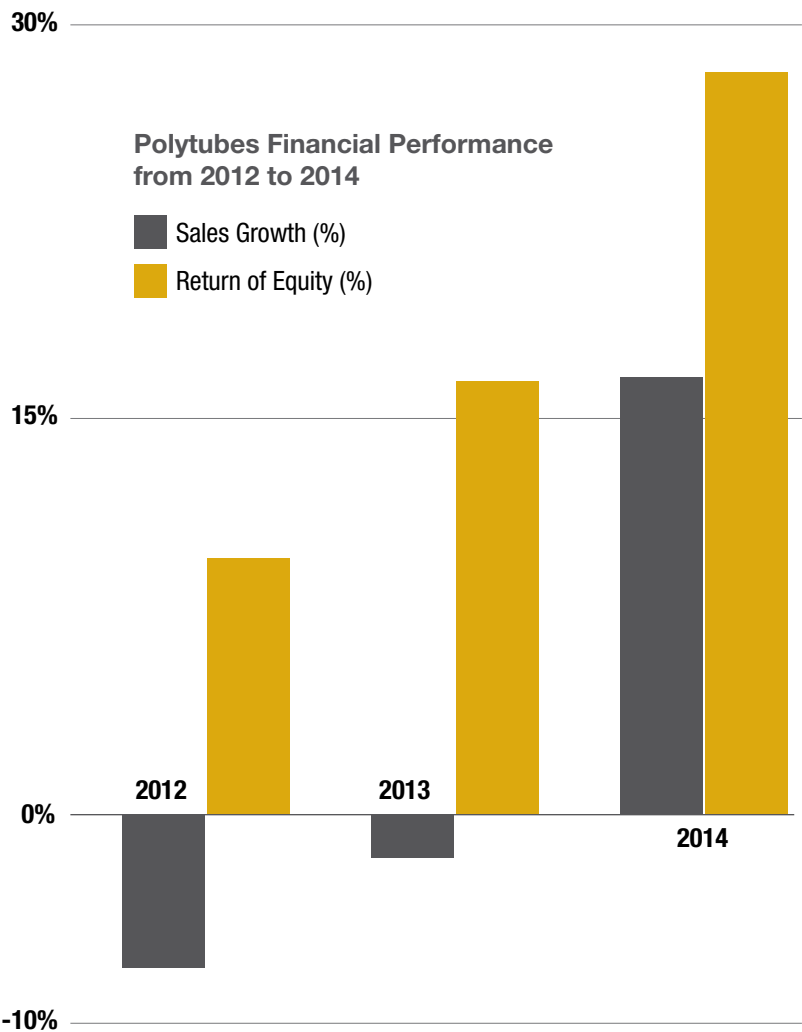
Polytubes financial performance from 2012 through to 2014 illustrates our ever increasing success and dedication to ensuring quality product manufacturing and distribution of polyethylene pipe to all customers.

Strong Economic Performance

For Polytubes, strong economic performance is visible when you can see:

- Customers getting quality products on time for the right price
- Employees taking home a competitive wage and benefits
- Opportunities for employees to increase and develop their skill set
- Operations carried out at peak efficiency
- Taxes and other credit liabilities being met on time
- Having the ability and opportunities to give back to the society

Polytubes does not get any significant financial assistance from the government.





Employee Wages

Polytubes offers competitive compensation packages that are complemented by a comprehensive benefits program. At Polytubes, we pay wages that meet or exceed the legally required wages. Where no wage law exists wages meet or exceed the local industry standard. Polytubes utilizes a wage progression ladder system to facilitate advancement within the majority of departments and for the majority of employees. This standard progression ladder allows for incremental raises based on employee completion of particular levels of training.

Employee Benefits

To assist with employee retirement goals, Polytubes offers a Group Registered Retirement Savings Plan (RRSP) Program. Once employees have been employed with Polytubes for at least three consecutive months they are eligible to participate in the RRSP Program. This program is voluntary and it is up to employees to express their interest to be enrolled in the program. Employees determine the set amount to be deducted from each pay. Polytubes then forwards those payment sums to the Group RRSP provider. Employees have explicit control of which investment funds they wish to have their money invested. In addition to the RRSP Program, Polytubes also extends a comprehensive health benefits package to its employees.

Supply Chain

At Polytubes, our supply chain includes both regional and national sourcing and logistics. Our business lines have specialized supply chains to meet customer needs. These custom supply chains include things such as specialized transportation and handling of resins. We have established strong association with our suppliers and we ensure that this relationship stays healthy and vibrant. This allows collective work towards continuous improvement of our products and services. These interdependent relationships also demonstrate and express the value we identify within our suppliers. Lastly, we constantly review our inventory to evaluate available supply and strive to maintain quantities at an optimal level.





Awards and Recognition



We believe that awards and recognition reflect our hard work and ongoing progress on the road to success. It is a source of encouragement for our entire team. We stand by our commitment to excellence, safety, and sustainable business management.



Canadian Standard Association

Polytubes products have been certified to applicable standards by CSA. CSA marks confirm that a product has been tested and has met the applicable standards for safety & performance as outlined by ANSI, UL, CSA, NSF and more. Polytubes is listed in the CSA Group Certified Product Listing.



ISO 9001: 2008

Certificate of Registration – certifying Polytubes 2009 Inc. conforms to the requirements of the international standard ISO 9001 Quality Management System.



Government of Alberta

Certificate of Recognition

COR Certificate - certifying Polytubes 2009 Inc. for developing and implementing an occupational health and safety program and having met the standard for Partnerships through an independent evaluation of their safety program.




Alberta Safety Council

Our certification recognizing Polytubes 2009 Inc. as a member in good standing.



NSF/ ANSI 14, 61

NSF International - recognizing Polytubes 2009 Inc. as conforming to NSF/ ANSI 14, 61 standards for plastic piping, gas distribution products, and water system components.



**Our
Corporate
Responsibility
Objectives**

POLYTUBES

T105



The management at Polytubes believes a corporation is responsible to society. We share the resources that facilitate the operations of our business with all individuals that make up society. Hence we have a responsibility to use all resources in a wise and sustainable manner to ensure lasting access and availability for everyone. The most effective way to ensure we meet this corporate responsibility is to carry out our business in a sensible and sound manner and maintain transparency in our dealings at every level. Unquestioned commitment to upholding the strong and healthy relationships we build with our stakeholders to further the responsible operations at Polytubes is also critical.

At Polytubes we have various corporate responsibility objectives. These objectives include:

- Finding ways and means to contribute more broadly to local communities
- Augmentation of the intellectual capital of our trade through training and ongoing development of employees
- Sustaining production while maintaining fair employment conditions and work environment
- Ensuring the health, safety and well-being of all our employees and visitors to our workplace
- Maintaining our quality and COR certification
- Continuing to drive performance and maintenance of high level safety standards
- Senior leaderships continued demonstration of our commitment to safety by undertaking formal training and conducting safety audits
- Ensuring that any impacts on the environment are kept at a minimum level of influence
- Ensuring that best practices are followed for waste management, energy efficiency and water management
- Ongoing compliance to all applicable legal and government regulations as well as any other requirements

● Our success depends on our ability to operate in a responsible and sustainable social, environmental and economic manner.

- Actively working towards embedding our sustainability strategy within the business operations
- Building on our reputation and continuing to strengthen our brand image through quality products and service
- Senior leaderships continued demonstration of commitment to high ethical standards through employee engagement
- Maintenance of transparency in our work and stakeholder relations
- Maintaining a sustainable supply chain

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Inquiries:

Heather Lindsay, PCP

Phone: 780.491.6211

Fax: 780.452.9376

email: hlindsay@polytubes.com



Polytubes (2009) Inc.