



2019

Chemtrade Logistics Income Fund
2019 Annual information form

March 2, 2020

2019 ANNUAL INFORMATION FORM

This annual information form describes Chemtrade Logistics Income Fund, its businesses, the risks they face and the market for its securities, among other things.

The document includes statements and information about our expectations for the future. When we talk about strategy, risks, plan and future financial and operating performance, or other things that have not taken place, we are making statements that are considered forward-looking information or forward-looking statements under Canadian securities laws. You can read more about forward-looking information on page 56.

Where to find it

About Chemtrade	3	Governance	26
Major developments	4	Risks and risk management	31
Overview of the business	5	About the Fund	45
Strategy	8	Our capital structure	49
Sustainability and Responsible Care®	10	Legal and other information	53
Sulphur products and performance chemicals (SPPC)	15	Appendix	58
Water solutions and specialty chemicals (WSSC)	19	Audit Committee Charter	
Electrochemicals (EC)	23		

In this document:

- *Fund* means Chemtrade Logistics Income Fund
- *we, us* and *our* and *Chemtrade* mean the Fund's subsidiaries
- *AIF* and *this document* mean this 2019 annual information form
- *unitholders* mean unitholders of the Fund
- *board of trustees* and *board* mean the Fund's board of trustees
- *Declaration of Trust* means the Amended and Restated Declaration of Trust dated May 12, 2016.

All information is as of December 31, 2019 and all dollar amounts are in Canadian dollars, unless specified otherwise.

Where to go for more information

SEDAR (www.sedar.com): for more information about the Fund, including material contracts.

Management information circular: for information about how we compensate our trustees and officers, the audit committee, who owns our securities, and our corporate governance practices. We expect to file this year's circular on March 31, 2020.

Financial statements and management's discussion and analysis (MD&A): for additional financial information

Our website (www.chemtradelogistics.com): for copies of the circular, financial reports and other important information.

You can ask for a copy of the circular and financial reports by writing the Corporate Secretary at our corporate head office, below. These will be provided free of charge to unitholders of the Fund.

Registered and head office

Chemtrade Logistics Income Fund
Corporate Secretary
155 Gordon Baker Road
Suite 300
Toronto, Ontario M2H 3N5

ABOUT CHEMTRADE

Chemtrade provides industrial chemicals and services to customers in North America and around the world through three business units (see page 5). It had 1474 employees as of December 31, 2019, working out of more than 60 facilities, mostly in North America.

Headquartered in Toronto, Chemtrade is wholly owned by Chemtrade Logistics Income Fund, a limited purpose trust established on July 11, 2001.

The Fund earns its income from Chemtrade, and its distributions depend on Chemtrade's cash flow.

Units of the Fund are traded on the Toronto Stock Exchange (TSX) under the symbol CHE.UN. The Fund had 92,601,062 units issued and outstanding as at December 31, 2019.

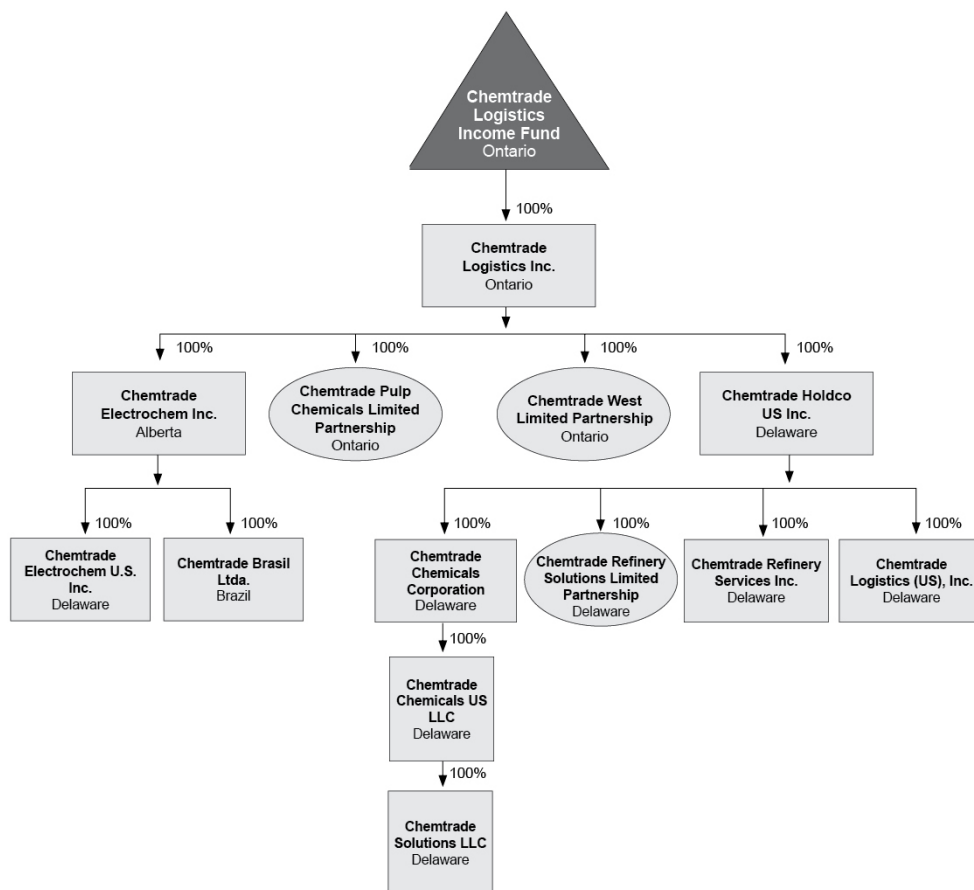
The Fund also has four series of convertible unsecured subordinate debentures outstanding. These are listed on the TSX (see page 50 for details):

- CHE.DB.B (2014 debentures due June 30, 2021)
- CHE.DB.C (2016 debentures due August 31, 2023)
- CHE.DB.D (2017 debentures due May 31, 2024)
- CHE.DB.E (2019 debentures due October 31, 2026)

The Fund operates under a Declaration of Trust that was established on July 11, 2001 and was most recently amended on May 12, 2016. The Fund's board of trustees, together with the boards of all of its subsidiaries, assumes the overall stewardship of the Fund and Chemtrade.

Corporate structure

The Fund holds, directly or indirectly, all of the participating equity and unsecured subordinated notes of its subsidiaries. The chart below shows the material subsidiaries of the Fund, their jurisdictions of incorporation or organization, and the percentage of votes attaching to voting securities (some of which are held indirectly).



Major developments

2017

January

The Fund issued 21.8 million subscription receipts for gross proceeds of approximately \$400.0 million. The subscription receipts automatically converted into units when our acquisition of Canexus Corporation (Canexus) closed. We used the net proceeds to fund a portion of the Canexus acquisition.

March

We completed the acquisition of all the issued and outstanding shares of Canexus and merged it with certain subsidiaries of the Fund to form Chemtrade Electrochem Inc. (Chemtrade Electrochem).

This expanded our sodium chlorate business and added a chlor-alkali segment, increasing the scope and scale of our existing business portfolio and diversifying our sources of earnings. It also extended our geographic reach into South America.

We reconfigured our business segments in North America and added a new business segment called Electrochemicals.

May

We closed the sale of our international business segment by selling the shares of Chemtrade Aglobis AG.

The Fund issued the 2017 debentures (see page 50), and used the proceeds to fund:

- the mandatory change of control offers to buy certain outstanding debentures and notes of Chemtrade Electrochem
- the redemption of the Chemtrade Electrochem Series IV debentures (see page 51)
- the redemption of 35% of the Chemtrade Electrochem notes (see page 51)
- the redemption of \$79.6 million of the Fund's 2011 debentures (5.75% convertible unsecured debentures, due December 31, 2018)

2018

June

Chemtrade Electrochem redeemed the remaining 65% of the Chemtrade Electrochem notes (see page 51)

The Fund guaranteed all of Chemtrade Electrochem's issued and outstanding debentures (Series V and Series VI – see page 51), to allow Chemtrade Electrochem to use the Fund's disclosure, as parent credit supporter, to meet its audited annual and interim financial statement and management's discussion and analysis reporting obligations.

November

We settled the main (direct purchaser) class action civil lawsuit related to alleged anti-competitive conduct of General Chemical entities we acquired in 2014. See page 53 for details.

2019

January

Chemtrade Electrochem redeemed all of its outstanding Series V debentures (see page 51). The Fund used its credit facilities to fund the redemption.

February

We settled the indirect purchaser class action civil lawsuit related to General Chemical's alleged anti-competitive conduct. See page 53 for details.

May

We increased our reserve for legal proceedings related to General Chemical by \$40 million, for a total reserve of \$140 million. See page 53 for details.

June

Dr. Emily Moore was appointed to the Fund's board of trustees. Dr. Moore is a professional engineer with a doctorate in physical chemistry from Oxford University, and brings valuable skills and experience to the board (see page 27 for details).

August

The Fund announced its intention to sell the potassium chloride business (Midlothian, Texas) and vaccine adjuvants business (Berkeley Heights, New Jersey).

September

Scott William Rook joined Chemtrade's executive team in the newly-created role of Chief Operating Officer. Mr. Rook has broad chemical industry, operational, commercial and management experience developed in executive roles at Ascend Performance Materials and Eastman Chemical Company. He has a BSc in Industrial Engineering and an MBA in Finance.

October

The Fund issued the 2019 debentures (see page 50), and used the net proceeds to pay down senior debt under the credit agreement.

Susan McArthur stepped down from the board of trustees after seven years of service.

December

We settled the remaining direct action lawsuits related to General Chemical's alleged anti-competitive conduct by the end of 2019, and as of the date of this annual information form only a few derivative actions initiated by an ex-employee remained active (see page 53 for details).

2020

January

Chemtrade Electrochem redeemed the last of its outstanding debentures (the Series VI debentures) (see page 51). The Fund used its credit facilities to fund the redemption.

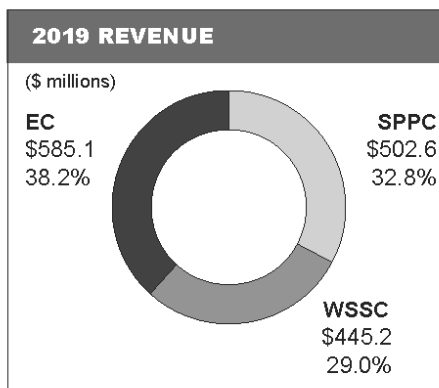
Chemtrade Electrochem ceased to be a reporting issuer.

OVERVIEW OF THE BUSINESS

Chemtrade provides industrial chemicals and services to customers in North America and around the world.

We operate in three business segments as shown below. Our businesses are strategic partners to many of our customers and suppliers, providing products and services that are critical to the gasoline, motor oil, fine paper, metals and water treatment industries, and to other major industrial and consumer markets.

Our corporate segment provides centralized services, including treasury, finance, information systems, human resources, legal and risk management, and environmental, health and safety support.



Sulphur products and performance chemicals (SPPC) (see page 15)

Manufactures and markets sulphur-based products and services to the North American market.

- One of North America's largest suppliers of industrial sulphuric acid and spent acid processing services
- The leading North American producer of ultrapure sulphuric acid to the electronics semiconductor manufacturing sector
- A regional supplier of products and services based on sulphur chemistry

Water solutions and specialty chemicals (WSSC) (see page 19)

Manufactures and markets water treatment chemicals and specialty chemicals to the North American market.

- One of North America's largest suppliers of inorganic coagulants for water treatment
- A leading supplier of potassium chloride, aluminum hydroxide vaccine adjuvants and phosphorus pentasulphide (P₂S₅)
- The only North American manufacturer of sodium nitrite

Electrochemicals (EC) (see page 23)

Manufactures and markets sodium chlorate and chlor-alkali products to the North American and South American markets.

- One of North America's largest suppliers of sodium chlorate
- A leading regional supplier of chlor-alkali products
- Supplier of sodium chlorate and chlor-alkali products to one of Brazil's largest pulp and paper mills

Financial information

The tables below include our financial information for the past two years, including information by business segment. You can find more information in our management's discussion and analysis and financial statements for the year ended December 31, 2019, which is available on our website (www.chemtradelogistics.com) and on SEDAR (www.sedar.com).

2019	SPPC	WSSC	EC	Corp.	Other	Total
Revenue	\$502,604	\$445,175	\$585,076	\$ -	\$ -	\$1,532,855
Earnings (loss) before the undernoted	160,744	77,903	171,399	(114,443)	-	295,603
Unrealized foreign exchange (loss) gain	-	-	-	10,787	-	10,787
Depreciation and amortization	(97,588)	(50,606)	(114,264)	-	-	(262,458)
Gain (loss) on disposal and write-down of assets	(10,939)	(3,970)	706	413	-	(13,790)
Impairment of goodwill	-	(65,600)	-	-	-	(65,600)
Operating income	52,217	(42,273)	57,841	(103,243)	-	(35,458)
Net finance costs						(88,487)
Income tax recovery						24,291
Net loss						(99,654)
Total assets	971,783	718,884	987,872	3,542	96,992	2,779,073
Total liabilities	197,614	172,988	222,323	51,517	1,375,055	2,019,497
Capital expenditures	32,787	29,035	33,166	1,311	-	96,299

2018	SPPC	WSSC	EC	Corp.	Other	Total
Revenue	\$509,765	\$430,311	\$655,671	\$ -	\$ -	\$1,595,747
Earnings (loss) before the undernoted	86,418	77,300	193,442	(160,937)	-	196,223
Unrealized foreign exchange (loss) gain	-	-	-	(1,826)	-	(1,826)
Depreciation and amortization	(72,410)	(51,784)	(90,313)	-	-	(214,507)
Gain (loss) on disposal and write-down of assets	4,039	-	-	-	-	4,039
Impairment of goodwill	-	(90,000)	-	-	-	(90,000)
Operating income	18,047	(64,484)	103,129	(162,763)	-	(106,071)
Net finance costs						(74,126)
Income tax recovery (expense)						48,680
Net earnings (loss)						(131,517)
Total assets	985,316	851,958	962,830	7,670	69,314	2,877,088
Total liabilities	125,168	179,657	131,885	113,220	1,310,445	1,860,375
Capital expenditures	31,472	31,131	28,510	1,253	-	92,366

Manufacturing and processing facilities

We operate more than 60 production facilities. The table below includes our principal manufacturing facilities as of December 31, 2019. Our corporate head office is in Toronto, Ontario, in leased premises.

	Principal facilities	Products and services	Ownership
Sulphur products and performance chemicals (SPPC)	Anacortes, Washington	Sulphuric acid Regen acid Hydrogen sulphide processing Sulphur recovery unit (SRU)	Owned
	Richmond, California	Sulphuric acid Regen acid Ultrapure sulphuric acid	Owned
	Toledo, Ohio	Sulphuric acid Regen acid Hydrogen sulphide processing	Equipment is owned Land is leased
	Tulsa, Oklahoma	Sulphuric acid Ultrapure sulphuric acid Sodium bisulphite	Owned
Electrochemicals (EC)	Brandon, Manitoba	Sodium chlorate	Owned
	Espirito Santo, Brazil	Sodium chlorate Caustic soda Chlorine Hydrochloric acid Hypochlorite	Equipment is owned Land is leased
	North Vancouver, British Columbia	Caustic soda Chlorine Hydrochloric acid	Equipment is owned Land is partly owned and partly leased

Strategy

Chemtrade was formed in 2001 to operate and improve its chemical businesses, and to grow through acquisition. Since that time, we have successfully integrated seven material strategic acquisitions, added complementary products and services, diversified our earnings and end markets, extended our geographical reach and improved the quality of our earnings.

Four strategic priorities shape our decision-making and our approach to risk management (see page 31 for more about risk).

1 Growth Increase our size, scale and diversity of earnings	2 Business model Mitigate commodity risks to support reliable earnings	3 Operational excellence Ensure sustainable earnings by improving operations, assets and the competencies of our people	4 Financial prudence Financial flexibility, balance sheet strength and optimum allocation of capital
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Growth

Increase our size, scale and diversity of earnings

Our size and scale, the diversity of our earnings and our ability to integrate new earnings sources are keys to our success. Size, scale and diversity allow us to spread our fixed costs, giving us purchasing power and the ability to develop and leverage best practices and the best human capital resources. Diversity of earnings allows us to spread the risks associated with earnings sources, and increases the number of potential synergistic additional products. Each of our three business segments produced approximately a third of our revenue in 2019.

We grow mainly through acquisitions, and our ability to successfully integrate new businesses is fundamental to our success. We seek to acquire assets and products that are generally non-core to their owners, that require additional capital or that otherwise would benefit from our operating and capital expertise. We also seek to improve the businesses we own and pursue organic growth.

Business model

Mitigate commodity risks to support reliable earnings

We seek to structure our businesses to deliver stable cash flows, or invest in businesses that do so, to minimize the financial impact of the fluctuations that are common in industrial chemical businesses.

A significant portion of our business is not fully exposed to these commodity fluctuations. In some cases, this is achieved contractually, by sharing the risk with customers or producers. We also generate some of our earnings under fee-based contracts with no commodity risk. Other products are sold into industries with stable pricing or margins due to industry structure. When we acquire businesses, we look for these characteristics – the ability to mitigate commodity risks either contractually or through industry structure.

The exception to this model is our North American chlor-alkali business, which is exposed to the normal benefits and risks of commodity fluctuations.

Operational excellence

Ensure sustainable earnings by improving operations, assets and the competencies of our people

Our businesses today offer basic but essential chemicals to large industrial segments, such as gasoline refining, municipal water treatment, pulp and paper and many others. We consider Operational Excellence to be a core competency. Over time, we have developed and continue to improve our processes, from safely obtaining and processing raw materials and delivering finished goods to our customers, to converting these processes into earnings for our employees and investors. We use lean manufacturing and six sigma processes along with competitive benchmarking to ensure we maintain these industry leading processes.

Financial prudence*Financial flexibility, balance sheet strength and optimum allocation of capital*

Our objective is to maintain financial flexibility with a strong balance sheet. We achieve this with sound capital management. We actively manage our capital resources to ensure an appropriate allocation of capital, striving to achieve an optimal balance between efficiency and prudence.

We have typically financed our acquisitions with a combination of equity and debt. Our debt is a combination of senior, secured debt and subordinate convertible unsecured debentures. We stagger our debt maturities to make sure we can withstand capital market dislocations and to reduce refinancing risk. We maintain a healthy relationship with a wide syndicate of lenders, including all the major Canadian banks and a few international banks. See page 49 for more information about our capital structure.

Sustainability and Responsible Care®

As a manufacturer and distributor of chemicals, environmental, health, safety, security and sustainability issues are among our highest priorities.

The nature of our business means we are governed by environment, health and safety (EHS) regulations in the jurisdictions we operate in, and where our products are shipped and sold. EHS regulations cover, among other things:

- employees – health and safety
- environment – air emissions, water discharges and waste generation
- products – storage, handling and distribution
- property – land use and zoning
- remediation – releases, presence of hazardous materials and soil contamination.

As a member of the Chemistry Industry Association of Canada (CIAC) and the American Chemistry Council (ACC), however, we do more than just comply with regulations. We have been actively adhering to the CIAC's Responsible Care ethic and its codes of practice and principles since we were formed in 2001, and we use the RC14001 management system, which combines Responsible Care and ISO14001, to manage and continually improve our environmental performance, the safety of our employees and our contribution to the community.

Responsible Care is a U.N.-recognized sustainability initiative that has helped Canadian chemical companies lead the journey towards safe, responsible and sustainable chemical manufacturing. Founded in Canada in 1985, Responsible Care is now practised in 73 countries and by 96 of the 100 largest chemical producers in the world.

We signed the Global Responsible Care Charter in August 2014, on the recommendation of the CIAC. The charter is an agreement of the leading chemical companies and federations that make up the International Council of Chemical Associations, to create a common global vision for Responsible Care and to clarify roles, responsibilities and accountabilities of global chemical companies in support of Responsible Care. Our compliance with the Responsible Care codes of practice is verified by a third party every three years. You can find a copy of the latest Chemtrade verification report on the CIAC website.

Approach

The table below describes how we oversee and manage environmental, social and governance (ESG) issues in our organization.

Governance

Board

The board is responsible for overseeing strategy, governance and risk. The audit committee oversees risk. The board's Responsible Care committee oversees our environmental, health, safety and security philosophy and policies, and monitors our performance in those areas.

Management

The Group Vice President of Human Resources and Responsible Care has overall ESG oversight responsibility, working with the General Counsel and the Director of Responsible Care. The Responsible Care team works with all of our facilities to monitor, support and report on our environmental, health and safety performance.

Strategy

What we do now

The board has committed to doing business in a responsible way, guided by principles of environmental, societal and economic sustainability. This helps shape our strategic planning and risk management processes, and our management of day-to-day operations. Key safety metrics are included in the executive compensation program.

What we are working on

We are evolving our process for assessing material environmental and social risks and opportunities, including those associated with climate change, and integrating them in a more formal way into our strategic planning process.

Risk management

What we do now

We consider environmental, social, safety and security issues across the lifecycle of our operations, and include them in our overall enterprise risk management process.

We use the RC14001 management system to manage these risks, underpinned by environment, health and safety policies, systems, training and tools that are applied across the organization.

What we are working on

We are implementing RC14001 at facilities we have recently acquired, prioritized by risk, and building out our procedures, systems, training and tools at newer facilities that are still in the implementation process.

Metrics

What we do now

We track health, safety and environment metrics that align with the Responsible Care ethic and our RC14001 corporate objectives.

What we are working on

In 2020, we intend to complete a materiality assessment based on Sustainability Accounting Standards Board (SASB) metrics and investor expectations.

Our goal is to track, monitor, and report publicly on new metrics company-wide. We plan to begin implementation at our facilities in stages, starting in 2021.

ESG oversight

Board

The board is responsible for overseeing strategy, governance and risk. The charters of the board's committees include specific duties related to environmental, social and governance oversight.

<p>Audit committee Oversees major operational and financial risks, the systems implemented to monitor them and the strategies and controls in place to manage them.</p>	<p>Compensation and corporate governance committee Oversees our governance practices and compensation policies and programs, including plan design, incentive plan targets and awards to make sure they do not motivate inappropriate risk-taking.</p>	<p>Responsible Care committee Oversees environmental, health, safety and security risks and the policies to manage them, and monitors our performance.</p>
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Five trustees sit on the Responsible Care committee, as well as one director of a U.S. subsidiary who acts in an advisory role. Four of them have chemical industry experience, six have strong manufacturing experience, and six have experience or knowledge of environment, health and safety. The committee meets at least four times every year to review and discuss reports on EHS issues, and periodically takes tours of manufacturing facilities to learn more about the business and meet site personnel.

See *Governance* on page 26 to learn more about the board and its committees. You can find the charter for the Responsible Care committee on our website (www.chemtradelogistics.com).

Chemtrade management

Set objectives, monitor compliance, and report to the board.

<p>Group Vice President of Human Resources and Responsible Care</p> <ul style="list-style-type: none"> • Works with the General Counsel and other members of the senior leadership team to oversee ESG management and reporting • Reports directly to the CEO • Presents quarterly reports to the board's Responsible Care committee 	<p>Director, Responsible Care</p> <ul style="list-style-type: none"> • Oversees the Responsible Care team, who work with management at each facility and head office to set objectives, implement policies and monitor compliance • Reports quarterly to the senior leadership team 	<p>Local management</p> <ul style="list-style-type: none"> • Management at each facility oversees data collection and reporting of all ESG metrics • Reports important deviations or improvements related to compliance, policies and EHS objectives • Prepares a monthly report for the Responsible Care team
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Code of conduct

Our code of conduct sets out the high business and personal standards we require of all our officers, employees, trustees and directors in carrying out their duties and responsibilities. Everyone is expected to read and follow the code, including the guidelines, policies and procedures for ethical conduct, avoiding conflicts of interest and complying with the law. The CEO oversees the code and monitors compliance under the board's supervision. The audit committee reviews the Compliance Line procedures every year and completed its last review in November 2019. The compensation and corporate governance committee, in consultation with the board, periodically reviews the process for administering the code. The code was last reviewed and revised in November 2019. You can find a copy on our website (www.chemtradelogistics.com).

ESG management

Lifecycle approach

Environmental, health and safety issues pose a significant risk for our operations and financial results. We consider these issues across the lifecycle of our operations, and include them in our overall enterprise risk management process (see page 31).

<p>During due diligence and acquisition</p> <p>We look at:</p> <ul style="list-style-type: none"> • regulatory issues and environmental risk • remediation approach and costs • insurance and indemnities • opportunities for integration with existing systems and processes. 	<p>In our day-to-day operations</p> <p>We track and manage:</p> <ul style="list-style-type: none"> • employees – health and safety • environment – air emissions, water discharges and waste generation • products – storage, handling and distribution • legal and regulatory – changing requirements • remediation – site closure management and costs 	<p>When we remediate and close or sell a site</p> <p>We confirm:</p> <ul style="list-style-type: none"> • condition of property, including soil contamination • remediation approach and costs • timelines • beneficial re-use • long-term monitoring
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Management framework

We have management systems, including audit, assessment and reporting, to make sure we comply with EHS internal and external requirements.

RC14001 management system

We have adopted the RC14001 management system, which combines Responsible Care and ISO14001. RC14001 supports our continuous improvement process in several key areas: community awareness and emergency response, security, distribution, employee health and safety, pollution prevention, and process and product safety.

We use this framework to:

- set objectives annually based on continuous improvement, and regularly measure and report on our performance
- establish consistent procedures and assess their effectiveness
- maintain a database of corrective actions and track and verify their implementation
- provide early warning of potential problems
- identify opportunities for efficiency and cost-savings.

Policies and training

Policies, standards and procedures define how the EHS management system functions and how we measure performance. Employees receive training on our EHS management systems, and on issues specific to their position and their responsibilities in support of the system.

We have site procedures and employee training programs to promote a safe, healthy and secure workplace. Our facilities have received many safety awards and we have received awards from our rail carriers for safe handling and transportation of our chemical products.

Product spills can occur at our facilities, during transportation, or at customers' facilities. We have policies and procedures designed to prevent and contain spills, including employee training, emergency response plans for each manufacturing facility, contracts with emergency service providers, and regular upgrades to facilities and equipment. We have implemented global safety standards through most of the operations, which use the DOCTRAC system to track and audit their progress in meeting the standards. We are continuing to introduce new global standards across the organization.

Site audits

We conduct extensive environmental, health and safety audits of our manufacturing facilities and distribution terminals to ensure compliance with EHS requirements. We completed four audits in 2019. Audits are carried out by our own staff and by external resources if needed. We intend to conduct these audits at all of the facilities we own.

Responsible care policy

Forms the basis of our approach to societal, economic and environmental sustainability.

Environmental, safety & health policy

Focuses on continuous improvement in environmental management, safety and health protection, safe transportation, process safety management and security of our processes, products, services and activities.

Quality policy

Sets out the quality expectations we have of our employees: a commitment to customer satisfaction, safe, cost effective and environmentally responsible operations, safe transportation, teamwork and open communication, personal growth and development, diligent records management and performance monitoring.

Sustainable excellence program

Combines Responsible Care principles with operational excellence practices to encourage employee engagement by focusing on lean manufacturing, quality and community involvement. Introduced at the Toledo, OH acid facility in 2013, and implemented at the Beaumont, TX facility in 2018, and the Anacortes and Mt. Vernon WA facilities in 2019.

If needed, based on historical environmental issues, incidents, or findings, we conduct focused environmental process risk management audits – third party legal and technical evaluations of a site’s environmental performance and systems - to address current and anticipated environmental requirements. The last audit of this kind was at the Richmond facility in September 2017.

Certification

The RC14001 management system is audited annually by a third-party auditor. DNV-GL (formerly Det Norske Veritas Certification, Inc.) has been engaged as our auditor for these purposes since 2010. We currently have RC14001 certification of our environmental, health, safety and security programs at over 20 of our North American sites, including our corporate office. The Espirito Santo, Brazil facility is certified to the Brazilian equivalent of RC14001 by the Brazilian Chemical Industry Association. We believe, based on internal and third-party due diligence reviews, that our activities are and will continue to be in compliance with EHS requirements.

Metrics and reporting

We monitor our progress using the health, safety and environment metrics that are recommended by Responsible Care for our key facilities, and as required by EHS regulations. Objectives for each of our facilities are set annually and tracked. We report this information directly to regulators, and in some cases publicly through the CIAC website. Management also prepares an extensive quarterly report that is presented at the board’s Responsible Care committee meetings.

In 2020 we plan to conduct a materiality analysis based on SASB metrics and investor expectations. Our goal is to track, monitor against targets, and report publicly on new metrics company-wide. We plan to begin implementation at our facilities in stages, starting in 2021.

<p>Environment</p> <p>We monitor our impact on the environment using the metrics that are recommended by Responsible Care for our key facilities, and as required by EHS regulations.</p> <p><i>What we currently measure</i></p> <ul style="list-style-type: none"> • NOx and SOx emissions • volatile organic compounds (VOCs) • hazardous air pollutants (HAPs) • particulate matter • water discharges • water intake and treatment • hazardous waste generated per month, and recycled/treated • energy consumed • greenhouse gases emitted. 	<p>Social</p> <p>We monitor and report on our health, safety, transportation and emergency preparedness performance, and strive to continually improve our safety record.</p> <p><i>What we currently measure</i></p> <ul style="list-style-type: none"> • recordable injuries • occupational injury rates • potential exposures to serious injuries and fatalities (PSIFs) • process safety incidents • transportation incidents • emergency response. 	<p>Governance</p> <p>The board and its committees oversee our approach to environmental and social issues, and considers them in its oversight of strategy, risk and compensation.</p> <p><i>What we currently measure</i></p> <ul style="list-style-type: none"> • leadership and board diversity • safety metrics in our compensation program.
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Environmental liabilities

Environmental liabilities, or remediation obligations, represent our estimated cost to remediate sites as required by environmental regulations. The majority of this liability relates to inactive ponds located at several of our alum manufacturing sites (see below). The Fund records a provision for environmental liabilities based on current interpretations of environmental laws and regulations when it is probable that a liability has been incurred and the amount can be reasonably estimated. The Fund recorded \$61.3 million in environmental liabilities in its December 31, 2019 financial statements. Significant judgment is required in estimating these liabilities. The eventual timing of and costs for these liabilities could be different from what we have estimated, and could have a material impact on our consolidated financial statements.

Pond closure at various sites

Several of our alum manufacturing sites have inactive ponds that contain alum process residue from the manufacturing process. These ponds are in various stages of closure or planned closure. We close a pond by removing the residue for reuse or disposal, or by leaving the residue in place and covering the pond with an engineered cap. The closure method is determined on a site-by-site basis and depends on several factors including the nature of the contaminants that are found in the residue, the local hydrology and hydrogeology, and regulatory approvals. It can take several years to close a pond, depending on its size, the method of closure used, and permit requirements. We have developed a priority list and estimated timetables for closing the ponds. The priority list takes into account any required federal, state or provincial environmental agency timelines, as well as environmental risk, and can change as one or more of these factors changes.

Decommissioning liabilities

Decommissioning liabilities include the cost of cleaning up the sites, removing or demolishing manufacturing equipment (for example, storage tanks that are above ground and below ground), buildings and other infrastructure.

We estimate the fair value of these obligations and the Fund records them as a liability in its financial statements. The Fund recorded \$83.4 million in decommissioning liabilities in its December 31, 2019 financial statements.

Our estimates use a present value method and are based on existing laws, contracts or other policies, and current technology and conditions. This involves making assumptions about, among other things, the cost of abandonment and reclamation, inflation rates, credit adjusted risk-free rates and timing of retirement of assets. These assumptions in 2019 and 2018 were:

	2019	2018
Undiscounted abandonment costs (in thousand \$)	77,569 ¹	78,117 ¹
Discount rate	1.77%	2.61%
Inflation rate	1.74%	2.03%
Average years to reclamation	22 years	24 years

¹ Includes US\$7,729 (2018 - US\$7,326) converted at 1.2983 (2018 – 1.3637)

The table below shows our estimated undiscounted future payments for the expected cost of decommissioning liabilities every year until 2024, and the total after that.

(\$000)	2020	2021	2022	2023	2024	After 2024	Total
Estimated decommissioning liabilities	\$990	\$882	\$0	\$0	\$10,937	\$64,760	\$77,569

There are significant uncertainties related to decommissioning liabilities. The eventual timing of and costs for these obligations could be different from what we have estimated, and could have a material impact on our consolidated financial statements. The main factors that can cause expected cash flows to change are:

- changes to laws and legislation
- construction of new facilities
- changes in the quality of water that affect the extent of water treatment required
- changes in the reserve estimate and the resulting amendments to the life of the plant
- changes in technology.

In general, estimates of decommissioning liabilities for plants that are at the beginning of their lives are more subjective than plants near the end of their lives, when expected cash flows are more reliable. Changes in the estimated or actual costs for reclamation and plant closure and for removal and/or demolition of manufacturing equipment, buildings and other infrastructure could have a material adverse effect on our business, financial condition and/or results of operations.

We do not reserve cash or assets specifically for the purpose of settling decommissioning liabilities. Closure and restoration of the sites may require a significant cash outlay that could affect our ability to satisfy debt and other contractual obligations. If we cannot make our decommissioning liability payments, regulatory authorities could take corrective action, including issuing clean-up orders and laying charges.

Insurance and indemnities

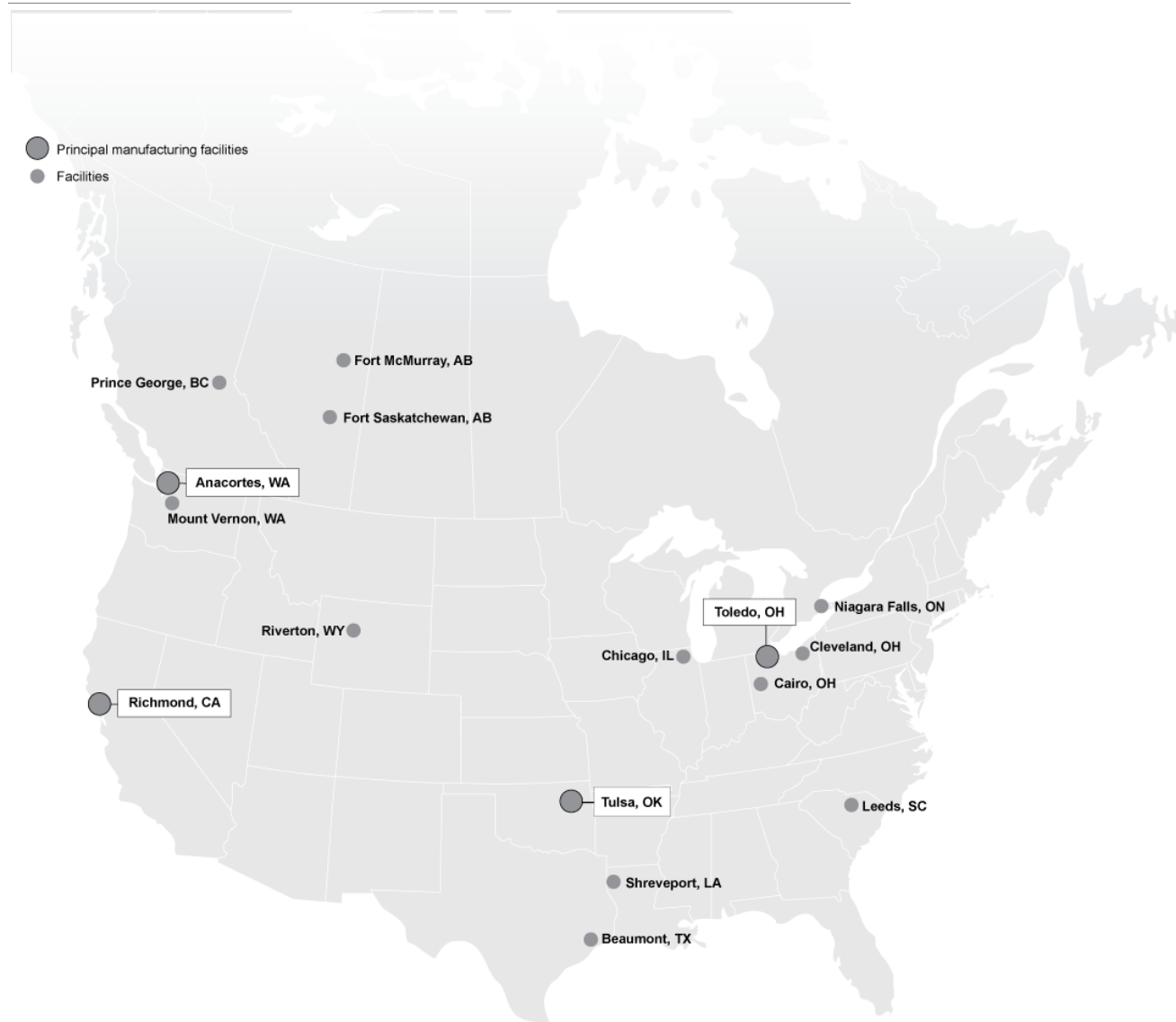
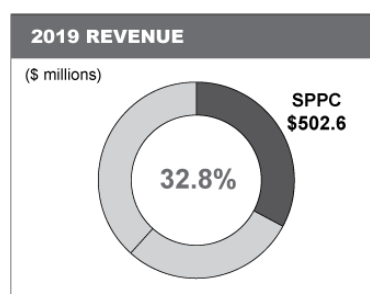
We maintain insurance that includes coverage for liabilities and costs associated with remediation obligations or property damage that arise from present or future operations, or that arise in the handling, transportation or distribution of our products. The previous owners of some of our facilities have also agreed to undertake certain remediation actions, or have provided indemnification for possible environmental issues.

Legal proceedings and regulatory matters

You'll find a complete list of material legal proceedings and regulatory matters related to sustainability issues starting on page 53.

Sulphur products and performance chemicals (SPPC)

Business	Sulphur-based products and services
Market	North America
End uses	Pulp and paper, refineries (alkylate production), semi-conductor production, chemicals manufacturing, automotive, textiles, kaolin clay, water treatment and mining
Distribution	Products are delivered mainly by rail. Some customers are connected to our facilities by pipeline, and some products are delivered by truck
Facilities (see below)	Canada: 4 United States: 12



Environment, safety and regulatory issues

See *Sustainability and Responsible Care®* on page 10 for information about our approach to environmental, social and governance issues, and *Risks and risk management* on page 31 for more about the risks associated with the SPPC business.

Products

We manufacture, market or process the following sulphur-based products:

- sulphuric acid
- ultrapure sulphuric acid
- regen acid
- sulphur
- sulphides - carbon disulphide (CS₂) and hydrogen sulphide (H₂S)
- sodium hydrosulphite (SHS)
- sodium bisulphite (SBS)
- liquid sulphur dioxide (SO₂)
- ammonium sulphate.

Each has its own uses, market and competitors, as described in the table below.

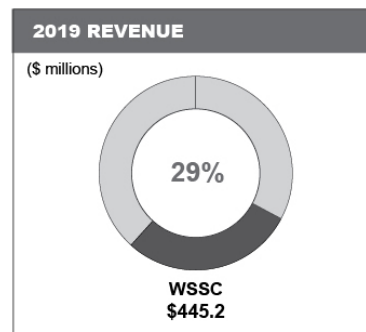
Sulphuric acid		<i>Market</i>	<i>Main competitors</i>
<p><i>Main raw materials</i></p> <ul style="list-style-type: none"> • sulphur 	<p>Sulphuric acid is one of the most widely used chemicals in industrial applications. The sulphuric acid we sell is used in:</p> <ul style="list-style-type: none"> • the production of wood pulp • the production of industrial chemicals • the production of automobile batteries • steel production • water treatment (our water solutions and specialty chemicals business is a significant consumer of sulphuric acid) • mining, in the production of base metals from ore. <p>We manufacture approximately half of the sulphuric acid we sell, and source the rest through marketing agreements with companies that produce it as a by-product.</p> <p>Base metal smelters Vale Canada Limited (<i>Vale</i>) and Sherritt International Corporation (<i>Sherritt</i>) are both important sources of sulphuric acid for Chemtrade. We have long term supply contracts with both Vale and Sherritt.</p> <p>Our agreements with these and other producers are structured to mitigate our exposure to volume, sales price and transportation cost changes by including terms that share these risks with the producers. For example, our payments are adjusted by a percentage of movements in the price we realize on the sale, and our transportation costs. The length of these agreements varies. See <i>Risks and risk management</i> on page 31 for more information.</p>	<p>Based on our knowledge of industry capacity, we believe we are one of North America's top three marketers of sulphuric acid.</p> <p>Most of our agreements with sulphuric acid customers are annual contracts or purchase orders.</p> <p>Pricing in contracts for sulphuric acid generally varies based on regional market conditions.</p>	<ul style="list-style-type: none"> • Glencore plc • International Raw Materials LTD • Veolia North America • Eco Services • Southern States Chemical Company • Kennecott Utah Copper LLC

<p>Ultrapure sulphuric acid</p> <p><i>Main raw materials</i></p> <ul style="list-style-type: none"> • sulphur or sodium trioxide (SO₃) 	<p>Ultrapure sulphuric acid has very low chemical or metal contaminants (measured in parts per trillion).</p> <p>It is used mainly in the production of semi-conductors, to etch and clean silicon wafers. It's also used in specialty batteries and lab chemistry.</p> <p>We produce ultrapure sulphuric acid by burning sulphur, and by taking a slip stream of sodium trioxide (SO₃) from sulphuric acid plants.</p> <p>It is shipped in specialty containers and requires rigorous quality control.</p>	<p><i>Market</i></p> <p>We believe we are North America's leading producer of ultrapure sulphuric acid, based on our knowledge of industry capacity.</p> <p>Demand for ultrapure sulphuric acid is increasing, mainly because of growth in the semi-conductor industry, where most of the demand is generated.</p> <p>Ultrapure sulphuric acid customers do not frequently change suppliers because of the rigorous process involved in qualifying product for use in their applications. This market space requires a continuous improvement mindset to stay apace with quality demands and rapid growth.</p>	<p><i>Main competitors</i></p> <ul style="list-style-type: none"> • Honeywell International Inc. (withdrew from market in 2019) • PVS Chemical Solutions Inc. • imports from overseas
<p>Regen acid</p> <p><i>Main raw materials</i></p> <ul style="list-style-type: none"> • spent sulphuric acid 	<p>We process or regenerate <i>spent</i> sulphuric acid by burning it at high temperature with sulphur to create fresh sulphuric acid.</p> <p>Oil refineries and chemical plants send us the sulphuric acid they generate as waste. For example, spent sulphuric acid from a refinery is sulphuric acid that has been contaminated mainly by water and hydrocarbons after it has been used as a liquid chemical catalyst in the alkylate manufacturing process.</p> <p>We typically return the fresh (regenerated or <i>regen</i>) sulphuric acid to the refinery/manufacturer, but may also sell it into the merchant market.</p> <p>Our supply of spent sulphuric acid relies on demand for alkylates, which are used to adjust gasoline octane levels to achieve fuel efficiency targets.</p> <p>We convert hydrogen sulphide gas into sulphuric acid at our Toledo, OH facility. We also operate a sulphur recovery unit owned by Marathon Petroleum Corp. (Marathon), in our Anacortes, WA facility. The facility processes hydrogen sulphide gas into sulphuric acid and molten sulphur (see below). Our agreement with Marathon for this service is part of an agreement that includes providing regen acid services.</p>	<p><i>Market</i></p> <p>Customers typically favour regen acid processors that are close by. Our largest regen acid facilities are closely connected to our customers:</p> <ul style="list-style-type: none"> • customers are connected by pipeline at our Anacortes, WA, Richmond, CA, Beaumont, TX and Toledo, OH facilities • customers are within close proximity to our facilities in Ohio, Texas, Washington and Wyoming. <p>There is typically very little customer turnover in the regen acid business.</p> <p>Contracts are longer term, and typically pass on the cost of key inputs (sulphur, natural gas, oxygen, caustic and freight). Most of these costs are passed on to the customer through indexed pricing formulas.</p>	<p><i>Main competitors</i></p> <ul style="list-style-type: none"> • PQ Eco Services • Veolia North America • PVS Chemical Solutions Inc. • oil refineries
<p>Sulphur</p>	<p>Sulphur is a key ingredient in the production of sulphuric acid.</p> <p>Our sulphur business is primarily in the industrial chemicals segment. We:</p> <ul style="list-style-type: none"> • buy molten sulphur to supply the needs of our own facilities and contracted suppliers • process molten sulphur into solid prills (called <i>sulphur prilling</i>) at our Mount Vernon, WA facility, for refineries in the area. We receive a tolling fee for this service • provide molten sulphur marketing and logistics services to small and medium sized refineries • process hydrogen sulphide gas into molten sulphur in the sulphur recovery unit owned by Marathon. <p>We buy all of our molten sulphur from industrial producers – petroleum refineries and natural gas processors – who produce it as a by-product.</p>	<p><i>Market</i></p> <p>Our need to buy sulphur for our own plants gives us an advantageous platform for securing resale positions for our sulphur resale business, which is a market niche.</p> <p>Pricing in contracts for sulphur generally varies based on regional market conditions and the Tampa "Green Markets" posting, a frequently used industry pricing index.</p> <p>Most of our agreements feature netback, "back-to-back", and other risk mitigation provisions to protect our cash flow.</p>	<p><i>Main competitors</i></p> <ul style="list-style-type: none"> • traders • large customers with railcar fleets • petroleum refineries and natural gas processors

<p>Sulphides</p> <ul style="list-style-type: none"> • carbon disulphide (CS₂) • hydrogen sulphide (H₂S) <p><i>Main raw materials</i></p> <ul style="list-style-type: none"> • sulphur • natural gas 	<p>Carbon disulphide is used in mining, oil and gas, and the insecticide industry.</p> <p>Hydrogen sulphide is used in nickel refining, specialized chemical manufacturing and a number of niche applications, like the manufacture of photo-voltaic cells.</p> <p>We produce carbon disulphide and hydrogen sulphide as co-products.</p>	<p><i>Market</i></p> <p>We are North America's only producer of merchant hydrogen sulphide.</p> <p>Pricing varies based on the supply-demand balance, and generally varies in response to changes in the price of sulphur and natural gas.</p>	<p><i>Main competitors</i></p> <ul style="list-style-type: none"> • AkzoNobel Sulfur Derivatives
<p>Sodium hydrosulphite (SHS)</p> <p><i>Main raw materials</i></p> <ul style="list-style-type: none"> • sulphur dioxide • zinc powder • caustic soda 	<p>SHS is used primarily to:</p> <ul style="list-style-type: none"> • whiten pulp that has a high percentage of wood fibre, and decolourize recycled pulp used in newsprint production • refine kaolin clays, which are used heavily in high-gloss magazines • bleach and decolourize dyed fibres in the textile industry, and to remove unfixed dyes from certain forms of dyed polyester. <p>SHS comes in both powder and liquid form.</p> <p>We produce liquid SHS using zinc powder, caustic soda and liquid SO₂ that we manufacture (see below), or by dissolving powder SHS.</p> <p>We import powder SHS from overseas.</p> <p>Zinc oxide, a by-product of our liquid SHS production, is used in the rubber, chemicals, paints, agriculture, ceramics and glass industries.</p>	<p><i>Market</i></p> <p>We market SHS across North America. We typically sell liquid SHS directly to end-use customers. It has a short shelf life and relatively high shipping costs, so proximity to customers is a key competitive advantage.</p> <p>We typically sell powder SHS directly to end-use customers, although we may sell it through distributors. It can be shipped longer distances because of its longer shelf life.</p> <p>Pricing in contracts for liquid and powder SHS generally varies based on regional market conditions.</p>	<p><i>Main competitors</i></p> <ul style="list-style-type: none"> • Hydro Technologies (Canada) Inc. • Vertellus Specialties Inc. • Transpek-Silox Industry Ltd.
<p>Sodium bisulphite (SBS)</p> <p><i>Main raw materials</i></p> <ul style="list-style-type: none"> • sulphur dioxide • alkali (caustic soda or soda ash) 	<p>SBS is primarily used as an input to the whitening process in the pulp and paper industry, and can also be used as a de-chlorination agent in municipal and industrial water treatment. It is also used in mining and general industrial applications.</p> <p>We produce SBS by reacting caustic soda or soda ash with liquid or gaseous SO₂ that we manufacture (see below).</p> <p>Until July 2019, we also bought SBS through a contractual arrangement with an affiliate of Suncor Energy Inc.</p>	<p><i>Market</i></p> <p>We sell most of our SBS through distribution contracts with third parties.</p> <p>Pricing in contracts for SBS generally varies based on regional market conditions, or in response to changes in the costs of sulphur or alkali.</p>	<p><i>Main competitors</i></p> <ul style="list-style-type: none"> • Southern Ionics Incorporated • PVS Chemical Solutions Inc. • Hydrite Chemical Company • Univar USA Inc. • Brenntag North America • Thatcher Company
<p>Liquid sulphur dioxide (SO₂)</p> <p><i>Main raw materials</i></p> <ul style="list-style-type: none"> • sulphur 	<p>Liquid SO₂ is used primarily:</p> <ul style="list-style-type: none"> • in pulp and paper production • in the production of sodium bisulphite (SBS) • in water treatment. <p>We produce liquid SO₂ by burning sulphur.</p>	<p><i>Market</i></p> <p>Pricing for liquid SO₂ generally varies based on regional supply options and transportation costs from a relatively small number of production facilities.</p>	<p><i>Main competitors</i></p> <ul style="list-style-type: none"> • INEOS Calabrian Corporation • PVS Chemical Solutions Inc.
<p>Ammonium sulphate</p>	<p>Our Fort McMurray, AB facility is located in Syncrude Canada Ltd.'s (Syncrude) Mildred Lake bitumen extraction plant and upgrading facility. We process slurry produced by Syncrude's ammonia scrubber into commercially saleable ammonium sulphate fertilizer, and sell it on behalf of Syncrude. We receive a fee for this service, which protects us from variances in product price and volume.</p>		

Water solutions and specialty chemicals (WSSC)

Business	Water treatment chemicals and specialty chemicals
Market	North America
End uses	<ul style="list-style-type: none"> • to treat municipal drinking water • to treat municipal and industrial wastewater • as a paper sizing and retention/drainage aid • in the production of aluminum chemicals, fire extinguisher compounds, soil additives and fertilizer, soaps, greases, drugs and cosmetics
Distribution	Products are delivered mainly by truck, using our own fleet or third-party carriers
Facilities	More than 40 facilities in the United States and Canada



Environment, safety and regulatory issues

See *Sustainability and Responsible Care®* on page 10 for information about our approach to environmental, social and governance issues, and *Risks and risk management* on page 31 for more about the risks associated with the WSSC business.

Water treatment chemicals

We manufacture and market a wide variety of water treatment chemicals by leveraging the largest manufacturing footprint of inorganic coagulant water treatment chemicals in North America. We also offer chemicals that disinfect and modify pH. This variety allows us to create customized water treatment solutions to meet the needs of each customer, usually driven by water characteristics like temperature or turbidity.

Water contaminants (originating from sources like bacteria, microbes, suspensions, colloids and dissolved compounds) can cause human illness, corrosion and fouling, and be harmful to industry and agriculture.

Water treatment chemicals help purify, recycle and dispose of water impurities using a process called *coagulation*. Coagulant chemicals neutralize the charge of suspended impurities in water. Once neutralized, the particles coagulate to form larger particles that will settle. These are removed through sedimentation and then filtration, cleansing the water of suspended impurities. Chemicals other than coagulants can also be added at different phases of the process to modify pH and disinfect.

Products we manufacture

- Aluminum sulphate (Alum)
- Aluminum chlorohydrate (ACH)
- Polyaluminum chloride (PACl)
- Ferric sulphate (ferric)

Main uses

- removing suspended impurities in drinking water and wastewater
- removing phosphorus
- controlling pitch deposits and resin precipitation in paper manufacturing
- other industrial uses
- treating poultry litter

Main raw materials

- sulphuric acid
- aluminum (ore or metal)
- iron ore
- hydrochloric acid

We source sulphuric acid from our own facilities, or from third parties when it is more economical to do so (because of transportation costs or other reasons).

Markets

Municipal market

The municipal market is our largest end market for water treatment chemicals, particularly for the treatment of drinking water. The municipal market is stable, and predominantly driven by population size rather than broader economic cycles.

The water treatment market generally tracks GDP and population growth. Growth may be faster than the growth in population if the number of regulations that require cleaner water increases, there is more industrial activity or declining sources of clean water.

The water treatment chemicals market is regional. Some water treatment chemicals are shipped as a water-based solution, so freight costs become prohibitively high as delivery distance increases. Proximity to our customers therefore plays a key role in our competitiveness. Our over 35 water treatment chemicals manufacturing facilities across North America allow us to efficiently supply the vast majority of the North American market.

Contracts for municipal accounts are generally fixed price and awarded through an annual competitive sealed bid process. Pricing changes over time tend to move with input costs. Because the market is regional, usually only two or three competitors will submit a bid during a bid process, and the freight advantaged supplier will typically win the business.

Industrial market

The pulp and paper industry is the second largest market for water treatment chemicals. Agricultural and general industrial end users, including metals, mining and chemical production companies, make up the balance. The main use is for wastewater treatment.

Industrial contracts are typically awarded through a competitive bid process, and the competitive dynamics tend to be different for each customer. Many of the larger industrial contracts are multi-year and have pricing adjustments tied to raw material costs.

Products

<p>Aluminum sulphate (Alum)</p> <p><i>Main raw materials</i></p> <ul style="list-style-type: none"> • sulphuric acid • aluminum trihydrate or bauxite 	<p>The most widely used inorganic coagulant for water treatment and our highest volume water treatment product.</p> <p>Produced in dry and liquid forms.</p>	<p><i>Main competitors</i></p> <ul style="list-style-type: none"> • GEO Specialty Chemicals • USALCO • Southern Ionics Incorporated • Affinity Chemical LLC • C&S Chemicals, Inc. • Kemira Water Solutions, Inc. • Thatcher Company • Brenntag Southwest, Inc. • Chameleon Specialty Chemicals • Holland Company, Inc. • Eco Services Operations LLC • GAC Chemical Corporation • Border Chemicals Company Ltd. • PVS Chemicals, Inc.
<p>Aluminum chlorohydrate (ACH)</p> <p><i>Main raw materials</i></p> <ul style="list-style-type: none"> • aluminum metal • hydrochloric acid 	<p>A subset of the polyaluminum chloride class of aluminum-based coagulants.</p> <p>Highly charged polymers offer enhanced performance characteristics.</p>	<p><i>Main competitors</i></p> <ul style="list-style-type: none"> • Gulbrandsen Chemicals • Summit Chemicals, Inc. • GEO Specialty Chemicals • Cal-Chem Corporation • USALCO • Kemira Water Solutions, Inc. • AlChem Chemical Company • Thatcher Company • Harcros Chemicals Inc.
<p>Polyaluminum chloride (PACl)</p> <p><i>Main raw materials</i></p> <ul style="list-style-type: none"> • aluminum ore • hydrochloric acid 	<p>A class of polymeric coagulants that are effective in cold and low-turbidity water.</p>	<p><i>Main competitors</i></p> <ul style="list-style-type: none"> • USALCO • Kemira Water Solutions, Inc. • GEO Specialty Chemicals • Holland Company, Inc. • Gulbrandsen Chemicals • Summit Chemicals, Inc. • AlChem Chemical Company • Cal-Chem Corporation
<p>Ferric sulphate (Ferric)</p> <p><i>Main raw materials</i></p> <ul style="list-style-type: none"> • sulphuric acid • iron ore 	<p>An inorganic coagulant used in certain regions for water treatment.</p>	<p><i>Main competitors</i></p> <ul style="list-style-type: none"> • Kemira Water Solutions, Inc. • Pencco, Inc. • Thatcher Company • PVS Chemicals, Inc. • ALTIVIA Chemicals, LLC

Specialty chemicals

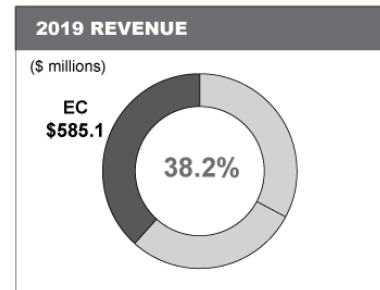
We manufacture and sell specialty chemicals to industrial customers in a variety of industries. Each product has its own uses, market and competitors, as outlined in the table below.

<p>Sodium nitrite</p> <p><i>Main raw materials</i></p> <ul style="list-style-type: none"> • soda ash • anhydrous ammonia 	<p>Used in a wide range of industrial processes, including food preservation, metal finishing, manufacture of inks, dyes, paints coating and pigments, water treatment corrosion inhibitors, and oil and gas in upstream applications to control souring and corrosion and improve production and production quality.</p>	<p><i>Market</i></p> <p>We are the only North American manufacturer of sodium nitrite as a primary product.</p> <p>We benefit from U.S. regulations that put restrictions on sodium nitrite suppliers from Germany and China. See <i>Risks and risk management</i> on page 31 for more information.</p>	<p><i>Main competitors</i></p> <ul style="list-style-type: none"> • SABIC (Saudi Basic Industries Corporation) • Deepak Nitrite Limited
<p>Potassium chloride</p> <p><i>Main raw materials</i></p> <ul style="list-style-type: none"> • potash 	<p>Used as an active pharmaceutical ingredient (API) in custom pharmaceutical formulations for time-release applications, food as a salt alternative, vitamin/ nutraceutical applications for potassium replacement, dialysis and other applications. Also used in high-end metal refinement, particularly for tantalum, which is used in semi-conductors found in electronic products like smartphones.</p> <p>Active pharmaceutical ingredients require specialized and high-purity potassium chloride – not the same as the commoditized potassium chloride sold as a source of potassium for plant nutrition. We have a specialized production process that creates crystals that are ideal for time-release pharmaceutical applications.</p>	<p><i>Market</i></p> <p>To serve the custom pharmaceutical, nutraceutical and food application markets, suppliers must meet strict regulatory requirements and maintain a Drug Master File with the U.S. Food and Drug Administration for active pharmaceutical ingredients.</p> <p>We are the only North American manufacturer of API-grade potassium chloride supported by an active Drug Master File.</p>	<p><i>Main competitors</i></p> <ul style="list-style-type: none"> • Dead Sea Works (ICL Fertilizers) • Klinge Chemicals Limited

<p>Phosphorus pentasulphide (P₂S₅)</p> <p><i>Main raw materials</i></p> <ul style="list-style-type: none"> • elemental phosphorus • sulphur 	<p>Primarily used as a key ingredient in the lubricating oil and grease additive markets for automotive motor oil. Customers combine P₂S₅ with zinc oxide and other ingredients to form zinc dialkyldithiophosphate (ZDDP), which is effective at inhibiting both engine wear and corrosion.</p>	<p><i>Market</i></p> <p>We are one of only two North American producers of P₂S₅, and have approximately a 40% share of the North American market.</p> <p>Sales agreements typically range from one to three years.</p> <p>Product pricing is closely linked to the price of raw materials. We source elemental phosphorus directly from various overseas sources, as well as from Perimeter Solutions (Perimeter) (formerly, Israeli Chemicals Limited), a U.S. company. Sulphur is sourced from many different suppliers. See <i>Risks and risk management</i> on page 31 for more information.</p>	<p><i>Main competitors</i></p> <ul style="list-style-type: none"> • Perimeter (SK Capital Partners) • Phosphorus Derivatives Inc.
<p>Aluminum hydroxide vaccine adjuvants</p> <p><i>Main raw materials</i></p> <ul style="list-style-type: none"> • aluminum chloride • sodium carbonate 	<p>Used in vaccine and blood separation applications to improve overall efficacy of animal and human vaccines. Also necessary to meet a broad range of pH, protein binding and other requirements.</p>	<p><i>Market</i></p> <p>We sell to several major pharmaceutical companies.</p> <p>Regulatory requirements in connection with vaccine manufacturing are very strict. Once a customer specifies a vaccine adjuvant and production of the vaccine begins, it is extremely difficult to change the vaccine adjuvant supplier.</p>	<p><i>Main competitors</i></p> <ul style="list-style-type: none"> • Croda International Plc • SPI Pharma, Inc.

Electrochemicals (EC)

Business	Sodium chlorate and chlor-alkali products
Market	North America and South America
End uses	Pulp and paper, oil and gas and water treatment
Distribution	North American products are delivered mainly by rail In Brazil, products are delivered by pipeline or truck
Facilities (see below)	Total: 5 <ul style="list-style-type: none"> • 4 in Canada • 1 in Brazil



Environment, safety and regulatory issues

See *Sustainability and Responsible Care®* on page 10 for information about our approach to environmental, social and governance issues, and *Risks and risk management* on page 31 for more about the risks associated with the EC business.

Raw materials

Electricity is our highest cost, accounting for between two-thirds and three-quarters of total variable production costs.

All of our North American facilities are located in regions supplied by stable, regulated, relatively low-cost hydroelectric power. Our Brandon, Manitoba facility – our largest sodium chlorate production facility – is located in one of North America’s lower cost power regions.

Salt is the second highest cost, accounting for almost a quarter of total variable production costs. Our Brandon, Manitoba and Prince George, British Columbia facilities secure their salt supply through multi-year commitments with strategic vendors. The Beauharnois, Quebec facility sources brine from Westlake Chemical Corporation.



Located 60 kilometres north of Vitória in the state of Espírito Santo, Brazil. The site is immediately adjacent to a eucalyptus pulp mill complex owned by our largest customer in Brazil, Suzano Papel e Celulose S.A. (Suzano), the largest eucalyptus pulp producer in the world.

Sodium chlorate

We manufacture sodium chlorate through the electrolysis of brine. Caustic soda and either chlorine or hydrochloric acid are used for brine treatment and pH control.

Our Brandon, Manitoba and Prince George, British Columbia facilities source caustic soda from our North Vancouver, British Columbia facility, which ships it by rail. Our Prince George facility also has a long-term services agreement with Canfor Corporation (Canfor) for effluent treatment, steam supply and water supply.

Our Beauharnois, Quebec facility sources caustic soda from Westlake under a long-term agreement that also includes the supply of brine, effluent treatment, steam supply and water supply

Used:

- mainly to produce chlorine dioxide, an environmentally preferred bleaching agent used by the pulp and paper industry for bleaching pulp
- also in the production of agricultural herbicides and defoliants, perchlorates and in water treatment applications.

Market – North America

Approximately 95% of North America production is sold to the pulp and paper industry.

Contracts with pulp and paper mills are typically one to three years. Contracts generally provide for pricing and volume revisions as market fundamentals and competitive situations dictate.

Market – Brazil

Most production is sold to Suzano under a long-term contract. Delivered by pipeline.

The rest is sold to the merchant market. Shipped to regional customers by truck.

Main competitors – North America

- ERCO Worldwide, a division of Superior Plus LP
- Eka, a division of Nouryon
- Kemira Water Solutions Inc.

Main competitors – South America

- Eka, a division of Nouryon

Chlor-alkali

We produce caustic soda and chlorine as co-products from the electrolysis of brine (each metric tonne of chlorine produced results in the production of 1.128 dry metric tonnes of caustic soda). We use some of the chlorine we manufacture to produce hydrochloric acid.

All three products are used in applications where they are either essential, or where potential alternatives are economically unattractive. Security of supply is therefore important to buyers, and contracts are generally multi-year.

Demand is cyclical, and determined by global and regional factors, including economic cycles. Pricing is primarily driven by demand, supply and the cost of electricity and natural gas.

In South America, most production is sold to Suzano under a long-term contract that expires in December 2026 with the ability to renew for up to five one-year terms.

Energy costs have a significant impact on profitability, and the electrochemical technology that a facility uses has an impact on its overall energy consumption. Both of our chlor-alkali facilities use membrane cell technology, which is considered the newer and more efficient technology.

Main competitors – North America

- Univar
- ERCO Worldwide, a division of Superior Plus LP
- Westlake Chemical Corporation
- Olin Corporation
- US Magnesium LLC
- K2 Pure Solutions
- Occidental Chemical Corporation
- Shintech Inc.
- Formosa Plastics Corporation

Main competitors – South America

- The primary competitor in the merchant market is Unipar Carbocloro.

Products

Caustic soda	Used in many industries and markets, including pulp and paper, soaps and detergents, aluminum, oil and gas exploration and refining, as well as for a variety of chemical processes.	<i>Market – North America</i> Approximately 75% of the caustic soda we produce is consumed by pulp mills in Western Canada and the Pacific Northwest. The rest is sold to various markets for general industrial uses, including in the oil and gas industry. We also use the caustic soda we manufacture in the production of: <ul style="list-style-type: none">• sodium chlorate at our Brandon, Manitoba and Prince George, BC facilities• crude tall oil at our Prince George, BC facility. <i>Market – South America</i> The majority of our production is sold to Suzano under a long-term contract.
Chlorine	Used in: <ul style="list-style-type: none">• in a variety of chemical processes, mainly in the production of polyvinyl chloride, or PVC• the production of urethanes, fluorocarbons, agricultural chemicals, titanium dioxide and epoxy resins, and others• to treat drinking water and wastewater, either directly, or indirectly in the form of sodium hypochlorite, as a disinfectant against a broad range of pathogenic micro-organisms.	<i>Market – North America</i> About half of the chlorine we manufacture is used to produce hydrochloric acid at our own facilities (see below). The rest is sold regionally into various markets, including the water treatment and chlorine derivatives markets. <i>Market – South America</i> Sold to the merchant market. Shipped to regional customers by truck.
Hydrochloric acid	A value-added upgrade from chlorine, produced using the chlorine we manufacture (see above). Required in many applications, including oil and gas drilling in British Columbia, Alberta and the Pacific Northwest, and steel manufacturing.	<i>Market – North America</i> Sold regionally into various markets, including the water treatment and chlorine derivatives segments. <i>Market – South America</i> Sold to the merchant market. Shipped to regional customers by truck.

GOVERNANCE

The Fund is committed to high standards of corporate governance. This section includes information about the Fund's board of trustees, board committees, trustees and management. You can read more about our corporate governance principles and practices in our 2020 management information circular, which is available on our website (www.chemtradelogistics.com) and SEDAR (www.sedar.com).

As of December 31, 2019, the Fund's trustees and officers and senior management of Chemtrade, as a group, beneficially owned, or exercised control or direction over, directly or indirectly, 579,171 units, or about 0.6% of the outstanding units of the Fund.

Board

The Fund's board of trustees assumes the overall stewardship of the Fund and Chemtrade.

The board of trustees:

- supervises the activities and manages the investments and affairs of the Fund
- has overall stewardship responsibility for the Fund and Chemtrade
- declares Fund distributions to unitholders and reports to unitholders.

You can find a copy of the board's mandate on our website (www.chemtradelogistics.com).

Each subsidiary of the Fund has its own board of directors. Our CEO, CFO and Corporate Secretary are members of the board of each Canadian subsidiary. The CEO and two members of U.S. management sit on the boards of each U.S. subsidiary, and Chemtrade Holdco US Inc. has in addition an independent director, Douglas Muzyka, on its board. Mr. Muzyka is invited to attend all of the Fund's board and committee meetings in an advisory role.

Board committees

Three standing committees help the board carry out its responsibilities. The table below is an overview of the membership and responsibilities of each committee as of the date of this AIF. Copies of the committee charters are available on our website (www.chemtradelogistics.com).

Audit committee

100% independent

100% financially literate

Members:

- Lucio Di Clemente, CPA, CA (chair)
- David Gee
- Emily Moore
- Katherine Rethy
- Douglas Muzyka (advisory capacity)
- Lorie Waisberg (invited guest)

Primarily responsible for overseeing:

- the quality and integrity of financial statements and the financial reporting process including financial reporting, accounting systems and internal controls
- the qualifications, performance and independence of the external auditors
- compliance with legal and regulatory requirements relating to the integrity of the Fund's financial statements
- the identification, assessment and management of major operational and financial risks.

Compensation and corporate governance committee

100% independent

Members:

- Katherine Rethy (chair)
- Lucio Di Clemente
- David Gee
- Emily Moore
- Lorie Waisberg
- Douglas Muzyka (advisory capacity)

Primarily responsible for:

- retaining key senior management employees, including the CEO
- reviewing executive and trustee compensation programs
- developing, recommending and implementing effective corporate governance principles
- overseeing and assessing the functioning of the board and its committees
- recommending changes to board composition and identifying candidates for the board
- reviewing executive compensation and corporate governance disclosure

Responsible Care committee

100% independent

Members:

- David Gee (chair in 2019)
- Emily Moore (chair as of Jan. 28, 2020)
- Lucio Di Clemente
- Katherine Rethy
- Lorie Waisberg
- Douglas Muzyka (advisory capacity)

Primarily responsible for:

- overseeing our environmental, health, safety and security philosophy
- monitoring environmental, health, safety and security policies to ensure they are appropriate to mitigate risk and ensure statutory compliance
- monitoring our environmental, health, safety and security performance to ensure compliance with our policies and to promote the safety of Chemtrade employees and strive for continuous improvement

Disclosure committee

The Fund also has a disclosure committee made up entirely of members of management. The disclosure committee is responsible for the public disclosure of all material information about the Fund, including the Fund's interim and annual financial statements.

The disclosure committee reviews all information before it is publicly disclosed, ensuring it:

- is accurate and complete
- fairly represents in all material respects the Fund's financial condition, results of operations and cash flows
- is balanced, timely and in line with all legal and regulatory requirements that apply.

It has a charter that governs its actions, and a system of internal controls that make sure its members are apprised of significant litigation, operational and financial matters.

Members:

- Mark Davis, Chief Executive Officer
- Rohit Bhardwaj, Vice-President, Finance and Chief Financial Officer
- Tony Hupman, Director, Corporate Finance
- Nick Elliott, Corporate Controller
- Susan Paré, General Counsel

Trustees

As of the date of this AIF, there were six trustees on the board.

Trustees are elected each year at the annual meeting of unitholders to serve until the next year's annual meeting. Susan McArthur retired from the board on October 25, 2019.

	Board committees	Principal occupation in the past five years	Notes
Mark Davis Toronto, Ontario, Canada • trustee since May 16, 2013	–	Chief Executive Officer, Chemtrade Logistics Income Fund	<ul style="list-style-type: none"> • Appointed as one of the initial trustees when the Fund was established, and served from 2001 until 2004, when the number of trustees was reduced • Re-elected as trustee on May 16, 2013
Lucio Di Clemente Toronto, Ontario, Canada • trustee since July 7, 2009	<ul style="list-style-type: none"> • Audit (chair since 2010) • Compensation and corporate governance • Responsible Care 	Executive mentor, corporate financial advisor and corporate director	<ul style="list-style-type: none"> • Director of Beyond the Rack Enterprises Inc. (now called 7098961 Canada Inc.) when it filed for protection under the <i>Companies' Creditors Arrangement Act</i> (Canada) on March 24, 2016
David Gee Nobel, Ontario, Canada • trustee since March 19, 2007	<ul style="list-style-type: none"> • Audit • Compensation and corporate governance • Responsible Care (chair from 2001-2019) 	Corporate director	<ul style="list-style-type: none"> • Retiring from the board at the end of the 2020 annual meeting
Emily Moore Mississauga, Ontario, Canada • trustee since July 1, 2019	<ul style="list-style-type: none"> • Audit • Compensation and corporate governance • Responsible Care (chair as of January 28, 2020) 	Director, Troost Institute for Leadership Education in Engineering, University of Toronto (October 2018 to present) Managing Director, Innovation, Hatch Ltd. (2017 to 2018) Managing Director, Water, Hatch Ltd. (2012 to 2017)	
Katherine Rethy Huntsville, Ontario, Canada • trustee since July 1, 2015	<ul style="list-style-type: none"> • Audit • Compensation and corporate governance (chair since 2016) • Responsible Care 	Corporate director	

Lorie Waisberg Toronto, Ontario, Canada • trustee since May 17, 2001	• Compensation and corporate governance • Responsible Care	Corporate director	• Invited to attend all meetings of the audit committee
Douglas Muzyka Philadelphia, Pennsylvania, USA • has been invited to attend all board and committee meetings in an advisory capacity since January 1, 2018		Corporate director	• Director of Chemtrade Holdco US Inc. • Cannot serve on the board of trustees because of the residency restrictions set out in the Declaration of Trust • Has extensive experience in the chemicals industry and attends all board and committee meetings in an advisory role

Officers

The table below lists Chemtrade's executive officers as of the date of this AIF and their principal occupation in the past five years. Mark Davis, Rohit Bhardwaj and Susan Paré are all officers of the Fund. Dan Dietz is leaving on March 31, 2020. Tab McCullough, former Group Vice-President, Manufacturing, retired on January 10, 2020.

Principal occupation in the past five years			
Mark Davis Toronto, Ontario, Canada	• Chief Executive Officer, Chemtrade Logistics Income Fund (July 2001 – present) • President and Chief Executive Officer (July 2001 – present)		
Scott Rook Toronto, Ontario, Canada	• Chief Operating Officer (September 2019 – present) • Senior Vice President, Commercial Operations, Ascend Performance Materials (April 2010 – September 2019)		
Rohit Bhardwaj Vandorf, Ontario, Canada	• Vice President, Finance and Chief Financial Officer, Chemtrade Logistics Income Fund (January 2006 – present) • Chief Financial Officer (January 2006 – present)		
Leon Aarts McKinney, Texas, USA	• Group Vice-President, Corporate Development and Strategy (January 2018 – present) • Group Vice-President, Commercial (December 2016 – January 2018) • Group Vice-President (September 2014 – December 2016)		
Michael St. Pierre Mississauga, Ontario, Canada	• Group Vice-President, SPPC and Water Chemicals (December 2019 – present) • Group Vice- President, SPPC (January 2018 – December, 2019) • Group Vice-President, Global Services (April 2015 – January 2018) • Vice-President (September 2014 – April 2015)		
Dan Dietz Pittstown, New Jersey, USA	• Group Vice-President, WSSC and EC (January 2018 – present) • Vice-President (January 2014 – January 2018)		
Emily Powers Mississauga, Ontario, Canada	• Group Vice-President, Human Resource and Responsible Care (September 2019 – present) • Vice-President, Human Resources (June 2016 – September 2019) • Director, Human Resources – Canada and Puerto Rico, SC Johnson and Son, Limited (October 2009 to June 2016)		
Susan Paré Oakville, Ontario, Canada	• Corporate Secretary, Chemtrade Logistics Income Fund (October 2007 – present) • General Counsel, Chemtrade Logistics Inc. (February 2008 – present)		

About the audit committee

Audit committee charter

See page 58 for a copy of the audit committee charter.

Composition of the audit committee

All members of the audit committee are independent and financially literate as defined by NI 52-110. Douglas Muzyka and Lorie Waisberg, who are invited to attend audit committee meetings, are also independent and financially literate.

Lucio Di Clemente (Chair) CPA, CA Financial/accounting knowledge and experience Audit committee experience	<p>Mr. Di Clemente is a CPA, CA and holds an MBA degree from the University of Toronto. He has many years' experience acting as an auditor and chief financial officer for different organizations. At two private companies, in his role as President and President & CEO respectively, he has had the Chief Financial Officer as a direct report. Mr. Di Clemente has also served as the Chair of the Audit Committee and as the Chair of the Board for a TSX-listed trust company and as a Board member, Audit Committee member and Chair of the Special Committee of another TSX-listed company. He currently serves on the board of FER-PAL Construction Inc. and on the board, audit committee and Special Committee of Spark Power Group Inc.</p> <p>Mr. Di Clemente holds an ICD.D designation as a professional corporate director and has taught the audit committee effectiveness program offered by the Institute of Corporate Directors.</p>
Emily Moore Financial/accounting knowledge and experience Audit committee experience	<p>Dr. Moore is Director of Troost Institute for Leadership Education in Engineering at the University of Toronto where she leads teaching, research and programming to help develop the next generation of engineering leaders. She spent 10 years at Hatch Ltd., leading global initiatives to serve mining, energy and infrastructure sector clients, including responsibility for P&L, and leading two business acquisitions and one divestiture. Dr. Moore previously spent over 10 years at Xerox, leading teams on developing new chemical processes and bringing them to manufacturing scale.</p> <p>Dr. Moore serves on the audit, finance & risk management committee of the Metrolinx board and is chair of the finance committee at the Haltech Regional Innovation Centre.</p> <p>Dr. Moore is a licensed professional engineer, a subject matter expert in water and mining and a Rhodes Scholar. She has also completed the Corporate Directors International certification.</p>
Katherine Rethy Financial/accounting knowledge and experience Audit committee experience	<p>Ms. Rethy has over 22 years operational experience in industrial companies and was previously Senior Vice President, Global Services at Falconbridge Ltd. Prior to joining Falconbridge, she was an executive with DuPont Canada Inc. She serves as a Director of Toromont Industries Ltd. and Muskoka Airport, and is past Director of SBM Offshore NV (Netherlands), Equitable Bank, TransForce Inc. and several not-for-profit organizations, including serving as past Chair of Katimavik. She has chaired Compensation, Nomination, and Governance Committees and has served on Audit, Risk and various special Committees.</p> <p>She is a graduate of the ICD's professional corporate director course, has a J.D. from the University of Windsor, a B.Sc. from the University of Toronto, an M.B.A. from York University, and an M.A. from Lancaster University in the U.K.</p>
Douglas Muzyka (advisory capacity) Financial/accounting knowledge and experience	<p>Mr. Muzyka is invited to attend all board and committee meetings in an advisory role – see page 28.</p> <p>He was Senior Vice President and Chief Science and Technology Officer of E.I. DuPont de Nemours (DuPont), an international manufacturer of chemical products, specialty materials, and consumer and industrial products. His previous roles at DuPont included key management roles in Canada, the U.S.A., China, Hong Kong, Mexico, as well as roles in the Nutrition and Health division and research roles. In several of these roles Mr. Muzyka had the Chief Financial Officer as a direct report. Through the course of his career, he presided over many complex financial transactions related to the formation of joint ventures in Asia and the privatization of Dupont Canada.</p> <p>Mr. Muzyka holds bachelor's, master's and doctorate degrees in chemical engineering from the University of Western Ontario. He also serves on the board of directors of CCL Industries Inc.</p>
Lorie Waisberg (guest) Financial/accounting knowledge and experience Former EVP Finance and Administration Former audit committee chair	<p>Mr. Waisberg practised business law with Goodmans LLP until August 2000. In his most recent corporate position, Mr. Waisberg was Executive Vice-President, Finance and Administration at Co-Steel Inc. Both the Chief Financial Officer and internal audit function were Mr. Waisberg's direct reports. He has served on several boards and audit committees.</p> <p>Mr. Waisberg holds an ICD.D designation as a professional corporate director and has a B.A, M.A. and LL.B. from the University of Toronto and an LL.M. from Harvard University.</p>

Interest of experts

The Fund's auditors are KPMG LLP, independent chartered accountants who have audited the Fund's 2019 financial statements. KPMG LLP is independent of the Fund and Chemtrade in accordance with the Rules of Professional Conduct of the Institute of Chartered Professional Accountants of Ontario.

The table below shows the fees billed by the external auditors for services for the years ended December 31, 2019 and 2018.

	2019	2018
Audit fees	\$1,256,724	\$1,129,100
Audit-related fees	\$46,400	\$43,000
For French translation of our MD&A, financial statements and prospectus		
Tax fees	\$910,250	\$723,180
For tax compliance and general advisory services		
All other fees	\$188,388	–
For debt finance study and transaction assistance		
Total	\$2,401,762	\$1,895,280

Approving services

The audit committee's policies and procedures for pre-approving other services the auditors provide are listed in the audit committee charter (see page 58).

RISKS AND RISK MANAGEMENT

The nature of our business means we face many kinds of risks and hazards – some that relate to the chemical industry in general, others that apply to our operations, and some that apply to the structure of the Fund. These risks could have a significant impact on our business, earnings, cash flows, financial condition, results of operations or prospects.

This section describes how we oversee, identify and manage risk. It also describes the risks that are most material to our business. This is not a complete list of the potential risks we face – there may be others we are not aware of, or risks we feel are not material today that could become material in the future. There is no assurance that the systems we have in place to manage these risks will be successful in preventing them from occurring.

This section contains statements that are considered forward-looking information or forward-looking statements under securities laws. Please see *Caution about forward-looking information* on page 56 for more information.

Risk oversight

The board is responsible for ensuring that management identifies, understands and evaluates the principal risks of our business and implements appropriate systems to mitigate or manage them.

The charters of the board's committees include specific duties related to risk oversight:

- **audit committee:** oversees major operational and financial risks, the systems implemented to monitor them and the strategies and controls in place to manage them
- **compensation and corporate governance committee:** oversees our governance practices and compensation policies and programs, including plan design, incentive plan targets and awards to make sure they do not motivate inappropriate risk-taking
- **Responsible Care committee:** oversees environmental, health, safety and security risks and the policies to manage them, and monitors our performance.

Turn to page 26 for more about the committees and their charters. You can read more about environment, health, safety and security in *Sustainability and Responsible Care*® on page 10.

Risk identification and management

We identify and manage risk using the following process:

Management conducts a periodic in-depth survey of all potential risks in each business and functional area

> Management reviews each risk by severity, probability of occurrence and mitigation, ranks them by residual risk impact (critical, high, moderate or low), and classifies them into one or more of our four strategic business priorities

> Board committees receive regular updates on the risks relevant to their mandates

> The board conducts a formal review of our enterprise risks and mitigation strategies at least every two years

Risk factors

This section describes the risks that are most material to our business, ranked by strategic impact (from highest to lowest). This is not a complete list of the potential risks we face – there may be others we are not aware of, or risks we feel are not material today that could become material in the future.

Page		Page	
32	Key facilities	39	Pensions and post-retirement benefits
33	Market for chlor-alkali	40	Reliance on key personnel
33	Cost of electricity and salt	40	Access to raw materials
33	Price of industrial chemicals	40	Potential trade restrictions
34	Significant customers and special relationships	40	Industry over-capacity
34	Reliance on specific industries	40	Acquisitions
34	Contracts with producers and customers	40	Uninsured and underinsured losses
34	Transportation	41	Credit risk
35	Risk of pandemic	41	Foreign operations
35	Operating and regulatory risks and product hazards	41	Anti-dumping protection
36	Legal and regulatory proceedings	41	Cybersecurity
36	Work stoppages	41	Reduced use of chemical products
36	Capital expenditure estimates	42	Reliance on the Fund's subsidiaries
36	Foreign exchange	42	Cash distributions
37	Environmental laws and regulations	42	Nature of units
37	Environmental and decommissioning liabilities	42	Unitholder liability
38	Competition	42	Distribution of Chemtrade securities
38	Leverage and indebtedness	42	Dilution
39	Reliance on significant producers	43	Restrictions on future growth
39	Physical risk	43	Canadian taxes
39	Reputation	43	U.S. taxes

Key facilities

Our EC segment relies on the following key facilities for a significant amount of its production:

- Brandon, Manitoba: for approximately 70% of our North American sodium chlorate capacity. Brandon is also our lowest cost source of production.
- North Vancouver, British Columbia: for all of our North American chlor-alkali production.
- Two plants at one site in Brazil: for all of our sodium chlorate and chlor-alkali production in South America.

The SPPC segment's Anacortes, Washington, Richmond, California, Toledo, Ohio and Tulsa, Oklahoma facilities are also significant manufacturing sites.

Significant unscheduled downtime at any of our key facilities could have a material adverse effect on our business, financial condition and/or results of operations. Many things can result in unanticipated downtime, including equipment breakdowns, interruptions in the supply of raw materials or energy, power failures, sabotage, natural forces (including seismic activity) or other normal hazards associated with the production of chemicals. We cannot provide any assurance that a significant interruption in the operation of any of our key production facilities would be covered by insurance or would not otherwise have a material adverse effect on our business, financial condition and/or results of operations.

North Vancouver, British Columbia

A portion of the land that the EC segment's North Vancouver, British Columbia facility is situated on is leased from the Vancouver Fraser Port Authority (the Port). After June 30, 2030, the lease restricts us from using the leased premises to receive, manufacture, store and distribute liquid chlorine. We are assessing alternatives to address this restriction, but not finding a viable alternative could have a material adverse effect on our business, financial condition and/or results of operations.

The lease terminates on June 30, 2032. At that time, the Port has the right to exercise an option to purchase the part of the land we own, and has communicated its intention to do so. We plan to enter into discussions with the Port about other options, but not finding an option that works for both parties could have a material adverse effect on our business, financial condition and/or results of operations.

Market for chlor-alkali

The global market for the EC segment's chlor-alkali products is cyclical, and particularly sensitive to general economic trends, and to trends in the construction, pulp and paper and oil and gas industries. A disruption or downturn in the general economy or in any of these industries, or additional chlor-alkali production capacity, could have a material adverse effect on our business, financial condition and/or results of operations.

The selling price of chlor-alkali products has been cyclical, depending on the price for imported caustic soda and the level of activity in the fracking industry. A downturn in chlor-alkali pricing could have a material adverse effect on our business, financial condition and/or results of operations.

Cost of electricity and salt

Electricity accounts for between two-thirds and three-quarters of the EC segment's total variable production costs. Salt accounts for almost a quarter of its total variable production costs. An increase in the cost of electricity or salt would result in a direct increase in our production costs.

We try to mitigate the effect and unpredictability of the cost of power by locating facilities in regions that have relatively low-cost, regulated, hydroelectric power markets. We are, however, susceptible to changes in power prices in any of the markets we operate in. While this risk is greater in deregulated electricity markets like Brazil, there is always a risk of regulatory or governmental changes in jurisdictions that are regulated. Electricity prices are generally influenced by regional or domestic factors, so we may pay more for electricity than competitors in other regions of North America or in other parts of the world, which could make us less competitive and reduce our financial performance.

All of our salt is supplied by third parties and prices are subject to change for many reasons beyond our control. Management can give no assurances that we can secure adequate supplies of salt at competitive prices.

Failure to obtain salt and electricity at reasonable prices and on acceptable terms could have a material adverse effect on our business, financial condition and/or results of operations.

Price of industrial chemicals

Industrial chemicals that we sell, and those we buy as raw materials, are both subject to market price fluctuations beyond our control.

Fluctuations in the price of the raw materials we buy could have a material adverse effect on our business, financial condition and/or results of operations. There can be no assurance that the price of the raw materials will not increase in the future, or that we will be able to pass an increase on to our customers. There is generally a lag time before we can pass increases and decreases in the price of raw materials on to our customers. A significant increase in the price of the raw materials that we cannot pass on to our customers could have a material adverse effect on our business, financial condition and/or results of operations.

We rely on several key raw materials, including salt, electrical power and phosphorus. If one of our suppliers fails to perform or ceases production of one of these key raw materials, their availability could be limited. This could have a material adverse effect on our business, financial condition and/or results of operations.

Our SPPC segment generally enters into contracts where we share or eliminate the risk of changes in the selling price of products we obtain as by-products from industrial producers. There can be no assurance, however, that we will be able to enter into these contracts, and do not have them for all of the products we sell. Whether or not we have entered into these contracts, fluctuations in the market price of any of our raw materials could have a material adverse effect on our business, financial condition and/or results of operations.

Significant customers and special relationships

Several facilities are connected to suppliers or customers by pipeline, and some share services or facilities with an adjacent facility. These include:

SPPC segment

- Fort McMurray, Alberta
- Fort Saskatchewan, Alberta
- Richmond, California
- Toledo, Ohio (sulphuric acid)
- Beaumont, Texas
- Anacortes, Washington

WSSC segment

- Lawrence, Kansas

EC segment

- Espirito Santo, Brazil
- Prince George, British Columbia (sodium chlorate)
- Beauharnois, Quebec

There can be no assurance that we will maintain our relationship with an adjacent facility or continue to obtain supply from, or serve, a customer or supplier at current levels. In addition, there is no assurance that any new agreement we enter into to supply, purchase or share services or facilities will have terms as favourable as those contained in current arrangements.

Some of our customers represent a significant portion of our revenue, including: Suzano, Canfor, West Fraser Mills Ltd., Georgia-Pacific LLC, Verso Corporation, WestRock Company, Marathon, KMG Electronic Chemicals, Inc., Chevron U.S.A. Inc., Mercer International, Domtar Inc. and Nanaimo Forest Products. A loss of one or more of these customers could have a material adverse effect on our business, financial condition and/or results of operations. Many of our customer contracts are multi-year agreements, but there can be no assurance that notice of termination will not be given or that these contracts will be renewed at the end of the term.

Less favourable contract terms and conditions under any customer contract or contract for supply, purchase or shared services or facilities, could have a material adverse effect on our business, financial condition and/or results of operations.

Reliance on specific industries

Current global economic conditions have been characterized by increased volatility and uncertainty, making demand forecasts for our products uncertain. Many of the products we sell significantly depend on the pulp, paper, petroleum refineries, semiconductor, auto lubricants and base metals industries. For example, the EC segment is particularly reliant on the pulp industry, on both a regional and global scale and a decline in the pulp industry will result in decreased demand for sodium chlorate and caustic soda. A significant reduction in demand or throughput in any of these industries could have a material adverse effect on our business, financial condition and/or results of operations.

Contracts with producers and customers

Our contracts with industrial producers and customers typically have terms of up to seven years. Although some of these contracts are renewable or renew automatically unless notice of termination is given, there can be no assurance that they will be renewed or that notice of termination will not be given. If we cannot renew these contracts, there could be a material adverse effect on our business, financial condition and/or results of operations. In particular, we have agreed to make capital expenditures in connection with certain contracts. If the producer or customer fails to renew its contract, we may have surplus facilities.

Transportation

We rely heavily on rail and truck transportation to ship raw materials to our manufacturing facilities and to deliver finished products to our customers. This exposes us to a number of risks, including the risk of loss of life or property caused by product release during an accident, higher costs due in part to changes in regulations and service slowdowns, delay or interruptions that can affect our operations.

Contracts and insurance

We enter into contracts with truck carriers that require appropriate safety standards and levels of insurance. Rail carriers require us to provide additional insurance and accept certain mandated or contractual liabilities. We have insurance in place to cover certain transportation-related risks like accidental spills or releases during transit. There can be no assurance, however, that the coverage will be adequate to compensate for a catastrophic loss, which could have a material adverse effect on our business, financial condition and/or results of operations.

Transportation costs

The cost of rail and truck transportation has been increasing for a number of years for several reasons:

- there has been a shortage of truck drivers across North America
- railroads have either chosen to or have been required to make changes in their operations that have increased their costs, and they have passed these costs through to shippers
- the cost of transporting products classified as toxic inhalation hazards (TIH) has increased significantly in recent years, partly because higher insurance costs are being passed on to shippers
- our insurance costs have also increased, both directly and as railway companies shift liability (including third party liability) for shipping TIH to us under both tariffs and contracts.

These costs could have a material adverse effect on our business, financial condition and/or results of operations.

Regulations

There is a continued and increasing regulatory focus on the shipment of hazardous products by rail, and we cannot predict the additional requirements and costs that may result. These costs could have a material adverse effect on our business, financial condition and/or results of operations.

Reliability of railway service

We make extensive use of the railway system to transport material within North America. Some of our locations are serviced by a single carrier, which means a disruption in service could have a significant negative impact on our business, financial condition and/or results of operations.

Risk of pandemic

A pandemic or other global or North American-wide illness could cause interruptions to Chemtrade's operations. Depending on its severity and reach, such an event could affect Chemtrade's workforce resulting in the inability to continue to operate our manufacturing facilities. Further, Chemtrade's operations would be affected if our supply partners, customers and/or transportation carriers were impacted by a pandemic. In particular, as of the date of this AIF, the full extent of the effects of the COVID-19 virus (also known as the coronavirus) is unknown. Chemtrade does not operate businesses in the areas which are currently the most affected by this virus and therefore it has not as yet affected Chemtrade's own operations. It's difficult to predict how this virus may affect Chemtrade's business in the future, including the effect it may have (positive or negative; long or short term) on the price of caustic soda, which is affected by the North East Asia Spot Index. It is possible the COVID-19 virus could have a material adverse effect on our business, financial condition and/or results of operation.

Operating and regulatory risks and product hazards

Our revenue depends on the continued operation of our manufacturing facilities, our major producers and suppliers, and our customers.

The operation of manufacturing plants involves many risks, including the failure or substandard performance of equipment, natural disasters, suspension of operations and increased costs or requirements stemming from new government statutes, regulations, guidelines and policies.

We need environmental and operational registrations, licences, permits, inspections and other approvals to operate, and to bid on municipal and industrial tenders. The loss or delay in receiving a significant permit or licence or the inability to renew it could have a material adverse effect on our business, financial condition and/or results of operations.

There are also hazards associated with the production, use, handling, processing, storage and transportation of hazardous materials, including in particular chlorine, hydrogen sulphide, liquid SO₂, hydrochloric acid, SHS powder, sodium chlorate, hydrofluoric acid, sulphuric acid, caustic soda, oleum, phosphorus pentasulphide, carbon disulphide and anhydrous ammonia. These can cause fatal personal injury, severe damage to and destruction of property and equipment, and environmental damage.

If there is a successful class action or series of claims related to product liability or exposure from a product release that exceeds our insurance coverage, it could have a material adverse effect on our business, financial condition and/or results of operations. There can be no assurance that there will not be claims of injury by employees or members of the public due to exposure, or alleged exposure, to these materials from our past, present or future operations. We, and our producers, suppliers and customers, are also exposed to present and future claims related to workplace exposure, workers' compensation and other matters. In addition, some of the products we produce may have adverse health consequences, or are used in human or animal

foods, pharmaceuticals, nutraceuticals or vaccines and some may be subject to strict liability regimes. There can be no assurance of the amount or timing of any of these liabilities.

Material operational problems, including but not limited to the events listed above, could have a material adverse effect on our business, financial condition and/or results of operations.

Legal and regulatory proceedings

Legal and regulatory claims, investigations and proceedings may be initiated against us in the ordinary course of business. The outcomes and the amounts of any damages awarded or fines or penalties assessed, cannot be predicted, and could have a material adverse effect on our business, financial condition, results of operations and/or reputation.

We may be the subject of litigation by customers, suppliers and other third parties. A significant judgment against us, the loss of a significant permit, licence or other approval, or a significant fine, penalty or contractual dispute could have a material adverse effect on our business, financial condition and/or results of operations.

Some of the products we produce may cause adverse health consequences, which exposes us to product liability claims (see *Operating and regulatory risks and product hazards*, above). A successful class action proceeding or series of claims related to product liability or exposure from a product release that exceeds our insurance coverage could have a material adverse effect on our business, financial condition and/or results of operations.

Litigation is expensive, time consuming and may divert management's attention away from the operation of the business. Not resolving litigation and disputes favourably could have a material adverse effect on our business, financial condition and/or results of operations.

We are subject to some civil claims by an ex-employee connected to alleged anticompetitive conduct in the water treatment chemicals industry. We are also subject to counterclaims in two actions in which we are the plaintiff, as well as a contribution claim related to hazardous substances in the Passaic River. See *Legal proceedings* on page 53 for more information.

The outcome of litigation can never be predicted with certainty and an adverse outcome in any of these matters could have a material adverse effect on our business, financial condition, results of operations and/or reputation.

Work stoppages

35 percent of our workforce is represented by collective agreements, which puts us at risk of work stoppages. We have had only one work stoppage in our 19-year history, which was a lockout lasting less than 24 hours. We generally have good relations with our employees. There can be no assurance, however, that these good relations will continue, or that we will be successful at entering into new collective agreements without work interruption. Many of our producers, suppliers and customers also have employees represented by collective agreements, which could result in work stoppages. A lengthy work interruption could have a material adverse impact on our business, financial condition and/or results of operations.

Capital expenditure estimates

Management projects the expected amount of capital spending at our manufacturing operations. Actual capital expenditures and timing may be different than projected. There is also a risk that the capital could be used ineffectively in the execution of these capital projects.

Foreign exchange

Most of our costs are in Canadian dollars, but a significant proportion of our revenues are in U.S. dollars and the majority of our sales in Brazil are under a U.S. dollar based fixed margin contract. Merchant market sales in Brazil may also be subject to fluctuations in the Brazilian Real.

There have been significant fluctuations in the exchange rates between the Brazilian Real and other currencies, including the U.S. dollar and the Canadian dollar. There is no guarantee that the exchange rate between the Brazilian Real and other currencies, including the U.S. and Canadian dollar, will stabilize at current levels. A large fluctuation in exchange rates could have a material adverse effect on our financial condition.

Environmental laws and regulations

We are subject to many environmental laws and regulations (see *Sustainability and Responsible Care*® on page 10 for more information).

We need environmental registrations, licences, permits, inspections and other approvals to operate. The loss or delay in receiving a significant permit or license could have a material adverse effect on our business, financial condition and/or results of operations.

Our facilities may be involved in administrative and judicial proceedings and inquiries relating to EHS requirements from time to time. Future proceedings or inquiries could have a material adverse effect on our business, financial condition and/or results of operations.

Changes to existing EHS requirements or the adoption of new EHS requirements, changes to the enforcement of EHS requirements, and the discovery of additional or unknown conditions at facilities owned, operated or used by Chemtrade, to the extent not covered by indemnity, insurance or a covenant not to sue, could have a material adverse effect on our business, financial condition and/or results of operations.

In particular, we operate in jurisdictions where legislative initiatives relating to greenhouse gas (GHG) emissions are being considered or adopted. There has been no material effect on any of our facilities to date, and we continue to follow developments closely. Although it is difficult to know what final regulations may be passed in the jurisdictions where our manufacturing facilities are located, we could face increased capital and operating costs to comply with GHG emissions regulations and these costs could be material.

The potential impact of current and proposed environmental laws and regulations is uncertain. We cannot predict the nature of these requirements and the impact on our business, but proposed regulations or failure to comply with current and proposed regulations could have a material adverse impact on our business, financial condition and/or results of operations by substantially increasing capital expenditures and compliance costs, affecting our ability to meet our financial obligations, including debt payments and the payment of dividends. It may also lead to the modification or cancellation of operating licences and permits, penalties and other corrective actions.

Environmental and decommissioning liabilities

The Fund recorded a provision of \$61.3 million for environmental, remedial and similar obligations in its December 31, 2019 financial statements. This provision is related to the closure of inactive ponds at water chemical sites (see page 13 for details).

We record environmental liabilities when it is considered likely that a liability has been incurred at the date of the financial statements and the amount of the liability can be reasonably estimated.

Determining the amount of this provision requires significant judgment. The nature of our business means we meet environmental, health and safety regulations in the jurisdictions we operate in, and where our products are shipped and sold. We constantly monitor our sites to ensure compliance with EHS requirements, and to assess the liability arising from the need to adapt to changing legal and regulatory demands.

We recognize liabilities for environmental remediation based on the latest assessment of the environmental situation at the individual site and the most recent legislative requirements. The eventual timing and costs for these liabilities could differ from current estimates, which could have a material adverse effect on our business, financial condition and/or results of operations.

We may also be subject to remedial environmental and litigation costs related to unknown and unforeseen environmental impacts that arise from our operations and from former operations at our sites. These costs could have a material adverse effect on our business, financial condition and/or results of operations.

The Fund also recorded a provision of \$83.4 million for decommissioning liabilities related to the closure of facilities in all segments (see page 14 for details). We record decommissioning liabilities when identified and a reasonable estimate can be made for statutory, contractual, constructive or legal obligations associated with decommissioning of our facilities.

There are significant uncertainties related to decommissioning liabilities. The eventual timing of and costs for these obligations could be different from what we have estimated, and could have a material impact on our consolidated financial statements.

In general, estimates of decommissioning liabilities for plants that are at the beginning of their lives are more subjective than plants near the end of their lives, when expected cash flows are more reliable. Changes in the estimated or actual costs for

reclamation and plant closure and for removal and/or demolition of manufacturing equipment, buildings and other infrastructure could have a material adverse effect on our business, financial condition and/or results of operations.

We do not reserve cash or assets specifically for the purpose of settling decommissioning liabilities. Closure and restoration of the sites may require a significant cash outlay that could affect our ability to satisfy debt and other contractual obligations. If we cannot make our decommissioning liability payments, regulatory authorities could take corrective action, including issuing clean-up order and laying charges.

Competition

We operate in competitive markets, and some of our competitors have greater economic resources and are well established as suppliers to the markets we serve. These competitors may be better able to withstand volatility within industries and throughout the economy as a whole while retaining significantly greater operating and financial flexibility.

Some of our products in the WSSC segment are sold in regional markets with competitors that may have lower costs, including less of a commitment to environmental, health and safety compliance and excellence. There can be no assurance that competition will not continue or increase, and this may have a material adverse effect on our business, financial condition and/or results of operations.

Several of our niche products and services in the WSSC segment are sold in select markets. There can be no assurance that these markets will not attract additional competitors that could have greater financial, technological, manufacturing and/or marketing resources.

Leverage and indebtedness

Most of the Fund's subsidiaries have entered into senior credit facilities with our principal lenders (see *Credit facilities* on page 51).

Our degree of leverage could have an impact on unitholders and restrict our flexibility and discretion when operating our business. For example, it could:

- limit our ability to obtain additional financing for working capital, capital expenditures, product development or future acquisitions and general corporate or other purposes
- require us to dedicate a substantial portion of cash flows to the payment of principal and interest on our existing indebtedness, instead of using them in our operations, for capital expenditures and future business opportunities and other uses
- expose us to higher interest expense on borrowings at variable rates
- limit the Fund's ability to declare distributions
- prevent us from making capital expenditures that are important to our growth and strategy
- limit our ability to adjust to changing market conditions
- put us at a competitive disadvantage to companies with less debt and more operating and financing flexibility
- make us more vulnerable to a general economic downturn.

Our ability to make scheduled payments of principal or interest on our indebtedness, or to refinance, depends on our operating performance and cash flow, which are subject to prevailing economic conditions, interest rates, and financial, competitive, business and other factors, many of which are beyond our control.

The credit facilities place significant restrictions on, among other things, our ability to:

- take on additional debt
- create liens or other encumbrances
- pay dividends or make certain other payments, investments, loans and guarantees
- sell or otherwise dispose of assets and merge or consolidate with another entity
- in certain circumstances, to pay cash distributions to unitholders.

The credit facilities also require us to meet certain financial ratios and financial condition tests. Failing to meet these requirements could put us in default and require us to immediately repay the debt. There can be no assurance that our assets would be enough to repay the debt in full.

If we have to refinance our available credit facilities or other debt, there can be no assurance that we will be able to do so, or be able to do so on terms as favourable as those currently in place. This could have a material adverse effect on our financial position, and lead to a reduction or suspension of the Fund's cash distributions to unitholders.

Reliance on significant producers

Our SPPC segment depends on significant industrial producers: refineries and chemical companies for spent acid, Vale, Sherritt and others for sulphuric acid, and refineries for sulphur. There can be no assurance that we will maintain our relationship with these industrial producers or continue to provide services to them at current levels. The loss of one of these producers, or a reduction in services we provide to them, could have an adverse short-term effect on our business until we make alternate supply arrangements. New supply agreements may not have terms as favourable as those in our current supply arrangements, which could have a material adverse effect on our business, financial condition and/or results of operations.

In addition to the above, certain significant events affecting the operations of our major industrial producers could adversely affect our operations, which would have a material adverse effect on our business, financial condition and/or results of operations.

Physical risk

Many of our facilities are in areas that are at risk of extreme weather events, including hurricanes, tornadoes, floods, extreme cold, winter storms or other severe weather conditions or seismic events or the effects of climate change. There is also a risk that our customers, industrial producers and suppliers could also be impacted by these factors.

Several of our facilities and customers are in the Gulf Region of the southern U.S., which is susceptible to hurricanes and other extreme weather events. Our Tulsa, OK facility is located in a tornado-prone area. We have several facilities on the west coast of North America (two facilities in California and four in British Columbia), which is susceptible to earthquakes. The facilities in California conduct seismic surveys of the entire site every five years.

While we have insurance that covers certain extreme weather events, there can be no assurance that it will compensate for losses related to severe weather conditions or seismic events, including but not limited to the above events. This could have a material adverse effect on our business, financial condition and/or results of operations.

Reputation

As part of our commitment to Responsible Care, we have introduced community outreach programs to develop partnerships with the communities where our facilities are located. Our manufacturing facilities have Emergency Response Plans in place with and coordinate with local emergency services, providing information to the community about plant operations and hazards. An actual or perceived violation of environmental laws and regulations, or spills or accidents could, however, adversely affect our reputation, potentially reducing demand from our customers for our products. This could have a material adverse effect on our business, financial condition and/or results of operations.

Pensions and post-retirement benefits

We sponsor defined benefit pension plans, which we assumed through acquisitions, for qualifying employees in Canada and in the United States. All plans are closed to new members.

Our accounting estimates about the amount and timing of future funding obligations for defined benefit pension plans are based upon various assumptions, including the discount rate, compensation increase rates, mortality rates, retirement patterns and turnover rates.

The actual cash funding obligations for the defined benefit pension plans are determined by valuations prepared by the plans' actuaries, and can be influenced by funding requirements that are established by governing legislation (for example, in the U.S. by the Employee Retirement Income and Security Act of 1974, the Pension Protection Act, and Congressional Acts, and in Canada by provincial pension standards legislation), or by requirements of government bodies that regulate the pension plans. Any additional cash contributions that we are required to make could have a material adverse effect on our business, financial condition, results of operations and/or liquidity. Under pension law in the United States, if the sponsor of the defined benefit pension plans does not fulfill its contribution obligations, those obligations may ultimately become obligations of the Fund.

We provide post-retirement benefits for qualifying retirees in Canada and the U.S. Estimates of the amount and timing of future obligations for post-retirement benefits are based upon various assumptions, including mortality rates and the rate of increase for health-care costs. If future trends differ from assumptions used, the amounts we are obligated to contribute may increase.

The post-retirement benefit plans are unfunded, and any future cash contributions needed to satisfy the benefit obligations under the plans may adversely affect our business, financial condition, results of operations and/or liquidity.

Reliance on key personnel

Our operations depend on the abilities, experience and efforts of our senior management. We have entered into employment arrangements with all members of senior management, but any of them ceasing to work for us could have a material adverse effect on our business, financial condition and/or results of operations.

Access to raw materials

Having an adequate supply of raw materials at reasonable prices and on acceptable terms is critical to our success. In particular:

- our EC segment requires significant quantities of salt brine for chlor-alkali and sodium chlorate production, and electrical power for our operations
- our WSSC segment relies on phosphorus for the production of P₂S₅, and an alumina source it uses as a raw material for the production of water treatment chemicals
- some of our plants have access to only one rail carrier for the delivery of raw materials (see page 35)
- some of our raw materials are shipped from overseas, including Asian markets.

A disruption in the supply of any of these raw materials, or not being able to acquire them at a reasonable price and on acceptable terms, could have a material adverse effect on our business, financial condition and/or results of operations (see *Transportation*, above).

We also import key raw materials and products from overseas, which poses additional risks (see *Foreign operations*, below).

Potential trade restrictions

We depend on the free flow of goods across the Canada-U.S. border and have significant exposure to disruptions in Canadian-U.S. trade relations. Trade restrictions, including tariffs, quotas, embargoes, safeguards and customs restrictions, could increase the cost or reduce the supply of products available to us and our customers, or could require us to modify our current business practices, any of which could harm our business, financial condition and results of operations.

Industry over-capacity

Industry over-capacity of any of the products we market could affect our pricing, revenue, net profit and margins. This could have a material adverse effect on our business, financial condition and/or results of operations.

Acquisitions

Part of our long-term strategy is to acquire complementary businesses when it makes economic and strategic sense. There can be no assurance, however, that we will identify attractive acquisition candidates, or that we will be successful in integrating an acquired business. If the expected synergies from a transaction do not materialize, or we fail to successfully integrate a new business into our existing businesses, our results from the acquired operations could be adversely affected, which could have a material adverse effect on our business, financial condition and/or results of operations.

There may also be liabilities that are not or cannot be discovered in our due diligence before closing an acquisition. In particular, to the extent that previous owners of businesses failed to comply with or otherwise violated environmental, anti-trust or any other laws, we, as a successor owner, may be financially responsible for these violations. The discovery of any material liabilities could have a material adverse effect on our business, financial condition and/or results of operations.

Uninsured and underinsured losses

The Fund maintains insurance coverage for its potential liabilities and the accidental loss of value of its assets from risks. The trustees determine which insurance companies we use, the amount of insurance and terms of coverage, taking into account all relevant factors including the practices of owners of similar assets and operations. We believe we have the insurance amounts and coverage necessary to repair or replace any assets physically damaged or destroyed, including coverage for losses or expenses related to business interruption, and to cover claims for bodily injury or property damage arising out of assets or operations, including from the handling and distribution of hazardous chemicals. Not all risk factors are covered by insurance, however, and no assurance can be given that insurance will be consistently available, will be consistently available on an economically feasible basis, or that the amount of insurance will be sufficient to cover every loss or claim involving our assets or operations. Insufficient insurance coverage for a material loss or claim or an aggregate of losses or claims could have a material adverse effect on our business, financial condition and/or results of operations.

Credit risk

Credit risk arises when a counterparty to a financial contract does not meet its obligations. We manage credit risk for trade and other receivables through established credit monitoring activities. The primary counterparties to the Fund's foreign exchange forward contracts and interest rate swaps carry investment grade ratings. While the Fund does not have a significant concentration of credit risk with any single counterparty or group of counterparties, the non-performance of a counterparty could have a material adverse effect on the Fund and on our business, financial condition and/or results of operations. The Fund's maximum exposure to credit risk at any point in time is the carrying value of its receivables and derivative assets.

Foreign operations

We generate significant earnings from our facilities in the U.S. and Brazil. We also buy raw materials and products from other countries.

Our EC segment operates two plants at one facility in Espirito Santo, Brazil. This makes us subject to the political, economic, social and geographic risks of doing business in an emerging market, which include, among other things:

- high rates of inflation
- changes in monetary and exchange policies
- changes in interest rates
- energy shortages
- military repression
- war
- social and labour unrest
- organized crime
- hostage taking
- terrorism
- violent crime
- extreme fluctuations in currency exchange rates
- expropriation and nationalization
- renegotiation or nullification of existing permits and contracts
- changes in tax policies
- restrictions on foreign exchange and repatriation
- changing political norms.

Uncertainty about whether the Brazilian government will implement changes in policy or regulation also contributes to economic uncertainty in Brazil.

The WSSC segment also depends on raw materials from Asia for the production of P₂S₅, and an alumina source from outside North America for the production of water treatment chemicals (see *Access to raw materials*, above).

These factors and uncertainties cannot be accurately predicted and could have a material adverse effect on our business, financial condition and/or results of operations.

Anti-dumping protection

Our WSSC segment benefits from U.S. anti-dumping and countervailing duty orders that impose special additional duties (costs) on sodium nitrite imported into the United States by Chinese and German importers. The orders are subject to renewal every five years. The U.S. Department of Commerce and the U.S. International Trade Commission last extended the orders in July 2019 for a five-year period that ends in July 2024. There can be no assurance that the orders will be extended in future. If they are extended, there can be no assurance that the amount of the duties will remain the same.

Cybersecurity

We rely on management information and computer control systems to run our business and operate our facilities. As we increase our dependence on these systems, the risks associated with cybersecurity also increase. We rely on industry-accepted security measures and technology to securely maintain confidential and proprietary information stored on our information systems. These measures and technologies may not adequately prevent security breaches. Business and supply chain disruptions, plant and utility outages and information technology system and network disruptions resulting from cyber attacks could have a material adverse effect on our business, financial condition and/or results of operations. Compromises to our information and control systems could have a material adverse effect on our business, financial condition, results of operations and/or reputation.

Reduced use of chemical products

If new products are introduced into the market that are lower in cost, have enhanced performance characteristics or are considered preferable for environmental or other reasons, demand for some of our products could be reduced or eliminated.

In our EC segment, environmental activists and lobby groups are often opposed to the use of chlorine in industrial products. Although elemental chlorine-free pulp bleaching technology, which uses sodium chlorate as its primary raw material, is currently the preferred method of pulp bleaching, alternative products could reduce demand for sodium chlorate for bleaching pulp.

Pulp and paper producers are also using chlorine dioxide more efficiently in the pulp bleaching process. While this has not had a material negative impact to date, more efficient use of chlorine dioxide could incrementally reduce the demand for sodium chlorate and reduce our sodium chlorate sales.

Depending on conditions, there can also be substitute products for alum, a product in our WSSC segment. While we produce several kinds of water treatment chemicals, alum is our primary product. There is a risk that customers may substitute other water treatment chemicals that we cannot supply, or cannot supply economically, which would have a negative impact on our WSSC segment.

Demand for regen acid in our SPPC segment could be affected by the adoption of electric vehicles.

Replacement of one or more of our products in significant volumes could have a material adverse effect on our business, financial condition and/or results of operations.

Reliance on the Fund's subsidiaries

The Fund is a limited purpose trust. Its income depends entirely on its ownership of the participating equity and unsecured subordinated notes of the Fund's subsidiaries.

Cash distributions to unitholders depend on the ability of the Fund's subsidiaries to pay interest obligations under the unsecured subordinated notes and to declare and pay dividends or make other distributions on the shares of the subsidiaries to the Fund. The ability of the subsidiaries to pay dividends or make other payments or advances to the Fund is subject to applicable laws and any contractual restrictions in the instruments that govern indebtedness.

Cash distributions

Although the Fund intends to continue to distribute the interest and dividend income it earns, less expenses and amounts paid for redeemed units, there can be no assurance of the amount of income Chemtrade will generate and pay to the Fund. The actual amount of distributions to unitholders will depend upon many factors, including Chemtrade's profitability, fluctuations in working capital, the sustainability of margins and capital expenditures.

Nature of units

Units have the attributes of equity securities and debt instruments.

Units represent a fractional interest in the Fund – they are not a direct investment in Chemtrade, and are not securities in Chemtrade. The Fund's primary assets are the participating equity and unsecured subordinated notes of its subsidiaries. The price per unit is based on the Fund's anticipated distributable income.

Units do not give unitholders the statutory rights normally associated with ownership of securities of a corporation, but the Fund's Declaration of Trust provides for rights that are similar, including the right to bring oppression remedy or derivative actions (see *Unitholder rights* on page 47).

Unitholder liability

The Declaration of Trust provides that unitholders are not responsible for any of the Fund's liabilities in connection with their holding of units. Despite this, there is a risk in jurisdictions outside of Ontario, Quebec and Alberta, that a unitholder could be held personally liable for the Fund's obligations, to the extent that claims are not satisfied out of the Fund's assets. The Fund considers this risk to be remote in the circumstances, and conducts its affairs to seek to minimize this risk wherever possible.

Distribution of Chemtrade securities

When units are redeemed or the Fund is terminated, the trustees, with regulatory approval, can distribute the participating equity and unsecured subordinated notes of the Fund's subsidiaries directly to unitholders. There is currently no market for the participating equity and unsecured subordinated notes, they are not freely tradeable and are not listed on a stock exchange. They may not be qualified investments for trusts governed by registered retirement savings plans, registered retirement income funds, deferred profit sharing plans and registered education savings plans, depending on circumstances at the time.

Dilution

The Fund can issue an unlimited number of units at a price and with terms and conditions determined by the trustees. The Fund can also issue units on the conversion, redemption or repayment of debentures, and to satisfy some or all of its interest obligations to debenture holders (see *Long-term debt* on page 50 for information about debentures). Issuing units would dilute the interests of existing unitholders.

Restrictions on future growth

If we have to pay out a large part of our operating cash flow, we will have to rely on future cash flow or additional financing to make necessary capital and operating expenditures. Lack of these funds could limit our future growth and our cash flow.

Canadian taxes

The Fund is a mutual fund trust and a specified investment flow-through trust for income tax purposes.

It is subject to current income taxes (the *SIFT tax*) on:

- taxable income that is not distributed to unitholders
- taxable income earned from Canadian corporate and flow-through subsidiaries that is distributed to unitholders (other than dividends and certain other investment income).

The SIFT tax does not apply to income the Fund earns directly from certain Canadian subsidiaries and non-Canadian subsidiaries. The Fund can therefore distribute Canadian dividends (and certain other investment income) and direct foreign source income to unitholders without being subject to the SIFT tax.

Chemtrade can only deduct reasonable expenses for tax purposes. There can be no assurance that tax authorities will not seek to challenge the reasonableness of certain expenses. A successful challenge could materially and adversely affect the amount of cash the Fund has available for distribution to unitholders. Management of the Fund believes that the expenses inherent in the structure of the Fund are supportable and reasonable in the circumstances.

The Fund distributes enough taxable income to unitholders every year to ensure it does not have any liability for tax other than the SIFT tax, if any. The Fund can issue additional units to unitholders instead of cash if some or all of the interest payments on the unsecured subordinated notes are due but not paid, or distributions to unitholders are otherwise less than the Fund's taxable income. This could make a unitholder's taxable income related to the units higher than the amount received as cash distributions.

The Fund filed an election with the U.S. Internal Revenue Service (IRS) to be treated as an association taxable as a corporation for U.S. federal income tax purposes. As a result, the Fund is treated as a regarded entity under the tax laws of both Canada and the U.S. U.S. investors may therefore be entitled to a reduced rate of Canadian withholding tax on Fund distributions under the Canada-United States Tax Convention (the Canada-U.S. treaty), as long as certain requirements are met.

The Fund currently intends to remain a trust. Based on existing tax laws and the current structure of the Fund's investments in its subsidiaries, the Fund expects that its earnings will not be subject to Canadian taxes, because substantially all of its earnings will be from non-Canadian sources, will be received in the form of dividends from Canadian companies, or will not otherwise be subject to the SIFT tax.

U.S. taxes

The Fund has elected to be treated as an association taxable as a corporation for U.S. federal income tax purposes (see *Canadian taxes* above).

The Fund receives interest directly and indirectly from U.S. sources under various notes issued by the Fund and some of its U.S. subsidiaries (the *U.S. notes*). The Fund and these U.S. subsidiaries treat the U.S. notes as debt for U.S. federal income tax purposes.

There can be no assurance that the U.S. federal income tax laws described in this document, and IRS regulations and administrative policies related to them, will not change in a way that adversely affects unitholders. The IRS may issue regulations under the recently enacted H.R. 1 (formerly known as the Tax Cuts and Jobs Act) (the U.S. tax act) that could apply retroactively to January 1, 2018.

There is a risk that the IRS could challenge the characterization of the U.S. notes as debt under certain U.S. tax principals and authorities that apply to debt issued between related parties. Final regulations issued under Section 385 of the Internal Revenue Code could potentially re-characterize certain related party debt issued after April 4, 2016 as equity

If any or all of the U.S. notes are treated as equity rather than debt, interest on the U.S. notes may be treated as non-deductible dividends, which would be subject to U.S. federal withholding tax at a rate of 30% (subject to possible reduction under the Canada-U.S. treaty).

The rest of this discussion is based on the U.S. notes continuing to be treated as debt for U.S. federal income tax purposes.

The Fund receives interest directly and indirectly from U.S. sources under the U.S. notes. For interest paid on the U.S. notes, the Fund and its subsidiaries are treated as the beneficial owner of the interest income for U.S. federal income tax purposes.

Under the Canada-U.S. Treaty the withholding tax rate on interest may be reduced to zero percent for residents who are “qualified persons” under the Canada-U.S. treaty. Whether the Fund and its subsidiaries qualify for this exemption from withholding tax depends on, among other things, whether they are considered “qualified persons” as defined by the Canada-U.S. treaty, at the time the U.S. subsidiary makes the interest payments.

Under the Convention Between the Government of the United States of America and the Government of the Grand Duchy of Luxembourg for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income and Capital (*Luxembourg-U.S. treaty*), a Luxembourg corporation may be eligible for zero percent withholding tax on U.S. source interest payments if it satisfies certain requirements, including the “derivative benefits” provision under the Luxembourg-U.S. treaty. Whether a Fund’s subsidiary qualifies for this exemption from withholding tax depends on, among other things, whether the subsidiary satisfies the derivative benefits provision of Luxembourg-U.S. treaty at the time the U.S. subsidiary makes the interest payments.

There is a risk that the zero percent rate of withholding under the Canada-U.S. treaty and Luxembourg-U.S. treaty will not apply, and that all or a portion of any interest paid directly or indirectly to the Fund would be subject to 30% U.S. federal withholding tax. This could materially and adversely affect the amount of cash available for distribution to the Fund.

The U.S. tax act introduced new rules that may limit the ability of the U.S. subsidiaries to deduct for tax purposes all or a portion of the interest expense attributable to the U.S. notes in addition to any interest expense attributable to loans with third parties. These new rules, referred to as the “earnings stripping” rules, will limit the annual deduction of business interest expense, including interest expense attributable to the U.S. notes, to 30% (from 50%) of the “adjusted taxable income” of the U.S. group. In general, adjusted taxable income means taxable income excluding income not allocable to a trade or business and increased by interest, net operating loss deductions, depreciation and amortization not attributable to cost of goods sold (beginning in 2022, the calculation of adjusted taxable income will no longer include an increase in taxable income for depreciation and amortization). This additional restriction on the ability of the U.S. subsidiaries to claim deductions for interest payments on the U.S. notes could increase the U.S. tax liability of the U.S. subsidiaries, which would reduce the amount of distributions the Fund would receive and could have a material adverse effect on the amount of cash the Fund has available for distributions to unitholders.

There is also a risk that the IRS could issue regulations under the anti-hybrid transaction and anti-hybrid entity tax rules enacted by the U.S. tax act (anti-hybrid rules) that could permanently disallow the deduction for certain interest payments on the U.S. notes. There is a risk that a disallowance could have retroactive effect to January 1, 2019. On December 20, 2018, the IRS issued proposed regulations under the anti-hybrid rules that, if finalized in proposed form, would permanently disallow the deduction for certain interest payments on the U.S. notes for tax years beginning after December 20, 2018. In 2019, the Fund mitigated the potentially adverse future impact of the anti-hybrid rules. If the proposed anti-hybrid regulations are finalized in proposed form, then the risk of permanent disallowance of deductions for interest payments on the U.S. notes is limited to the 2019 tax year. This disallowance could increase the U.S. tax liability of the U.S. subsidiaries which would reduce the amount of distributions the Fund would receive and could have a material adverse effect on the amount of cash the Fund has available for distributions to unitholders.

The U.S. tax act also introduced the Base Erosion Anti-Abuse Tax (BEAT) which is a new minimum tax imposed on certain large multi-national groups that pay or accrue certain deductible payments, including interest, royalties and management fees, to related non-U.S. persons. The BEAT would apply if the tax calculated under the BEAT rules for a particular tax year exceeds a corporation’s regular tax liability determined after the application of certain tax credits allowed against the regular tax. The BEAT tax rate is 10% for tax years 2019 to 2025 and 12.5% thereafter. The BEAT tax rate is applied to “modified taxable income” (i.e. taxable income after the use of net operating losses and after adding back “base erosion payments” including related party interest expense and management fees paid to related parties). The Fund was not subject to the BEAT in 2019, however it may be subject to the BEAT in future tax years. The BEAT liability would increase cash taxes in the year imposed and could have a material adverse effect on the amount of cash the Fund has available for distributions to unitholders.

ABOUT THE FUND

Chemtrade Logistics Income Fund is a limited purpose trust established under the laws of the Province of Ontario on July 11, 2001.

The Fund operates under a Declaration of Trust that describes the protections, rights and remedies provided to unitholders of the Fund. These are substantially the same as those provided to shareholders under the Canada Business Corporations Act.

This section of the AIF is a summary of important sections of the Declaration of Trust, including a brief description of Fund units and how they work.

Activities of the Fund

The Declaration of Trust limits the Fund's activities to, among other things, investing in securities, issuing units (and securities that can be converted into or exchanged for units), temporarily holding cash to, among other things, make distributions to unitholders, or taking actions, including investing in securities, as approved by the trustees from time to time. The Fund cannot take any action that would result in the Fund no longer being considered a mutual fund trust, or the units being foreign property under the Income Tax Act (Canada) (the *tax act*).

Fund trustees

The Declaration of Trust says the board of trustees must be made up of between three and 10 trustees.

The Fund has six trustees who are responsible for supervising the activities and managing the affairs of the Fund. In this role, trustees can exercise the rights, powers and privileges of a legal and beneficial owner of the trust assets.

The trustees are responsible for, among other things:

- acting for, voting on behalf of and representing the Fund as a shareholder and noteholder of the Fund's subsidiaries
- maintaining records and providing reports to unitholders
- supervising the activities of the Fund
- overseeing cash distributions to unitholders
- voting in favour of the Fund's nominees to serve as directors of the Fund's subsidiaries.

The trustees can also approve the adoption of a unitholder rights plan if they feel it is appropriate. The plan must be approved by unitholders, or it will terminate six months from the date of adoption.

Trustees are required to act honestly and in good faith with a view to the best interests of the Fund, and exercise the degree of care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. The Declaration of Trust provides that trustees are entitled to indemnification from the Fund in connection with properly carrying out their duties, consistent with the provision of indemnities to directors of corporations.

Making changes to the Declaration of Trust

The trustees can, subject to certain restrictions, make changes to the Declaration of Trust without the approval of unitholders when the change is necessary to:

- comply with laws, regulations, requirements or policies of any governmental authority governing the trustees or the Fund
- provide additional protection (in the opinion of the Fund's counsel) for unitholders
- remove any conflicts or inconsistencies in the Declaration of Trust or to make minor corrections that are necessary or desirable and not prejudicial to the unitholders
- respond to changes in Canadian tax laws.

Most other changes need the approval of unitholders at the next meeting of unitholders, as described in the Declaration of Trust.

See *Corporate structure* on page 3 for more information about the structure of the Fund.

You will find the full text of the Declaration of Trust on SEDAR (www.sedar.com).

You can read about the trustees and how they oversee the Fund in *Governance* on page 26.

Information for unitholders

About Fund units

Units of the Fund:

- are of the same class, and have the same rights and privileges as all other units
- are transferable
- entitle the holder to one vote for each whole unit held at all meetings of unitholders
- represent an equal undivided beneficial interest in:
 - any distributions of net income, net realized capital gains or other amounts
 - the net assets of the Fund if it is terminated or wound up
- are not subject to future calls or assessments.

See page 42 for more information about units of the Fund.

Issuing and redeeming units

The Fund can issue an unlimited number of units. The trustees determine when and to whom the Fund can issue units or rights to acquire units, and establish the unit price and terms and conditions.

You can find details about redeeming units in the Declaration of Trust.

Units can be redeemed at any time. When you redeem your units, you surrender all of your rights in exchange for one of the following (whichever is less):

- the closing unit price on the TSX on the day you redeem them (the *redemption date*)
- 90% of the volume weighted average unit price on the TSX on the 10 trading days immediately after the redemption date.

Limitation on non-resident ownership

To maintain its status as a mutual fund trust under the tax act, the Fund cannot be established or maintained for the benefit of non-residents of Canada. That means non-residents of Canada are not allowed to own a majority of outstanding Fund units. The Fund periodically asks the transfer agent for information about the residence status of the Fund's unitholders. If the trustees become aware that 49% of the units are beneficially held by non-residents of Canada, the transfer agent will only transfer units to proven residents of Canada. If non-residents beneficially hold more than 50% of the units, non-resident unitholders may be required to sell their units, as determined by the trustees, and will be given at least 60 days to sell the units. The trustees are not liable if the Fund does not meet the non-resident ownership requirement.

Distributions

The Fund does not pay dividends, but it does pay distributions on its units. Distributions are discretionary. The trustees determine the amount of distributions per unit, and may declare any part of the Fund's cash flow payable in distributions, taking into consideration the Fund's costs and income tax liabilities. Cash flow for this purpose means all amounts received by the Fund, and includes, without limitation, interest, dividends, proceeds from the sale of securities, returns of capital and repayments of indebtedness, less administrative expenses and other obligations, cash paid for redeemed units, and interest expenses.

When there are distributions, they are paid on the last day of the month to unitholders of record on the last day of the preceding month (or, if the distribution date is not a business day, on the following business day or on any other date determined by the trustees). The Fund can also make other distributions during the year, as it sees fit, in its sole discretion, including distributions out of any principal repaid on the unsecured subordinated notes.

Distributions are generally paid in cash. If, however, income has been used to pay for redeemed units, or is otherwise not available to make cash distributions, distributions will be in units issued according to exemptions under securities laws, discretionary exemptions granted by securities regulatory authorities or a prospectus or similar filing.

Reporting

The Fund provides the following reports to unitholders:

- quarterly and annual consolidated financial statements
- annual tax forms
- notice of each meeting of unitholders, and other meeting materials required by law and the Declaration of Trust
- management information circular
- annual information form
- other reports as required by law.

To make sure the Fund can meet its continuous disclosure requirements to securities regulators, the Fund's subsidiaries each provide the Fund with the following documents:

- reports of any material changes in its affairs, in the same way the reports would be filed with regulatory authorities if the subsidiary were a reporting issuer
- financial statements the subsidiaries would be required to file if they were reporting issuers.

Meetings of unitholders

The Fund holds an annual meeting of unitholders, to elect the trustees, appoint the Fund's auditors and vote on resolutions.

You can read about unitholder meetings and voting in the *2020 Management information circular*.

Unitholders can vote on the following:

- electing or removing trustees (or increasing the number of unitholder votes required to remove a trustee)
- appointing or removing the Fund's auditors
- appointing an inspector to investigate how the trustees are performing in carrying out their responsibilities and duties
- approving certain changes to the Declaration of Trust (see *Making changes to the Fund and the Declaration of Trust*, above)
- terminating the Fund
- selling all or substantially all of the Fund's assets
- items that require a special resolution (for example, selling all of the Fund's assets, amalgamations or mergers of subsidiaries (except in connection with an internal reorganization), certain material amendments to the note indenture of subsidiaries, material amendments of the subsidiaries' articles or authorized share capital)
- dissolving the Fund before the end of its term
- other matters the Declaration of Trust specifies require the approval of unitholders
- any other matters the trustees decide to present to unitholders for their approval or ratification, despite no express requirement to do so.

Unitholder proposals and nominating trustees

The Declaration of Trust describes how to submit a unitholder proposal to the Fund, and how to nominate trustees. This includes information about who is entitled to submit proposals and nominations, and the advance notice requirements for each.

Take-over bids

If a take-over bid is made for 90% or more of the units outstanding (not including units held by or on behalf of the potential buyer or an associate or affiliate of the buyer), which are taken up and paid for, the buyer will have the right to acquire units even if the unitholder did not accept the take-over bid on the terms offered.

Unitholder rights

Oppression remedy

Unitholders or other specified eligible complainants can apply to the court if they believe Chemtrade, the Fund or its trustees have acted in a way that is oppressive, unfairly prejudicial to, or that unfairly disregards the interests of any unitholder, securityholder, creditor, trustee or officer, whether this has resulted from action or inaction, the operation of Chemtrade or the Fund's business or affairs, or the trustees' use of their power.

The court will decide what is appropriate, but it can issue an order to, among other things:

- restrain the conduct in question
- appoint a receiver or receiver-manager
- regulate Chemtrade's or the Fund's affairs by amending the Declaration of Trust or the constating documents of any Chemtrade entity
- direct an issue or exchange of securities
- replace the trustees or the directors of any Chemtrade entity or appoint additional trustees or directors
- direct the Fund or any other person to buy a unitholder's securities
- vary or set aside a transaction or contract the Fund or any Chemtrade entity is a party to, and compensate any party to the transaction or contract
- require the Fund or any Chemtrade entity to provide financial information
- wind up the Fund or liquidate or dissolve any Chemtrade entity.

Dissent and appraisal

Unitholders have certain rights if the Fund proposes to make any of the following changes:

- sell or dispose of its Chemtrade securities, or sell, lease or dispose of all or substantially all of its assets or the assets of the Fund or Chemtrade, taken as a whole, if it requires the approval of more than two-thirds of unitholders according to the Declaration of Trust
- go private, if units will be terminated without unitholder consent or without the substitution of an interest of equivalent value
- resolves to make any of the following changes to the Declaration of Trust:
 - add, change or remove a provision restricting or constraining the issue, transfer or ownership of units
 - add, change or remove a restriction on the business of the Fund
 - add, change or remove the rights, privileges, restrictions or conditions attached to units
 - increase the rights or privileges of any class of units that has rights or privileges equal or superior to the class of units held by the unitholder
 - make a class of units with inferior rights or privileges superior to the class of units held by the unitholder
 - create a new class of units with rights that are equal to or superior to the class of units held by the unitholder
 - exchange or create a right of exchange of all or part of a class of units into the class of units held by the unitholder.

Unitholders should send a written objection to the resolution before the meeting of unitholders when the resolution is to be voted on, following the instructions in the Declaration of Trust.

Unitholders will receive a written offer for the fair value of the units, along with a statement showing how fair value was determined. Fair value is determined by the trustees as of the close of business on the day before the day the resolution comes into effect.

Payment will be sent no later than 10 days after the acceptance is received. The offer will lapse if the acceptance is not received within 30 days of the date the offer is made. Unitholders who do not receive an offer, or do not accept the offer they have received, can apply to a court to fix the fair value of the units.

Derivative action

Unitholders have the right to apply to the court for permission to:

- bring an action in the name of and on behalf of the trustees on behalf of the Fund, or any Chemtrade entity
- intervene in an action that the Fund or any Chemtrade entity is a party to, for the purposes of prosecuting, defending or discontinuing the action on behalf of the trustees on behalf of the Fund, or the Chemtrade entity.

The following conditions must be met:

- unitholders must give the trustees at least 14 days' notice of their intention to apply to the court
- they must be acting in good faith, and
- bringing, prosecuting, defending or discontinuing the action must appear to be in the interests of the Fund or Chemtrade.

The court will decide what is appropriate, but it can issue an order to, among other things:

- authorize the unitholder or others to control the conduct of the action
- give directions for the conduct of the action
- direct that the amount payable by the defendant be paid, in whole or in part, directly to former and present securityholders of the Fund or Chemtrade, instead of to the Fund or Chemtrade
- require the Fund or Chemtrade to pay the reasonable legal fees of the unitholders.

OUR CAPITAL STRUCTURE

Our capital structure includes:

- unitholders' equity
- long-term debt.

Unitholders' equity

The Fund can issue an unlimited number of units. There were 92,601,062 units outstanding as of December 31, 2019.

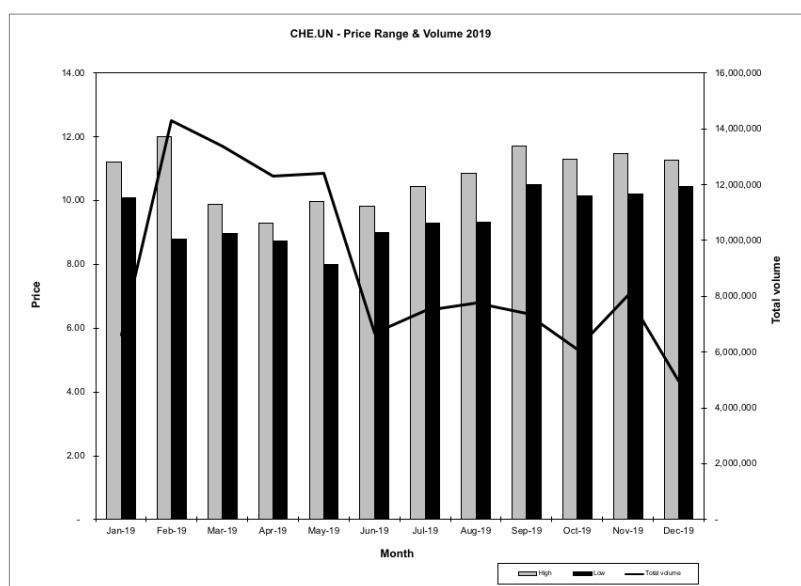
All units are of the same class with equal rights and privileges. If you hold units, you can:

- receive any cash distributions that are declared by the board of trustees
- vote at all meetings of unitholders – each unit entitles you to one vote
- redeem your units at any time.

The Fund has declared and paid monthly cash distributions of \$0.10 per unit (annual cash distributions of \$1.20 per unit) since January 2007.

Market for units

The units trade on the Toronto Stock Exchange (TSX) under the symbol CHE.UN. The graph below shows the price range and volume of units traded on the TSX in 2019.



Long-term debt

Our long-term debt includes:

- debentures
- credit facilities.

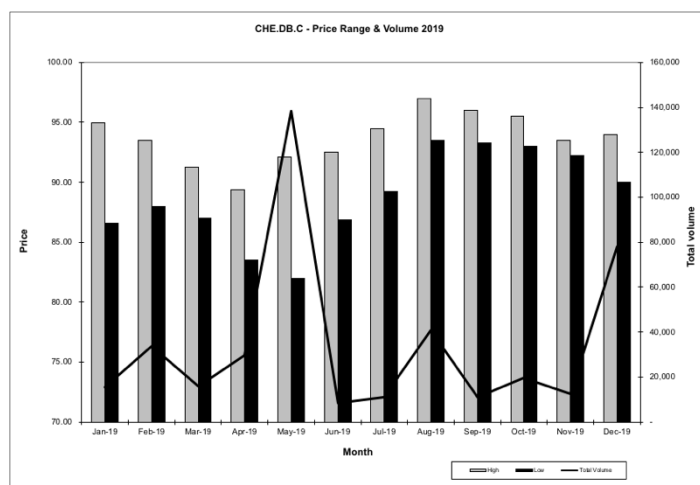
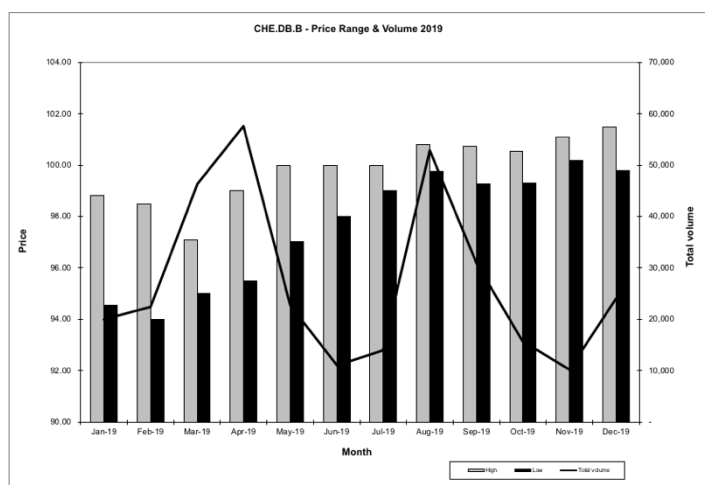
Debentures

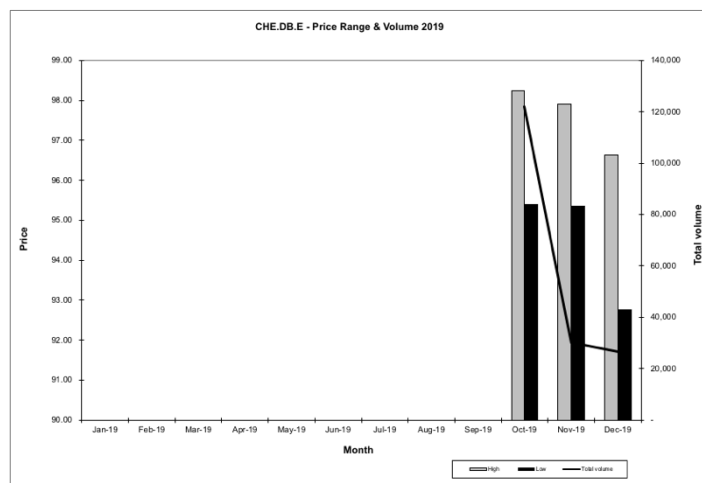
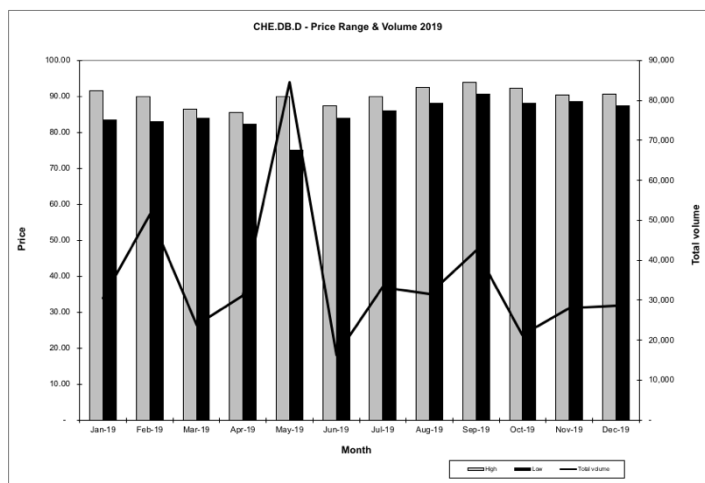
The Fund can issue an unlimited number of debentures. Debentures are issued under a December 20, 2002 trust indenture between the Fund and BNY Trust Company of Canada (formerly, CIBC Mellon Trust Company), as trustee. There was \$571.4 million principal amount of debentures outstanding as of December 31, 2019, as described in the table below:

	Date of issue	Amount Issued at \$1,000 per debenture	Interest rate	Maturity date	Conversion rights Can be converted into units any time before the maturity date or the redemption date (whichever is earlier) at the conversion price below	Redemption rights Can be redeemed on the dates below if the volume weighted average trading price of units for the 20 consecutive trading days ending five trading days before the date of the notice of redemption is not less than 125% of the conversion price	Can be redeemed on the dates below at par plus accrued and unpaid interest
2014 debentures (CHE.DB.B)	June 10, 2014	\$126.5 million	5.25% paid semi-annually in June and December, starting on December 31, 2014	June 30, 2021	\$28.00	June 30, 2017 to June 29, 2019	June 30, 2019 to June 29, 2021
2016 debentures (CHE.DB.C)	September 2, 2016	\$143.75 million	5.00% paid semi-annually in February and August, starting on February 28, 2017	August 31, 2023	\$24.85	Aug 31, 2019 to Aug 30, 2021	August 31, 2021 to August 30, 2023
2017 debentures (CHE.DB.D)	May 2, 2017	\$201.25 million	4.75% paid semi-annually in May and November, starting on November 30, 2017	May 31, 2024	\$26.70	May 31, 2020 to May 30, 2022	May 31, 2022 to May 30, 2024
2019 debentures (CHE.DB.E)	October 1, 2019	\$100.0 million	6.50% paid semi-annually in October and April, starting on April 30, 2020	October 31, 2026	\$15.80	October 31, 2022 to October 30, 2024	October 31, 2024 to October 30, 2026

Market for debentures

The debentures trade on the TSX under the symbols CHE.DB.B (2014 debentures), CHE.DB.C (2016 debentures), CHE.DB.D (2017 debentures) and CHE.DB.E (2019 debentures). The graphs below show the price range and volume traded on the TSX in 2019.





Chemtrade Electrochem debentures and notes

The table below shows the history of debentures and notes related to Chemtrade Electrochem, since we completed our acquisition of Canexus in March 2017. In January 2020, Chemtrade Electrochem redeemed its remaining debentures and ceased to be a reporting issuer.

		Maturity date	Amount issued	Interest rate	Date redeemed
Series IV debentures	Convertible, unsecured subordinated debentures	December 31, 2018	\$60.0 million	5.75%	76.5% on May 10, 2017 23.5% on May 15, 2017
Notes	Senior, unsecured notes	September 20, 2023	\$110.0 million	7.875%	35% on June 26, 2017 65% on June 25, 2018
Series V debentures	Convertible, unsecured subordinated debentures	December 31, 2020	\$107.5 million	6.00%	21.9% on May 10, 2017 78.1% on January 3, 2019
Series VI debentures	Convertible, unsecured subordinated debentures	December 31, 2021	\$85.55 million	6.50%	12.8% on May 10, 2017 87.2% on January 3, 2020

Credit facilities

On February 7, 2017, Chemtrade Logistics Inc. and some of the Fund's other subsidiaries entered into a secured credit agreement (credit agreement) with Bank of Montreal as administrative agent, The Bank of Nova Scotia as syndication agent, and the institutions named in the agreement as lenders.

The credit agreement provides for two senior credit facilities:

- a US\$325 million, five-year term loan credit facility, used to refinance the term facility under the previous credit facilities
- a US\$725 million revolving credit facility (with US\$200 million optional accordion) to refinance the revolving credit facility under the previous credit facilities, to partially fund the acquisition of Canexus (Canexus Acquisition), to pay fees, expenses and other transaction costs associated with the Canexus Acquisition, and for general corporate purposes.

The credit agreement has since been amended as follows:

- on September 22, 2017, the revolving credit facility was reduced to US\$525 million and the accordion increased to US\$400 million
- on March 29, 2018, the maturity date was extended to March 10, 2023
- on December 14, 2018, the maturity date was extended to December 14, 2023
- on October 24, 2019, the maturity date was extended to October 24, 2024.

The credit agreement and all amendments are available on SEDAR (www.sedar.com).

The credit facilities:

- rank senior to all other indebtedness of the Fund and its subsidiaries (including any subordinated intercompany notes)
- are subject to customary terms, conditions, covenants, events of default, and other provisions, including, among other things, restrictions on the Fund's ability to make distributions
- are guaranteed by the Fund and certain of its subsidiaries. The guarantees are secured by security interests in substantially all of the assets of the Fund and its subsidiaries
- include customary representations and warranties and restrictive covenants, including:
 - compliance with certain financial ratios, including a net debt to EBITDA ratio and an interest coverage ratio (both as set out in the credit agreement)
 - restrictions on further borrowing, acquisitions and dispositions
 - restrictions on granting liens
 - other customary restrictions.

Borrowings under the credit facilities can be in Canadian or U.S. dollars, by way of Canadian dollar prime rate, U.S. dollar base rate, U.S. dollar prime rate, U.S. dollar London Interbank Offered Rate or bankers' acceptance advances, plus, in each case, an applicable margin. The interest rate that applies to each type of advance will vary depending on the Fund's ratio of net senior debt to EBITDA (as defined in the credit agreement).

LEGAL AND OTHER INFORMATION

Transfer agent and registrar

The transfer agent and registrar for the units is Computershare Trust Company of Canada at its office in Toronto, Canada.

Interests of management and others in material transactions

The board is not aware of any material interest of any trustee or executive officer of the Fund, or any director or executive officer of Chemtrade, or any unitholder who beneficially owns, or controls or directs, more than 10% of the units, or any known associate or affiliate of these persons, in any transaction since January 1, 2017, that has materially affected or is reasonably expected to materially affect the Fund and its subsidiaries.

Material contracts

Material contracts related to the debentures

- Trust Indenture dated December 20, 2002 between Chemtrade Logistics Income Fund and CIBC Mellon Trust Company.
- Third Supplemental Indenture dated June 10, 2014 between Chemtrade Logistics Income Fund and CIBC Mellon Trust Company.
- Fourth Supplemental Indenture dated September 2, 2016 between Chemtrade Logistics Income Fund and CIBC Mellon Trust Company
- Fifth Supplemental Indenture dated May 2, 2017 between Chemtrade Logistics Income Fund and CIBC Mellon Trust Company
- Sixth Supplemental Indenture dated October 1, 2019 between Chemtrade Logistics Income Fund and CIBC Mellon Trust Company

Declaration of Trust

Amended and Restated Declaration of Trust dated May 12, 2016 for Chemtrade Logistics Income Fund. Turn to page 45 for more information about the Declaration of Trust.

Credit agreement

On February 7, 2017, Chemtrade Logistics Inc. and Chemtrade Luxembourg Holding Inc., as Initial Canadian Borrowers, and Chemtrade Logistics (US), Inc., Chemtrade Performance Chemicals US, LLC, Chemtrade Sulphur US Holdings LLC and Chemtrade Holdco US Inc., as Initial US Borrowers, entered into a secured credit agreement with Bank of Montreal as administrative agent, The Bank of Nova Scotia as syndication agent, and the institutions named in the agreement as lenders. The credit agreement was amended on September 22, 2017, on March 29, 2018, on December 14, 2018 and on October 24, 2019. See page 51 for more information about the credit agreement.

Legal proceedings

As of the date of this AIF, management was not aware of any material litigation outstanding, threatened contemplated or pending, by or against the Fund or any of its subsidiaries, other than the following.

Anti-Trust class action lawsuits and related proceedings

Chemtrade was a subject of an investigation by the U.S. Department of Justice concerning alleged anticompetitive conduct in the water treatment chemicals industry. Chemtrade obtained the benefit of conditional amnesty. The investigation began in 2011, before we acquired General Chemical.

The investigation resulted in several separate civil lawsuits against Chemtrade, which were consolidated into a single multidistrict litigation proceeding in the U.S. District Court for the District of New Jersey (*In re Liquid Aluminum Sulfate Antitrust Litigation*, Case No. 16-md-02687)(transferred February 4, 2016). The litigation proceedings include two class action lawsuits – direct purchasers and indirect purchasers – as well as several direct action lawsuits initiated by other purchasers. No specific damage amounts were claimed.

We settled the direct purchaser lawsuit in November 2018 and the indirect purchaser lawsuit in February 2019. The remaining direct action lawsuits by other purchasers were also settled in 2019. Only a few derivative actions initiated by an ex-employee remain active. These are in the discovery stage. We recorded provisions for the civil actions and settlements of \$100.0 million in 2018 and \$40.0 million in 2019.

The settlements were a material cost to Chemtrade, and the resolution of the remaining derivative lawsuits could have a material adverse effect on our financial condition and/or results.

Superior Plus Corporation reverse termination fee lawsuit

We are currently involved in litigation to recover the \$25 million reverse termination fee from Superior Plus Corporation (SPC). This is related to the terminated SPC Arrangement Agreement, under which SPC had agreed to acquire the shares of Canexus (now Chemtrade Electrochem) (*Canexus Corporation v. Superior Plus Corp.*, Court of Queens' Bench of Alberta, filed July 5, 2016). SPC has filed a counterclaim to recover the \$25 million termination fee from Chemtrade. This lawsuit is in the discovery stage. We intend to actively pursue our claim and vigorously defend the counterclaim. However, the outcome of litigation cannot be predicted with certainty and an adverse decision in such proceedings could have a material adverse effect on our business, financial condition and/or results of operations.

MEG Energy Corp. pipeline tie-in litigation

We are pursuing claims against MEG Energy Corp. (MEG) (*Chemtrade Electrochem Inc. v. MEG Energy Corp.*, Court of Queen's Bench of Alberta, filed September 2, 2014) for damages related to MEG's failure to allow a pipeline to be tied in to a facility formerly owned by Canexus (now Chemtrade Electrochem). We are claiming a total of approximately \$440.5 million in damages, including punitive damages. The lawsuit is in the discovery stage. Litigation is inherently uncertain, however, and a favourable outcome cannot be assured. MEG has filed a counterclaim for approximately \$5 million. Management does not believe that an adverse outcome would have a material adverse effect on our financial condition.

Passaic River litigation

In June, 2018, Occidental Chemical Corporation (Occidental) commenced a lawsuit against Chemtrade Chemicals Corporation (as an alleged successor to Essex Industrial Chemicals Inc.), and over 100 other defendants in the United States District Court for the District of New Jersey (*Occidental Chemical Corporation, Pltf. vs. 21st Century Fox America, Inc., et al., Dfts.*, New Jersey District Court – U.S. District Court – Newark Vicinage, NJ, filed July 2, 2018). Occidental alleges that the defendants are responsible for hazardous substances that were discharged into the Passaic River. It seeks to recover costs that it has incurred or will incur to address these hazardous substances. Occidental has not identified the total amount it is claiming against all defendants nor against Chemtrade as an individual defendant. The lawsuit is in the fact discovery stage and it is not possible to determine the likelihood or amount of any adverse outcome, however an adverse outcome could have a material adverse effect on our business, financial condition and/or results of operations.

Regulatory matters

As of the date of this AIF, management was not aware of any material penalties or sanctions imposed by a court or regulatory body, other than the following.

East St. Louis, Illinois

In June 2011, General Chemical LLC (now Chemtrade Solutions LLC) received a notice of violation from the Illinois Environmental Protection Agency (IEPA) related to its East St. Louis, Illinois site. The notice alleged that certain contaminants in groundwater underlying the site are in excess of State groundwater standards. The IEPA referred the matter to the Office of the Attorney General, which agreed to a civil penalty of US\$70,000 and other stipulated conditions to settle the matter.

On October 31, 2014, to satisfy certain conditions for settlement, we submitted a groundwater management zone work plan to IEPA, which included work to augment the groundwater monitoring system at the site and to close ponds containing alum process residue and gypsum on a negotiated timeline. The work plan was approved by IEPA. We entered into a Consent Order with IEPA to memorialize the settlement conditions, and on July 21, 2016, the Consent Order was entered by the Circuit Court for the Twentieth Judicial Circuit St. Clair County, Illinois. In November 2016, we submitted a Corrective Action Plan to IEPA as required by the Consent Decree. The plan included a final cover design and timeline for the pond closures and a description of the groundwater monitoring program that will be used to assess the effectiveness of the final pond cover system and overall site groundwater conditions. We are required to begin work at the site within one year of receiving IEPA's approval of the proposed Corrective Action Plan. We are currently awaiting approval from IEPA. Failure to comply with the Consent Decree can result in exposure to daily stipulated penalties.

Bay Point, California

The Bay Point, California site was originally subjected to corrective action obligations contained in a Hazardous Waste Management Permit issued to the site and pursuant to the U.S. federal Resource Conservation and Recovery Act (RCRA). Chemtrade West US LLC (formerly General Chemical West LLC) has been investigating the nature and extent of historic contamination and performing interim remediation steps related to this contamination at the site for over two decades. In January 2016, the California Department of Toxic Substances Control (DTSC) and Chemtrade West US LLC signed a Corrective Action

Consent Agreement for the site that memorializes the remaining requirements for the site to complete RCRA corrective action, replacing previous RCRA permit corrective action conditions.

As part of our site-wide remediation obligations under the Corrective Action Consent Agreement, in December 2018, we submitted a Final Corrective Measures Report and response to agency comments to the DTSC. In February 2019, DTSC reviewed that report, found that all comments had been addressed to its satisfaction, and approved it. We will submit a Corrective Measures Pre-Design Investigation Work Plan for soil remediation and the results of several other ongoing limited purpose investigations. Under the Corrective Action Consent Agreement, the DTSC will issue a Statement of Basis with a final selection of the site remedies we are to implement. The site will also be required to meet the related but separate review procedure required by the California Environmental Quality Act.

Berkeley Heights, New Jersey

Our purchase of General Chemical Holding Company (General Chemical) in 2014 (the General Chemical Acquisition) triggered the requirements of the New Jersey Industrial Site Recovery Act (ISRA) at our Berkeley Heights, New Jersey facility.

As required under ISRA, we submitted a General Information Notice to the New Jersey Department of Environmental Protection (NJDEP) on December 5, 2013, and a Remediation Certification for the General Chemical Acquisition on December 17, 2013. The site has a \$250,000 letter of credit for future ISRA investigation and remediation obligations (the surrogate cost estimate established by NJDEP guidance for sites with groundwater contamination). A Preliminary Assessment Report and Site Investigation Report submitted to the NJDEP identified a former settling pond and site-wide groundwater as areas of concern that needed further evaluation and, if warranted, remediation. Groundwater in the vicinity of the former settling pond has historically exceeded New Jersey groundwater standards. We are currently evaluating available options to address the former settling pond solids, which could include potential use, reuse or recycling of the solids or off-site disposal. If the authorities require us to implement a costly remedy, it could have a material adverse effect on our business, financial condition and/or results of operations.

Delaware Valley, Delaware

Our inactive site in Claymont, Delaware (also known as Delaware Valley) is subject to RCRA corrective action obligations under a Unilateral Administrative Order issued by EPA in 2000. The Order requires Chemtrade Chemicals Corporation to assess and remediate soil and groundwater contamination as a result of historical industrial operations on both parts of the site (north plant and south plant).

We sold the south plant to Drawbridge Claymont, LLC (Drawbridge) in two parcels (the south parcel closed in September 2016 and the north parcel closed in December 2019). On September 30, 2016, Chemtrade, Drawbridge and EPA entered into a Consent Decree which sets out remediation obligations for the south plant.

Under historical agreements, Honeywell is responsible for remediating groundwater at both the north and south parcels of the south plant. Drawbridge is primarily responsible for remediating on-site soil contamination at the south plant, is progressing with implementation of its remedial measures (engineered cap permitting and construction activities) at the south parcel and is beginning its required investigative measures at the north parcel under EPA oversight. EPA has agreed to pursue Chemtrade only in the event of Drawbridge's non-compliance.

A stormwater conveyance (sluiceway) received process wastewater from historic operations at the site that discharges to the Delaware River. The historic operations were associated with chemical production by both Chemtrade's predecessors and Honeywell. Chemtrade and Honeywell conducted a joint interim remedial measure to remediate sediments in the sluiceway in 2012 and 2013, with EPA approval. At EPA's request, Chemtrade and Honeywell assessed the condition of the sediments in the Delaware River along the Chemtrade and Honeywell shoreline, and results showed that sediments in some near shore areas of the river exhibited arsenic, lead, and pesticides at levels above EPA screening values. Honeywell and Chemtrade are sharing the costs equally to investigate and implement an interim measure to cap the impacted sediments, and in August 2016, submitted a 30% Remedial Design Document to EPA for sediment capping. This was approved by EPA in September of 2016 but further progress on the near shore remedy has been postponed because EPA is assessing sediments in the river immediately upstream from the Chemtrade and Honeywell facilities. In late 2018, EPA sampled sediments next to the now inactive gasoline refinery owned and operated by Sunoco and/or its affiliates, but has not advised us whether it will require Sunoco to be involved in further investigations or river sediment cleanup. In the meantime, Chemtrade and Honeywell agreed with EPA to undertake several preliminary actions on the upland portion of the near shore remedy. If the authorities require us to implement a costly remedy, it could have a material adverse effect on our business, financial condition and/or results of operations.

Superfund off-site liabilities

We have been named a potentially responsible party at several of our U.S. sites, under the federal Comprehensive Environmental Response Compensation and Liability Act (CERCLA or Superfund) and certain state counterpart statutes that address historic hazardous substance site cleanups (often called landfill).

We or our predecessors — along with many (often hundreds) of other potentially responsible parties at each site — are alleged to have sent hazardous substances from one or more of our operations to the sites. Under the Superfund program, potentially responsible parties are jointly and severally liable for site cleanup costs, including any costs incurred by regulatory agencies that are statutorily authorized to oversee the cleanups and to conduct the cleanups themselves if the potentially responsible parties refuse to do so. Every potentially responsible party is also subject to potential contribution and cost recovery claims from other potentially responsible parties who spend more than their fair share of costs to investigate and clean up these sites.

We have been considered a very small player at these sites and, as such, do not expect any of the sites to create a material liability based on the available information. However, since historic information often is found over long periods of time, it is possible that new information could change our status at any of these sites or that new sites could be found. We will be required to pay to protect ourselves in negotiations with agencies and other potentially responsible parties, and to potentially defend suits or claims seeking an allocation of an unfair share of such costs.

Caution about forward-looking information

This AIF includes statements and information about our expectations for the future. When we talk about strategy, risks, plan and future financial and operating performance, or other things that have not taken place, we are making statements that are considered forward-looking information or forward-looking statements under Canadian securities laws, including the *Securities Act* (Ontario).

Key things to understand about the forward-looking information in this AIF:

- It typically includes words about the future, such as anticipate, continue, estimate, expect, expected, intend, may, will, intend, project, plan, should, believe and others (see examples below).
- It represents our current views, and can change significantly.
- It is based on a number of material assumptions, including those we have listed below, which may prove to be incorrect.
- Actual results and events may be significantly different from what we expect, due to the risks associated with our business. We recommend you review other parts of this document, including *Risks and risk management*, which starts on page 31, and our 2019 MD&A, which includes a discussion of material risks that could cause actual results to differ significantly from our current expectations. You can download a copy of the MD&A from our website (www.chemtradelogistics.com).

Forward-looking information is designed to help you understand management's current views of our near and longer-term prospects, and it may not be appropriate for other purposes. We will not necessarily update this information unless we are required to by securities laws.

Examples of forward looking information in this AIF

This AIF contains statements about our future expectations for:

- our ability to conduct a SASB assessment and the timing of that assessment
- our ability to implement company-wide EHS metrics and to track, monitor and report on them and the timing of that
- our intention to conduct EHS audits at all of our owned facilities
- material compliance with legal and regulatory environmental requirements and the related cost
- the intention of the Port to exercise its option to purchase our North Vancouver leased property at the end of the applicable contract term and the Port's willingness to discuss alternatives
- our intention to continue to distribute the interest and dividend income the Fund earns, less expenses and amounts paid for redeemed units
- our ability to access tax losses and tax attributes
- available tax deductions and the application of certain taxes the nature and timing of, and ability to implement certain remedial and corrective actions relating to environmental or regulatory issues.

Material assumptions

The forward-looking information contained in this AIF includes the following material assumptions, among others:

- no significant disruptions affect the operations of Chemtrade, whether they arise from labour disruptions, supply disruptions, power disruptions, transportation disruptions, damage to equipment or otherwise
- we are able to obtain products, raw materials, equipment, transportation, services and supplies in a timely manner to carry out our activities, and at prices consistent with current levels or in line with our expectations
- required regulatory approvals are received in a timely fashion
- the cost of regulatory and environmental compliance is consistent with current levels or in line with our expectations
- we are able to access tax losses and tax attributes
- we are able to obtain financing on acceptable terms
- currency, exchange and interest rates are consistent with current levels or in line with our expectations
- the global economy performs as expected.

APPENDIX

Chemtrade Logistics Income Fund – Audit Committee Charter

I GENERAL MANDATE

1. The Audit Committee (the “Committee”) is a standing committee of the Board of Trustees (the “Board” or the “Trustees”) of Chemtrade Logistics Income Fund (the “Fund”).
2. The Committee shall provide assistance to the Board in fulfilling its oversight responsibilities to unitholders, regulators and the investment community relating to:
 - a. the quality and integrity of the Fund’s financial statements and financial reporting process.
 - b. the qualifications, performance and independence of the external auditor (the “Auditor”).
 - c. the Fund’s compliance with legal and regulatory requirements to the extent that such requirements are relevant to the integrity of the Fund’s financial statements.
 - d. the identification, assessment and management of risks.
3. The Committee shall maintain free and open means of communication between the Trustees, the Auditor and the financial management of the Fund.
4. In carrying out its responsibilities, the Committee shall endeavour to maintain flexible policies and procedures in order to be able to react to changing conditions and to ensure the Board and unitholders that the corporate accounting and financial reporting practices of the Fund are in accordance with all statutory requirements and of the highest quality.

II COMPOSITION, ORGANIZATION AND PROCEDURES

1. *Composition* - The Committee shall consist of at least three Trustees.
2. *Independence* – Each of the Committee members shall be “independent” (as such term is defined from time to time under the requirements or guidelines for audit committee service under applicable securities laws and the rules of any stock exchange on which the Fund’s securities are listed for trading) and none of the members shall have participated in the preparation of financial statements of the Fund or any of the Fund’s current subsidiaries at any time over the past three years.
3. *Financial Literacy* – Each member of the Committee shall be financially literate or must become financially literate within a reasonable period of time after his or her appointment to the Committee. “Financially literate” means the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Fund’s financial statements. Each member of the Committee must meet any other standards required by applicable securities laws or stock exchange rules.
4. *Quorum* - A quorum shall consist of a majority of the members.

5. *Delegation* - The Committee may form and delegate authority to subcommittees if deemed appropriate by the Committee.
6. *Meetings* - In accordance with the Declaration of Trust, proper notice of meetings shall be given and meetings may be held by telephone. The Chair of the Committee will determine both the agenda for the meeting and the material to be circulated by management to the Committee.
7. *Separate Executive Meetings* – The Committee, or a representative thereof, shall meet periodically (at least annually) with the Chief Financial Officer (“CFO”) and the Auditor in separate executive sessions. Items to be discussed include the Auditor’s evaluation of financial and accounting personnel, the extent of cooperation that the Auditor received during the course of the audit, as well as any matters the Committee or each of these groups believes should be discussed privately and such persons shall have access to the Committee to bring forward matters requiring its attention. The Committee shall also meet periodically without management present.
8. *Frequency of Meetings* – The Committee shall meet at least four times per year in order to review the quarterly and annual financial statements.
9. *Reporting to the Board* – The Committee shall report through the Committee Chair to the Board following meetings of the Committee in respect of matters considered by the Committee, its activities and compliance with this Charter.
10. *Professional Assistance* - The Committee may engage such legal, accounting, financial, or other consultants as the Committee may deem appropriate, in its sole discretion, at the Fund’s expense and may set and pay the compensation for any consultants employed by the Committee. The Committee shall not be required to obtain the approval of the Trustees in order to retain or compensate such consultants or advisors. The Committee may require the Auditor to perform such supplemental reviews or audits as the Committee may deem desirable.

III RESPONSIBILITIES

The specific responsibilities of the Committee are set out below.

A Financial Statement Integrity

1. *Financial Statement Review* - The Committee shall review and discuss with management and the Auditor the Fund’s unaudited interim and audited annual financial statements and related Management’s Discussion and Analysis (“MD&A”), together with (in the case of audited annual financial statements) the report of the Auditor thereon and, if appropriate, recommend to the Board that it approve such statements and related MD&A prior to their release to the public.
2. *Meeting with Auditor & Management* - As part of each meeting at which the Committee recommends that the Trustees approve the annual audited financial statements or the quarterly financial statements, the Committee shall meet separately with the Auditor and with management.

3. *Other Material Financial Disclosure* - The Committee shall discuss with management and the Auditor any other material financial disclosure that may be released by the Fund, including:

- a. The types of information to be disclosed and the type of presentation to be made in connection with earnings news releases; and
- b. News releases containing financial information especially in respect of any use of information which is not expressed as required by the accounting standards adopted by the Fund (non-GAAP or non-IFRS).

The Committee shall, if appropriate, recommend to the Board that it approve any such financial disclosure prior to its release to the public.

The Committee must be satisfied that adequate procedures are in place for the review of the Fund's public disclosure of financial information, including financial information that is extracted or derived from the Fund's financial statements and shall periodically assess the adequacy of those procedures.

4. The Committee shall review and discuss with management and the Auditor:
 - a. *Accounting Presentation* - Major issues regarding accounting principles and financial statement presentation, including any significant changes in the Fund's selection or application of accounting principles and major issues as to the adequacy of the internal controls of the Fund and its subsidiaries (the "Organization") and any special audit steps adopted in light of material control deficiencies;
 - b. *Analyses* - Analyses prepared by management and/or the Auditor setting forth significant financial reporting issues and judgments made in connection with the preparation of the financial statements, including analyses of the effects of accounting policy choices on the financial statements.
 - c. *Off-Balance Sheet Structures* - The effect of regulatory and accounting initiatives, as well as off-balance sheet structures (Special Purpose Entities) on the Fund's financial statements; and
 - d. *Certification* - Management certification of the financial statements as required by applicable securities laws in Canada or otherwise.

B Auditor Appointment, Qualifications, Independence and Performance

1. *Oversight of Auditor* - The Committee shall be responsible for the appointment, compensation and oversight of the work of the Auditor engaged for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Fund.
2. In the discharge of this responsibility, the Committee shall:
 - a. *Choice of Audit Firm* - Have sole responsibility for recommending to the Board (i) the audit firm to be proposed to the Fund's unitholders for appointment as Auditor at the Annual General Meeting; and (ii) that the Trustees should recommend to the Fund's unitholders that the incumbent Auditor be removed from office at any time;

- b. *Auditor's Engagement* - On an annual basis, review the terms of the Auditor's engagement, including the function generally, the objectives, staffing, reliance upon management and general audit approach and scope of proposed audits of the financial statements of the Fund and its subsidiaries, the overall audit plans, the responsibilities of management and of the Auditor, the audit procedures to be used and the timing and estimated budgets of the audits;
- c. *Auditor's Fees* - Discuss the audit fees with the Auditor and be solely responsible for approving such fees;
- d. *Auditor Accountable to Trustees* - Require the Auditor to confirm in its engagement letter each year that the Auditor is accountable to the Trustees and Committee as representatives of unitholders; and
- e. *Assessment of Auditors* - As part of its external auditor oversight responsibilities, together with management, conduct an annual assessment of the auditors and every five (5) years, a comprehensive assessment of the auditors, as recommended by the Canadian Public Accountability Board ("CPAB").

3. *Auditor Independence* - The Committee shall satisfy itself as to the independence of the Auditor. In the discharge of this responsibility the Committee shall:

- a. Assure the regular rotation of the engagement audit partner as required by law and consider whether, in order to ensure continuing independence of the Auditor, the audit firm that serves as Auditor should be rotated periodically;
- b. Require the Auditor to submit to the Committee annually a formal written statement delineating all relationships between the Auditor and the Organization and to report quarterly thereon. The Committee is responsible for actively engaging in a dialogue with the Auditor with respect to any disclosed relationships or services that may impact the objectivity and independence of the Auditor and for recommending that the Trustees take appropriate action in response to the Auditor's report to satisfy itself of the Auditor's independence; and
- c. Follow a policy that the Organization shall not hire partners or employees or former partners or employees of the Fund's current or former Auditor who have worked on matters for the Organization until such time as a period of two years has passed since the partner or employee last worked on matters for the Organization, unless a waiver is granted by the Committee after obtaining appropriate evidence that the Auditor's independence is unlikely to be compromised in the circumstances.

4. *Conduct of Audit*- The Committee shall review any problems experienced by the Auditor in conducting the audit, including any restrictions on the scope of the Auditor's activities or access to requested information. It shall review any significant disagreements with management and, to the extent possible, resolve any disagreements between management and the Auditor.

5. *Material Audit Issues* - The Committee shall review with the Auditor any accounting adjustments that were proposed by the Auditor, but were not made by management; and communications between the audit team and the audit firms' national office respecting material auditing or accounting issues presented by the engagement; and any management or internal control letter issued, or proposed to be issued by the Auditor to the Fund.
 6. *Non-Audit Services* - The Committee shall either pre-approve any non-audit services provided by the Auditor to the Organization, or adopt specific policies and procedures for the engagement of non-audit services, provided that such pre-approved services and procedures are detailed as to the particular service, the Committee is informed of each non-audit service and the procedures do not include delegation of the Committee's responsibilities to management.
 7. *Delegation re Non-Audit Services* - The Committee may delegate to one or more members of the Committee the authority to pre-approve non-audit services in satisfaction of the requirement in the previous section, provided that such member or members must present any non-audit services to the full Committee at its first scheduled meeting following such pre-approval.
 8. *Non-Recognition* - The Committee shall instruct management to promptly bring to its attention any services provided by the Auditor which were not recognized by the Organization at the time of the engagement as being non-audit services.
 9. *Evaluation of Auditor* – On an annual basis, the Committee shall evaluate the performance of the Auditor, and present its conclusions to the Board. In connection with the evaluation, the Committee shall review and evaluate the performance of the engagement partner of the Auditor and obtain the opinions of management with respect to the performance of the Auditor. The Committee may also obtain and review a report by the Auditor describing:
 - a. The Auditor's internal quality-control procedures;
 - b. All relationships between the Auditor and the Organization (for the purposes of assessing the Auditor's independence); and
 - c. In accordance with the protocol established by CPAB, if CPAB has inspected the auditor's file during the year, the auditor will provide the Committee with a copy of the significant inspection findings information as prepared by CPAB, including the audit firm response to such findings.
 10. *Management Interaction with Auditor* –The Committee shall review management's evaluation of the Auditor's audit performance on an annual basis; and shall review as necessary management's response to and subsequent follow-up on any weaknesses identified by the Auditor and management's response to significant internal control recommendations of the Auditor.
2. *Related Party Transactions* – Each quarter, the Committee shall review with the Auditor the procedures in place to identify related party transactions, payments and procedures in order to ensure their propriety and appropriateness. The Committee shall review all related party transactions in which the Organization is involved or which the Organization proposes to enter into and shall make such recommendations as may be appropriate.
 3. *Complaints and Hotline* - The Committee shall establish procedures for the receipt, retention and treatment of (a) complaints received by the Board or the Organization regarding accounting, internal accounting controls or auditing matters; and (b) confidential, anonymous submissions by employees of the Organization of concerns regarding questionable accounting or auditing matters, and shall review such procedures annually.
 4. *Public Disclosure* – On an annual basis, the Committee shall review all disclosure relating to the Committee in the Fund's public disclosure documents.

D Identification, Assessment and Management of Risk

The Committee shall review the identification, assessment and procedures outlined by management to manage risk periodically, but no less than once every two years, as follows:

1. *Management Risk Identification* - Management will present to the Committee a list of major operations and financial risks, and outline the possible consequences of each risk as well as the process or routine in place to share, reject or mitigate each risk.
2. *Committee Review* - The Committee shall receive regular reports from management and receive comments from the Auditor on the Organization's principal financial risks (including financial guarantees and commitments), the systems implemented to monitor those risks and the strategies (including internal control systems and hedging strategies) in place to manage those risks. The Committee shall recommend to the Board whether any new material strategies presented by management should be considered appropriate and approved.
3. *Insurance* – On an annual basis, the Committee shall review the Organization's insurance program, with specific reference to the levels of deductibles and retentions. The Committee will review the financial stability of the insurance companies that are underwriting the Organization's insurance program.
4. *Trustee Protection* – On an annual basis, the Committee shall review the directors' and officers' insurance policy of the Fund and make recommendations for its renewal or amendment or the replacement of the insurer.
5. *Trustee Indemnification* - Subject to applicable laws and the Fund's Declaration of Trust, the Committee is responsible for administering all policies and practices of the Fund with respect to the indemnification of Trustees by the Fund and for approving all payments made pursuant to such policies and practices.
6. *Litigation* – On an annual basis or more frequently as required, the Committee shall review any outstanding litigation.

C Compliance with Legal and Regulatory Requirements

1. *Financial Reporting* - The Committee shall confirm with the Auditor that financial reporting is in compliance with all current regulatory reporting requirements.

7. *Pension Plans* – On an annual basis, the Committee shall receive a report with respect to management’s oversight and the financial status of any defined benefit pension plans and management’s oversight of any defined contribution pension plans.

E Additional Matters

1. *Finance Matters* – The Committee shall receive and review reports on various finance matters, including:
 - a. periodic reports on compliance with requirements regarding statutory deductions and remittances;
 - b. material policies and practices of the Fund respecting cash management and material financing strategies or policies or proposed financing arrangements and objectives of the Fund; and
 - c. material tax policies and tax planning initiatives, tax payments and reporting and any pending tax audits or assessments.
2. *CFO Appointment* – The Committee shall review and recommend to the Board for approval the CFO candidate prior to his or her appointment.
3. *Delegated Matters* - The Committee shall review and approve, as appropriate, any other matter specifically delegated to the Committee by the Board and undertake on behalf of the Board such other activities as may be necessary or desirable to assist the Board in fulfilling its oversight responsibilities with respect to financial reporting and contribute to the success of the Organization and enhance unitholder value.

F Committee and Charter Assessment

1. *Performance Assessment* - On an annual basis, the Committee shall follow the process established by the Trustees and overseen by the Corporate Governance and Compensation Committee for assessing the performance of the Committee.
2. The Committee shall review and assess the adequacy of the Committee Charter annually and recommend to the Board any changes it deems appropriate.



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