



2020

Chemtrade Logistics Income Fund
2020 Annual information form

March 22, 2021

2020 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 67.

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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 2020 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 November 12, 2020.

All information is as of December 31, 2020 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, 2021.

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 segments (see page 6). It had 1,433 employees as of December 31, 2020, 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 93,169,158 units issued and outstanding as at December 31, 2020.

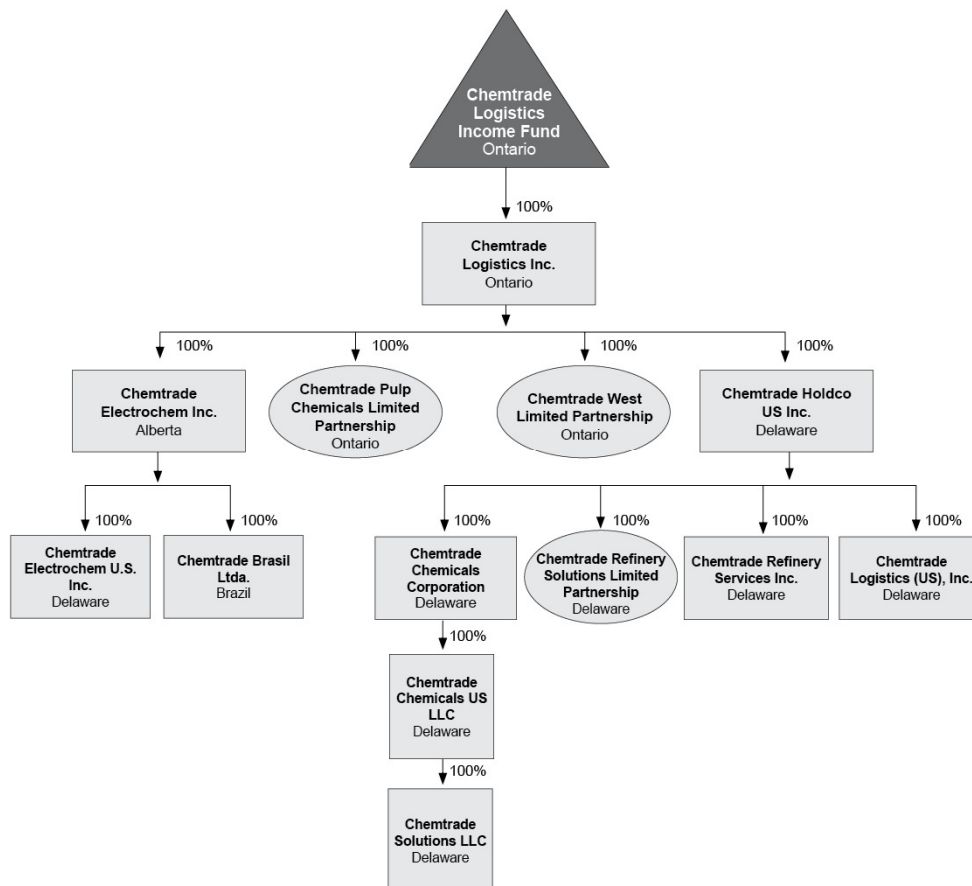
The Fund also has four series of convertible unsecured subordinate debentures outstanding. These are listed on the TSX (see page 61 for details):

- 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)
- CHE.DB.F (2020 debentures due September 30, 2025)

The Fund operates under a Declaration of Trust that was established on July 11, 2001 and was most recently amended on November 12, 2020. 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

2018

June

Chemtrade Electrochem redeemed the remaining 65% of the senior unsecured Chemtrade Electrochem 7.875% notes due September 20, 2023.

The Fund guaranteed all of Chemtrade Electrochem's issued and outstanding debentures (6.0% Series V due December 31, 2020 and 6.5% Series VI due December 31, 2021), 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 64 for details.

2019

January

Chemtrade Electrochem redeemed all of its outstanding Series V debentures. 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 64 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 64 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 37 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 (COO). 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.

Regen acid production ceased at the SPPC segment's Shreveport, Louisiana facility.

October

The Fund issued the 2019 debentures (see page 61), 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, however, a few derivative actions initiated by an ex-employee remained active (see page 64 for details).

2020

January

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

Chemtrade Electrochem ceased to be a reporting issuer.

March

The global COVID-19 pandemic began to impact business conditions in North America. See page 35 for a discussion of its effects on our business and page 45 for a discussion on the risk of pandemic.

The Fund reduced its monthly distribution rate from \$0.10 per unit to \$0.05 per unit starting in March. This was done to increase the Fund's liquidity in the face of the COVID-19 pandemic (see pages 35 and 60 for details).

April

The Fund suspended its 2020 earnings guidance and we postponed major plant turnarounds because of the general economic uncertainty caused by the COVID-19 pandemic.

May

We amended our covenant package on our credit facilities to provide additional covenant room over the next two years.

The Fund held its 2020 annual meeting of unitholders in virtual-only format due to the pandemic.

Daniella Dimitrov was elected to the Fund's board of trustees. Ms. Dimitrov has a law degree from the University of Windsor and a Global Executive MBA from the Kellogg School of Management and Schulich School of Business. She brings to the board over 20 years of executive leadership experience and a strong background in governance and the resource sector (see page 37 for details).

David Gee stepped down from the board of trustees after 18 years of service.

July

The Fund commenced a distribution reinvestment plan (DRIP) (see page 60).

The Fund amended and restated its Declaration of Trust in connection with the DRIP (see page 60).

August

We announced that Mark Davis would retire in 2021 as President and Chief Executive Officer after 20 years' service. COO Scott Rook would replace Mr. Davis.

The Fund issued \$75.0 million 2020 debentures, increased from the \$65.0 million initially announced (see page 61).

September

An additional \$11.25 million of 2020 debentures were issued by over-allotment (see page 61).

We redeemed \$100.0 million of our outstanding 2014 debentures. We used a portion of the net proceeds from the 2020 debentures offering, together with our credit facility, to fund the redemption.

October

We redeemed an additional \$12.5 million of our outstanding 2014 debentures by using some of the net proceeds from the 2020 debentures offering.

November

February 28, 2021 was set as the date for Mark Davis to retire as the Fund's Chief Executive Officer and to step down from the board.

We amended and restated our Declaration of Trust and it will be voted on at the 2021 annual meeting of unitholders. The changes enable a minority of board members to be non-resident Canadians and allow us to have virtual board and unitholder meetings. They also facilitate electronic signatures and delivery, clarify annual meeting procedures and make minor administrative amendments.

Douglas Muzyka was appointed to the Fund's board of trustees. Prior to the amendments to the Declaration of Trust, Mr. Muzyka attended all Fund board and committee meetings in an advisory role due to his residency. Mr. Muzyka is a professional engineer with a doctorate in chemical engineering from the University of Western Ontario and has extensive experience in the chemicals industry. (see page 37 for details).

We completed the redemption of the 2014 debentures.

December

Merchant acid production ceased at our Shreveport, Louisiana sulphuric acid facility and we closed this facility.

2021

January

We launched our refreshed external website (www.chemtradelogistics.com), including updated ESG content.

February

Mark Davis retired as President and Chief Executive Officer of Chemtrade and the Fund and as a member of the board on February 28, 2021.

March

Scott Rook was appointed President and Chief Executive Officer of the Fund and the Chemtrade entities effective March 1. He was also appointed a board member.

We completed a bought deal equity offering of 9,800,000 trust units at a price of \$7.15 per trust unit for aggregate proceeds of approximately \$70 million. The Fund granted an over-allotment option to the underwriters to purchase up to an additional \$10.5 million additional trust units exercisable in whole or in part at any time for a period of 30 days following the closing of the offering, which was not exercised as of the date of this AIF.

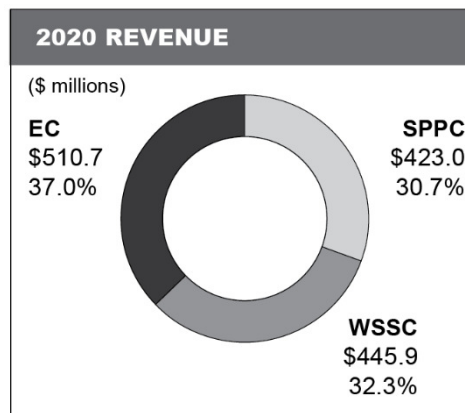
We settled the remaining derivative actions related to the anti-competitive conduct that were initiated by an ex-employee. The settlement terms must be finalized and approved by the relevant governmental agencies and courts (see page 64 for details).

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 24)

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 28)

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 (P_2S_5)
- The only North American manufacturer of sodium nitrite

Electrochemicals (EC) (see page 32)

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, 2020, which are available on our website (www.chemtradelogistics.com) and on SEDAR (www.sedar.com).

2020	SPPC	WSSC	EC	Corp.	Other	Total
Revenue	\$423,027	\$445,897	\$510,715	\$ -	\$ -	\$1,379,639
Earnings (loss) before the undernoted	124,913	102,458	115,869	(77,972)	-	265,268
Unrealized foreign exchange loss	-	-	-	(833)	-	(833)
Depreciation and amortization	(92,843)	(46,967)	(114,102)	-	-	(253,912)
Net loss on disposal and write-down of assets	(20,524)	(433)	(42)	-	-	(20,999)
Impairment of goodwill	-	(56,000)	-	-	-	(56,000)
Change in environmental liability	-	(8,170)	-	-	-	(8,170)
Operating income	11,546	(9,112)	1,725	(78,805)	-	(74,646)
Net finance costs						(140,296)
Income tax recovery						47,464
Net loss						(167,478)
Total assets	862,605	607,728	906,249	3,762	119,982	2,500,326
Total liabilities	220,755	172,240	215,235	50,043	1,236,238	1,894,511
Capital expenditures	28,377	15,242	32,324	1,145	-	77,088

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 gain	-	-	-	10,787	-	10,787
Depreciation and amortization	(97,588)	(50,606)	(114,264)	-	-	(262,458)
Net (loss) gain 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

Manufacturing and processing facilities

We operate more than 60 production facilities. The table below includes our principal manufacturing facilities as of December 31, 2020. 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
	Beaumont, Texas	Sulphuric acid Regen acid Sodium bisulphite	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 create value for its unitholders. 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 41 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

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 2020.

Historically, our growth has mainly come 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 from key new products, additional capacity for existing products, and driving productivity across the organization.

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 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 drive efficiencies every year throughout our processes. Operational excellence is a critical part of our culture.

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 60 for more information about our capital structure.

Sustainability and Responsible Care®

As a manufacturer and distributor of chemicals, our highest priorities include the environment, health and safety, security and sustainability.

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), 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. 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 practiced 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. It can be found on our website (www.chemtradelogistics.com). 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 Sustainability program at Chemtrade is also referred to as ESG: Environment, Social and Governance. The table below describes how we oversee and manage ESG issues in our organization.

Oversight	Strategy	Risk management	Metrics
<p>Board The board is responsible for overseeing strategy, governance and risk. The audit committee oversees risk. The Responsible Care committee oversees environment, health, safety and security. The compensation and corporate governance committee oversees governance practices, business ethics and compensation.</p> <p>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.</p>	<p>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 and environmental metrics are included in the executive compensation program.</p> <p>What we are working on We have assessed material environmental and social risks and opportunities, including those associated with climate change, and are integrating them in a more formal way into our strategic planning process.</p>	<p>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.</p> <p>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.</p> <p>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.</p>	<p>What we do now We track health, safety and environment metrics that align with the Responsible Care ethic and our RC14001 corporate objectives.</p> <p>What we are working on In 2020, we completed a materiality assessment based on Sustainability Accounting Standards Board (SASB) metrics and investor expectations.</p> <p>Our goal is to track, monitor, and report publicly on new metrics company-wide. We plan to begin implementation in 2021. More details can be found in the sections below.</p>

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.

Audit committee	Compensation and corporate governance committee	Responsible Care committee
Oversees major operational and financial risks, the systems implemented to monitor them and the strategies and controls in place to manage them.	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.	Oversees environmental, health, safety and security risks and the policies to manage them, and monitors our performance.

Six trustees sit on the Responsible Care committee. Four of them have chemical industry experience, five have strong manufacturing experience, and all 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 36 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

Chemtrade management is responsible to 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 and performance • 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. Our code of conduct reflects our Responsible Care philosophy, aiming to ensure that employees “do the right thing and are seen to do the right thing” while performing their daily tasks. 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. All employees and board members are trained and tested annually on the contents of the Code and completion is tracked and audited. The CEO oversees the code and monitors compliance under the board's governance. The audit committee reviews the Compliance Line procedures every year and completed its last review in November 2020. The compensation and corporate governance committee, in consultation with the board, periodically reviews the code and the process for administering it. The code was last reviewed and revised in August 2020. 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 41).

<p>During due diligence and acquisition <i>We look at:</i></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 <i>We track and manage:</i></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 <i>We confirm:</i></p> <ul style="list-style-type: none"> • condition of property, including soil contamination • waste disposal • remediation approach and costs • timelines • beneficial re-use • security and safety • 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, environmental footprint 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 and emergency response plans for each manufacturing facility. We also have contracts in place with emergency service providers, and we regularly upgrade our facilities and equipment.

We have implemented numerous global safety standards throughout our operations, and use our DOCTRAC system to track and audit their progress in meeting the standards. We continue to introduce new global standards across the organization as required. In 2020 we introduced the pandemic continuity plan, process safety management training guidelines, railway operations core safety requirements, failure mode and effects analysis procedure, piping and instrumentation diagram standard, and hand and power tools standard.

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 six audits in 2020. Audits are carried out by our own staff and external independent resources. These audits are planned for all of our facilities, on a risk-ranked schedule.

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.

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 Beauharnois, Quebec site which was certified in 2020. 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.

Responsible care policy

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

It 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.

In 2020, we conducted a materiality assessment to identify the sustainability topics that are most likely to affect the financial or operating performance of Chemtrade. The assessment was modelled after a five-factor test developed by the Sustainability Accounting Standards Board (SASB) and considered the following:

1. Direct financial impacts and risks
2. Legal, regulatory and policy drivers
3. Industry norms and competitive drivers
4. Stakeholder concerns and social trends
5. Opportunities for innovation

Based on this assessment, we will monitor, track and report publicly on the following:

Environmental	Social	Governance
<ul style="list-style-type: none"> • greenhouse gas (GHG) and other air emissions, including: <ul style="list-style-type: none"> ○ nitrogen oxides (NOx) ○ sulphur oxides (SOx) ○ hazardous air pollutants (HAPs) ○ toxic air contaminants (TAC) ○ particulate matter • industrial and hazardous waste management • energy management. 	<ul style="list-style-type: none"> • workforce health and safety, including: <ul style="list-style-type: none"> ○ employee <i>and</i> contractor occupational injury/illness incident rates (OIR) ○ incidents resulting in serious injuries or fatalities (SIF) ○ potential exposures to serious injuries or fatalities, recognized <i>after</i> the incident (Close call PSIF) and <i>before</i> the incident (Proactive PSIF) ○ employee <i>and</i> contractor injuries requiring first aid treatment • operational safety, emergency preparedness and response • employee engagement and diversity and inclusion. 	<ul style="list-style-type: none"> • corporate governance and business ethics • management of legal and regulatory environment • governance of environmental and social issues.

Environmental

Based on our SASB materiality assessment, our material environmental matters are greenhouse gas (GHG) and other air emissions, industrial and hazardous waste, and energy management. Our internal environmental tracking system is used as a central repository for tracking emissions. It will be expanded in 2021 to track all of these and monitor our progress towards short and long-term objectives.

Greenhouse gas (GHG) and other air emissions

We recognize that GHG and other air emissions impact climate change, public health and susceptible ecosystems. We also recognize that our stakeholders expect us to minimize air emissions and reduce our environmental footprint. We do this by improving the efficiency of our manufacturing and transportation processes, maintaining the reliability of our production facilities, and utilizing emissions control equipment.

The majority of our GHG emissions are generated through natural gas combustion in support of our production processes. In addition, smaller quantities of GHG emissions are generated through diesel combustion in our private fleet of trucks, through our production processes in Leeds, South Carolina, Richmond, California, and Syracuse, New York, and through the combustion of other fuels in support of our production processes. The intensity of the emissions depend on the efficiencies of the combustion equipment and fleet vehicles, as well as fuel compositions.

We currently measure GHG emissions at the following:

US sites	Canadian sites	Private trucking fleet
<ul style="list-style-type: none"> • Anacortes, Washington • Beaumont, Texas • Cairo, Ohio • Lawrence, Kansas • Leeds, South Carolina • Richmond, California • Riverton, Wyoming • Shreveport, Louisiana (to December 2020) • Syracuse, New York • Toledo, Ohio 	<ul style="list-style-type: none"> • North Vancouver, British Columbia • Beauharnois, Quebec • Brandon, Manitoba • Edmonton, Alberta • Calgary, Alberta • Fort McMurray, Alberta • Fort Saskatchewan, Alberta (both aluminum sulphate and sulphides businesses) 	<ul style="list-style-type: none"> • 54 trucks

These sources make up over 80% of our total GHG emissions. In 2020, they generated a total of 130,000 tonnes of carbon dioxide (CO₂) emissions: 120,000 tonnes from natural gas combustion, 6,000 tonnes from production processes, and 4,000 tonnes from the operation of our private fleet.

New in 2021

In 2021, all sites that generate GHG emissions will be tracked to determine areas of opportunity and further evaluation.

We drive efficiencies in our operations and use alternative fuel sources when feasible, to reduce GHG emissions. In 2020, we replaced an engine used for air emissions abatement with a more efficient one at our Richmond, California site. We continue to meet California's most stringent emissions levels with reduced GHG emissions from this source.

In addition, we are pursuing opportunities to offset our CO₂ emissions by selling hydrogen to third parties who use it to displace other fuels. Hydrogen is a by-product at our EC sites. Currently, we maximise the use of hydrogen in boilers and combustion equipment, thereby reducing our demand for natural gas, but there is remaining hydrogen that is vented to the atmosphere that can be captured and sold. In one such opportunity, Hydra Energy will purchase hydrogen from one of our plants in northern British Columbia. Some of the purchased hydrogen will displace diesel used in trucks belonging to a third party and the remainder will be sold to a third party who will inject it into their natural gas pipeline, thereby increasing the renewable gas content of their product.

Chemtrade is currently pursuing a green hydrogen strategy and our EC facilities offer further opportunities to use hydrogen gas.

By the end of 2022, we anticipate selling approximately 4,200 MT per year which is expected to reduce carbon dioxide equivalent (CO₂e) emissions by over 21,000 tonnes annually. This quantity will offset over 10% of our total CO₂ emissions, and is equivalent to the CO₂ emitted from North Vancouver, British Columbia, our largest Canadian site.

Although the financial impact is not initially significant, we anticipate that this will contribute over \$5 million in margin annually by 2028. We are pursuing similar opportunities at our other EC sites.

Our operations also generate NO_x, SO_x, HAPs, TAC, and particulate matter. NO_x emissions are generated through the combustion of natural gas and in the production of sodium nitrite at our Syracuse, New York facility. SO_x emissions are generated at our sulphuric acid and water chemical facilities through the use or production of sulphuric acid. HAPs and TAC including hydrochloric acid and chlorine are generated at our water and EC sites during the manufacturing process. Particulate matter is generated at most of our operating sites during the production process and handling of dry bulk materials. Comprehensive emission control strategies are in place to minimize impact to the environment. Air emissions abatement systems, such as scrubbers, precipitators, and filtration equipment, are used in conjunction with operating procedures to reduce emissions.

All of these air emissions are tracked at our larger operating sites. In 2021, these emissions will be tracked and disclosed at all of our sites to determine opportunities for further reductions.

Industrial and hazardous waste management

We recognize the impact that industrial waste disposal, including hazardous materials, has on the environment and in our local communities.

Over 75% of our industrial waste is high clay alumina (HCA), which is a by-product of our water chemical sites. Our strategy to reduce HCA waste includes finding opportunities to repurpose or beneficially reuse it. In 2020, we generated approximately 24,000 tonnes of HCA and repurposed 6,500 tonnes (27%) at four of our sites, reducing landfill and associated costs by over \$400,000. Repurposed HCA is primarily used as an ingredient in cement. We are currently actively pursuing reuse projects for other applications at other water chemical sites with the potential to repurpose an additional 7,000 tonnes (29%).

Our processes generate a limited amount of hazardous waste. The majority is generated at our sulphuric acid plants during turnarounds (spent catalyst and filter waste). In addition, some sulphuric acid production processes generate filter cake waste and our sodium chlorate plants generate hexavalent chromium in filtered brine sludge. We limit the quantity of hazardous materials produced through careful production and maintenance planning, and we follow all regulatory requirements for labeling, tracking and managing hazardous materials. Protocols are in place to ensure we use only licensed, reputable disposal companies for hazardous material removal, and audit these companies for appropriate certifications. In 2020, our six largest facilities produced 2,000 tonnes of hazardous waste which we estimate to be 75% of the total amount we produce.

In 2021, we plan to establish a centralized tracking and reporting process for all industrial and hazardous wastes generated and recycled at all sites on a company-wide basis.

Energy management

Our primary sources of energy are electricity and natural gas. Our biggest consumers of electricity are our EC sites, and all of them consume renewable hydroelectricity. We strive to reduce our energy consumption by operating as efficiently as possible, and using renewable and self-generated fuel sources wherever feasible.

A significant amount of the energy used at our sulphuric acid sites is self-generated from recycled hydrogen, organics from spent acid, and sulphur that is produced as a by-product in our processes.

In 2020, our 17 largest facilities consumed 46,000 tonnes of natural gas and 2,500 million KWH of electricity. **96% of the electricity was generated from renewable hydroelectric sources.**

In 2021, electricity and natural gas usage will be tracked and reported for all of our sites.

Social

Based on our SASB materiality assessment, our material social topics are workforce health and safety, operational safety, emergency preparedness and response, and employee engagement and diversity and inclusion. Our programs, plans and metrics for each are described below.

Workforce health and safety

Our philosophy is that working in an injury free environment is by choice, not by chance. Specifically,

- we believe all injuries are preventable and getting to an injury free work environment requires the right mindset and behaviors from all of us
- leaders must create a culture aligned to these beliefs, in which all employees are absolutely committed to working safely, and can freely express their ideas and concerns so that issues are addressed immediately and improvements are made continuously
- all employees must have the knowledge, skills, training, tools, and equipment to work safely, and feel accountable for their personal safety, as well as that of their coworkers and contractors. This accountability includes immediately reporting incidents and sharing concerns with leadership and environmental, health and safety resources.

We have comprehensive health and safety programs to protect the safety of our team members and contractors in every area of our operations. Our occupational health and safety programs focus on the safe execution of all work at all locations. They include leadership and employee training, identification and management of hazards, work-permitting processes, compliance monitoring, supervisory oversight and contractor management.

Safety incidents and corrective actions are tracked and reported to our senior leadership team.

We monitor the following key performance indicators on a monthly, quarterly and annual basis:

- occupational injury/illness incident rate (OIR) for *both* employees and contractors
- incidents that resulted in serious injuries or fatalities (SIF)
- incidents that had the potential to result in serious injuries or fatalities that were recognized *after* an incident occurred (Close call PSIF)
- incidents that had the potential to result in serious injuries or fatalities that were recognized *before* an incident occurred (Proactive PSIF)
- injuries requiring first aid treatment (FAT) for *both* employees and contractors.

We strive to minimize all of these key performance indicators, with the exception of Proactive PSIFs, which we encourage employees to report, in an effort to identify and correct hazardous situations before they result in injury or harm.

To allow for comparison, rates are reported below as the number of incidents that occurred per 100 full-time employees. Over the past three years, our performance in these areas is indicated below:

Metric	2018	2019	2020
Employee OIR	1.69	1.26	1.07*
Contractor OIR	2.09	2.17	5.88
SIF Rate**	0.13	0.06	0.13
Close call PSIF rate***	1.75	1.89	3.32
Proactive PSIF rate***	1.88	6.48	6.77
Employee FAT rate	5.13	5.16	3.39
Contractor FAT rate	11.05	5.97	1.5

* The above excludes COVID-19 related recordable injuries for historical comparisons. See below.

**All incidents were serious injuries, not fatalities.

***PSIF reporting started in 2018.

In 2020, employee injury frequency, excluding COVID-19 related illnesses, was at a seven-year low. Contractor safety, serious injuries and Close call PSIFs continue to be concerns and are being addressed through a safety improvement plan focused on our EC business that was launched in 2020 and by strengthening the contractor safety program in 2021.

In 2020, we formed a Pandemic Steering Team that developed the safety and occupational health protocols, procedures and practices required to operate throughout the COVID-19 pandemic. These were adopted by the sites allowing us to maintain the safety of our employees as we continued to provide essential products to our customers. Cases of COVID-19 in our employee population continue to be well below rates in the general population. See the COVID-19 pandemic section below for more details.

Operational safety, emergency preparedness and response

Process safety and risk management are important components to us as a manufacturer and distributor of chemicals. They are part of our commitment to our employees and the communities we work in. Process safety is both a regulatory requirement in the US and a mandate of our CIAC membership. But more than that, it is the right way to approach our business and an important part of our culture.

We have a multifaceted approach to process safety that has been implemented across all of our facilities. This approach is critical to the management of hazardous materials. Our multifaceted approach to process safety ensures the necessary operational controls and safeguards are in place to maintain a healthy workplace and avoid unwanted releases into the environment. Effective process safety management provides safety and sustainability benefits, enhanced product quality, production efficiency and reduced downtime.

For the safety of the communities we work in, our facilities have robust emergency preparedness measures in place. Comprehensive procedures, trained emergency response teams (on-site and off-site), and 24-hour readiness allow us to respond quickly should we encounter an emergency related to our products or facilities. We also maintain strong relationships with community first responders who are ready to assist in an emergency situation and we share our plans, learning and experience through active community advisory panels (CAPs) at many of our locations.

Emergency response teams and third-party resources are available to handle emergencies 24-hours a day. Facility-based teams are made up of employees from various departments including safety, production, maintenance, supply chain, engineering, and logistics. These teams participate in training sessions at the facilities and in coordinated exercises with other emergency responders (hazmat, fire, and police) and with customers and carriers within the facility's region. Technical support personnel and emergency response vehicles equipped for chemical emergencies are strategically stationed.

We participate in a CIAC and ACC initiative called TRANSCAER® – Transportation Community Awareness and Emergency Response. This is a voluntary outreach effort to assist communities that have major transportation routes within their jurisdictions. TRANSCAER details the policies and procedures we use to prevent transportation accidents by setting high standards for employee training, the use of proper equipment and the selection of responsible carriers. TRANSCAER also

involves transportation emergency response plans in the event of a product spill or leakage during the transportation cycle and provides for our participation in related community awareness programs.

We also participate in The Chlorine Emergency Plan (CHLOREP), an industry-wide program designed to ensure a quick and effective response in the event of a chlorine emergency in Canada and the US.

We monitor key performance indicators for process safety on a monthly, quarterly, and annual basis. All spills and releases that occur on-site are reported and investigated to develop corrective actions to prevent recurrence. The severity of the spill or release is categorized using an internally developed definition matrix. In general:

- Level 1 spills or releases: are ones that result in contamination or pollution leaving the facility boundary, requiring clean-up or exceeding quantity thresholds that require reporting to federal regulators.
- Level 2 spills or releases: remain within the facility boundary, yet require clean-up, and don't exceed quantity thresholds that require reporting to federal regulators.

These incidents and corrective actions are tracked and reported to our senior leadership team.

We also track the number of transportation related incidents that occur during the shipment, transport, and delivery of our products after they leave our facilities on a monthly, quarterly, and annual basis. We define these as events that result in:

- injury
- property damage greater than \$1,000
- fire or explosion
- a spill of more than 5 litres of liquids or 5 kilograms of solids requiring deployment of clean-up or emergency response team
- a spill impacting the surrounding community regardless of the quantity.

Over the past three years, our annual performance in these areas is shown below:

Metric	2018	2019	2020
Level 1 spills or releases	6	9	7
Level 2 spills or releases	60	26	39
Transportation incidents	10	3	11

In 2021, we will drive improvements by establishing a target for transportation incidents in addition to instituting plans to reduce the number and severity of spill or release events.

Employee engagement and diversity and inclusion

Our employees are our most valued asset and we recognize that they are fundamental to our success. We also recognize that strong leaders are critical to enhancing employee engagement. Our talent development processes are therefore targeted towards both individual contributors and leaders.

We develop all of our employees in our key competencies, namely:

- analytical and strategic thinking
- influencing and leading others
- leading change
- developing self and others
- customer mindset.

Our Chemtrade leadership development programs are structured around these competencies. In addition, to ensure we have strong internal candidates to fill roles, we use these competencies to assess our leaders' potential in an annual talent review and succession planning process.

Chemtrade University is an online system designed to provide employee training. The system is used to document the understanding and track the completion of required environmental and safety training, as well as review of our policies (including code of conduct, antitrust, and respectful workplace). Additional training in line with employees' interests and our competencies is also available.

New in 2021

In 2021 we will be conducting our first annual employee survey that will provide us with metrics and feedback on employee engagement, as well as our safety culture and diversity and inclusion. Results will be used to design programs and develop policies and targeted action plans to further improve in these areas. We will track and publicly report results annually.

Currently we track overall retention and new employee (those with 6 months or less service) retention rates, and utilize exit interviews to guide our talent acquisition and development, onboarding, recognition and communication programs and plans. Our retention rates for the past three years have been:

	2018	2019	2020
Overall retention	86.4%	87.1%	86.6%
New employee retention	62.0%	88.4%	87.7%

Our board of trustees and management are committed to ensuring we have a diverse and inclusive work environment. We believe that engaging employees with different skills, backgrounds and perspectives will lead to better outcomes operationally and financially. Our compensation practices support pay equity for comparable work. In 2021, the Group Vice President of Human Resources and Responsible Care plans to develop a diversity and inclusion strategy, informed by an employee survey. The policy will also include further improvements in our recruitment and talent development processes, to ensure we have a diverse and qualified pool of candidates for all roles and that unconscious biases do not limit selections.

Currently we have seven trustees on the Fund's board. Three (42.8%) are women.

As of December 31, 2020, there were seven members on our senior leadership team. Two (28.6%) were women, and one (14.3%) was a visible minority. As of March 22, 2021, there are six members on our senior leadership team. Two (33%) are women, and one (16.7%) is a visible minority.

There are thirty-three members of our extended leadership team, which is primarily comprised of our senior leadership team and their direct reports. Seven (21.2%) are women.

We are committed to tracking the diversity of our leadership teams and employee base in all locations, setting targets and developing initiatives to increase our diversity.

Governance

Based on our SASB materiality assessment, our material governance topics are corporate governance and business ethics, management of legal and regulatory environment, and governance of environmental and social issues. Our programs, plans and metrics are described below.

Corporate governance and business ethics

At Chemtrade, governance starts at the top with our board of trustees and three board committees providing oversight of our corporate strategy, risk management (see *Risks and risk management* starting at page 41), and environmental and social practices. Our management information circular (MIC) contains a discussion of various corporate governance topics, as noted below.

		Page No. in MIC
Structure	Structure	49
	Size and composition	50
	Independence	50
	Diversity	50
Integrity	Code of conduct	58
	Clawback policy	58
	Insider trading policy	58
	Disclosure policy	59
Board quality	Skills Matrix	53
	Orientation	54
	Continuing education	55
	Board assessment	57
Compensation	Fee schedule	63
	About deferred units	63

		Page No. in MIC
Commitments/Expectations of Board members	Risk oversight	59
	Succession planning	62
	Serving on other boards	51
	Equity ownership	51
	Attendance	52
	Tenure and renewal	52
	Majority voting	52

The diversity of our board is also reported in *Employee engagement and diversity and inclusiveness* above.

As discussed in the MIC, our employees are trained on our code of conduct annually and training completion is tracked on our learning management system. It includes anti-corruption training. The policy and training are managed by our General Counsel with oversight provided by the board's compensation and corporate governance committee.

Management of legal and regulatory environment

We are members of both the CIAC and the ACC. Through these associations, we seek to positively influence government regulations and propose policies that address environmental, transportation and social factors affecting the chemical industry. The CIAC promotes government policies that enable the chemistry industry to deliver innovations for a healthy environment and contribute to the low-carbon economy. One of the ACC's guiding principles is to cooperate with governments at all levels and organizations in the development of effective and efficient safety, health, environmental and security laws, regulations and standards.

In addition, we act through other trade associations including the Chlorine and Sulfur Institute to provide input on governmental and regulatory issues.

We also use RegScan compliance specialists as our primary, but not only, source for identifying proposed and final environmental, safety and health regulations.

New in 2021

In 2021, we plan to improve the efficiency of identifying and implementing regulatory requirements through focused notifications of relevant requirements.

Governance of environmental and social issues

The board of trustees is responsible for overseeing strategy, governance and risk, as well as the overall approach to ESG. The audit committee oversees major operational and financial risks, the systems implemented to monitor them, and the strategies and controls in place to manage them. The Responsible Care committee oversees our environmental, health, safety and security philosophy and policies, and monitors our performance in those areas. The compensation and corporate governance committee oversees our governance practices, our business ethics policies, and our compensation policies, plans and programs to ensure they do not motivate inappropriate risk-taking. Through our mandates, charters, policies, and related documents, we have developed a robust, strategic approach to our ESG commitments. This extends to our relationships with valued partners including employees, customers, suppliers, and investors. Each of the board committees is responsible for ESG topics in its area of responsibility, with the board having overall oversight. At the managerial level, the Group Vice President, Human Resources and Responsible Care, has both overall responsibility for ESG, as well as management of the separate environmental and social aspects. The General Counsel manages governance aspects.

The board adopted an investor engagement policy in 2016. A copy of the policy is available on our website (www.chemtradelogistics.com).

Executive compensation is directly impacted by ESG performance. Incentive compensation is determined by the extent to which financial (65%) and personal (35%) goals and objectives are achieved. All executives have safety and environment personal performance goals. In addition, there are ESG elements built into personal goals related to strategic direction, manufacturing and commercial excellence, organizational development, culture and communication.

Environmental liabilities

Environmental liabilities, or remediation obligations, represent our estimated cost to remediate sites as required by environmental regulations. The majority of these remediation obligations relate 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 \$65.9 million in environmental liabilities in its December 31, 2020 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 \$100.1 million in decommissioning liabilities in its December 31, 2020 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 2020 and 2019 were:

	2020	2019
Undiscounted abandonment costs (in thousand \$)	77,683 ¹	77,569 ¹
Discount rate	0.94%	1.77%
Inflation rate	1.74%	1.74%
Average years to reclamation	21 years	22 years

¹ Includes US\$7,976 (2019 - US\$7,729) converted at 1.2725 (2019 – 1.2983)

The table below shows our estimated undiscounted future payments for the expected cost of decommissioning liabilities every year until 2025, and the total after that.

(\$000)	2021	2022	2023	2024	2025	After 2025	Total
Estimated decommissioning liabilities	\$7,679	\$0	\$0	\$6,540	\$0	\$63,464	\$77,683

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

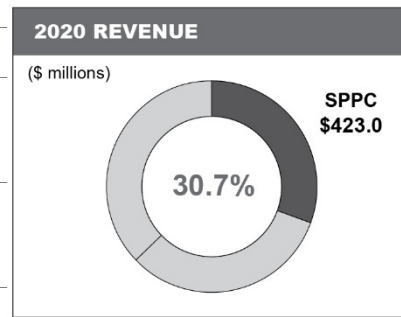
We maintain insurance that includes coverage for liabilities and costs associated with remediation obligations or property damage that arise from present or future operations, or that arise in the handling, transportation or distribution of our products. The previous owners of some of our facilities 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 64.

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: 11



Environment, safety and regulatory issues

See *Sustainability and Responsible Care*® on page 11 for information about our approach to environmental, social and governance issues, and *Risks and risk management* on page 41 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.

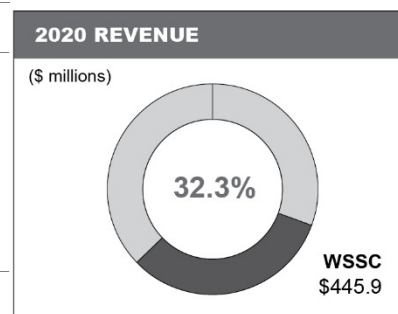
	Sulphuric acid	<i>Market</i>	<i>Main competitors</i>
<i>Main raw materials</i>	<p>Sulphuric acid is one of the most widely used chemicals in industrial applications. The sulphuric acid we sell is used in:</p> <ul style="list-style-type: none"> • the production of wood pulp • the production of industrial 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 41 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 sulphur trioxide (SO₃) 	<p>Ultrapure sulphuric acid has very low chemical or metal contaminants (measured in parts per trillion). 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 sulphur 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"> • 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 • natural gas 	<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 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) 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"> • Nouryon • Arkema
<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 decolorize recycled pulp used in newsprint production • refine kaolin clays, which are used heavily in high-gloss magazines • bleach and decolorize 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.</p> <p>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><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 • in the production of our SHS product (see above). <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 (<i>Syncrude</i>) 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 11 for information about our approach to environmental, social and governance issues, and *Risks and risk management* on page 41 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"> • G2O Technologies • 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"> • G2O Technologies • Summit Chemicals, Inc. • USALCO • Kemira Water Solutions, Inc. • 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"> • G2O Technologies • USALCO • Kemira Water Solutions, Inc. • Holland Company, Inc. • Summit Chemicals, Inc.
<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

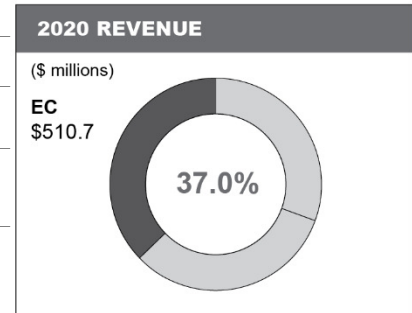
We manufacture and sell specialty chemicals to industrial customers in a variety of industries. Each product has its own uses, market and competitors, as outlined in the table below.

<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 41 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 (FDA) for active pharmaceutical ingredients.</p> <p>We are the only North American manufacturer of API-grade potassium chloride supported by an active FDA Drug Master File. We also hold a Certificate of Suitability of European Pharmacopoeia registration which is the European Union equivalent to the FDA Drug Master File.</p>	<p><i>Main competitors</i></p> <ul style="list-style-type: none"> • Dead Sea Works (ICL Fertilizers) • Klinge Chemicals Limited • Morton-Kali
<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 Bayer (formerly, Monsanto), a U.S. company, as well as from various overseas sources. Sulphur is sourced from many different suppliers. See <i>Risks and risk management</i> on page 41 for more information.</p>	<p><i>Main competitors</i></p> <ul style="list-style-type: none"> • Perimeter (SK Capital Partners)

<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. 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.
<p>Caustic Pellets</p> <ul style="list-style-type: none"> • sodium hydroxide pellets (NaOH) • potassium hydroxide pellets (KOH) 	<p>Used primarily in pharmaceutical applications as a buffer or other excipient. Secondary uses include nutraceuticals, food & beverage and as a laboratory reagent.</p>	<p><i>Market</i></p> <p>We are the only North American based manufacturer. We provide both ACS and NF grades and certify to a number of global pharmacopeias including: USP, EP, BP, JP and CP.</p>	<p><i>Main competitors</i></p> <ul style="list-style-type: none"> • Nouryon for NaOH who distributes in North America exclusively via Avantor • Merck KGA (GY) for both NaOH and KOH

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 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

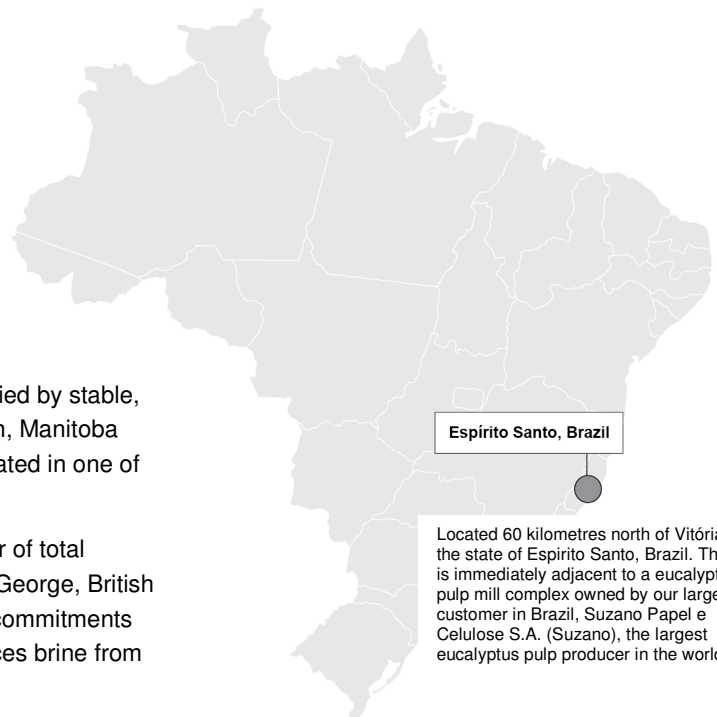
See *Sustainability and Responsible Care*[®] on page 11 for information about our approach to environmental, social and governance issues, and *Risks and risk management* on page 41 for more about the risks associated with the EC business.

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.



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 caustic soda 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, and most chlorine products are sold to the merchant market.

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 one third of the chlorine we manufacture is used to produce hydrochloric acid at our own facilities (see below). This amount fluctuates annually depending on the hydrochloric acid markets. 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.

COVID-19 Pandemic

The global COVID-19 pandemic began in March 2020, creating uncertainties as to potential impacts to future operations, product demand and Fund results throughout the year (see page 45 for more information on *Risk of pandemic*).

We established a Pandemic Steering Team to assess, monitor and manage the impact of the COVID-19 virus on our business and share information across the organization. Operations have been adjusted and actions taken as needed to protect the health of employees, suppliers and visitors.

The Pandemic Steering Team developed policies, procedures, protocols, assessment tools and guidance to assist all manufacturing facilities and offices, as well as employees working from home. The Pandemic Steering Team has disseminated health screening tools and isolation guides for employees, and instituted contact tracing for any known cases of the virus within our employee population. The team also instituted decontamination procedures when required, acquired and installed or disseminated personal protective equipment for employees, and implemented a business travel policy. Our health and safety personnel have worked in cooperation with public health authorities and our suppliers and customers to share information and best practices, and promote employee safety and confidence to work. Working protocols and communication tools are now well established. These address office opening protocols, social distancing and personal protective equipment requirements, facility assessments, cleaning and disinfection protocols, and employee training and communications.

From the onset of the COVID-19 pandemic and related restrictions, our business was deemed an essential service pursuant to various provincial and state orders and therefore our facilities have continued to operate. For the most part, our customers, suppliers and service providers, including transportation, have also continued to operate.

Demand for certain of Chemtrade's products such as water treatment chemicals has not been affected by the pandemic, whereas demand for most other products has been modestly lower. Initially, the biggest impact of the pandemic on our business was caused by government orders restricting non-essential travel and by people working from home. Both of these drastically reduced demand for gasoline which has resulted in lower demand for our regenerated acid services, as oil refineries are operating at significantly reduced rates. Refinery operating rates also vary regionally, as restrictions such as the California stay-at-home orders were imposed in early 2021. These were subsequently lifted, however it remains difficult to predict whether such restrictions will be imposed as new variants of COVID-19 are discovered. The largest impact was early in the second quarter of 2020 after which operating rates started to improve, however rates still remain below normal levels. Also, with large numbers of people working from home and not attending school, demand for printing paper has declined. Printing paper is a significant end-market for pulp in North America. Our sodium chlorate is used to bleach pulp and the reduced demand for pulp has resulted in reduced demand for sodium chlorate. The extent of the reduction in demand for gasoline and printing paper will depend on the speed at which people resume working in the office and the re-opening of the economy in Canada and the U.S. Finally, the generally lower levels of economic activity have resulted in reduced demand for merchant sulphuric acid, which is one of the most widely used chemicals in the world.

Given the high degree of economic uncertainty caused by the COVID-19 pandemic, in April 2020, we suspended our earnings guidance. We also reduced our monthly distribution rate by fifty percent effective with the March 2020 distribution which was paid at the end of April 2020. In May 2020, we negotiated an amendment to our credit agreement which provides additional covenant room for the next two years. A substantial portion of our revolving credit facility is undrawn. We continue to closely monitor our accounts receivable and they are consistent with historic levels. We continue to monitor the impacts of the COVID-19 pandemic and its consequences as they relate to our businesses and operations.

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 2021 management information circular, which is available on our website (www.chemtradelogistics.com) and SEDAR (www.sedar.com).

As of December 31, 2020, 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, 571,442 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. Prior to his appointment to the board of trustees in November 2020, Douglas Muzyka was an additional independent director of Chemtrade Holdco US Inc.

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)
- Daniella Dimitrov
- Emily Moore
- Douglas Muzyka
- Katherine Rethy
- Lorie Waisberg

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
- Daniella Dimitrov
- Emily Moore
- Douglas Muzyka
- Lorie Waisberg

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:

- Emily Moore (chair)
- Lucio Di Clemente
- Daniella Dimitrov
- Douglas Muzyka
- Katherine Rethy
- Lorie Waisberg

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 as of the date of this AIF:

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

Mark Davis was a member of the disclosure committee throughout 2020 and stepped down from the committee upon his retirement on February 28, 2021. Scott Rook joined the disclosure committee on February 22, 2021.

Trustees

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

Trustees are elected each year at the annual meeting of unitholders to serve until the next year's annual meeting. David Gee retired from the board on May 14, 2020, on which date Daniella Dimitrov was elected. Douglas Muzyka was appointed to the board on November 12, 2020. Mark Davis retired from the board on February 28, 2021 and Scott Rook was appointed effective March 1, 2021.

	Board committees	Principal occupation in the past five years
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
Daniella Dimitrov Toronto, Ontario, Canada • trustee since May 15, 2020	<ul style="list-style-type: none"> • Audit • Compensation and corporate governance • Responsible Care 	Partner, Sprott Capital Partners (October 2017 to Present) Chief Executive Officer, Orvana Minerals (2016 to 2017)
Emily Moore Mississauga, Ontario, Canada • trustee since July 1, 2019	<ul style="list-style-type: none"> • Audit • Compensation and corporate governance • Responsible Care (chair since January 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)
Douglas Muzyka Philadelphia, Pennsylvania, USA • trustee since November 13, 2020	<ul style="list-style-type: none"> • Audit • Compensation and corporate governance • Responsible Care 	Corporate director
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
Scott Rook Toronto, Ontario, Canada • trustee since March 1, 2021	–	President and Chief Executive Officer, Chemtrade Logistics Income Fund and Chemtrade (March 2021 to present) Chief Operating Officer, Chemtrade (September 2019 to February 2021) Senior Vice President, Commercial Operations, Ascend Performance Materials (April 2010 to September 2019)

<p>Lorie Waisberg Toronto, Ontario, Canada</p> <ul style="list-style-type: none"> • trustee since May 17, 2001 	<ul style="list-style-type: none"> • Audit • Compensation and corporate governance • Responsible Care 	<p>Corporate director</p>
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Notes

Lucio Di Clemente was a director of Beyond the Rack Enterprises Inc. (now called 7098961 Canada Inc.) when it filed for protection under the *Companies' Creditors Arrangement Act* (Canada) on March 24, 2016.

Douglas Muzyka was a director of Chemtrade Holdco US Inc. until November 12, 2020. Mr. Muzyka also attended board and committee meetings in an advisory capacity from January 2018 until November 2020.

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. Scott Rook, Rohit Bhardwaj and Susan Paré are all officers of the Fund. During 2020, other officers of Chemtrade included: Mark Davis (former President and CEO), Michael St. Pierre (former Group Vice-President, SPPC and Water Chemicals), Dan Dietz (former Group Vice-President, WSSC and EC) and Tab McCullough (former Group Vice-President, Manufacturing), who retired on February 28, 2021, July 12, 2020, March 31, 2020 and January 10, 2020, respectively.

	Principal occupation in the past five years
<p>Scott Rook Toronto, Ontario, Canada</p>	<ul style="list-style-type: none"> • President and Chief Executive Officer, Chemtrade Logistics Income Fund (March 2021 – present) • President and Chief Executive Officer (March 2021 – present) • Chief Operating Officer (September 2019 – February 2021) • Senior Vice President, Commercial Operations, Ascend Performance Materials (April 2010 – September 2019)
<p>Rohit Bhardwaj Vandorf, Ontario, Canada</p>	<ul style="list-style-type: none"> • Chief Financial Officer, Chemtrade Logistics Income Fund (March 2021 – present) • Vice President, Finance and Chief Financial Officer, Chemtrade Logistics Income Fund (January 2006 – February 2021) • Chief Financial Officer (January 2006 – present)
<p>Leon Aarts McKinney, Texas, USA</p>	<ul style="list-style-type: none"> • Group Vice-President, Commercial (October 2020 – present) • Group Vice-President, Corporate Development and Strategy (January 2018 – October 2020) • Group Vice-President, Commercial (December 2016 – January 2018) • Group Vice-President (September 2014 – December 2016)
<p>Tim Montgomery Sellesburg, Indiana, USA</p>	<ul style="list-style-type: none"> • Group Vice President, Manufacturing and Engineering (October 2020 – present) • Executive Vice President, Engagement Partner, Maine Pointe (July 2019 – October 2020) • Procurement Team Lead, Maine Pointe (February 2016 – July 2019)
<p>Emily Powers Mississauga, Ontario, Canada</p>	<ul style="list-style-type: none"> • 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)
<p>Susan Paré Oakville, Ontario, Canada</p>	<ul style="list-style-type: none"> • 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 69 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. Lorie Waisberg and Douglas Muzyka were appointed to the audit committee in May and November 2020, respectively and previously attended meetings as guests.

<p>Lucio Di Clemente (Chair) CPA, CA Financial/accounting knowledge and experience Audit committee experience</p>	<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>
<p>Daniella Dimitrov Financial/accounting knowledge and experience Audit committee experience</p>	<p>Ms. Dimitrov has experience as a corporate and securities lawyer and as a corporate executive having acted as President and CEO, CFO, COO and in a number of corporate development roles of public companies. Ms. Dimitrov has chaired or been a member of eight audit committees of companies in the natural resources sector. Ms. Dimitrov is a Partner at Sprott Capital Partners, a natural resources investment bank, where she regularly reviews the financial statements and other financial and operational disclosures of natural resource issuers.</p> <p>Ms. Dimitrov is National Association of Corporate Directors (NACD) Directorship Certified™, has completed the Audit Committees in a New Era of Governance Course at Harvard Business School and has a Global Executive MBA from Kellogg School of Management and Schulich School of Business and a LL.B. from Windsor University.</p>
<p>Emily Moore Financial/accounting knowledge and experience Audit committee experience</p>	<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. She was past 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>
<p>Douglas Muzyka Financial/accounting knowledge and experience</p>	<p>Mr. Muzyka 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 serves on the board, corporate social responsibility committee and is chair of the human resources and compensation committee of CCL Industries Inc. He is also chair of the environmental, health and safety committee and member of the corporate governance committee of Stella-Jones Inc.</p>
<p>Katherine Rethy Financial/accounting knowledge and experience Audit committee experience</p>	<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 is past Director of SBM Offshore NV (Netherlands), Equitable Bank, TransForce Inc., as well as Muskoka Airport 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>

<p>Lorie Waisberg Financial/accounting knowledge and experience Former EVP Finance and Administration Former audit committee chair</p>	<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>
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Interest of experts

The Fund's auditors are KPMG LLP, independent chartered professional accountants who have audited the Fund's 2020 financial statements. KPMG LLP is independent with respect to the Fund within the meaning of the rules and related interpretation prescribed by the relevant professional bodies in Canada.

The table below shows the fees billed by the external auditors for services for the years ended December 31, 2020 and 2019.

	2020 ¹	2019
Audit fees	\$1,398,834	\$1,256,724
Audit-related fees	\$60,990	\$46,400
For French translation of our MD&A, financial statements and prospectus		
Tax fees	\$1,125,497	\$910,250
For tax compliance and general advisory services		
All other fees	\$0	\$188,388
For debt finance study and transaction assistance in 2019		
Total	\$2,585,321	\$2,401,762

¹ Fees in each category include disbursements and administrative fees.

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 69).

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 67 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 36 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 11.

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		
42	Key facilities	50	Pensions and post-retirement benefits
43	Market for chlor-alkali	50	Reliance on key personnel
43	Cost of electricity and salt	50	Access to raw materials
43	Price of industrial chemicals	50	Potential trade restrictions
44	Significant customers and special relationships	50	Industry over-capacity
44	Reliance on specific industries	51	Acquisitions
44	Contracts with producers and customers	51	Uninsured and underinsured losses
44	Transportation	51	Credit risk
45	Risk of pandemic	51	Foreign operations
45	Operating and regulatory risks and product hazards	52	Anti-dumping protection
46	Legal and regulatory proceedings	52	Reduced use of chemical products
46	Work stoppages	52	Reliance on the Fund's subsidiaries
47	Capital expenditure estimates	52	Cash distributions
47	Foreign exchange	52	Nature of units
47	Environmental laws and regulations	52	Unitholder liability
47	Environmental and decommissioning liabilities	53	Distribution of Chemtrade securities
48	Competition	53	Dilution
48	Leverage and indebtedness	53	Restrictions on future growth
49	Reliance on significant producers	53	Canadian taxes
49	Cybersecurity	53	U.S. taxes
49	Physical risk	55	Uncertainty regarding tax treatment
49	Reputation		

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, Beaumont, Texas, Richmond, California, Toledo, Ohio and Tulsa, Oklahoma facilities are also key facilities.

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), impacts of the COVID-19 pandemic 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 that in which we purchase electricity in 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, CMC Materials, Inc. , Chevron U.S.A. Inc., Mercer International, Domtar Inc., Nanaimo Forest Products, Evergreen Packaging LLC, Syncrude Canada Ltd. and International Paper Company. 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 would 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 and/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 for a number of years which is expected to continue or increase
- 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 and partly through higher tariff rates
- our insurance costs have also increased, both directly and indirectly (i) as railway companies shift liability (including third party liability) for shipping TIH to us under both tariffs and contracts and (ii) as truck carriers pass on their own increased insurance costs.

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. In conjunction with many shipper organizations (ACC & CIAC), we continue to lobby and educate the Canadian and American governments regarding the criticality of a reliable, efficient and cost effective transportation network across North America. 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

The COVID-19 pandemic continues to evolve rapidly and, as a result, it is difficult to accurately assess its continued magnitude, outcome and duration. A local, regional, national or international outbreak of a contagious disease, including COVID-19 or any other similar illness, could:

- impact the health and safety of our employees, causing potential shortages of employees to staff our facilities, or the facilities of our customers or suppliers;
- worsen economic conditions, resulting in generally lower levels of industrial activity which could result in reduced demand for some or all of our products such as sulphuric acid, which is a very widely used chemical;
- lead to prolonged restrictions on non-essential travel and people working from home, which would negatively effect demand for our regen services and for sodium chlorate;
- impact our customers' production volume levels, including as a result of prolonged unscheduled facility shutdowns;
- impact our ability to perform maintenance turnarounds at our manufacturing sites resulting in unscheduled downtime;
- impact our production levels, including as a result of full or partial shutdowns of our manufacturing facilities;
- result in governmental regulation adversely impacting our business or the businesses of our customers or suppliers;
- impact the Fund's ability to raise capital; or
- impact our ability to deliver our products and receive raw materials as a result of a supply chain disruption or orders restricting movement across borders (between or within countries),

all of which could have a material adverse effect on our business, financial condition and/or results of operations, which could be rapid and unexpected. To the extent the COVID-19 pandemic or any similar pandemic or contagious disease adversely affects our business and financial results, it may also have the effect of heightening many of the other risks described in this AIF. The extent to which COVID-19 may impact our business will depend on future developments, which are highly uncertain and cannot be predicted with confidence, such as the ultimate geographic spread and concentration of the pandemic, the duration of the pandemic, travel restrictions and social or physical distancing in Canada, the United States and other countries, business closures or business disruptions and the effectiveness of actions taken in Canada, the United States and other countries to contain the pandemic and treat the virus.

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, results of operations and/or reputation. 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, results of operations and/or reputation.

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, results of operations and/or reputation.

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 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 64 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 20-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 or that the exchange rate between the Canadian dollar and the U.S. dollar will not fluctuate unfavourably for us. 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 11 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 or distributions. 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 \$65.9 million for environmental, remedial and similar obligations in its December 31, 2020 financial statements. This provision is related to the closure of inactive ponds at water chemical sites (see page 22 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 \$100.1 million for decommissioning liabilities related to the closure of facilities in all segments in its December 31, 2020 financial statements (see page 22 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 62).

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.

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. More detail about our cybersecurity and information security risk identification and management practices can be found in our 2021 management information circular, which is available on our website (www.chemtradelogistics.com) and SEDAR (www.sedar.com). These measures and technologies may not adequately prevent security breaches, including ransomware attacks. Business and supply chain disruptions, plant and utility outages and information technology system, compromises to our information and control systems and network disruptions resulting from cyber-attacks could have a material adverse effect on our business, financial condition, results of operations and/or reputation.

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 Richmond, California facility conducts 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 operation 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 44)
- 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* at page 44).

We also import key raw materials and products from overseas, which poses additional risks (see *Foreign operations* at page 51).

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* at page 50).

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.

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. 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 used in alkylate production in gasoline 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 58).

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 61 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 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) (SIFT tax).

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 sufficient taxable income to unitholders every year to ensure it does not have any liability for income 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 Public Law No. 115-97 (formerly known as the Tax Cuts and Jobs Act) (the U.S. tax act) that could apply retroactively.

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 Treaty) the withholding tax rate on interest may be reduced to zero percent for residents who are “qualified persons” under the 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 Treaty, at the time the U.S. subsidiary makes the interest payments.

On April 7, 2020, the IRS and Treasury Department issued final regulations that would permanently disallow the deduction for interest paid under certain financing arrangements involving hybrid transactions or hybrid entities (the *Final Anti-Hybrid Regulations*). The Final Anti-Hybrid Regulations permanently disallowed the deduction for certain interest payments on the U.S. notes retroactive to January 1, 2019. In 2019, the Fund restructured certain U.S. notes to mitigate the adverse future impact of the Final Anti-Hybrid Regulations. The permanent disallowance of deductions for interest payments on the U.S. notes is therefore limited to the 2019 tax year.

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, 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.

The U.S. tax act increased the bonus depreciation percentage from 50 percent to 100 percent for qualified property acquired and placed in service after September 27, 2017 and before January 1, 2023. Bonus depreciation is a tax incentive that allows a taxpayer to immediately deduct the applicable bonus depreciation percentage for the cost of eligible assets placed into service in the current tax year rather than taking an annual depreciation deduction over the useful life of the assets. The U.S. tax act also reduces the bonus depreciation percentage from 100 percent beginning after 2022 to 80 percent for property placed in service in 2023, 60 percent for property placed in service in 2024, 40 percent for property placed in service in 2025, and 20 percent for property placed in service in 2026. The reduction of the bonus depreciation percentage could increase the U.S. tax liability of the U.S. subsidiaries which would reduce the amount of distributions available 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, management fees paid to related parties, and tax related depreciation and amortization. The Fund was subject to the BEAT in 2019 and will likely be subject to the BEAT in 2020 and 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.

Uncertainty regarding tax treatment

Chemtrade is subject to tax audits from various tax authorities on an ongoing basis. As a result, from time to time, tax authorities may disagree with the positions and conclusions taken by Chemtrade in its tax filings or legislation could be amended or interpretations of current legislation could change, any of which events could lead to reassessments.

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. This is different than corporations, which are governed by statute (for example, the Canada Business Corporations Act (the CBCA)). While the protections, rights and remedies of unitholders described under the Declaration of Trust are substantially the same as those provided to shareholders under the CBCA, there is no certainty as to how a court may treat these protections, rights or remedies in a non-corporate context.

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).

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 seven 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.

You can read about the trustees and how they oversee the Fund in *Governance* on page 36.

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.

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 52 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. See also *Distribution Reinvestment Plan (DRIP)* at page 60.

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 *2021 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 93,169,158 units outstanding as of December 31, 2020.

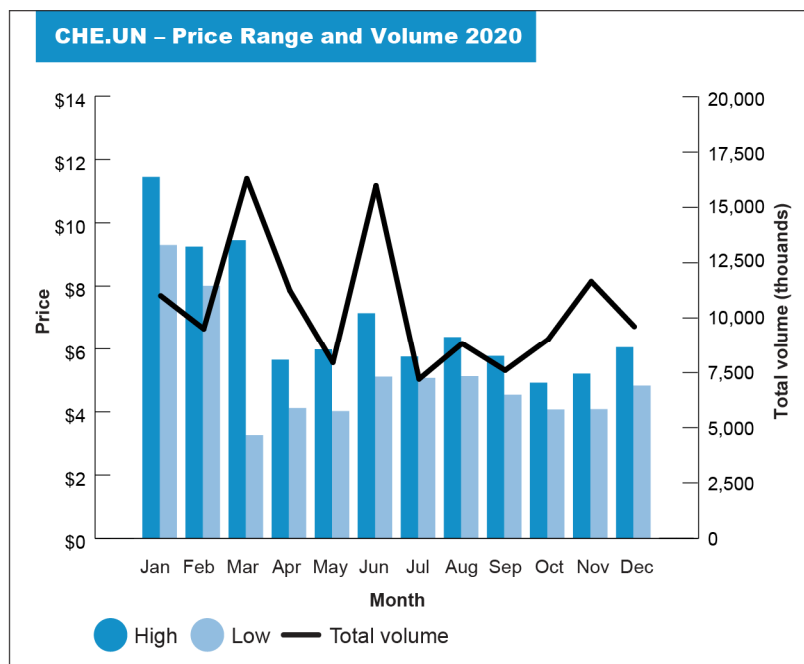
All units are of the same class with equal rights and privileges. If you hold units, you can:

- 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) from January 2007 to February 2020 and has declared and paid monthly cash distributions of \$0.05 per unit (annual cash distributions of \$0.60 per unit) since March 2020.

Market for units

The units trade on the TSX under the symbol CHE. UN. The graph below shows the price range and volume of units traded on the TSX in 2020.



Distribution Reinvestment Plan (DRIP)

On July 12, 2020, we announced the introduction of a Distribution Reinvestment Plan (“DRIP”) with the first purchases during the July 2020 distribution. The DRIP allows eligible unitholders to choose to reinvest some or all of their regular monthly distributions in additional trust units (additional units) of the Fund. No commissions, service charges or brokerage fees are charged under the DRIP.

The board determines

- whether to issue additional units from treasury or to buy them on a stock exchange. Currently, additional units are issued from treasury;
- how to determine the purchase price. Currently, additional units are valued at the volume-weighted average of the daily closing prices of the Units on the TSX for the five trading days immediately preceding the relevant distribution payment date; and

- (iii) whether to provide a “bonus” distribution (bonus) and if so, the amount of the bonus. Currently, DRIP participants receive a bonus of additional units equal to 3% of the amount of the cash distribution reinvested pursuant to the DRIP.

Eligible participants in the DRIP must be resident in Canada and a beneficial holder of at least one whole additional unit. Participants must use a CDS participant (a broker, investment dealer, financial institution or other nominee in its capacity as a participant in the CDS depository service who hold additional units registered in the name of CDS, and act, on behalf of eligible beneficial holders of additional units) to enroll and participate in the DRIP. Other terms and conditions of the DRIP can be found in the full text of the plan, available on Chemtrade’s website at www.chemtradelogistics.com.

Certain sections of the Fund’s amended and restated declaration of trust dated May 12, 2016 were amended in connection with the DRIP. The changes were made so no taxable income of Chemtrade will be allocated to unitholders in respect of any bonus paid to DRIP participants.

Long-term debt

Our long-term debt includes:

- debentures
- credit facilities.

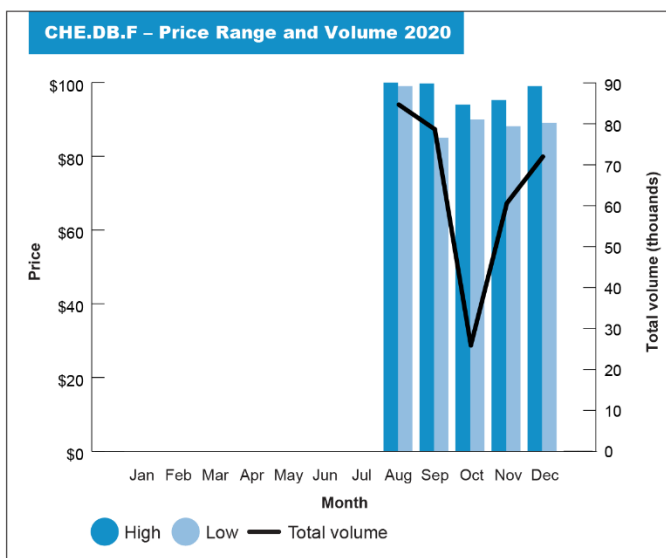
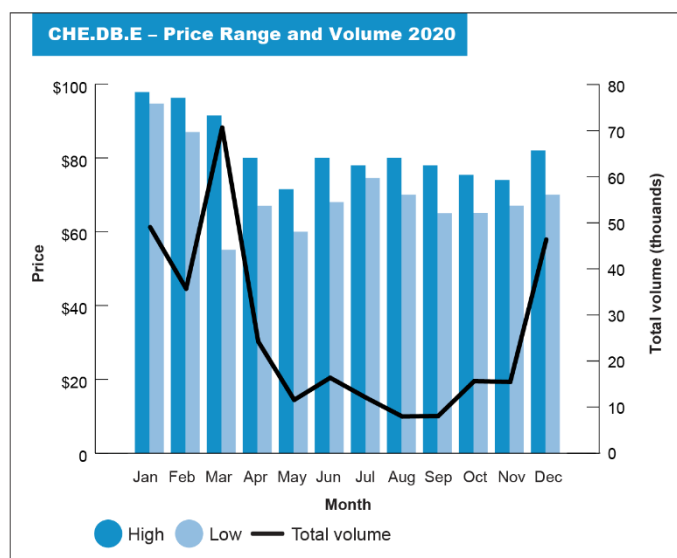
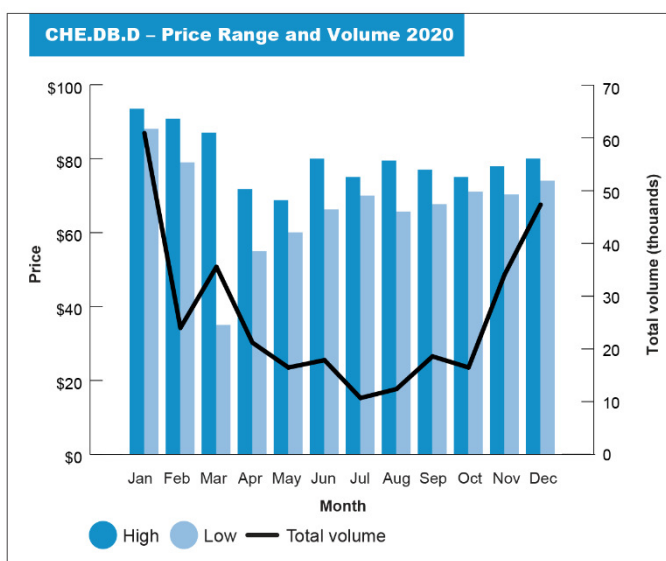
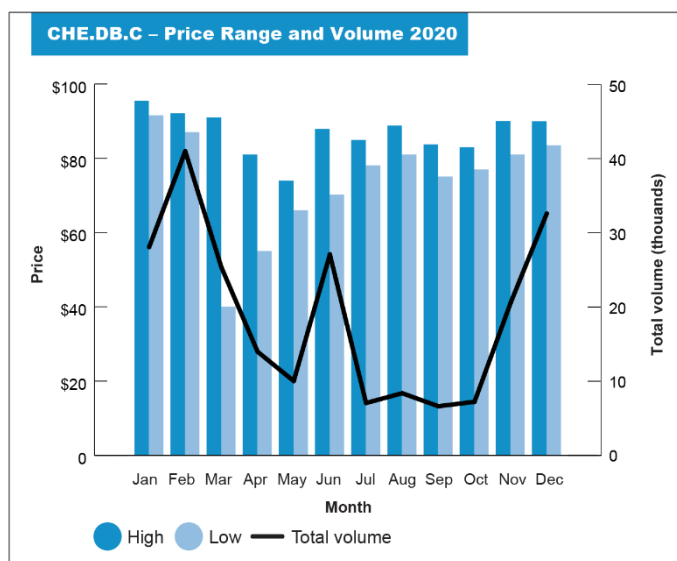
Debentures

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 \$531.1 million principal amount of debentures outstanding as of December 31, 2020, 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
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
2020 debentures (CHE.DB.F)	August 26, 2020	\$86.25 million	8.50% paid semi-annually in March and September, starting on March 31, 2021	September 30, 2025	\$7.35	September 30, 2023 to September 29, 2024	September 30, 2024 to September 29, 2025

Market for debentures

The debentures trade on the TSX under the symbols CHE.DB.C (2016 debentures), CHE.DB.D (2017 debentures), CHE.DB.E (2019 debentures) and CHE.DB.F (2020 debentures). The graphs below show the price range and volume traded on the TSX in 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 Corporation (Canexus), 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
- on May 12, 2020, covenant package on the credit facility amended to provide additional covenant room over the next two years
- on September 30, 2020, added provisions permitting an accounts receivable facility

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, 2018, 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
- 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
- Seventh Supplemental Indenture dated August 26, 2020 between Chemtrade Logistics Income Fund and BNY Trust Company of Canada
- Resignation and Appointment Agreement dated June 19, 2020 between Chemtrade Logistics Income Fund, CIBC Mellon Trust Company and BNY Trust Company of Canada.
 - CIBC Mellon Trust Company resigned as indenture trustee, paying agent and registrar under the Trust Indenture, and BNY Trust Company of Canada was appointed in these roles.

See *Debentures* section at page 61 for further detail.

Declaration of Trust

- Amended and Restated Declaration of Trust dated November 12, 2020 for Chemtrade Logistics Income Fund.
 - Amendments (i) enable a minority of board members to be non-resident Canadians, (ii) permit virtual board and unitholder meetings, (iii) facilitate electronic signatures and delivery, (iv) clarify annual meeting procedures and (v) make minor administrative amendments. The adoption of the November amended and restated Declaration of Trust will be voted upon at this year's annual meeting of unitholders.

Turn to page 56 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, on October 24, 2019, May 12, 2020 and September 30, 2020. See page 62 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 included 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. The final actions, which were derivative actions initiated by an ex-employee, were settled in March 2021 and are subject to finalization and approval by the relevant governmental entities and courts. 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.

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) (*Chemtrade Electrochem Inc. v. Superior Plus Corp.*, Court of Queen's Bench of Alberta, filed July 5, 2016). SPC has filed a counterclaim to recover the \$25 million termination fee from Chemtrade. Trial in the SPC lawsuit is scheduled to commence in late 2021. We intend to actively pursue our claim and vigorously defend the counterclaim. We are also involved in two lawsuits against the law firms that represented Canexus in negotiating the SPC Arrangement Agreement (*Chemtrade Electrochem Inc. vs. Jones Day, et al.* Circuit Court of Cook County, Illinois, County Department, Law Division, filed January 16, 2020; *Chemtrade Electrochem Inc. v. Stikeman Elliott et al.*, Court of Queen's Bench of Alberta, filed June 13, 2018). The two related lawsuits are in the pleadings stage. The outcome of litigation cannot be predicted with certainty and an adverse decision in these 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. The trial for this lawsuit is scheduled to commence in late 2022. 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. In the first quarter of 2020, the DTSC issued the Statement of Basis, under the Corrective Action Consent Agreement, identifying the final site remedies we are required to implement. The initial study we submitted, as required under the California Environmental Quality Act, was approved by DTSC in the first quarter of 2020. In conjunction with our consultants and potential contractors, we have refined our remedial approach. This effort is ongoing in 2021 and beyond.

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 leaving the material *in-situ*, 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 the U.S. Environmental Protection Agency (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 upper sluiceway in 2012 and 2013, with EPA approval. Chemtrade and Honeywell plan to remediate the lower sluiceway in 2021, having already obtained the necessary permits from the US Army Corps of Engineers and the Delaware Department of Natural Resources and Environmental Control. At EPA's request, Chemtrade and Honeywell assessed the condition of the sediments in the Delaware River along the Drawbridge 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 in near proximity to the Drawbridge and Honeywell shoreline, 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.

Syracuse, New York

The EPA has requested and obtained information for the Syracuse, New York sodium nitrate and sodium nitrite manufacturing facility under Section 104(e) of the federal Comprehensive Environmental Response Compensation and Liability Act (CERCLA or Superfund). Information was provided in November and December, 2020 regarding an August release of sodium nitrite solution and a February release of nitric oxide and nitrogen dioxide, respectively. We have taken steps to remediate the releases and prevent future incidents. It is possible that EPA could pursue a consent decree requiring us to pay a penalty or undertake additional remedial actions for any alleged non-compliance associated with the releases.

Superfund off-site liabilities

We have been named a potentially responsible party at several of our U.S. sites, under CERCLA and certain state counterpart statutes that address historic hazardous substance site cleanups.

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 41, and our 2020 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 sell the potassium chloride business and the vaccine adjuvants business
- our ability to monitor, track and report on the listed Environmental, Social and Governance topics
- our ability to expand our internal environmental tracking system and the timing of that
- our ability to complete the planned hydrogen project with Hydra Energy and to achieve the associated CO2e and financial targets and the timing of these items and our ability to pursue other hydrogen opportunities
- our ability to reduce the number of transportation incidents in 2021
- our ability to reduce the number and severity of spills or release events
- our intention to conduct an employee survey and the use, monitoring and reporting of its results
- our ability to improve the efficiency of identifying and implementing regulatory requirements through focused notifications of relevant requirements
- our intention to develop a diversity and inclusion strategy and its contents and timing
- the extent and duration of the COVID-19 pandemic, its variants and their effect on Chemtrade's business
- 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
- our ability to finalize the terms of settlement and obtain the approval of the relevant governmental entities and courts of the derivative actions settlement.

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 or other communication facilities that permit all persons participating in the meeting to speak and hear each other. 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.
- d. Follow a policy that the Organization shall obtain confirmation of the Auditor's independence when hiring any current or former partner, employee or consultant of the Auditor.

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.

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.
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.
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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