



SHAWCOR LTD.

ANNUAL INFORMATION FORM

For the Year Ended December 31, 2021

March 30, 2022

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Item 1 NOTICE REGARDING FORWARD-LOOKING INFORMATION

This document includes certain statements that reflect management's expectations and objectives for the Company's future performance, opportunities and growth, which statements constitute "forward-looking information" and "forward-looking statements" (collectively "forward-looking information") under applicable securities laws. Such statements, other than statements of historical fact, are predictive in nature or depend on future events or conditions. Forward-looking information involves estimates, assumptions, judgements and uncertainties. These statements may be identified by the use of forward-looking terminology such as "may", "will", "should", "anticipate", "expect", "believe", "predict", "estimate", "continue", "intend", "plan" and variations of these words or other similar expressions. Specifically, this document includes forward-looking information in the Trends Section and elsewhere in respect of, among other things, the evolution of the Company's portfolio of products and services beyond the energy sector, the optimization of the Company's portfolio by means of selective acquisitions and divestitures of non-core businesses, the effect of the Company's diversified portfolio of products on its financial performance, the Company's aspirations in respect of environmental, social and governance matters, the completion of the sale and leaseback of the Company's Rexdale facilities and the timing thereof, the commencement of production in respect of the Scarborough Project award; the impact and duration of the global COVID-19 pandemic and the related impacts on the Company's operations, including exposure to additional liabilities and risks and on the global supply and demand of oil and gas; the completion of cost saving initiatives including the reduction of the Company's international operations footprint; the reduction of the Company's quarterly normalized SG&A; the future outlook for capital expenditures in the offshore oil and gas sector and North American land drilling and completion activity; the resumption of the global oil and gas capital expenditures cycle; the anticipated higher investment in liquefied natural gas projects; the level of financial performance throughout 2022; the demand for the Company's products in the Composite Systems, Automotive and Industrial and Pipeline and Pipe Services segments of the Company's business; the growth in and the successful execution of the Company's order backlog; the opportunity to obtain greater market share in the Composite Systems segment, the heightened demand for vehicle electrification and the impact thereof on the Company's financial performance; the impact of increased infrastructure spending on the Company's financial performance; the impact of global economic activity on the demand for the Company's products; the impact of continuing demand for oil and gas; the impact of global oil and gas commodity prices; the increase in final investment decisions for previously delayed pipeline projects; the growth in the carbon capture utilization and storage application market; the impact of changing energy demand, supply and prices and the impact and likelihood of changes in competitive conditions in the markets in which the Company participates; the execution of definitive contracts on outstanding bids for and the timing to complete certain pipe coating projects; the likelihood that international and offshore projects will be sanctioned in the future and the impact thereof on the Company's business; the ability of the Company to fund its operating and capital requirements; the ability of the Company to comply with its debt covenants; the ability of the Company to renew labour union contracts; the adequacy of the Company's existing accruals in respect of environmental compliance, litigation,

tax and other claims, the level of payments generally under the Company's performance, bid and surety bonds; and the requirement for and ability to finance increases in working capital.

Forward-looking information involves known and unknown risks and uncertainties that could cause actual results to differ materially from those predicted by the forward-looking information. We caution readers not to place undue reliance on forward-looking information as a number of factors could cause actual events, results and prospects to differ materially from those expressed in or implied by the forward-looking information. Significant risks facing the Company include, but are not limited to: shortages in the supply of or increases in the prices of raw materials used by the Company; changes in underlying economic factors affecting demand for the Company's products and services; the duration and impact of the COVID-19 pandemic and future public health crises and other events outside the Company's control on the Company, its employees, customers, suppliers, energy and commodity markets and on the global economy; a decline in the level of North American drilling and completion activity; a decline in the level of global pipeline construction; the impact of divestitures and acquisitions on the Company; changes in competitive conditions within the markets that the Company operates in; the requirement to comply with various covenants under the Company's existing and future debt obligations, the ability to make the scheduled payments thereunder and the potential for changes to the Company's credit rating; rising interest and inflation rates; fluctuations in foreign exchange rates; exposure to product, environmental and other liability claims; the impact of expanding environmental, social and governance practices and disclosure requirements and changing investor sentiment in respect thereof; compliance with environmental, trade, health, safety, tax and other laws in multiple jurisdictions; the impact of activist shareholders; the impact of climate change on operations, supply chains and demand for the Company's products and services; political, economic, health, global supply chain and other risks arising from the Company's international operations; changes in trade, tax or other laws in Canada or internationally; disruptions of informational technology systems or cybersecurity breaches; as well as other risks and uncertainties described herein under "Risk Factors" and in the Company's annual Management's Discussion and Analysis under "Risks and Uncertainties".

These statements of forward-looking information are based on assumptions, estimates and analysis made by management in light of its experience and perception of trends, current conditions and expected developments as well as other factors believed to be reasonable and relevant in the circumstances. These assumptions include those in respect of the reduction of certain COVID 19 related restrictions and the impact thereof on global economic activity, the Company's ability to manage supply chain disruptions caused by the COVID-19 pandemic, other health crises or by natural disasters or by military conflicts; global oil and gas prices; a lull in pipe-coating activity during the first quarter of 2022 followed by improving activity levels throughout the balance of 2022; sustained strong demand for the Company's FRP tanks, including for retail fuel storage and water treatment and storage; increased demand for composite pipe; the easing of microchip shortages in the automotive sector and increased demand in the automotive and industrial markets; heightened demand for electric and hybrid vehicles; heightened infrastructure spending in Canada, including in respect of nuclear plant refurbishment and upgraded communication networks; the likelihood of projects tied to securing long-term domestic energy supply or drilling rights being

sanctioned, the recommencement of increased capital expenditures in the global offshore oil and gas segment, the continued recovery of the global economy, a gradual recovery of oil and gas markets in North America; the Company's ability to execute projects under contract, the Company's continuing ability to provide new and enhanced product offerings to its customers, the higher level of investment in working capital by the Company, the continued supply of and stable pricing or the ability to pass on higher prices to its customers for commodities used by the Company, the availability of personnel resources sufficient for the Company to operate its businesses, the maintenance of operations in major oil and gas producing regions, the adequacy of the Company's existing accruals in respect of environmental compliance and in respect of litigation and tax matters and other claims generally, and the level of payments under the Company's performance, bid and surety bonds and the ability of the Company to satisfy all covenants under its Credit Facility and other debt obligations and having sufficient liquidity to fund its obligations and planned initiatives. The Company believes that the expectations reflected in the forward-looking information are based on reasonable assumptions in light of currently available information. However, should one or more risks materialize, or should any assumptions prove incorrect, then actual results could vary materially from those expressed or implied in the forward-looking information included in this document and the Company can give no assurance that such expectations will be achieved.

When considering the forward-looking information in making decisions with respect to the Company, readers should carefully consider the foregoing factors and other uncertainties and potential events. The Company does not assume the obligation to revise or update forward-looking information after the date of this document or to revise it to reflect the occurrence of future unanticipated events, except as may be required under applicable securities laws.

To the extent any forward-looking information in this document constitutes future oriented financial information or financial outlooks, within the meaning of securities laws, such information is being provided to demonstrate the potential of the Company and readers are cautioned that this information may not be appropriate for any other purpose. Future oriented financial information and financial outlooks, as with forward-looking information generally, are based on the assumptions and subject to the risks noted above.

CURRENCY

All references in this document to “\$” are to Canadian dollars unless noted otherwise.

Item 2 **CORPORATE STRUCTURE**

2.1 **Name, Address and Incorporation**

Shawcor Ltd. (“**Shawcor**” or the “**Company**”) was originally incorporated under the laws of Canada in 1968 as Shaw Pipe Industries Ltd. and was continued under the *Canada Business Corporations Act* in 1980 at which time it adopted the name Shaw Industries Ltd. Two subsidiaries, Shaw Pipe Protection Limited, which was originally incorporated in 1954, and ShawFlex Inc., which was originally incorporated in 1960, were amalgamated with the Company under the *Canada Business Corporations Act* effective January 1, 1991 and January 1, 1994, respectively. Effective May 4, 2001, the Company adopted its present name.

Additional amendments made to the articles of the Company since its amalgamation on January 1, 1994 include a subdivision of the Company’s outstanding shares on a three for one basis, effected in 1998; an amendment empowering the Board of Directors to appoint additional directors, effected in 2002; and the imposition of certain restrictions on the issuance of additional Class B Multiple Voting Shares, effected in 2004.

On March 20, 2013, the Company and Seaborn Acquisition Inc. amalgamated pursuant to a Plan of Arrangement. Pursuant to this Plan of Arrangement, the Company’s dual class share structure, which had consisted of Class A Subordinate Voting Shares (having one vote per share) and Class B Multiple Voting Shares (having ten votes per share), was eliminated and its authorized and issued capital now consists solely of common shares. Additional information concerning the Plan of Arrangement and the elimination of the Company’s dual class share structure is included in the Company’s management proxy circular dated February 11, 2013 which is filed on SEDAR at www.sedar.com. Effective January 1, 2015, the Company amalgamated with its subsidiary, 9098658 Canada Inc., and immediately thereafter, the resultant company amalgamated with two subsidiaries, Flexpipe Systems Inc. and Shaw Pipe Protection Limited, in each case under the *Canada Business Corporations Act*. Effective April 2, 2019, the Company amalgamated with its subsidiary, ZCL Composites Inc., under the *Canada Business Corporations Act*.

The address of the Company’s head and registered office is 25 Bethridge Road, Toronto, Ontario, Canada, M9W 1M7.

Unless the context requires otherwise, the term “Company” herein refers to Shawcor and its subsidiaries.

2.2 **Intercorporate Relationships**

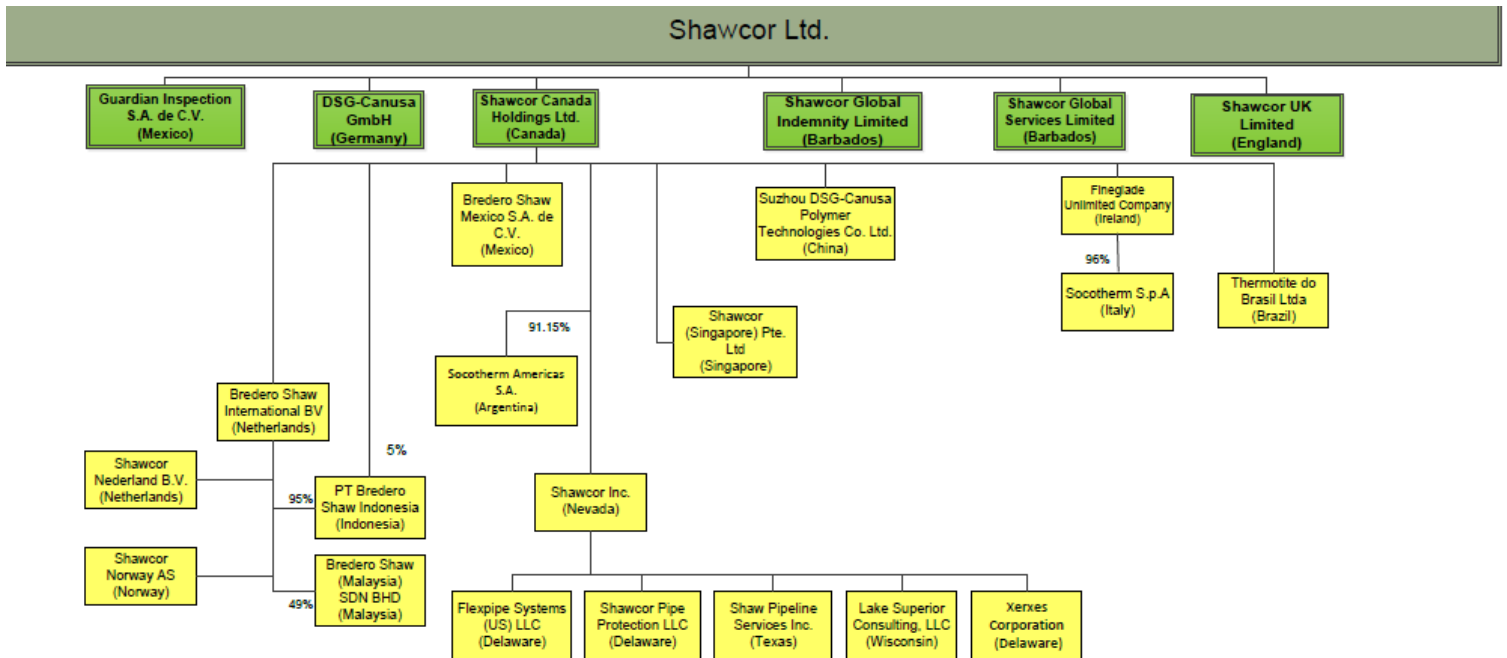
PRINCIPAL SUBSIDIARIES AND AFFILIATES

The following table lists the Company’s principal subsidiaries and affiliates (affiliates being

corporations in which Shawcor has a significant non-controlling equity interest) as at March 1, 2022 including the jurisdiction of incorporation and the percentage of voting securities held by Shawcor or its subsidiaries:

Name	Jurisdiction of Incorporation	Percentage Owned
Bredero Shaw (Malaysia) SDN BHD	Malaysia	49
Bredero Shaw International BV	The Netherlands	100
Bredero Shaw Mexico S.A. de C.V.	Mexico	100
DSG-Canusa GmbH	Germany	100
Fineglade Unlimited Company	Ireland	100
Flexpipe Systems (US) LLC	Delaware	100
Guardian Inspection S.A. de C.V.	Mexico	100
Lake Superior Consulting, LLC	Wisconsin	100
PT Bredero Shaw Indonesia	Indonesia	100
Shaw Pipeline Services Inc.	Texas	100
Shawcor Nederland B.V.	The Netherlands	100
Shawcor (Singapore) Pte. Ltd.	Singapore	100
Shawcor Canada Holdings Ltd.	Canada	100
Shawcor Global Indemnity Limited	Barbados	100
Shawcor Global Services Limited	Barbados	100
Shawcor Inc.	Nevada	100
Shawcor Norway AS	Norway	100
Shawcor Pipe Protection LLC	Delaware	100
Shawcor UK Limited	England	100
Socotherm Americas S.A.	Argentina	91
Socotherm S.p.A.	Italy	96
Suzhou DSG-Canusa Polymer Technologies Co. Ltd.	China	100
Thermotite do Brasil Ltda	Brazil	100
Xerxes Corporation	Delaware	100

The following chart illustrates the ownership structure of Shawcor and its principal subsidiaries and affiliates as at March 1, 2022:



March 1, 2022

Item 3 GENERAL DEVELOPMENT OF THE BUSINESS, 2019 – 2021

3.1 Overview

The Company is a growth oriented, global material sciences company serving the Infrastructure, Energy, and Transportation markets. Its three business segments, Composite Systems, Automotive & Industrial and Pipeline & Pipe Services, enable responsible renewal and enhancement of critical infrastructure while lowering risk and environmental impact. The Company operates through a global network of fixed and mobile manufacturing and service facilities located around the world.

During the period 2019 - 2021, the Company pursued a portfolio optimization and targeted segment growth strategy with its three segments of Composite Systems, Automotive and Industrial and Pipeline and Pipe Services primarily in the markets of Infrastructure, Energy and Transportation. This strategy included focusing on products and services that offered the greatest opportunities for differentiation, higher margins and growth.

As part of its strategy, the Company has expanded its business outside of energy markets during the 2019 – 2021 period through organic investments to expand capacity in its Automotive and

Industrial segment and the acquisition of the ZCL Composites Inc. (“ZCL”) completed in April 2019 to address growing demand for fiberglass reinforced plastic (“FRP”) underground storage tanks for the retail fuel market. These investments, along with growing demand in related markets, has allowed the Company to grow its non-oil and gas business to 41% of total revenue in 2021 from 14% in 2018. The Company still has a significant portion of its business tied to the oil and gas industry and has experienced demand that has been volatile and lower than historic levels during the period of 2019 – 2021. This lower level of demand in the Company’s oil and gas business is primarily the consequence of very limited sanctioning of international and offshore pipe coating projects during the three-year period and curtailed spending among North American land operators in 2019 and 2020. Demand in 2020 was further impacted by the COVID-19 pandemic and negative changes in oil and gas supply and demand dynamics. During 2021, oil and gas supply dynamics began to improve; however, sanctioning of international and offshore pipeline projects continued to lag. The Company delivered negative operating results during this three-year period due to significant impairment charges in its oil and gas businesses, restructuring costs to reduce its operating cost base and lower demand in the oil and gas markets. This was partially offset by gains on sale of assets in 2019 and 2020, the acquisition of ZCL in April 2019 which has enjoyed increased demand for FRP tanks in the retail fuel market and increased capacity and demand in the Automotive and Industrial segment.

In 2020 and 2021, Shawcor completed several actions to optimize the portfolio of products and services it offers and to reduce its overall operating cost base. During this period, the Company continued its focus on the highest value, most differentiated industrial businesses and divested or shutdown non-core businesses, which included its Pipeline Performance Products business (the “Products business”) in 2020, coupled with the Shawcor Inspection Services, Guardian Mexico and CSI Services businesses in 2021. The Shawcor Inspection Services business provided nondestructive testing (“NDT”) and inspection services for oil and gas gathering transmission and processing infrastructure. The Guardian Mexico business focused on tubular inspection, repairs and asset management and the CSI business offered custom coatings for infrastructure projects. The Company’s cost optimization efforts included the controlled shutdown or sale of several girth weld inspection branches and 9 fixed pipe coating facilities and the right sizing of its salaried workforce for a total headcount reduction of 28% over the course of the last two years. These actions serve to narrow the Company’s focus to those businesses that are best positioned to benefit from favourable long-term macro trends while maintaining an efficient operating cost base. Further details of these actions are set forth under section 3.2 “Specific Highlights for 2020 and 2021”.

In 2019, consolidated revenue increased by \$81 million, or 6% from 2018, to \$1.49 billion. The increase was primarily due to a \$69.6 million or 20% increase in the Composite Systems segment which included the acquisition of ZCL in the second quarter of 2019. It also reflected increases of \$2.6 million in the Pipeline and Pipe Services segment and \$8.9 million in the Automotive and Industrial segment. In the Pipeline and Pipe Services segment, revenue increased primarily due to higher revenues in North America and the Europe-Middle East and Russia region (“EMAR”), partially offset by lower revenue in the Asia Pacific region. In the Composite Systems segment, the revenue increase reflects the ZCL acquisition, partially offset by decreased activity levels in North America for composite pipe. In the Automotive and Industrial segment, revenue increased primarily due to increased shipments of wire and cable products in North America, partially offset

by lower revenue in heat shrink tubing products, particularly in the automotive sector. Income from operations was a loss of \$46.4 million in 2019, a decrease compared to the \$50.6 million income in 2018. Operating loss in the year included \$104.1 million of impairment charges, rework costs related to a quality issue at the Company's Channelview facility, a \$7.0 million decrease in gross profit, increases in amortization of intangible assets and Right of Use assets, and lower net foreign exchange gains. This was partially offset by a gain on the sale of land from the consolidation of the Company's footprint in Western Canada and a decrease in amortization of property, plant and equipment. Net loss (attributable to shareholders of the Company) in 2019 was \$33.3 million, or a loss per share of \$0.47 on a fully diluted basis, compared to net income of \$25.9 million, or earnings per share of \$0.37 in 2018.

In 2020, consolidated revenue decreased by \$311 million or 21% from 2019 to \$1.18 billion. The change in revenue reflected decreases of \$201.6 million in the Pipeline and Pipe Services segment, \$96.5 million in the Composite Systems segment and \$12.8 million in the Automotive and Industrial segment. In the Pipeline and Pipe Services segment, revenue decreased due to lower activity levels in North America, Latin America, and EMAR and was partially offset by higher pipe coating project activity in Asia Pacific. In the Composite Systems segment, revenue decreased primarily due to lower demand levels in composite pipe products and lower service activity levels of tubular management in Canada. This was partially offset by increased revenue from the composite tank business due to continued strong demand in the retail fuel market. Also, 2020 included an additional quarter of revenues from the composite tank business which was acquired in April 2019. In the Automotive and Industrial segment, revenue decreased due to lower demand for heat shrink tubing products in the automotive sector in North America and EMAR, slightly offset by higher revenue in Asia Pacific. Income from operations was a loss of \$261.3 million and reflected a decrease of \$214.9 million from the loss of \$46.4 million in 2019. Operating loss in the year included \$212.6 million in impairment, \$104.5 million decrease in gross profit, \$32.6 million in restructuring costs and higher foreign exchange losses. This was offset by decreases of \$65.6 million in selling, general and administration ("SG&A") expenses and \$8.2 million in depreciation and amortization. Net loss (attributable to shareholders of the Company) in 2020 was \$234.2 million, or a loss per share of \$3.33 on a fully diluted basis compared to net loss of \$33.3 million, or loss per share of \$0.47 in 2019.

In 2021, consolidated revenue decreased by \$35.5 million, or 3%, from \$1,178.5 million for the year ended December 31, 2020 to \$1,143.0 million for the year ended December 31, 2021, primarily due to the absence of \$87.4 million in revenue attributable to the Products business which was sold in December 2020. Excluding the Products business in 2020, consolidated revenue increased by \$51.9 million reflecting increases of \$54.1 million in the Composite Systems segment and \$65.2 million in the Automotive and Industrial segment, partially offset by a decrease of \$67.4 million in the Pipeline and Pipe Services segment. In the Composite Systems segment, revenue increased primarily due to stronger North American demand for composite pipe resulting from the increased drilling and completion activities in the Permian Basin and Western Canada, and a continued solid demand in the North American retail fuel market for FRP tanks. In the Automotive and Industrial segment, revenue increased primarily due to strong demand for heat shrink tubing products in the automotive sectors across all regions and increased shipments for wire and cable products in North America driven by increased industrial and infrastructure investments, including

those to build out communication networks and refurbish nuclear reactors. In the Pipeline & Pipe Services segment, excluding the Products business, revenue decreased due to lower activity levels in Asia Pacific, EMAR, and North America, partially offset by higher pipe coating activity in Latin America. Income from operations was a loss of \$24.8 million, a significantly lower loss compared to the \$261.3 million in 2020. Operating loss in the year includes \$37.9 million in impairment, \$15.5 million in restructuring costs and a \$4.4 million decrease in gross profit. This was offset by decreases of \$31.8 million in SG&A, \$14.8 million in depreciation and amortization, and lower foreign exchange losses. Net loss (attributable to shareholders of the Company) in 2021 was \$52.1 million, or a loss per share of \$0.74 on a fully diluted basis compared to net loss of \$234.2 million, or loss per share of \$3.33 in 2020.

During the three-year period, the Company has continued to focus on implementing industry leading operational systems and processes and the development of new product innovations. The Company continued to expand its spoolable composite pipe product offerings with development of higher temperature, larger diameter, corrosion resistant FlexPipe products. The Company's 5" spoolable pipe was commercialized in 2019 and in 2021 the Company completed the development of a 6" spoolable composite pipe, currently the largest diameter in its spoolable product offerings. The Company also increased its offerings related to water management, moving from discrete products for water storage to offer complete treatment, filtration, infiltration and storage systems, such as the Hydrochain™ product line which was launched in 2021. Within the Automotive and Industrial segment, the Company continued to innovate on its equipment offerings. Its DERAY®-WorkMan system was developed in 1991 to process heat shrink. In 2021, the DERAY®-WorkMan 2.0 including the Vision System was introduced, the latest generation with the highest standards such as OPC interfaces, automatic calibration and smart camera-based monitoring to ensure the assembly/shrinking process on a 48V electrical terminal connection for a hybrid Maserati. This system uses camera detection to ensure correct material use and accurate positioning before initiating the shrinking process, eliminating operator driven manipulation. The Company also expanded its iLINE™ digital solutions platform to include iLINE Weld Advisor, which allows inspectors to review and capture data on installations remotely. This technology presents a number of Environmental, Social and Governance ("ESG") benefits such as emissions reductions from the elimination of travel requirements, reductions in paper usage from digitized records and lowered health and safety risk from fewer onsite personnel. iLINE Weld Advisor was released in 2020, and since its inception the technology has been utilized to complete more than 75,000 weld inspections. In 2019, the Company completed the first industrialized project with LotusFlo™, a diamondlike coating technology designed to improve flow and reduce build-up of scale, asphaltene and wax. In 2020 the Company was awarded contracts in the Gulf of Mexico and Norway for the application of this technology.

In 2021, the Company continued its focus on improving ESG performance, including in the form of enhanced sustainability disclosures, practices and policies. The Company published its 2020 ESG Report in accordance with the Sustainability and Accounting Standards Board (SASB) framework and referencing the Global Reporting Initiative (GRI) framework. In this report, the Company sets out its long-term sustainability aspirations, including:

- 2030 ambition to reduce Scope 1&2 GHG Emissions by 50% from 2019 baseline

- 2030 ambition to increase diverse representation within its senior management team by 20% from 2019 baseline
- A consistent vision of an Incident and Injury Free (“IIF”) workplace

This report is available at <https://www.shawcor.com/about/sustainability>. New sustainable products and technologies were added to its portfolio which offer benefits such as reduced emissions and improved water management. New programs were implemented throughout the organization to support and promote diversity and inclusion, mental health and employee engagement. ESG metrics are being integrated into executive compensation considerations for 2022.

The Company maintains a comprehensive health, safety and environmental (“HSE”) management system and aspires to an Incident and Injury Free workplace with no damage to the environment. While total recordable case frequency per million person hours worked increased from 3.5 in 2020 to 4.3 in 2021, the Company’s injury rate remains significantly better than industry standards.

In 2022, the Company intends to pursue its objective of achieving a differentiated portfolio of products and services through selective acquisitions and continued divestitures of non-core businesses.

3.2 Specific Highlights

Specific highlights in the development of the Company’s business over the 2019 - 2021 period include:

2019

- In March 2019, the Company entered into an amended credit facility with TD Bank and National Bank of Canada as co-lead arrangers and HSBC Bank Canada, JPMorgan Chase Bank, The Bank of Nova Scotia and Export Development Bank as lenders (the “Credit Facility”). The Credit Facility replaced the Company’s prior credit facility and provided for a US\$500 million, four-year senior unsecured revolving facility. Shawcor also completed repayment on March 7, 2019 of its Senior Notes debt, including accrued interest and make whole payment, in the amount of US\$205 million. The Credit Facility was subsequently amended in 2020 to provide covenant relief, to adjust leverage and interest coverage covenants and to include first priority security on personal property in favour of the lenders.
- In April 2019, Shawcor acquired all of the issued and outstanding shares of ZCL for \$10 per share in cash by way of a statutory plan of arrangement. The price per share implied an aggregate fully diluted equity value for ZCL of approximately \$30 million. ZCL was one of North America’s largest manufacturers and suppliers of environmentally friendly fiberglass reinforced plastic underground storage tanks. ZCL has two plants in Canada, four in the United States and one in the Netherlands. ZCL services the fuel, water and wastewater and oil and gas markets. The Company filed a Form 51-102F4 – Business Acquisition Report in respect of the ZCL acquisition on SEDAR (www.sedar.com) on May 13, 2019.

- In May 2019, the Company's pipe coating division was awarded a conditional contract with Sumitomo Corporation Europe Limited valued at approximately \$30 million to provide anti-corrosion and concrete weight coating services for the Greater BP Tortue Ahmeyim Phase 1A project development, located offshore Senegal and Mauritania, West Africa. Coating work was executed at the Kabil, Indonesia facility and was completed in the first quarter of 2021.
- In June 2019, the Company's pipe coating division entered into several contracts with an international EPC contractor to provide coating services for multiple offshore pipeline projects. Execution of these projects commenced in 2020 within the Company's network of coating facilities, including Serra in Brazil, Orkanger in Norway and Channelview in Texas and was completed in late 2021. Coating work under these contracts was valued at approximately \$65 million.
- In October 2019, the Company's pipe coating division entered into contracts with Subsea 7 to provide coating services for two offshore pipeline projects, the Johan Sverdrup Phase 2 project offshore Norway and a subsea tieback project offshore Australia. These projects were executed at Shawcor's Norwegian and Asia Pacific coating facilities in the fourth quarter of 2020 and were valued in the range of \$30-\$50 million.
- In November 2019, the Company's pipe coating division entered into a detailed letter of intent with Saipem for the Liza phase 1 and phase 2 elements of the proposed Payara development project located in the Staebroek block offshore Guyana. The combined coating value of Liza phase 1 and phase 2 was approximated at \$110 million. Shawcor provided thermal insulation and anticorrosion coating services from its Veracruz, Mexico facility.

2020

- In February 2020, the Company entered into a definitive contract with Europipe valued at approximately \$67 million to provide concrete weight coating services for the Baltic Pipe project, intended to transport Norwegian gas to Poland. The contract, which was executed from the Company's Leith, Scotland facility, commenced in the second quarter of 2020 and was completed in the second quarter of 2021.
- In February 2020, the Company announced that its pipe coating division had entered a contract with Subsea 7 to provide thermal insulation coating services for the Woodside Sangomar Offshore Project in Senegal. The value of the award was \$36 million. The linepipe coating work was executed from the Company's Orkanger, Norway facility commencing in the first quarter of 2021 and completed in the fourth quarter of 2021.
- In February 2020, the Company entered into an amending agreement with its existing syndicate of lenders under the Credit Facility, with the principal amendment being an increase in the Company's permitted Net Debt to Adjusted EBITDA covenant (the "Net Leverage Ratio") for the twelve months trailing ending March 31, June 30 and September 30, 2020.
- In March 2020, as a result of global market downturn caused by the COVID-19 pandemic and changes in oil and gas supply and demand, and with uncertainty about the extent and depth of

the market contraction, the Company took immediate and significant measures to reduce costs and preserve cash to protect its balance sheet and targeted \$60 million in sustainable annualized SG&A savings and \$40 million in incremental cash generation. In 2020, the Company exceeded these targets substantially by completing several initiatives that included reducing CEO, executive and Board compensation, reducing the salaried workforce levels by 22%, optimizing its footprint with the closure of six pipe coating facilities and several girth well inspection branch offices and making significant cuts to other operating costs and capital expenditure budgets. During the year ended December 31, 2020, the Company also delivered significant positive cash flow, reflecting \$27.1 million from reduced working capital, excluding the impact of increased restructuring liabilities, and \$129.8 million from proceeds from sales of the Products business and other assets.

- In July 2020, the Company further amended the Credit Facility to provide covenant relief through December 31, 2021, including revised leverage and interest coverage ratios. Pursuant to the amendment, the lenders also waived compliance with the covenants of leverage and interest coverage ratios under the Credit Facility for the fiscal quarter ending June 30, 2020 and September 30, 2020. The Company provided a first priority security interest in favour of the lenders under the Credit Facility against a majority of the personal property of the borrowers and guarantors under the Credit Facility. Interest rates, standby and other fees under the Credit Facility were increased. The Company was in full compliance with financial covenants as at December 31, 2020.
- In October 2020, the Company announced that its pipe coating division had entered a definitive contract with Saipem to provide thermal insulation and anticorrosion coating services for the Payara development project located in the Stabroek block offshore Guyana. Saipem had previously awarded Shawcor coating contracts for the first two phases of the Liza development. The Payara phase of the Development project has been sanctioned by ExxonMobil subsidiary Esso Exploration and Production Guyana limited and its partners HESS Guyana Exploration Ltd and CNOOC Nexen Petroleum Guyana Ltd. Coating work under these contracts is valued at approximately \$55-\$65 million. Work commenced in the fourth quarter of 2020 and was substantially completed in the fourth quarter of 2021.
- In December 2020, the Company completed the sale of its Products business, for a purchase price of US \$91.5 million, subject to working capital adjustments. During the fourth quarter of 2020, the Company recorded a gain on sale of \$52.1 million.

2021

- In March 2021 the Company appointed Michael Reeves as President. Stephen Orr remained as Chief Executive Officer of the Company.
- In March 2021, the Company's pipe coating division secured a firm contract, pending project sanction, to provide a wet insulation coating system utilizing its proprietary ULTRA™ technology for a Development Project located in the North Sea. The conditional award was secured following a technology development program to extend the Company's ULTRA™ platform. Final investment decision was taken in the third quarter of 2021. The value of the

award is in the range of C\$40-\$45 million and the work is expected to be executed from the Company's Okanger, Norway facility commencing in the third quarter of 2022.

- In June 2021, Stephen Orr retired from his role as Chief Executive Officer and director of the Company. In addition to his role as President, Michael Reeves succeeded Stephen Orr as Chief Executive Officer and was appointed a director of the Company.
- In October 2021, the Company announced the resignation of Gaston Tano from his role as Chief Financial Officer, effective May 31, 2022. The Company also announced that Thomas Holloway would join the Company as Vice President & Chief Accounting Officer, commencing in December 2021, and is expected to succeed Mr. Tano as the Senior Vice President Finance & Chief Financial Officer.
- In November 2021, the Company's pipe coating division entered into a contract to provide thermal insulation coating services for a Development Project in the Gulf of Mexico. The contract award is valued at roughly C\$25 million. The work will be executed from the Company's Channelview, Texas facility and commenced in the fourth quarter of 2021.
- In November 2021, the Company released its second annual Environmental, Social, Governance Report. This report included ambitions for substantial performance improvement related to climate; diversity, equity & inclusion (DE&I); and health & safety.
- In November 2021, the Company entered into a Letter of Intent ("LOI") with a third party to sell its Rexdale property in Toronto, Ontario. The Company has entered into negotiations for a definitive purchase and leaseback agreement that is expected to generate net proceeds in excess of \$45 million. Pursuant to the LOI, the Company intends to enter into a three-year leaseback arrangement for the Rexdale property to facilitate operational continuity while ultimately moving to a modernized location. The sale and leaseback of the Rexdale facility is expected to close during the first half of 2022.
- In December 2021, the Company closed a private placement offering (the "Offering") through a syndicate of underwriters led by National Bank Financial and TD Securities, of \$150 million aggregate principal amount of 9.00% senior unsecured notes due 2026 (the "Notes"). The Notes were issued at a price of C\$1,000 per C\$1,000 principal amount of Notes and net proceeds of the Offering were used to repay amounts outstanding under its Credit Facility. Concurrently with issuance of the Notes, the Company amended the Credit Facility to reduce the availability from US\$500 million to US\$300 million.
- In December 2021, the Company's pipe coating division received a formal notice to proceed from SAIPEM Australia Pty Ltd. for the Scarborough Project, located offshore in Australia's north-west. Shawcor had, in February 2020, signed a contract with SAIPEM Australia Pty Ltd, conditional on a final investment decision by the Scarborough Joint Venture, which was taken on November 22, 2021. The contract award has a complete scope valued in excess of C\$100 million that will include provision of internal, anticorrosion, and concrete weight coating services to be executed from the Company's Kabil, Indonesia facility commencing in the fourth quarter of 2022, with delivery continuing into 2024.

- In December 2021, the Company closed the sale of its SIS business to Superior Integrity Inc. for \$11.2 million. The SIS business, reported within the Company's Pipeline and Pipe Services segment, offers non-destructive testing services and related technologies to the US onshore pipeline market. It generated revenue of approximately \$37.5 million in the year-ended December 31, 2021. In the fourth quarter of 2021, the Company recorded a gain on sale of \$3.2 million.
- Subsequent to December 2021, the Company amended its Credit Facility to among other things, extend the maturity date until January 13, 2026 and establish revised covenants that provide increased flexibility.

Item 4 DESCRIPTION OF THE BUSINESS

4.1 Overview

Shawcor is a growth-oriented, global material sciences company serving the Infrastructure, Energy, and Transportation markets. The Company operates through a network of fixed and mobile manufacturing and service facilities. Its three business segments, Composite Systems, Automotive & Industrial and Pipeline & Pipe Services enable responsible renewal and enhancement of critical infrastructure while lowering risk and environmental impact.

During the year ended December 31, 2021, the Company's business included seven operating units that were reported through the three operating segments. At the end the fourth quarter of 2021, the Company sold its Shawcor Inspection Services operating unit.

The Company's operating units operate within three principal market segments described below.

Composite Systems

The Composite Systems segment accounted for 33% of consolidated revenue for 2021. This segment, which is comprised of Composite Production Systems and Oilfield Asset Management operating units, carries on the following activities:

- Manufacture of flexible composite pipe and high-density polyethylene pipe used for oil and gas gathering, water disposal, carbon dioxide injection pipelines and other applications requiring corrosion resistance and high pressure capabilities.
- Manufacture of fiberglass reinforced plastic underground storage tanks for the retail fuel, water and wastewater as well as oil and gas markets.
- Provision of a range of tubular management services to the Western Canadian onshore oilfield market, including inventory management systems, mobile inspection, in-plant inspection and the refurbishment and rethreading of drill pipe, production tubing and casing, and tubular products that utilize composite materials.

Automotive and Industrial

The Automotive and Industrial segment, which consists of the Connection Systems operating unit, accounted for 23% of consolidated revenue for 2021. This segment carries on the following activities:

- Manufacture of heat-shrinkable products including thin, medium and heavy-walled tubing, sleeves and molded products as well as heat-shrink accessories and equipment for the automotive, industrial, electrical distribution, telecommunications, and alternative energy markets.
- Manufacture of highly engineered, low-voltage wire and cable for control, instrumentation, thermocouple, power and industrial automation applications for the industrial, power generation, electrical transmission, petrochemical processing, telecommunications and transportation markets.

Pipeline and Pipe Services

The Pipeline and Pipe Services segment is the largest segment of the Company, accounting for 44% of consolidated revenue for 2021. This segment included products and services for the Pipeline Performance Group, Shaw Pipeline Services, Shawcor Inspection Services (until its sale in December 2021) and Lake Superior Consulting operating units. This segment carries on the following activities:

- Manufacture of specialized internal anti-corrosion and flow efficiency pipe coating systems, insulation coating systems, weight coating systems and custom coating and field joint application services for onshore and offshore pipelines.
- Provision of ultrasonic and radiographic pipeline girth weld inspection services to pipeline operators and construction contractors worldwide for both onshore and offshore pipelines.
- Provision of non-destructive testing services for new oil and gas gathering pipelines and oilfield infrastructure integrity management services. This business was sold on December 20, 2021 and the Company's 2021 results include the financial performance of this business up to the date of the sale.
- Provision of pipeline engineering and integrity management services to major North American pipeline operators and other critical infrastructure operators.

The Company's operating units are further described below.

4.2 Business Segments

Composite Systems

Composite Production Systems

Composite Production Systems (formerly Flexpipe Systems) manufactures proprietary, flexible, corrosion resistant pipeline products under the "Flexpipe" brand, which are marketed primarily to oil and natural gas producers in Canada, the United States, Latin America, the Asia Pacific Region, the Middle East and North Africa. The division serves its customers through its manufacturing and distribution centre in Calgary, Alberta, and its sales offices and service depots in Alberta, Saskatchewan, Texas, Colorado, Utah, California and North Dakota. Flexible composite pipe offers customers a corrosion resistant, cost effective replacement for conventional steel pipe with reduced installation, lifecycle and land costs. These products are marketed and sold internationally through direct sales and a global network of agents and distributors.

In April 2019, Composite Production Systems added manufacturing and technology capability for composite tanks and 3D glass fabrics through the acquisition of ZCL. ZCL was one of North America's largest manufacturers of corrosion free composite fuel, water and oil and gas storage tanks. With six tank manufacturing facilities across North America (Quebec, Alberta, Iowa, Maryland, Texas and California), Composite Production Systems now has logistical reach across North America for the fuel, water and oil & gas markets. In addition, the 3D glass fabric weaving manufacturing location in the Netherlands serves the global composite structure market.

Oilfield Asset Management

Oilfield Asset Management ("OAM") is an oilfield asset and tubular management and services company to the upstream oil and gas industry in Canada. OAM's core business revolves around drill pipe, drill collars, drill tools, sucker rods, casing and production tubing, lined tubular installation and coating services. OAM's services include in-plant and mobile inspection, repair, machining, manufacturing, recertification, pressure testing and web-based inventory management systems. OAM has a diversified customer base which includes drilling contractors, exploration and production (E&P) operators, equipment manufacturers and distributors, and rental companies.

In the fourth quarter of 2021, OAM's Mexico-based business (also referred to as Guardian Mexico) was sold and its CSI Services entity in Western Canada was closed. The Company's 2021 results include the financial performance of these businesses up to the date of the sale and closure.

Automotive and Industrial

Connection Systems

Connection Systems' DSG-Canusa group is a global manufacturer of heat shrinkable and cold shrinkable products for mechanical and electrical insulation solutions. The division also manufactures application equipment and provides integrated systems of equipment and heat shrink products for automotive and industrial manufacturing. Each product meets or exceeds relevant automotive, defense, telecommunications, electrical utility, industrial or original equipment manufacturers' specifications for performance and safety. These products are sold direct to end-users or through distributors and agents throughout North America, Europe and Asia. The division supports its customers for these products through four manufacturing and distribution facilities located in Canada, the United States, Germany and China.

Connection Systems' ShawFlex group is a manufacturer of control, instrumentation and low voltage power cables for use primarily in industrial applications and its manufacturing facility is located in Toronto, Ontario. The division is a market leader in Canada with custom engineered and specialty products sold direct to end-users or through distributors and agents throughout North America. Its electrical products meet or exceed industry standards for performance and safety, such as those issued by the Canadian Standards Association and Underwriters Laboratories and include proprietary products for numerous highly engineered applications. These products are used primarily in the North American nuclear and hydro power generation, mass transportation, telecommunications and automation industries.

Pipeline and Pipe Services

Pipeline Performance Group

The Pipeline Performance Group (“PPG”), with 14 plants, operates in most major energy producing markets and, in addition to these permanent facilities, employs its engineering expertise to install temporary, project-specific plants anywhere in the world. PPG’s customers include major private and government-owned oil and gas producers, pipe mills, pipeline owners and pipeline construction contractors. During 2020 and 2021, the Company completed the controlled shutdown of nine pipe coating facilities.

PPG’s product offerings include specialized, proprietary internal and external corrosion protection systems, thermal insulation coating systems and concrete weight coating systems for onshore and offshore pipelines. PPG also has custom coating and field joint coating solutions. These coatings can be applied from several permanent locations, in the field, in a spool base or on a pipe lay vessel. Through its many regional locations, PPG can respond to customers’ coating requirements regardless of which pipe supplier a customer might select. In addition, PPG has logistics capabilities that assist customers in reducing freight costs by allowing them to efficiently source and move pipe around the world.

Shaw Pipeline Services

Shaw Pipeline Services provides ultrasonic, radiographic and real time radiographic pipeline girth weld inspection services to pipeline construction contractors, owners and operators worldwide for both onshore and offshore pipeline applications from locations in Texas, Oklahoma, California, West Virginia, England and Scotland.

Shaw Pipeline Services has developed inspection and process control systems that satisfy required inspection specifications, meet engineering critical assessment criteria for weld evaluation and defect sizing, and provide rapid feedback of defects to the welding contractor, resulting in reduced repair rates.

Shawcor Inspection Services

Shawcor Inspection Services provided NDT and inspection services for oil and gas gathering transmission and processing infrastructure. The business operated from branch locations which covered all major shale production basins in the United States. Shawcor Inspection Services supported the new construction of gathering and transmission pipelines with radiographic and real time radiographic girth weld inspection services. Advanced NDT and inspection services and data management were also provided throughout the operational life of midstream assets to ensure on-going integrity.

The Shawcor Inspection Services team of technicians and inspectors primarily provided services directly to the midstream and exploration and production firms that own pipelines, tanks and processing facilities. This business was sold in December 2021. The Company’s 2021 results

include the financial performance of this business up to the date of the sale.

Lake Superior Consulting

Lake Superior Consulting provides engineering and integrity management services to major North American pipeline operators from facilities in Minnesota, Texas, Nebraska, Tennessee and Pennsylvania.

4.3 Segmented Information

Revenues of each of the Company's operating segments expressed as a percentage of the Company's consolidated revenue for the years ended December 31, 2020 and 2021 are set out below:

Operating Segment	% Revenue ⁽¹⁾	
	<u>2020</u>	<u>2021</u>
Composite Systems	27%	33%
Automotive and Industrial	17%	23%
Pipeline and Pipe Services	<u>56%</u>	<u>44%</u>
	100%	100%

(1) Net of inter-segment transfers.

Reference is made to note 7 in the Company's consolidated financial statements for the years ended December 31, 2021 and 2020, for detailed financial information for each operating segment. These financial statements are available on SEDAR at www.sedar.com.

4.4 Customers

Through its diversified businesses, the Company serves a broad spectrum of customers in the energy industry and other industrial markets. Refer to Item 4.2 for a description of the markets and customers served. Generally, the activities of the Company as a whole are not dependent on any single customer or group of related customers.

4.5 Components, Raw Materials and Supply Matters

The Company purchases a broad range of materials and components throughout the world in connection with its manufacturing activities. Major items include polyolefin and other polymeric resins, iron ore, cement, adhesives, sealants, copper, fibreglass and other ferrous and non-ferrous wire. The ability of suppliers to meet performance and quality specifications and delivery schedules is critical to the maintenance of customer satisfaction and the success of our business but the Company is not dependent on any single source of supply. The current state of the global pandemic and oil and gas market has caused volatility in pricing and supply of major commodities. The Company's performance may be impacted by its ability to pass these costs increases on to customers and obtain sufficient supply to meet demand needs and its related impact on production efficiency. While the materials required for the Company's manufacturing operations have

generally been readily available, in the last twenty-four months the Company has experienced inflationary and cost increases in certain key raw materials and supply shortages. In 2021, the Company has been successful in passing on the majority of material increases, in particular copper and resin, to its customers while supply shortages of resin have negatively impacted revenue and production efficiency.

4.6 Intangible Properties

The Company utilizes patented and proprietary technology throughout its operations; however, the Company's activities are not dependent to a significant extent on any single or group of related patents, licences, franchises or concessions. The Company's activities are also not dependent on any single trademark, although some trademarks are identified with a number of the Company's products and services and are important in the sale and marketing of such products and services. It is the Company's policy to register or otherwise take the necessary steps to protect such intellectual property in all jurisdictions where it has significant operations, or where its major competitors have operations. The Company applied for 3 new patents in multiple jurisdictions in 2021 and currently holds 123 issued patents and 151 registered trademarks in respect of a number of its products and services in various jurisdictions where it carries on business. The Company's patents expire after a prescribed period has elapsed from the date of application or grant, generally 20 years in Canada and the United States, although the periods vary in other jurisdictions. Registered trademarks are generally renewed by the Company for as long as they remain in use. In most jurisdictions, the initial term for protection for registered trademarks is 10 years with an ability to renew for successive 10-year terms. In Canada, trademark registrations which issued, or which were renewed prior to June 17, 2019 are subject to a 15-year term and trademark registrations which issued or were renewed on or after June 17, 2019 are subject to a 10-year term.

4.7 Seasonality and Cyclicity

While the activities of some of the Company's individual businesses have seasonal fluctuations, total Company revenue is not significantly impacted by seasonal factors. The Composite Systems segment, representing 33% of the Company's consolidated revenue in 2021, is partially impacted by seasonality, i.e., composite tank and composite pipe sales, and partially impacted by cyclicity, i.e., composite pipe sales, which have a high correlation to land-based oil and gas drilling in North America. The Automotive and Industrial segment, representing 23% of the Company's consolidated revenue in 2021, is mildly impacted by seasonality, particularly in the auto industry. Revenue from year to year is subject to substantial variation. The Company's operations in the Pipeline and Pipe Services segment, representing 44% of the Company's consolidated revenue in 2021, are largely project-based and the nature and timing of projects can result in variability in the Company's financial results.

Demand for the products of the Composite Systems segment and Automotive and Industrial segment businesses are dependent on a wide variety of factors including projected levels of infrastructure spending, the resiliency of demand for retail fuel, continued growth of demand in the water and waste water markets, as well as the level of general economic activity in North America and Europe. The Automotive and Industrial segment is also dependent on the continued growth of electric and hybrid vehicles. The demand for the Company's products and services in the Pipeline and Pipe Services segment depends significantly upon the level of expenditures made

by oil and gas companies which in turn are typically directly related to the supply and demand for, and therefore the prices or predicted prices of, oil and gas. The prices for oil and gas have fluctuated widely in recent years and may continue to be volatile in the future. Significant changes in any of these underlying factors, the impact of the ongoing COVID-19 global pandemic and the impact of future public health crises, can lead results to be cyclical and volatile.

4.8 Competitive Conditions in Principal Markets

The Company actively competes with other suppliers of similar products and services in each of its markets. It is not anticipated that there will be any significant changes in the level of competition in any of the Company's markets in the near term. Each of the Company's major divisions holds a leading market position with all such divisions enjoying a significant share of the markets served.

4.9 Properties

The Company's businesses operate through the following manufacturing and service facilities:

Location	Major Products or Services	Owned or Leased
Camrose, Alberta (2 sites)	Pipe Coating	Owned
Edmonton, Alberta (2 sites)	Pipe Coating	Owned / Leased
Channelview, Texas ⁽¹⁾	Pipe Coating	Owned/Leased
Escobar, Argentina	Pipe Coating	Owned
Baku, Azerbaijan Republic	Pipe Coating	Leased
Vitoria, Brazil	Pipe Coating	Leased
Kabil, Indonesia	Pipe Coating	Leased
Adria, Italy	Pipe Coating	Owned
Pozzallo, Italy	Pipe Coating	Owned
Kuantan, Malaysia	Pipe Coating	Leased
Coatzacoalcos, Mexico	Pipe Coating	Leased
Veracruz, Mexico	Pipe Coating	Leased
Orkanger, Norway	Pipe Coating	Owned
Ellon, Scotland	Pipe Coating	Leased
Ras Al Khaimah, UAE	Pipe Coating	Leased
Toronto, Ontario ⁽¹⁾	Connection Systems	Owned
Cincinnati, Ohio	Connection Systems	Leased
Suzhou, China	Connection Systems	Leased
Rheinbach, Germany	Connection Systems	Owned
Morgan Hills, California	Integrity Management	Leased
Duluth, Minnesota (2 sites)	Lake Superior Consulting	Leased
Roseville, Minnesota	Lake Superior Consulting	Leased
Omaha, Nebraska	Lake Superior Consulting	Leased
Tulsa, Oklahoma	Integrity Management	Leased
Nashville, TN	Lake Superior Consulting	Leased

Canonsburg, Pennsylvania	Lake Superior Consulting	Leased
Morgantown West Virginia	Integrity Management	Leased
Gt. Yarmouth, England	Integrity Management	Leased
Alness, Scotland	Integrity Management	Owned
Calgary, Alberta (5 sites)	Composite Systems	Leased
Grand Junction, Colorado	Composite Systems	Leased
Dickinson, North Dakota	Composite Systems	Owned
Big Wells, Texas	Composite Systems	Leased
Ennis, Texas	Composite Systems	Leased
Midland, Texas (2 sites)	Composite Systems	Owned/Leased
Myton, Utah	Composite Systems	Leased
Brisbane, Australia	Composite Systems	Leased
Edmonton, Alberta (4)	Composite Systems	Owned/Leased
Drummondville, Québec	Composite Systems	Owned
Tipton, Iowa	Composite Systems	Owned
Anaheim, California (2)	Composite Systems	Leased
Seguin, Texas	Composite Systems	Leased
Williamsport, Maryland	Composite Systems	Leased
Helmond, Netherlands	Composite Systems	Leased
Minneapolis, Minnesota	Composite Systems	Leased
Brooks, Alberta	Tubular Inspection Services	Leased
Dimsdale, Alberta	Tubular Inspection Services	Owned
Lloydminster, Alberta	Tubular Inspection Services	Leased
Nisku, Alberta	Tubular Inspection Services	Owned
Red Deer, Alberta	Tubular Inspection Services	Owned/Leased
Charlie Lake, British Columbia	Tubular Inspection Services	Owned
Estevan, Saskatchewan	Tubular Inspection Services	Owned / Leased

(1) As part of the sale of the Products business, the Company has entered into short term leases with the purchaser for portions of the Channelview and Toronto owned properties.

Except for the pipe coating facility in Adria, Italy, none of the Company owned plants are subject to mortgages. The Company considers that these properties are in good condition, well maintained and generally suitable and adequate to carry on the Company's activities.

4.10 Research and Development

The Company conducts its own research activities and product development programs and provides product and process-oriented engineering services for its business units. The Company's divisions possess considerable in-house technical expertise that is utilized to develop new products which are introduced to customers through technology-based marketing programs backed by a commitment to field and technical support. The Company also collaborates/partners with third parties, such as universities and technical institutions and through equity-based investments in technology-based companies, to support and enhance our core product offering and long-term

growth strategy. Approximately \$8.1 million was spent on research and development during 2021, compared to \$10.5 million in 2020, and the Company applied for 3 new patents in multiple jurisdictions in 2021. In addition, the Company routinely incurs costs in its production facilities to develop and prototype new products, which are not included in research and development expenses. In 2021, the Company completed development of a 6” spoolable composite pipe that has the ability to withstand high pressure, temperature & corrosion and expanded the capabilities of our Real Time Radiography systems.

The Company will continue ongoing research and development programs directed towards new or enhanced products, services and processes.

4.11 Environmental Matters

The Company designs and operates its plants and processes in compliance with federal, provincial, state, local and applicable foreign requirements regulating the discharge of substances into the environment and relating to the protection of the environment and the Company monitors compliance with these environmental requirements through an on-going audit program.

The Company’s total environmental remediation costs paid in 2021 were \$1.3 million (\$0.9 million in 2020) and, as at December 31, 2021, the provisions on the Company’s financial statements related to environmental matters and included as decommissioning liabilities were \$17.8 million (\$21.8 million in 2020). The Company believes the provisions to be sufficient to satisfy its estimate of all liabilities related to known environmental matters.

The Company cannot predict the changes that may be made to environmental requirements in the future although it anticipates that such requirements generally will become more stringent. In this regard, the Company’s capital and operating costs for environmental controls may increase in the future. In 2021, the impact of increasing environmental requirements did not have a material effect on the Company’s capital and operating costs and, in the future, is not expected to have a material effect on the earnings or competitive position of the Company.

4.12 Employees

In total, the Company employed an average of 4,273 permanent and contract personnel during 2021. The Company’s divisions had domestic and foreign labour union contracts which covered an estimated 598 employees during 2021. These contracts have various expiry dates ranging from 2021 to 2025. The Company believes that relations with its employees have been satisfactory and does not anticipate any unusual difficulties in renegotiating these contracts on reasonable terms.

4.13 Foreign Operations

The Company conducts its international operations through various operating subsidiaries in the locations described in Item 4.9 “Properties”. Additional subsidiaries and joint ventures may be established from time to time when a corporate presence is needed to conduct business in other jurisdictions. International operations are necessarily subject to various risks, some of which are different from those found in Canada. For further information, refer to Item 4.16 “Risk Factors”.

The Company's production costs are affected by conditions prevailing in the countries in which its production facilities are located. The Company is exposed to currency exchange risks in the transfer of goods and services between countries. The Company's production costs, profit margins and competitive position may be affected by the strength of the currencies in the countries where it manufactures goods relative to the strength of the currencies in the countries where its goods are sold. The Company maintains a hedging program utilizing foreign currency forward contracts.

Revenues from each of the geographic regions in which the Company operates, expressed as a percentage of the Company's consolidated revenue, for the years ended December 31, 2020 and 2021 are set out below:

Geographic Segment	% Revenue	
	<u>2020</u>	<u>2021</u>
North America	62%	70%
Latin America	4%	7%
Europe, Middle East, Africa, Russia	25%	19%
Asia Pacific	<u>9%</u>	<u>4%</u>
	100%	100%

Reference is made to note 7 to the Company's consolidated financial statements for the years ended December 31, 2021 and 2020, for detailed financial information for each geographic segment. These financial statements are available at www.sedar.com.

Currency fluctuations also affect the Company's consolidated financial results due to the translation of the foreign operations' financial results into Canadian dollars. Refer to Section 2.2 "*Foreign Exchange Impact*" of the Company's Management's Discussion and Analysis for the year ended December 31, 2021, which is available at www.sedar.com, for a description of the impact of the translation of foreign operations' financial results into Canadian dollars during 2021.

The assets and liabilities of entities that have a functional currency different from the presentation currency are translated into Canadian dollars at year-end exchange rates. Income and expense items are translated at the average exchange rates prevailing for the year. Foreign exchange gains or losses resulting from these translations are credited or charged to the cumulative translation account on the consolidated balance sheet.

4.14 Trends

The Company's financial performance is correlated with the level of industry activity and the level of investment in energy and infrastructure for resource development, storage and transportation around the globe and the resultant demand for its products and services.

Earnings in 2022 are expected to be heavily weighted to the second half of the year, with the first quarter representing the lowest quarter of the year, and likely the lowest quarter since 2020 reflecting the expected lull in pipe coating project activity. Despite these near-term challenges, the underlying business trends for all of the Company's primary businesses remain favorable and

financial performance is expected to improve quarter over quarter. The Company's oil and gas offerings are well positioned to take advantage of a potential multi-year upcycle.

The Company expects its quarterly normalized SG&A run-rate to reduce further to approximately \$50 million throughout 2022. The Company has substantially rationalized its footprint and will continue to focus on maintaining efficient operations with the technical expertise and geographic footprint that provide the best opportunity for the Company to secure work and drive profitability, particularly as pipe coating project activity picks up later in 2022.

The Company's performance will be determined by the strength of its diverse base business serving critical infrastructure markets; the return of demand for its products and services, particularly in the U.S. and international energy markets; and its ability to continue to execute work and projects secured in the backlog. The strength of the base business will also be driven by the sustained strong demand for its FRP tank business, growth in the automotive and industrial markets which are serviced by the Company and its significant cost optimization initiatives completed over the last two years.

The Company's oil and gas businesses in North America are heavily tied to the spending programs of E&P operators. As commodity prices increase and drilling and completion activities are projected to maintain their growth trajectory, opportunities for the Company's composite pipe products and tubular management services should result. As energy supplies become increasingly difficult to secure, the Company continues to expect that the global oil and gas capital expenditure cycle will resume and that large international and offshore projects will be sanctioned as National Oil Companies ("NOC's") and International Oil Companies ("IOC's") realign their portfolios. These investments are required to replace, maintain and rehabilitate infrastructure that is at or beyond its useful design life, replace production due to reservoir depletion, meet requirements for advanced technologies and non-corrosive materials, or to address geopolitical challenges which are affecting several important producing regions. Additionally, higher investments in gas, specifically related to LNG projects and for domestic energy generation, are being supported by the increased demand for gas, as a greener energy generation alternative to oil or coal, as part of the continued global energy transition.

Backlog is expected to continue to grow through the first half of 2022 as customers seek to secure orders for the Company's non-oil and gas offerings, delayed pipe coating projects reach final investment decision and awards move into the 12-month period. Execution on work secured in the Company's backlog is expected to pick up in the second half of 2022 as resin and premium micro-chip shortages alleviate and coating activities for newly sanctioned pipe coating projects commence.

Further detail on the outlook for the Composite Systems, Automotive and Industrial and Pipeline and Pipe Services segments are set out below.

Composite Systems Segment

Demand for underground FRP storage tanks is detached from the dynamics of oil and gas markets and is expected to remain robust as retail fuel station networks are expanded or upgraded and

environmental regulations and insurance companies continue to mandate the replacement of the aging installed underground tanks in North America. Continued growth in demand for water and storm-water storage and treatment products is expected to be supported by projected higher infrastructure spending and commercial and municipal water projects, as well as the continued industry-wide adoption of composite materials as a lower cost and higher quality solution for water storage and retention when compared to steel or concrete. Supply chain constraints are expected to continue through the first half of the year, tempering near term production capacity, but these constraints are anticipated to ease in the second half of 2022. In addition to qualifying alternative raw material sources, the business continues to manage production schedules and lead times to minimize customer impacts, and price surcharges have been implemented to manage raw material cost increases. The Company expects to continue execution on its strong underground FRP tank order backlog throughout 2022 with a focus on safe operations and supply chain management.

Market demand for the segment's energy related businesses is driven by North American drilling and completion activity, demand for international oil and gas gathering line applications, and advanced materials in Oil Country Tubular Goods ("OCTG"). The segment benefits from a lower cost of ownership and ease of installation of composite systems versus steel and other materials. The composite pipe business will continue to benefit from gradually rising drilling and completion activity across its customer base. Growth in demand for the segment's core pipe products and tubular management services in North America are expected as activity levels in Western Canada and in the Permian Basin continue their gradual rise. The segment also stands to benefit from increased international demand for composite pipe. The Company believes that there are opportunities for market share gains through continued commercialization of larger diameter pipe as operators adopt composite technology for its overall cost profile and environmental advantages, and continued business development work on international energy and infrastructure projects which will drive growth in future years.

Automotive and Industrial Segment

Demand for the Company's Automotive and Industrial businesses generally follows GDP activity; however, the segment continues to be well positioned to capture the growing trend of electronic content in automobiles with specified sealing, insulating and customized application equipment systems for Tier 1 assembly customers and the expected increased infrastructure spending. The Company will continue to invest in additional capacity to meet the demand within this segment.

Activity levels within the Automotive and Industrial segment are expected to rise in the first quarter of the year as automotive manufacturers restock inventories. While premium micro-chip shortages continue to create challenges for automotive manufacturers, shortages are anticipated to ease in the second half of 2022. Nonetheless, the Company's diversified geographies and end markets will provide insulation from the near-term impacts of these shortages.

Over the longer-term, demand for electric and plug-in hybrid passenger vehicles and light trucks is expected to grow to represent more than 50% of global vehicle sales by the early part of the next decade, with the Asia Pacific region and Europe expected to be the market leaders in vehicle electrification. This trend fosters growth opportunities for the Company's automotive products, in

which demand could potentially surpass production growth projections in the broader automotive market due to increased electronic content adoption. In spite of near-term raw material shortages, the Company expects to see consistent annual growth in demand for its automotive products, particularly in the Asia Pacific and EMAR regions, where electric vehicles adoption rates are highest.

Stable demand is also expected from industrial markets, which are less cyclical. The Company is expecting to benefit from infrastructure spending as nuclear refurbishments continue in Canada. The Company is also well-positioned to capture project work associated with construction of new and upgraded communication and transportation networks, though the non-recurring nature of these projects will create some variability quarter over quarter.

Pipeline and Pipe Services Segment

Market demand for the Company's Pipeline and Pipe Services segment is driven by capital spending and investments by IOCs and NOCs. The Company has a track record of providing leading solutions and successful execution on critical international and offshore pipeline development projects. The Company is expecting its Pipeline and Pipe Services segment to experience its lowest performance in recent history in the first quarter of the year. Several factors contribute to this expectation, including seasonal slowdowns in the segment's engineering and integrity management businesses and a lull in pipe coating activity driven by limited project sanctioning in the prior years and further impacted by supply chain induced delays in third party steel tubular production. Consequently, the segment is expected to have limited activity in the first quarter of 2022 and then progressively grow from that baseline through the back half of the year as backlog converts into incremental increases in quarterly revenue. The Company continues to maintain the resources needed to execute on projects currently in backlog and expected to begin in the second half of the year.

The Company continues to monitor international developments including sustained exploration success and additional project phases in Guyana and Brazil and Middle Eastern offshore projects designed to meet domestic energy needs and global LNG demand. In addition, new tax incentives introduced in Norway are accelerating pipeline project investments. Energy shortages and improved commodity prices have reinvigorated discussions around project sanctioning, with many delayed projects expecting final investment decision within the first half of 2022. The Company is also well positioned to provide coating products and services for carbon capture, utilization and storage ("CCUS") applications. While the current CCUS market is relatively small, it is expected to grow to meet decarbonization targets that have been adopted by companies, industries, and countries around the globe.

North American demand for the Pipeline & Pipe Services segment is closely tied to drilling and completion activity, the construction of new and the repair/replacement of old transmission pipelines and requirements for pipeline integrity and regulatory compliance. These activities drive the demand for small and large diameter pipe coatings, girth weld inspection services on existing pipelines and new projects and engineering design and consulting services. Demand for the Company's girth weld inspection and engineering services is expected to remain low through the

first quarter of the year due to seasonal slowdowns. Looking further forward, integrity management of an aging North American onshore pipeline infrastructure will continue to require the Company's girth weld inspection and engineering services.

Order Backlog

The twelve-month order backlog of \$589 million as at December 31, 2021, represents an increase over the \$507 million order backlog as at September 30, 2021. This growth was attributed to strong order intake in the underground FRP tanks business, pipe coating projects awards and continued growth in the Company's other non-oil and gas offerings. The backlog consists of firm customer contracts which will be executed over the next twelve months and is indicative of the strong business environment. The Company has also experienced significant growth in its backlog that will be executed beyond the succeeding twelve months which grew to over \$150 million and provides increased confidence in performance through 2023.

Outstanding firm bids, which are bids provided to customers with firm pricing and conditions against defined scope, were over \$843 million as of December 31, 2021, lower than the \$911 million from the prior quarter as projects moved into backlog. Conditional bids, pending final investment decision, were at \$57 million in revenue at the end of the quarter, a substantial decrease versus the \$237 million from the prior quarter as several larger projects were sanctioned. Budgetary estimates at the end of the fourth quarter were over \$1.5 billion, in line with the budgetary value from the previous quarter. Although the timing of these projects is uncertain, the Company's bid and budgetary figures represent a diverse portfolio of opportunities to sustain and build the backlog in 2022 and beyond.

4.15 Social and Environmental Policies

The Company has implemented a Health, Safety and Environmental ("HSE") Policy which supports its vision of an Incident and Injury Free workplace, with no harm to people, while protecting the environment. The Company has also developed a robust system of safety procedures and practices, together with monitoring and auditing processes, which is used by its divisions to implement the HSE policy. In addition, the Board of Directors and its Governance and Sustainability Committee monitors the Company's HSE performance at each of its regularly scheduled meetings. Any failure to comply with the HSE Policy could result in a material adverse impact on the Company's business, operations and financial condition.

The Company has developed a Code of Conduct (the "Code") which states the underlying values and behaviours that must govern the behaviour of all directors, officers and employees of the Company. Third parties working on behalf of the Company are also expected to adhere to these same ethical standards. Beyond establishing standards of behaviours, the Code puts in place a program for reporting violations of Company policies. All salaried employees are required to sign a statement of compliance upon hiring, agreeing to comply with the Code and indicating whether or not they are aware of any violations of the Code. This acknowledgment is repeated annually by all salaried employees and the Company achieved a 100% acknowledgment rate for 2021.

Specific items addressed in the Code include provisions dealing with compliance with quality, health, safety and environmental policies, discrimination/harassment/violence in the work environment, behaviour or conduct contrary to accepted standards or morality of the Company,

foreign corrupt practices, improper payments, altering Company data, conflicts of interest, abuse of drugs and alcohol, securities trading, anti-trust/competition law compliance, and economic sanctions, export controls and anti-boycott rules. A copy of the Company's Code of Conduct is filed on SEDAR and may be found at www.sedar.com.

In addition to these policies, the Company has published statements related to Human Rights, Supplier Compliance, and Anti-Slavery and Human Trafficking. These statements can be found <https://www.shawcor.com/about/sustainability>.

4.16 Risk Factors

The Company faces a number of business risks and uncertainties that could materially and adversely affect the Company's projections, business, results of operations and financial condition. These risks and uncertainties are summarized below:

Increases in the prices and/or shortages in the supply of raw materials used in the Company's manufacturing processes could adversely affect the competitiveness of the Company, its ability to serve its customers' needs and its financial performance.

The Company purchases a broad range of materials and components throughout the world in connection with its manufacturing activities. Major items include polyolefin and other polymeric resins, iron ore, cement, adhesives, sealants, copper and other nonferrous materials. The ability of suppliers to meet performance and quality specifications and delivery schedules is important to the maintenance of customer satisfaction. While the materials required for the Company's manufacturing operations have generally been readily available, in the last twenty-four months the Company has experienced inflationary and cost increases in certain key raw materials. The Company's performance may be impacted on its ability to pass these cost increases on to customers in the price of its products and to effect improvements in productivity. The Company may not be able to fully offset the effects of raw material costs and through price increases, productivity improvements or cost-reduction programs. If the Company cannot obtain sufficient quantities of these items at competitive prices, of appropriate quality and on a timely basis, it may not be able to produce sufficient quantities of product to satisfy market demand, contract execution may be delayed, or its material or manufacturing costs may increase. Overall, any of these problems could result in the loss of customers and revenue, provide an opportunity for competitors to gain market acceptance and have a material adverse effect on the Company's business, financial condition and results of operations.

A change in underlying economic factors could materially adversely affect demand for the Company's products and services and, consequently, its projections, business, results of operations and financial condition.

Demand for the products of the Composite tank and Automotive and Industrial segment businesses are dependent on a wide variety of factors including projected levels of infrastructure spending, the resiliency of demand for retail fuel, continued growth of demand in the water and waste water markets, as well as the level of general economic activity in North America and Europe. The Automotive and Industrial segment is also dependent on the continued growth of electric and

hybrid vehicles. Significant changes in any of these underlying factors such as lower than anticipated spending on infrastructure programs, a softening of the retail fuel market, or significant technological shifts or developments that impact the Company's current suite of products and services or decreases in economic activity in the regions the Company serves could result in significant decreases in activity levels in these businesses.

The demand for the Company's products and services in the Pipe and Pipe Services segment depends significantly upon the level of expenditures made by oil and gas companies which in turn are typically directly related to the supply and demand for, and therefore the prices or predicted prices of, oil and gas. The prices for oil and gas have fluctuated widely in recent years and may continue to be volatile in the future. Demand for oil and natural gas is influenced by numerous factors, including the North American and worldwide economies as well as activities of the Organization of Petroleum Exporting Countries ("OPEC") and Russia, the impact of the ongoing COVID-19 global pandemic and the impact of future epidemics and pandemics. Economic declines impact demand for oil and natural gas and result in a softening of oil and gas prices and projected oil and gas drilling activity. If economic conditions or international markets decline to an extent or for a duration which is unexpected, the Company's projections, business, results of operations and financial condition could be materially adversely affected. In addition, if actions by OPEC, Russia and other oil producers to increase production of oil adversely affect world oil prices, additional declines in exploration and production operators' spend could result, and the Company's projections, business, results of operations and financial condition could be materially adversely affected.

A decline in the level of global pipeline construction could have a material adverse effect on the Company's projections, business, results of operations and financial condition.

The Company's Pipeline and Pipe Services segment is dependent on the level of global pipeline construction activity which in turn relates to the growth in demand for oil and natural gas and the availability of new supplies to meet this increased demand. Reductions in capital spending by pipeline owners could decrease demand for the Company's products and services supplied in pipeline markets. The construction of new pipelines may also be inhibited, delayed or stopped by a variety of factors, including the inability to obtain regulatory or governmental approvals or public opposition.

Revenue generated by the Company's Pipeline and Pipe Services segment accounted for 44% of the Company's consolidated sales in 2021. Any significant declines in pipeline market activity or unexpected delays in the sanctioning of pipe coating projects could have a material adverse effect on the Company's projections, business, results of operations and financial condition.

A decline in North American land drilling and completion activity would have a material adverse effect on the Company's projections, business, results of operations and financial condition.

The Company's business is materially dependent on the level of North American land drilling and completion activity, which, in turn depends on a variety of factors including global oil and gas demand, prices, reserve levels, production depletion rates, access to capital, governmental

regulation and support as well as the potential impact of a growing focus on ESG on investor sentiment. Lower land drilling and completion activity decreases demand for the Company's products and services, including small diameter pipe coating, composite pipe, gathering line weld inspection and tubular inspection and inventory management services. These business activities represented approximately 21% of the Company's 2021 revenues.

Potential divestitures or acquisitions or investments in other companies may have a negative impact on the Company's business.

The Company continually assesses the value and mix of its assets in light of its business plans and strategic direction. The Company may divest of assets to optimize its operations and financial performance. The Company may be unable to sell certain assets or may not receive the optimal or desired amount of proceeds from such asset sales or complete such sales within desired or anticipated timelines. The completion of any divestitures will depend on the Company's ability to identify potential buyers, negotiate financial and other contractual terms and obtain regulatory approvals. The terms of a transaction may require the Company to retain certain liabilities directly or through indemnities provided to buyers against known and unknown contingent liabilities and such could materially adversely affect the Company's financial condition.

The Company may seek to expand its business through acquisitions as it intends to consider and evaluate opportunities for growth through acquisitions when suitable acquisition targets present themselves; however, there can be no assurance that the Company will find attractive acquisition candidates in the future, or that the Company will be able to acquire such candidates on financial and other terms acceptable to it or to obtain requisite regulatory approvals. Acquisitions may require substantial capital and negotiations of potential acquisitions and the integration of acquired operations could disrupt the Company's business by diverting management, and employees' attention, away from day-to-day operations. The difficulties of integration may be increased by the necessity of coordinating geographically diverse organizations, integrating personnel with disparate backgrounds and combining different corporate cultures. Although the Company makes every effort to successfully integrate new operations, there can be no assurance that the Company will recognize the anticipated revenues, synergies or other intended benefits associated with any acquisitions that are completed.

At times, acquisition candidates may have liabilities or adverse operating issues that the Company fails to discover through due diligence prior to the acquisition, including the assumption of risks related to regulatory compliance, pricing, supply chain, environmental, litigation, labour relations, information technology, tax, pensions or warranties. While due diligence is intended to identify and mitigate such risks, these efforts may not always be sufficient in identifying and mitigating all risks and liabilities related to an acquisition. The Company may lack sufficient knowledge of the acquisition candidate's technology and market position to enable an effective evaluation of the acquisition economics or integration challenges. If the Company consummates any future acquisitions, the Company's business, capitalization, financial condition and results of operations may change significantly.

Acquisitions or investments may require the Company to expend significant amounts of cash, resulting in the Company's inability to use these funds for other business purposes. The potential

impairment or complete write-off of goodwill and other tangible and intangible assets related to any such acquisition may reduce the Company's overall earnings and could negatively affect the Company's balance sheet. The occurrence of any of the foregoing could have a material adverse effect on the Company's projections, business, and results of operations and/or financial condition.

The Company's international operations and sales may experience interruptions due to political, economic, health, global supply chain, or other risks, which could adversely affect the Company's projections, business, results of operations and financial condition.

During 2021, the Company derived over 13% of its total revenue from its facilities outside Canada, the U.S. and Western Europe. In addition, part of the Company's sales from its locations in Canada and the U.S. were for use in other countries. The Company's operations in certain international locations are subject to various political, economic, health and other conditions existing in those countries that could disrupt operations. These risks include:

- currency fluctuations and devaluations;
- inflation;
- currency restrictions and limitations on repatriation of profits;
- changes in governmental policies and regulatory requirements or the interpretation or application thereof;
- unanticipated global supply chain disruptions;
- challenges in respect of logistics, safety, security and communications;
- political and economic instability and civil unrest;
- hostile or terrorist activities;
- delays or refusals to sanction oil and gas projects;
- restrictions on foreign operations;
- exposure to epidemics, pandemics and other health crisis;
- failure to comply with applicable anti-corruption, anti-bribery, sanctions, and trade laws;
- the adoption of new, or the expansion of existing, trade restrictions, or embargoes;
- difficulties, delays, and expenses that may be experienced or incurred in connection with the movement and clearance of personnel and goods through the customs and immigration authorities of multiple jurisdictions; and
- limitations on the Company's ability to repatriate cash, funds, or capital invested or held in jurisdictions outside Canada.

In addition, the Company is specifically exposed to risks relating to economic or political developments in Argentina, Mexico and other developing countries.

The Company's foreign operations may suffer disruptions and may incur losses that would not be covered by insurance. In particular, civil unrest in politically unstable countries may increase the

possibility that the Company's operations could be interrupted or adversely affected. The impact of such disruptions could include the Company's inability to ship products in a timely and cost-effective manner, its inability to place contractors and employees in various countries or regions or result in the need for evacuations or similar disruptions.

Any material currency fluctuations, devaluations or political unrest or activism may disrupt oil and gas exploration and production or the movement of funds and assets.

The Company's operations could be affected by regulatory approval processes that could delay or prevent the construction of new pipeline infrastructure.

Any of the foregoing factors, which are outside of the Company's control, could materially adversely affect the Company's projections, business, results of operations and financial condition. Additionally, the current conflict between Russia and Ukraine brings risk to the Company in the Automotive and Industrial segment related to customers and suppliers with activities related to Ukraine and/or Russia. Although the Company does not currently believe this exposure to be material, it is too early to quantify any potential impact.

Inflationary pressures may adversely affect the Company's profitability.

Strengthening economic conditions and competition for personnel and materials may result in significant increases in the cost of obtaining such resources. While the Company seeks to pass such cost increases on to its customers and attempts to reduce these pressures through proactive human resource and procurement practices, should these efforts not be successful, the Company's profitability could be materially adversely affected.

A disruption of information technology services or a cyber-security breach may adversely affect the Company.

The Company places significant reliance on its information technology ("IT") systems to operate its business and is dependent upon the availability, capacity, reliability, and security of its IT infrastructure and its ability to expand and continually update this infrastructure, to conduct daily operations. In the event that the Company is unable to secure its software and hardware, effectively upgrade systems and network infrastructure and take other steps to maintain or improve its systems, the operation of such systems could be interrupted or result in the loss, corruption or release of confidential data.

These IT systems are subject to a variety of security risks, which are growing in both complexity and frequency and could include potential breakdown, cyber phishing, invasion, virus, cyber-attack, cyber-fraud, security breach, and destruction or interruption of the Company's IT systems by third parties or insiders. Unauthorized access to these systems by employees or third parties could lead to corruption or exposure of confidential, fiduciary or proprietary information, and to interruption of the Company's operations and business activities. In addition, a successful attack on the Company's IT security could result in a loss or theft of its financial resources, critical data and information or could result in a disruption to or a loss of control of the Company's technological infrastructure or financial resources.

The Company's business depends on its ability to successfully bid on new contracts and to successfully manage pricing risk.

The Corporation's business depends on the ability to successfully bid on new contracts and renew existing contracts with private and public sector clients. Contract proposals and negotiations are complex and involve a competitive and lengthy bidding and selection process. The time between the award of a major contract and the commencement of production thereunder can be significant. Since pricing is typically determined at the time of the award, the Company is subject to pricing risk due to changes in input costs and quote assumptions between the time of the award and production completion. The inability to bid and quote effectively or the occurrence of a material change in input costs or other bid assumptions between the time of the award and production could have a material adverse effect on the Company's projections, business, results of operations and financial condition.

A downgrade of the Company's credit rating could increase the Company's cost of borrowing and reduce its access to debt.

The credit ratings currently assigned to the Company by DBRS and S&P, or that may in the future be assigned by those or other rating agencies, are subject to amendment in accordance with each agency's rating methodology and subjective modifiers driving the credit rating opinion. There is no assurance that any rating assigned to the Company will remain in effect for any given period of time or that any rating will not be revised or withdrawn entirely by a rating agency in the future. A downgrade in the credit rating assigned by one or more rating agencies could increase the Company's cost of borrowing or impact the Company's ability to renegotiate or access debt and may have a material adverse effect on the Company's financial condition and profitability.

Volatility of Market Price of Common Shares

The market price of the common shares of the Company may be volatile. This volatility may affect the ability of holders to sell the common shares at an advantageous price. Market price fluctuations in the common shares may be due to the Company's operating results failing to meet the expectations of securities analysts or investors in any quarter, downward revision in securities analysts' estimates, governmental regulatory action, adverse change in general market conditions or economic trends, acquisitions, dispositions or other material public announcements by the Company or our competitors, along with a variety of additional factors as outlined herein. In addition, the market price for securities on stock exchanges, including the TSX, may experience significant price and trading fluctuations, which are often unrelated or disproportionate to changes in operating performance. Further, the Company may on a go forward basis elect to buy-back shares or issue additional securities or debt, which in turn may impact the price of common shares. These broad market fluctuations and future share buybacks or issuances may affect the market prices of the common shares. Further, sufficient market liquidity for holders to sell common shares when desired cannot be assured. At times when the Company's share price is relatively low by historic standards, the Company may be subject to takeover attempts by certain companies or institutions acting opportunistically.

The Company may be adversely affected by public health crises and other events outside its control.

As demonstrated over the last 24 months, public health crises, such as epidemics and pandemics, acts of terrorism, war or other conflicts and other events outside of the Company's control, may adversely impact its business and operating results. In addition to the direct impact that such events could have on its facilities and workforce, these types of events could negatively impact capital expenditures and overall economic activity in the impacted regions or depending on the severity, globally, which could impact the demand for the Company's products and services.

During 2020 and much of 2021, the Company's operations and financial results were adversely impacted by the global COVID-19 pandemic and given its unpredictable nature the Company may be exposed on a go forward basis to additional liabilities and risks created by this crisis. The COVID-19 pandemic has resulted in unprecedented governmental actions, including mobility restrictions, border closures, stay-at home orders, shutdown of non-essential business and new health and monitoring guidelines. Oil demand significantly declined in 2020 as a result of the COVID-19 pandemic and corresponding preventative measures taken around the world to mitigate the spread of the virus. At the same time, oil prices were adversely impacted from the actions taken by Saudi Arabia and Russia to increase production of oil which created a significant supply surplus. In response to the rapid decline in oil prices, the Company's customers took unprecedented steps to reduce their capital programs and scale down their operations. While oil prices had largely recovered by the end of 2021, the Company's customers remain cautious in increasing capital expenditures and scaling up their operations.

The global COVID-19 pandemic, and the resulting reduction in oil prices and in customers' capital spending, has directly negatively impacted the Company's business over the last 24 months. The duration and impact of the COVID-19 pandemic on the Company are difficult to determine at this time and the potential long-term impact will depend on a number of future developments, including directives of public health and governmental authorities, the extent and duration of governmental assistance for businesses and individuals adversely impacted by COVID-19 and the extent to which suppliers and customers return to normalized levels of production and capital spending. As such, it is not possible to reliably estimate the COVID-19-related impacts on the financial results and operations of the Company.

The COVID-19 pandemic, other public health crises and other events outside the Company's control, could materially impact the financial results of the Company and may include, but are not limited to, the following risks:

- Customers may attempt to cancel or delay projects or may attempt to invoke force majeure clauses in certain contracts.
- Customers may seek to delay payments, may default on payment obligations and/or seek bankruptcy protection that could delay or prevent collections of certain accounts receivable and which may lead to increased allowance provisions.
- Disruption to the Company's domestic and global supply chains, including restrictions on importing and exporting products.

- Temporary or long-term operational disruptions and labour shortages due to decreased productivity resulting from the health and availability for work of our workforce and from government mandated stay-at-home orders or facility closures.
- Supply chain disruptions may adversely impact the Company and our suppliers and customers.
- Shortages of critical components, particularly for customers of the Company's Automotive and Industrial segment, may adversely impact demand for the Company's products.
- Higher costs associated with the rationalization of facilities and workforce.
- The Company's inability to access capital or liquidity at acceptable terms.
- Additional asset impairments if demand for the Company's services and products decreases.
- Political uncertainty and unrest in reaction to government regulation leading to unexpected economic and social consequences.

Over the last twenty-four months, the Company has taken actions to mitigate the effects of COVID-19 on its business operations and continues to focus on the safety and health of its employees, customers and other stakeholders. See *Section 3.0 – Impact of COVID-19* in the Company's 2021 Management Discussion & Analysis for further details regarding the actions taken. Any future epidemic, pandemic or other public health crisis, political uncertainty and/or civil disobedience, or other conflicts that occur in the future, may pose similar risks but the Company expects that its business model and disciplined approach to financial management will allow it to endure through any uncertain times.

The Company could be subject to substantial liability claims, which may not be covered by insurance and which could adversely affect its projections, business, results of operations and financial condition.

Some of the Company's products are used in hazardous applications where an accident or a failure of a product could cause personal injury, loss of life, damage to property, equipment or the environment, as well as the suspension of the end-user's operations. If the Company's products were to be involved in any of these difficulties, the Company could face litigation and may be held liable for those losses, which could be substantial.

Extreme weather conditions, natural occurrences, and terrorist activity have strained insurance markets leading to substantial increases in insurance costs and limitations on coverage. The Company carries prudent levels of insurance to protect the Company from these events, subject to appropriate deductibles and the availability of coverage. However, in light of the above, the Company's insurance coverage may not be adequate in risk coverage or policy limits to cover all losses or liabilities that it may incur. Moreover, the Company may not be able in the future to maintain insurance at levels of risk coverage or policy limits that management deems adequate on commercially reasonable terms. Any claims made under the Company's policies likely will cause its premiums to increase. Any future damages deemed to be caused by the Company's products or services that are not covered by insurance, or that are in excess of policy limits or subject to substantial deductibles, could have a material adverse effect on the Company's projections, business, results of operations and financial condition.

The Company's indebtedness may limit its strategic, financial and operational flexibility.

Although it repaid \$143 million in 2021, the Company still has a significant level of indebtedness. The degree to which the Company is leveraged could have important consequences, including: (i) the Company's ability to obtain additional financing for working capital, capital expenditures, or acquisitions may be limited; (ii) all or part of the Company's cash flow from operations may be dedicated to the payment of the principal of and interest on the Company's indebtedness, thereby reducing funds available for operations; and (iii) certain of the Company's borrowings are at variable rates of interest, which exposes the Company to the risk of increased interest rates. These factors may adversely affect the Company's cash flow. In addition, the occurrence of an economic shock not contemplated in the Company's business plan, a rapid deterioration of conditions or a prolonged recession could result in the depletion of its cash resources, which could have a material adverse effect on its operations and financial condition.

The agreements governing the Company's indebtedness contain numerous restrictive covenants that limit the discretion of the Company with respect to certain business matters. These covenants place significant restrictions on, among other things, the ability of the Company to create liens or other encumbrances, to pay distributions or make certain other payments, investments, loans and guarantees, and to sell or otherwise dispose of assets.

The loss or failure to attract, train and retain key personnel could adversely affect the Company's projections, business, and results of operations and/or financial condition.

The Company's success depends in large part on its ability to attract, train and retain key management, engineering, scientific, marketing, and operating personnel as well as skilled laborers for its manufacturing facilities. Recruiting personnel on a global basis in the industries it serves is a highly competitive and increasingly challenging amidst changing attitudes towards some of the industries in which the Company operates, particularly among younger workers. Added to these challenges are the dynamic and evolving changes resulting from the COVID 19 pandemic, including shortages in skilled laborers for manufacturing positions, increased competition for workers generally as well as the rising demand for remote work and associated changes in employee attitudes towards traditional office culture. Depending on its ability to adapt and evolve in both the near and long term to these changes, the Company may not be able to continue to attract and retain qualified executive, managerial and technical personnel needed for its business. The failure to attract or retain qualified personnel could have a material adverse effect on the Company's projections, business, results of operations and financial condition.

The Company's Credit Facility and other financing agreements contain financial and other covenants that, if breached by the Company, may require the Company to redeem, repay, repurchase or refinance its existing debt obligations prior to their scheduled maturity.

The Company's Credit Facility, Senior Notes and other financing agreements contain financial and other covenants, including in the case of the Credit Facility, leverage ratio and interest coverage covenants. If the Company was to breach the financial or other covenants contained in these agreements, the Company may be required to redeem, repay, repurchase or refinance its

existing debt obligations in a short time frame and the Company's ability to do so may be restricted or limited by the prevailing conditions in the capital markets, available liquidity and other factors. If the Company is unable to refinance its debt obligations in such circumstances, its ability to make capital expenditures and its financial condition and cash flows could be adversely impacted. If future debt financing is not available to the Company when required or is not available on acceptable terms, the Company may be unable to grow its business, take advantage of business opportunities, respond to competitive pressure or refinance maturing debt, any of which could have a material adverse effect on the Company's operating results and financial condition.

The Company is subject to Health, Safety and Environmental laws and regulations that expose it to potential financial liability.

The Company's operations are regulated under a number of federal, provincial, state, local and foreign environmental laws and regulations, which govern, among other things, the discharge of hazardous materials into the ground, air and water as well as the handling, storage and disposal of hazardous materials. Compliance with these environmental laws is a major consideration in the manufacturing of the Company's products, as the Company uses, generates, stores and disposes of hazardous substances and wastes in its operations. The Company may be subject to material financial liability for the investigation and clean-up of such hazardous materials and to criminal and civil penalties for violations. In addition, many of the Company's current and former properties are or have been used for industrial purposes. Accordingly, the Company also may be subject to financial liabilities relating to the investigation and remediation of hazardous materials resulting from the actions of previous owners or operators of industrial facilities on those sites. Liability in certain instances may be imposed on the Company regardless of the legality of the original actions relating to the hazardous or toxic substances or whether or not the Company knew of, or was responsible for, the presence of those substances. Remediation costs and other damages arising from environmental laws could be substantial and could have a material adverse effect on the Company's business, results of operations and financial condition.

The Company is also subject to various Canadian and U.S. federal, provincial, state and local laws and regulations as well as foreign laws and regulations relating to safety and health conditions in its manufacturing facilities. Those laws and regulations may also subject the Company to material financial penalties or liabilities for non-compliance, as well as potential business disruption if any of its facilities or a portion of any facility is required to be temporarily closed or required to materially change or amend its current operating procedure as a result of a violation of those laws and regulations or material amendment. Any such financial liability or business disruption could have a material adverse effect on the Company's projections, business, results of operations and financial condition.

The Company operates in a number of markets where there are changing competitive dynamics that could adversely affect its market shares and operating margins.

The Company faces competition from other suppliers in all markets in which it operates. Certain market segments that are material to the Company's financial performance have mature technology characteristics and face commoditization threats. Certain competitors may have financial, technical, manufacturing and marketing advantages and may be in a stronger competitive

position than the Company as a result. Competitive actions taken by competitors such as price changes, new product and technology introductions and improvements in availability and delivery could affect the Company's market share or competitive position. To be competitive, the Company must deliver value to our customers by developing new technologies and providing reliable products and services. The intense competition within the industries in which it operates could lead to a reduction in revenue or prevent the Company from successfully pursuing additional business opportunities, which could have an adverse effect on the Company's operating results and cash flows.

Historically, the Company derives a material proportion of its revenue from large offshore pipeline projects. Increasingly, the ability to maintain a direct relationship with the owner of the pipeline is impacted by the role of intermediaries such as engineering procurement and construction contractors who are contracted by the pipeline owner to procure the Company's products and services as part of a larger integration scope of work. Loss of direct interface with pipeline owners could impair the Company's ability to commercialize new products and differentiate its product offerings versus competitors.

The Company is subject to litigation and could be subject to future litigation and significant potential financial liability.

From time to time, the Company is a party to litigation and legal proceedings that it considers to be a part of the ordinary course of business. Although none of the litigation or legal proceedings in which the Company is currently involved could reasonably be expected to have a material adverse effect on the Company's projections, business, results of operations or financial condition, the Company may, however, become involved in material legal proceedings in the future. Such proceedings may include, for example, product liability claims and claims relating to the existence or use of hazardous materials on the Company's property or in its operations, as well as intellectual property disputes and other material legal proceedings with competitors, customers, employees and governmental entities. These proceedings could arise from the Company's current or former actions and operations or the actions or operations of businesses and entities acquired by the Company prior to acquisition. The Company maintains insurance it believes to be commercially reasonable and customary; however, such coverage may be inadequate for or inapplicable to particular claims.

The Company's ability to make scheduled payments or to refinance its debt obligations may be negatively impacted or restricted due to matters beyond the Company's control, including prevailing conditions in the capital markets, available liquidity and other factors.

The ability of the Company to make scheduled payments on or to refinance its debt obligations depends on the Company's financial condition and operating performance, which are subject to a number of factors beyond the Company's control. The Company may be unable to maintain a level of cash flow from operating activities sufficient to permit the Company to pay the principal, premium, if any, and interest on its indebtedness. If the Company's cash flow and capital resources are insufficient to fund its debt service obligations, the Company could face substantial liquidity

problems and could be forced to reduce or delay investments and capital expenditures or to dispose of material assets or operations, seek additional debt or equity capital or restructure or refinance its indebtedness. The Company may not be able to effect any such alternative measures on commercially reasonable terms or at all and, even if successful, those alternative actions may not allow the Company to meet its scheduled debt service obligations.

Requirements related to ESG practices and disclosures are rapidly expanding, and failure to meet these requirements could adversely affect Company performance and/or its attractiveness to investors and other stakeholders.

Increasingly, governments are requiring and investors and other stakeholders are requesting further transparency and disclosure related to ESG topics and are requesting that companies develop and implement robust ESG policies and practices. Disclosure frameworks and evaluation criteria are not standardized and continue to evolve, therefore, certainty around compliance actions cannot be guaranteed.

Many governments have established targets related to material ESG topics, such as carbon, other greenhouse gas and chemical emissions. A number of the industry sectors in which the Company operates are facing additional scrutiny regarding regulations in the near term and the Company's ties to these sectors may subject it to the same. New or more stringent regulations could increase the Company's cost structure to meet compliance obligations or impact the ability to maximize production under existing air permits. ESG criteria are also being incorporated into eligibility for investment dollars by numerous institutional investors. The Company's ability to access capital and demand for the Company's shares may be limited by investors' perceptions of the Company and the sectors in which it operates.

In addition, practices and disclosures relating to ESG matters (including but not limited to climate change and emissions, diversity and inclusion, data security and privacy, ethical sourcing, and water, waste and ecological management) are attracting increasing scrutiny by stakeholders. Certain stakeholders are requesting that issuers develop and implement more robust ESG policies and practices. Developing and implementing such policies and practices can involve significant costs and require a significant time commitment from the Board of Directors, Executive Management Team, and employees of the Company. Failing to implement the policies and practices, as requested or expected by stakeholders, may result in such investors reducing their investment in the Company, or not investing at all. The Company's response to addressing ESG matters and any negative perception thereof can also impact its reputation, business prospects, ability to hire and retain qualified employees, and vulnerability to activist shareholders. Such risks could adversely affect the Company's future business operations and profitability.

The Company could be negatively affected as a result of actions of activist shareholders and some institutional investors may be discouraged from investing in the energy related industries we operate in.

Activist shareholders could advocate for changes to the Company's corporate governance, operational practices and strategic direction, which could have an adverse effect on the Company's reputation, business and future operations. In recent years, publicly traded companies have been

increasingly subject to demands from activist shareholders advocating for changes to corporate governance practices, such as executive compensation practices, social issues, or for certain corporate actions or reorganizations. There can be no assurances that activist shareholders will not publicly advocate for the Company to make certain corporate governance changes or engage in certain corporate actions. Responding to challenges from activist shareholders, such as proxy contests, media campaigns or other activities, could be costly and time consuming and could have an adverse effect on the Company's reputation and divert the attention and resources of management and the Company's Board of Directors, which could have an adverse effect on the Company's business and operational results. Additionally, shareholder activism could create uncertainty about future strategic direction, resulting in loss of future business opportunities, which could adversely affect the Company's business, future operations, profitability and ability to attract and retain qualified personnel.

In addition to risks associated with activist shareholders, some institutional investors are placing an increased emphasis on ESG factors when allocating their capital. These investors may be seeking enhanced ESG disclosures or may implement policies that discourage investment in the hydrocarbon industry. To the extent that certain institutions implement policies that discourage investments in our industry, it could have an adverse effect on the Company's financing costs and access to liquidity and capital. Additionally, if the Company's reputation is diminished as a result of the energy related industries in which it operates or services, it could result in increased operation or regulatory costs, lower shareholder confidence or loss of public support for the Company's business.

Changes in climate conditions, and regulatory regimes could adversely affect the Company's projections, business, results of operations and financial condition.

Many governments are moving to introduce climate change related rules at the international, national, state, provincial and local levels. Where legislation already exists, regulations relating to "greenhouse gases" and other emission levels and energy efficiency are becoming more stringent. Regulatory requirements, however, are not consistent across the regions in which the Company operates. In addition, concerns about climate change have resulted in environmental activists and members of the public increasingly opposing some elements of business in the industries and markets that the Company serves.

Compliance with requirements related to climate change may require significant capital outlays that may cause material changes, delays or disruptions in the Company's intended activities. The direct or indirect costs of compliance may have a material adverse effect on the Company's costs of operations and ability to operate within the parameters of its existing permits. The Company's business could also be indirectly impacted by climate-change related laws and regulations, as well as changes in public sentiment affecting its customers and suppliers.

Climate change and, more generally, the transition to a low carbon economy entail physical, regulatory and reputational risks. Although the Company is not a large producer of greenhouse gases, a significant segment of the products and services it provides are related to the transmission and storage of hydrocarbons including oil and natural gas, whose ultimate consumption are major sources of greenhouse gas emissions or other chemicals. Changes in the regulations concerning the release of greenhouse gases or other chemicals into the atmosphere, including the introduction of "carbon taxes" or limitations over the emissions of greenhouse gases or other chemicals, may

adversely impact the ability of the Company to maintain production levels within its existing permits, the demand for hydrocarbon related industries and ultimately, the demand for certain of the Company's products and services, including retail fuel tanks, products for combustion engines and pipe coating. Similarly, technological advances and cost declines in alternative energy sources may reduce demand for hydrocarbon, which could lead to a lower demand for certain of the Company's products and services including retail fuel tanks, products for combustion engines and pipe coating.

An increasing focus on reduction of greenhouse gas as well as chemical emissions and a potential shift to lower carbon intensive energy sources or a shift to a lower carbon economy may depress the overall level of activity in certain of the markets and industries, impacting the demand for certain of the Company's products and services including retail fuel tanks, products for combustion engines and pipe coating. Certain investors may discourage investments into certain of the industries which the Company serves. To the extent that certain institutions implement policies that discourage investments in those industries, it could have an adverse effect on the financing costs and the access to liquidity and capital of certain of the Company's customers, which in turn could lead to a lower demand for certain of the Company's products and services as noted above.

Unusual or unfavourable weather conditions relating to climate change may cause supply chain and operational disruptions as well as reduced sales.

The physical impacts of increasingly volatile weather conditions, both acute (event driven) and chronic (long-term) may have an adverse effect on the operations of the Company. These include more frequent and extreme weather events, shifts in temperature ranges and precipitation, natural disasters, resource shortages, changing sea levels and changing temperatures, some or all of which could cause severe or in some instances, catastrophic impacts to the resources, materials, facilities, labour availability or operations of the Company as well as its customers and suppliers.

Climate change may have similar impacts on the Company's major customers, reducing demand for its products, and may also impact suppliers, which could result in shortages in certain consumables and other products required to maintain the Company's operations. While the Company undertakes ongoing climate change risk assessment and implementation of mitigation strategies to address, where possible, the risks associated with the impacts of extreme weather events, the frequency and severity of such events can vary widely and cannot be predicted. This uncertainty, in turn, could have a material adverse effect on the Company's ability to operate in certain jurisdictions, projections, business, results of operations and financial condition.

The Company's projections, business, results of operations and financial condition could be adversely affected by actions under Canadian, U.S., European or other trade or tax laws.

The Company is a Canadian-based company with significant operations in the United States. The Company also owns and operates international manufacturing operations that support its Canadian, U.S. and European operations. If actions under Canadian, U.S., European or other trade or tax laws were instituted that limited the Company's access to the materials or products necessary for such manufacturing operations, the Company's ability to meet its customers' specifications and delivery requirements would be reduced. Any such reduction in the Company's ability to meet its

customers' specifications and delivery requirements could have a material adverse effect on the Company's projections, business, results of operations and financial condition.

The Company has various facilities that export products to the United States and other countries. Any changes to trade or tax laws that negatively impact the competitiveness of the Company's exports or products could have a material adverse effect on the Company's projections, business, results of operations and financial condition.

The Company is subject to corruption, bribery and trade laws that expose it to potential financial and regulatory liability.

The Company is required to comply with Canadian, U.S. and international laws and regulations regarding anti-corruption, anti-bribery and trade sanctions and compliance. While the Company mandates compliance with all such applicable laws and regulations and has developed policies and procedures to maintain compliance with such laws and regulations, it could be exposed to investigations, claims and other regulatory proceedings for alleged or actual violations related to its operations. The governments of Canada, the United States and other agencies and similar agencies and authorities in other jurisdictions, have a broad range of civil and criminal penalties that they may seek to impose against corporations and individuals for such violations, including among other things, fines, penalties, disgorgement and injunctive relief. If any of these risks materialize, it could have a material adverse effect on the Company's reputation, business, results of operations and financial condition.

Exchange rate fluctuations are beyond the Company's control and could adversely affect its projections, business, and results of operations and/or financial condition.

The majority of the Company's business is transacted outside of Canada through subsidiaries operating in several countries. The net investments in these subsidiaries as well as their revenue, operating expenses and non-operating expenses are based in foreign currencies. As a result, the Company's consolidated revenue, expenses and financial position may be impacted by fluctuations in foreign exchange rates as these foreign currency items are translated into Canadian dollars.

The objective of the Company's foreign exchange risk management activities is to minimize transaction exposures associated with the Company's foreign currency-denominated cash streams and the resulting variability of the Company's earnings. The Company utilizes foreign exchange forward contracts to manage foreign exchange risk. With the exception of the Company's U.S. dollar-based operations, the Company does not hedge transaction exposures.

The Company is subject to interest rate risk.

The Company's Credit Facility is subject to changes in market interest rates. Changes in economic or market conditions could result in higher interest rates, thereby increasing the Company's interest expense which could have a material adverse effect on the Company's operating results and financial condition.

Internal control systems for financial reporting cannot provide absolute assurance of the reliability of financial reporting.

The Company prepares its financial reports in accordance with accounting policies and methods prescribed by IFRS. In the preparation of financial reports, management may need to make estimates, rely upon assumptions and use their best judgment in determining the financial condition of the Company. The Company's significant accounting policies are described in the notes to the Company's annual consolidated financial statements for the year ended December 31, 2021. In order to have a reasonable level of assurance that financial transactions are properly authorized, recorded and reported and that assets are safeguarded against unauthorized or improper use, the Company has in place internal control systems for financial reporting. Although the Company believes that its financial reporting and financial statements are prepared with reasonable safeguards to ensure reliability, the Company cannot provide absolute assurance in that regard.

Item 5 DIVIDENDS

The declaration and payment of dividends are at the discretion of the Board of Directors. For many years the Board of Directors maintained a stable dividend payment policy determined by reference to average net earnings over a period of years and the Company's overall financial standing. However, in response to the uncertainty and expected market slow down caused by the COVID-19 pandemic and recent changes in oil and gas supply and demand that have reduced capital investments by operators, the Company announced on March 16, 2020 that it would suspend its regular quarterly dividend until further notice, commencing in the second quarter of 2020. At the present time, it is not anticipated that the Company will re-instate a dividend payment in 2022.

The following table summarizes dividends per share during the previous three years:

	2021	2020	2019
Common Shares	\$0.00	\$0.15	\$0.60

The Company's Credit Facility requires that, prior to (and after giving effect to) the payment of dividends, the Company must comply with certain financial covenants. The Company is and has been in compliance with such financial covenants at all relevant times.

The Notes further restrict the Company's ability to pay dividends while they remain outstanding.

Item 6 DESCRIPTION OF CAPITAL STRUCTURE

The authorized capital of the Company consists of an unlimited number of common shares. Each common share entitles the holder thereof to one vote per share at meetings of Shareholders, to receive dividends if, as and when declared by the Board of Directors and to receive pro rata the remaining property and assets of the Company upon its dissolution or winding up.

Ratings

In conjunction with the issuance by the Company of the Notes in December 2021, the Company

obtained credit ratings from two credit ratings agencies. Credit ratings affect the Company's ability to obtain short-term and long-term financing and the cost of such financing. Additionally, the ability of the Company to engage in certain collateralized business activities on a cost-effective basis depends on the Company's credit ratings. A reduction in the current rating on the Company's debt by its rating agencies, particularly a downgrade below current ratings, or a negative change in the Company's ratings outlook could adversely affect the Company's cost of future financing and its access to sources of liquidity and capital. Credit Ratings received by the Company as at December 31, 2021 were as follows:

	DBRS Limited⁽¹⁾ ("DBRS")	S&P Global Ratings ("S&P")
Issuer Rating	BB (low), Stable	BB-, Stable
Senior Unsecured Debt (High Yield)	B (high), Stable	B
Senior Secured Credit facility		BB-

- (1) DBRS' long-term credit ratings provides opinions on the risk that an issuer will fail to satisfy the financial obligations in accordance with the terms under which the debt obligation has been issued. DBRS' credit rating scale ranges from 'AAA' (for the highest credit quality) to 'D' (the lowest ranking, where the issuer has filed under bankruptcy, insolvency or winding-up statutes or where there is a failure to satisfy obligations after the exhaustion of any grace periods). A rating of BB by DBRS is the fifth highest of ten categories and is assigned to debt securities viewed as speculative, non-investment grade credit quality where the capacity for the payment of financial obligations is considered acceptable, but the issuer may be vulnerable to future events. The assignment of a "(high)" or "(low)" modifier within certain rating categories indicates relative standing within such category. The absence of either a "(high)" or "(low)" designation indicates the rating is in the middle of the category.
- (2) S&P's issuer and senior debt rating is a forward-looking opinion of the Company's overall credit worthiness. The opinion reflects S&P's view of the Company's capacity and willingness to meet its financial commitments when due. S&P's credit ratings are on a long-term debt rating scale that ranges from the highest 'AAA' (being an extremely strong capacity to meet its financial obligations) to the lowest 'D' (where a failure to pay one or more financial obligations when it became due. An issuer rating of BB by S&P is the fifth highest of ten major categories. According to the S&P rating system, an issuer with debt securities rated BB is viewed as less vulnerable in the near-term but facing major ongoing uncertainties to adverse business, financial and economic conditions. Its securities are considered speculative grade. The addition of a plus (+) or minus (-) designation after a rating indicates the relative standing within a particular rating category and the lack of such designation indicates a ranking that is in the middle of the category. S&P assigns "stable" outlooks to issuer ratings when S&P believes that a rating is not likely to change over the shorter term (generally up to one year).

The credit ratings assigned by the rating agencies are not recommendations to purchase, hold or sell the Company's securities nor do the ratings comment on market price or suitability for a particular investor. A rating may not remain in effect for any given period of time and may be revised or withdrawn entirely by a rating agency in the future if, in its judgment, circumstances so warrant. The Company has paid each of DBRS and S&P their customary fees in connection with the provision of the above ratings. The Company has not made any payments to DBRS or S&P in

the past two years for services unrelated to the provision of such ratings.

Item 7 MARKET FOR SECURITIES

The following are the monthly closing price ranges and volumes traded on the Toronto Stock Exchange for the Company’s common shares for 2021:

Item

8

Month	Close	High	Low	Volume
January	4.04	4.76	3.51	16,091,942
February	5.11	5.58	4.05	13,244,734
March	5.31	7.73	4.91	21,671,295
April	5.83	6.13	4.92	6,305,365
May	6.00	6.28	5.08	9,431,133
June	5.91	6.75	5.78	8,556,450
July	4.95	6.02	4.86	7,819,067
August	4.97	5.55	4.28	6,366,568
September	5.66	5.91	4.66	5,605,141
October	5.33	6.43	5.07	6,963,989
November	4.78	5.83	4.51	9,686,140
December	4.91	5.15	4.24	5,897,630

DIRECTORS AND OFFICERS

8.1 Name, Address, Occupation and Security Holdings as a Group

8.1.1 Directors

The following table sets out for each Director, as of the date hereof, his or her name, municipality and country of residence, principal occupation, committee membership and period during which he or she has served as Director:

<u>Name and Municipality of Residence</u>	<u>Principal Occupation</u>	<u>Director Since</u>
Derek Blackwood Houston, Texas, U.S.A.	Corporate Director, Chair of the Board of Shawcor Ltd.	2011
Laura Cillis ⁽¹⁾⁽²⁾ Nelson, British Columbia, Canada	Corporate Director	2019
Kevin Forbes ⁽¹⁾⁽³⁾ West Sussex, England	Corporate Director	2014
Alan Hibben ⁽¹⁾⁽³⁾ Toronto, Ontario, Canada	Corporate Director	2020
Kevin Nugent ⁽¹⁾⁽²⁾ Calgary, Alberta, Canada	Corporate Director	2021
Pamela Pierce ⁽²⁾⁽³⁾ Houston, Texas, U.S.A.	CEO & President, Scientific Drilling International, a private oilfield services firm.	2014
Michael Reeves Houston, Texas, U.S.A	President & Chief Executive Officer, Shawcor Ltd.	2021

(1) Audit Committee

(2) Compensation and Organizational Development Committee

(3) Governance & Sustainability Committee

Directors are elected annually at each Annual Meeting of shareholders to hold office until the next Annual Meeting of shareholders or until their successors have been duly elected.

8.1.2 Officers

The following sets out for each executive Officer of the Company, his or her name, municipality of residence and position with the Company as of the date hereof:

Name and Municipality	Offices with Shawcor Ltd.
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of Residence

and Principal Occupation

Derek Blackwood
Houston, Texas, U.S.A.

Chair of the Board, Shawcor Ltd.

Michael Reeves
Houston, Texas, U.S.A

President & Chief Executive Officer

Gaston Tano
Mississauga, Ontario, Canada

Senior Vice President, Finance
Chief Financial Officer

Timothy Hutzul
Toronto, Ontario, Canada

Senior Vice President, General Counsel and
Secretary

During the past five years, all of the Company's Directors and Officers have held their present principal occupations or other positions as noted opposite their respective names except:

Derek Blackwood became Chair of the Board of the Company in May 2020. He was the Chief Executive Officer of Vepica Group from September 2015 to June 2018. Prior to September 2015, Mr. Blackwood was a business consultant to Wood Group since his retirement from Wood Group in December 2013.

Kevin Forbes was a partner in Epi-V LLP, a London, England based specialist oilfield technology investment company, from 2008 to 2017.

Pamela Pierce became interim CEO & President of Scientific Drilling International in May 2020 and subsequently was named permanent CEO and President in July 2020. Previously, Ms. Pierce was Executive Vice-President and Partner of Ztown Investments, a private oil and gas investment firm.

Michael Reeves became President of the Company on March 3, 2021. Prior to that, Mr. Reeves was CEO & President of Rubicon Oilfield International, a privately held company.

Gaston Tano became Senior Vice President, Finance and Chief Financial Officer of the Company on May 1, 2017 after joining the Company as Vice President, Finance – Corporate in September 2016. From 2011 to 2015, Mr. Tano was the Executive Vice President and Chief Financial Officer of Spin Master Limited, a multi-category children's entertainment company.

Timothy Hutzul was Vice President of Legal for Shawcor until his appointment as Senior Vice President and General Counsel on November 1, 2018. On June 1, 2020 he was also appointed as Secretary of the Company.

As at March 23, 2022, Directors and Officers of the Company as a group beneficially owned, directly or indirectly, or exercised control or direction over 208,177 of the issued and outstanding common shares of the Company, being 0.30% of the outstanding common shares.

8.2 Cease Trade Orders, Bankruptcies, Penalties or Sanctions

To the best of the Company's knowledge, other than as noted below, no Director or Executive Officer,

- (a) is, as at the date hereof or has been, within the 10 years before, a director, chief executive officer or chief financial officer of any company, that while that person was acting in that capacity,
 - i. was the subject of a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation, for a period of more than 30 consecutive days, or
 - ii. was subject to an event that resulted, after the Director or Executive Officer ceased to be a director, chief executive officer or chief financial officer, in the company being the subject of a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation for a period of more than 30 consecutive days;
- (b) is, as at the date hereof or has been, within the 10 years before, a director or executive officer of any company, that while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or
- (c) has, within the 10 years before the date hereof, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold the assets of the Director or Executive Officer.

To the best of the Company's knowledge, none of its Directors or Executive Officers has been subject to any penalties or sanctions imposed by a securities regulatory authority or by a court relating to securities legislation, has entered into a settlement agreement with a securities regulatory authority or has been subject to any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

Item 9 LEGAL PROCEEDINGS AND REGULATORY ACTIONS

During the year ended December 31, 2021, there were no legal proceedings to which the Company is or was a party, or that any of the Company's property is or was the subject of, which is or was, or can be reasonably considered to be, material to the Company or any of its properties and the Company is not aware of any such legal proceedings that are contemplated. For the purposes of the foregoing, a legal proceeding is not considered to be "material" by the Company if it involves

a claim for damages and the amount involved, exclusive of interest and costs, does not exceed 10% of the Company's current assets.

During the year ended December 31, 2021, there were no penalties or sanctions imposed against the Company by a court relating to securities legislation or by a securities regulatory authority, nor have there been any other penalties or sanctions imposed by a court or regulatory body against the Company that would likely be considered important to a reasonable investor in making an investment decision, and it has not entered into any settlement agreements before a court relating to securities legislation or with a securities regulatory authority.

Item 10 AUDIT COMMITTEE

The Audit Committee is a standing committee appointed annually by the Board to assist the Board in fulfilling its oversight responsibilities with respect to financial reporting by Shawcor. The Committee consists of four members, Laura Cillis - Chair, Kevin Forbes, Kevin Nugent and Alan Hibben, all of whom are independent directors and are considered by the Board to be financially literate as that term is defined by Canadian Securities Regulators. The relevant experience of each member of the Audit Committee is set forth below.

Ms. Cillis is chair of the Audit Committee. She is a Chartered Professional Accountant (CPA, CA) with over 25 years of financial leadership experience within the North American energy industry, most recently as Senior Vice President, Finance and Chief Financial Officer of Calfrac Well Services Ltd from 2008 until her retirement in 2013. Ms. Cillis currently serves as a corporate director and also chairs the audit committee of the board of another public company.

Mr. Forbes' 27 years of experience as a senior executive with a leading global energy services company and his subsequent experience as a consultant and partner in an oilfield technology investment company have provided him with an understanding of accounting principles and their application, experience in analyzing and evaluating financial statements of energy services companies and an understanding of internal controls and procedures for financial reporting.

Mr. Nugent is a chartered professional accountant (CPA, CA) and has held various senior financial positions with public companies. He has held the positions of Chief Executive Officer and Chief Financial Officer in public oil and gas service companies and has been the Audit Committee chairman for a number of other public companies.

Mr. Hibben is a chartered professional accountant (CPA, CA) and chartered financial analyst (CFA). Since December 2014, he has been the principal of Shakerhill Partners Ltd., an advisory and investment company which provides financial and strategic advice. Mr. Hibben has more than 40 years' experience in the investment and financial services industry, retiring in December 2014 as Managing Director in the Mergers and Acquisitions Group of RBC Capital Markets, after previous roles as Head, Strategy & Development at RBC Financial Group and Chief Executive Officer, RBC Capital Partners.

All non-audit services to be provided by the Company's auditors must be approved by the Audit Committee as outlined in the Audit Committee Charter, a complete copy of which is attached as

Schedule 1. The following table discloses fees approved by the Audit Committee for the external auditors, Ernst & Young, for 2020 and 2021:

Fees in Millions of Dollars	2020	2021
Audit Fees	\$2.127	\$1.940
Audit-Related Fees	\$0.310	\$0.556
Tax Fees	\$0.037	\$0.032
All Other Fees	\$0.008	\$0.000
Total	\$2.482	\$2.528

A description of the services provided in connection with the “Audit-Related Fees” and “Tax Fees” is included in Appendix B to the Audit Committee Charter, attached as Schedule 1 to this AIF. The category of “All Other Fees” includes fees for tax services to expatriate employees and consulting services relating to subsidiary share structure and pension and compensation matters.

Item 11 TRANSFER AGENT AND REGISTRAR

The Company’s transfer agent and registrar is AST Trust Company (Canada), located in Toronto, Ontario.

Item 12 MATERIAL CONTRACTS

There were no contracts entered into by the Company since the beginning of 2021 or entered into prior to 2021 which remain in effect and which, in each case, are material and which were not entered into in the ordinary course of business, except for the following:

1. On December 10, 2021, the Company entered into a Note Indenture with TSX Trust Company as trustee for the holders of the Notes issued by the Company. The Note Indenture governs the rights of holders of the Notes.
2. On January 13, 2022, the Company entered into the Fifth Amended and Restated Credit Agreement which amended and restated its Credit Facility. with Toronto-Dominion Bank and National Bank Financial as co-lead arrangers and HSBC Bank Canada, JP Morgan Chase Bank and Export Development Bank as lenders. The Credit Facility provides for a US\$300 million, four-year senior secured revolving facility with revised covenants.

Item 13 INTERESTS OF EXPERTS

Ernst and Young LLP is the Company’s auditor and is independent of the Company within the meaning of the CPA Code of Professional Conduct of the Chartered Professional Accountants of Ontario.

Item 14 ADDITIONAL INFORMATION

Additional information, including Officers’ and Directors’ remuneration and indebtedness, principal holders of voting shares and securities authorized for issuance under equity compensation

plans, is included in the Company's Management Proxy Circular which will be filed on SEDAR on or about April 1, 2022. Additional financial information is provided in the Company's audited financial statements and Management's Discussion and Analysis for the year ended December 31, 2021. They may be found on SEDAR at www.sedar.com.

Copies of these documents may be obtained upon request from the Senior Vice President, Finance and Chief Financial Officer, Shawcor Ltd., 25 Bethridge Road, Toronto, Ontario, Canada, M9W 1M7.

Additional information relating to the Company may also be found on SEDAR at www.sedar.com and on the Company's website at www.Shawcor.com.

SCHEDULE 1

March 9, 2022

SHAWCOR LTD. (the “Company”) AUDIT COMMITTEE OF THE BOARD OF DIRECTORS CHARTER

A. Authority

The Audit Committee of the Board of Directors (the “**Board**”) operates under authority vested by the Board and reports to the Board. The Audit Committee assists the Board in fulfilling its duty to oversee the integrity of the Company's processes related to financial reporting, relations with the external and internal auditors, internal and disclosure controls, financial risk management and the creation of a culture of ethical business conduct. The Audit Committee will meet regularly with the Company's financial and accounting personnel and the Company's internal and external auditors to review these matters and to discuss internal controls over the financial reporting processes, disclosure controls, auditing matters and financial reporting issues. The Audit Committee Chair will report on the Committee's activities at each quarterly scheduled meeting of the Board. The Audit Committee will be provided with necessary resources to fulfill the duties and responsibilities assigned to it by the Board including the retention of such special legal, accounting, financial or other consultants as it may deem necessary. If determined necessary by the Audit Committee, it will also have the discretion to institute investigations of improprieties or suspected improprieties within the scope of its responsibilities.

The authority, organization and role of the Audit Committee reflect the requirements of the Canada Business Corporations Act, the Toronto Stock Exchange, as well as the provincial Securities Acts and any other pertinent legislation with which the Company must comply.

B. Organization

- 1. Number and Qualifications** - Members of the Audit Committee and the Chair are appointed annually by the Board. The Audit Committee consists of a minimum of three directors, all of whom must meet the independence and financial literacy requirements of the Toronto Stock Exchange, the provincial Securities Acts and the Canada Business Corporations Act (see definition in Appendix A). A director appointed to the Audit Committee will be a member of the Committee until replaced by the Board or until their resignation.
- 2. Quorum and Invitees** - A majority of the members of the Audit Committee will form a quorum. Subject to invitation, meetings will usually include the CEO and the Senior Vice President, Finance and CFO. Attendees may also include other directors, the external and internal auditor or other representatives and employees of the Company, as determined by the Audit Committee.

3. **Meetings** – Committee meetings will be held as designated by the Audit Committee Chair or at the request of the Chair of the Board, the external auditor, a senior officer of the Corporation or upon the request of a majority of Committee members. The Committee will meet a minimum of four times per year at such times and places as may be designated by the Chair. In the absence of the Chair, the members of the Audit Committee will choose one of the members present to chair the meeting. Audit Committee members may participate in meetings by means of such telephonic, electronic or other communication facilities as permits all persons participating in the meeting to hear and communicate with each other. The Audit Committee will have an “*in camera*” session without management at every quarterly meeting and at other meetings as deemed appropriate. Furthermore, the Audit Committee will meet “*in camera*” with the internal and external auditors, without management present at each Audit Committee meeting in which such auditors participate.

C. **Role**

Management is responsible for preparing the Company’s consolidated financial statements and other financial information, for the fair presentation of the information set forth in the consolidated financial statements in accordance with GAAP, for establishing, documenting, maintaining and reviewing systems of internal and disclosure control and for maintaining the appropriate accounting and financial reporting principles and policies designed to assure compliance with accounting standards and applicable laws. The Audit Committee’s role is one of oversight of the following matters:

1. **Financial Reporting and Disclosure**

- a) Reviewing with management and the external auditor the annual and interim consolidated financial statements of the Company, including, without limitation, the judgement of the external auditors as to not only the acceptability but also the quality and appropriateness of the Company's accounting policies and practices as applied in its financial reporting, and reporting and recommending the consolidated financial statements to the Board for approval.
- b) Reviewing the CFO Report summarizing substantive issues discussed by the Disclosure Committee as well as any material change to the Company's accounting policies and practices as recommended by senior management or the external or internal auditor or which may result from changes to applicable laws or to generally accepted accounting principles, including international financial reporting standards, where applicable.
- c) Reviewing financial information (such as the Management Discussion and Analysis) to be included in all regulatory filings and other public disclosure (such as Annual Information Form, annual and interim consolidated financial statements, prospectuses, information circulars and annual and interim earnings press releases).
- d) Reviewing annual and quarterly results, Annual Information Form, any Management Discussion and Analysis and accompanying earnings releases and making recommendations for approval to the Board.

- e) Reviewing the use of any "pro forma" or adjusted information not in accordance with applicable generally accepted accounting principles, where applicable.
- f) Reviewing significant transactions and the manner in which these matters are treated in the Company's financial disclosure and consolidated financial statements.
- g) Reviewing emerging accounting, financial reporting and disclosure issues.
- h) Reviewing key estimates and judgments of management.
- i) Reviewing material tax matters.

2. Internal and Disclosure Controls

- a) Reviewing the integrity of internal controls with senior management, the external auditors and the internal auditor. Reviewing the external and internal auditors' recommendations on internal control matters, following-up on any identified weaknesses and management's response. Confirming that adequate procedures are in place for the review of the public disclosure of financial information extracted or derived from the consolidated financial statements of the Company and periodically assessing the adequacy of those procedures.
- b) Discussing with the internal auditor any difficulties or disputes that arose with senior management during the course of the audits and the adequacy of senior management's responses in correcting audit-related deficiencies.
- c) Reviewing the Company's processes for the CEO and CFO certifications required by applicable securities laws with respect to the Company's annual and interim filings.
- d) Reviewing procedures for public disclosure of financial information and periodically assessing the adequacy of those procedures.

3. Relations with External Auditors

- a) Reviewing External Auditor Report and confirming independence of the external auditor. Overseeing and evaluating the work of the external auditor, including the resolution of disagreements between management and the external auditor regarding financial reporting. The external auditor will report directly to the Audit Committee but is ultimately accountable to the Board, which has ultimate authority to select, evaluate and where appropriate, replace the external auditor.
- b) Reviewing and approving in advance the terms of engagement and scope of the external audit and recommending to the Board the appointment and proposed audit fees of the external auditor.
- c) Reviewing and discussing with the external auditor all significant relationships that the

external auditor and its affiliates have with the Company and its affiliates in order to seek to determine the external auditor's independence, including:

- i. approving all non-audit assignments undertaken by the external auditor. Reviewing periodically the detailed policies and procedures dealing with pre-approved non-audit services. In addition, the Audit Committee at its discretion may delegate pre-approvals of other non-audit services to the Chair of the Committee, subject to ratification by the full Committee at the next scheduled meeting. Appendix B sets out the Audit Committee's current policy with respect to non-audit services for which the independent auditor may be engaged; and
 - ii. approving any hiring of partners and employees and former partners and employees of the external auditor.
- d) Reviewing the external auditor's internal quality control procedures and any internal or external reviews of investigation of the auditor's professional practices.
 - e) Requiring the external auditor to perform such supplemental reviews or audits as the Committee may deem desirable.

4. Relations with Internal Auditor

- a) Approval of internal auditor. Reviewing in advance the terms of engagement, including fees, the scope of the internal audit work plan and the resources necessary to carry out the plan, as well as confirming independence of the internal auditor. Overseeing and evaluating the work of the internal auditor, including management's response to the internal auditor's findings and recommendations as well the resolution of disagreements between management and the internal auditor regarding material weaknesses or significant deficiencies disclosed by the internal audit. The internal auditor will report directly to the Audit Committee.
- b) Annually reviewing and assessing the adequacy of the Internal Audit Charter and approving any changes to it.
- c) Monitoring and assessing the quality and effectiveness of internal audit and its role in the overall context of the Company's risk management system.

5. Risk Management

- a) Discussing with management and internal and external auditors their assessment of significant corporate and financial risks and exposures as well as reviewing the Company's risk management policies and processes together with the effectiveness and efficiency of the same.
- b) Annually reviewing the Company's program to obtain insurance to mitigate risks where appropriate.

- c) Reviewing contingent liabilities and the manner in which these are treated in the Company's financial disclosure and consolidated financial statements.
- d) Reviewing IT strategy and the threat of cyber-attack and plans to mitigate such risks.

6. Ethical Business Conduct

- a) Monitoring and evaluating effectiveness of policies and procedures for dealing with questions and complaints regarding accounting, internal accounting controls, auditing and financial disclosure matters and the confidential anonymous submissions of concerns regarding such matters made through the Company's Whistleblower Hotline or otherwise.
- b) Monitoring compliance with the Company's Code of Conduct and the confidential anonymous submissions of concerns regarding such matters made through the Company's Whistleblower Hotline or otherwise.
- c) Reviewing related party transactions for which Board approval is required under applicable legislation and making recommendations to the Board related to such transactions.

7. Other Matters

- a) Reviewing the appointment of and succession planning for the Senior Vice President, Finance and CFO. Discussing and making recommendations to the Board regarding the appointment or removal of the Senior Vice President, Finance and CFO, on the recommendation of the CEO. Periodically reviewing the budget, structure and performance of the Company's finance organization.
- b) Conducting or authorizing investigations into any matter that the Committee believes is within the scope of its responsibilities.
- c) Annually reviewing and assessing the adequacy of this Charter and the performance of the Audit Committee.

**SHAWCOR LTD.
AUDIT COMMITTEE CHARTER**

**APPENDIX A
DEFINITIONS**

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 Company's financial statements.

Independence

An Audit Committee member is independent if the member has no direct or indirect material relationship with the Company or its subsidiaries and affiliates. A material relationship means a relationship which could, in the view of the Company's Board, be reasonably expected to interfere with the exercise of a member's independent judgment.

In addition to any determination which may be made by the Board, the following individuals will be considered to have a material relationship with the Company:

- a) an individual who is, or was within the last three years, an executive officer or employee of the Company;
- b) an individual whose immediate family member is, or was within the last three years, an executive officer of the Company;
- c) an individual who is a partner or employee of the Company's external or internal or auditor;
- d) an individual who was a partner or employee of the Company's external or internal auditor within the last three years and personally worked on the Company's audit during that period;
- e) an individual whose spouse, minor child or stepchild, or child or stepchild who shares a home with the individual; is a partner of the Company's auditor, is an employee of the Company's auditor and participates in its audit, assurance or tax compliance practice or was, within the last three years, a partner or employee of the Company's auditor and personally worked on its audit within that time;
- f) an individual who, or whose immediate family member, is or has been within the last three years, an executive officer of an entity if any of the Company's current executive officers serves or served at that same time on the entity's compensation committee;

- g) an individual who received, or whose immediate family member who is an executive officer of the Company received, more than \$75,000 in direct compensation from the Company during any 12-month period during the last three years, other than in their capacity as a Board member and other than fixed amounts of remuneration received under a retirement plan for prior service where such compensation is not contingent on continued service;
 - h) an individual who accepts, directly or indirectly, fees from the Company, other than in his or her capacity as a member of the Board or any Board committee, or part-time Chair or Vice Chair of the Board or any Board committee; and
 - i) an individual who is an “affiliated entity” of the Company within the meaning of National Instrument 52-110.
- 1) For purposes hereof, “the Company” includes Shawcor Ltd. and any subsidiary thereof;
and
 - 2) For purposes of paragraph (h), indirect acceptance of a fee by an individual includes acceptance of a fee by (i) an individual’s spouse, minor child or stepchild or child or stepchild who shares the individual’s home, or (ii) an entity in which such individual is a partner, member, officer or other comparable position and which provides accounting, consulting, legal, investment banking or financial advisory services to the Company.

**SHAWCOR LTD.
AUDIT COMMITTEE CHARTER**

**APPENDIX B
AUDIT AND NON-AUDIT SERVICES**

Audit services include:

- The audit and/or review of annual and quarterly financial statements of the Company, its subsidiaries and affiliates
- Other procedures required to be performed by the independent auditor to be able to form an opinion on the Company's consolidated financial statements, including information systems and procedural reviews.

Audit Related Services

Audit related services are the professional attestation and related services that are reasonably related to the proper completion of the audit of the Company's financial statements. The Audit Committee has granted general pre-approval to the following audit related or other non-tax services performed by the external auditors provided in each case that the Audit Committee is informed periodically of all such services provided:

- Due diligence services pertaining to potential business acquisitions/dispositions
- Accounting consultations relating to accounting, financial reporting and disclosure issues
- Assistance with understanding and implementing new accounting and financial reporting standards and guidance
- Special audits on control procedures
- Prospectus and other regulatory audit and filing assistance

All other non-tax related services must be specifically approved by the Audit Committee.

Tax Related Services

The Audit Committee has granted general pre-approval to the following tax related services supplied by the external auditor provided in each case that the Audit Committee is informed periodically of all such services provided:

- Assistance with completion and filing of corporate tax returns
- Assistance with understanding and implementing new tax rules
- Tax consultations related to specific transactions
- Assistance and advice with respect to general corporate tax planning
- Discussions and negotiations with taxation authorities concerning the Company's tax affairs.

All other tax related services must be specifically approved by the Audit Committee.

Non-Audit Services

The Chair of the Audit Committee may pre-approve non-audit services to be provided by the external auditor providing all such assignments are reviewed with the full Audit Committee at the next scheduled meeting.

Prohibited Services

The following services are not to be provided by the external auditor:

- Bookkeeping or other services related to the accounting records or financial statements
- Appraisal, valuation or fairness opinions
- Actuarial services
- Internal audit
- Human resource assistance
- Legal advice
- Legal services
- Investment banking services
- Management functions