

ANNUAL INFORMATION FORM

For the fiscal year ended December 31, 2020

MARCH 4, 2021



2020 Annual Information Form

Superior operates and reports on three business segments through our subsidiary, Superior Plus LP:

- » **U.S. Propane Distribution**
- » **Canadian Propane Distribution**

References to “Energy Distribution” in this AIF encompass both the U.S. Propane Distribution and Canadian Propane Distribution operating segments because of the inherent similarities of the businesses.

Both segments buy and sell propane and other liquid fuels and related products and distribute these products to the end users.

- » **Specialty Chemicals** produces and sells sodium chlorate, chlor-alkali products and sodium chlorite in North America, South America and internationally. On February 18, 2021, Superior entered into an agreement to sell its 100% interest in the assets and entities that make up this segment. Further details are included on page 26.

Headquartered in Toronto, we trade on the Toronto Stock Exchange (“TSX”) under the symbol SPB and have approximately 176.1 million common shares outstanding. We have approximately 4,443 employees worldwide. Excluding the Specialty Chemicals segment, we have approximately 3,877 employees.

About this document

This annual information form describes our history, our businesses, the risks our businesses face and the market for our shares, among other things.

It includes statements and information about our expectations for the future. When we discuss our strategy, plans and future financial and operating performance, or other things that have not yet taken place, we are making statements that are considered forward-looking information or forward-looking statements under Canadian securities laws. You can read more about forward-looking information starting on page 69.

Sometimes we use Non-GAAP financial measures, which are financial terms that do not have a standardized meaning under generally accepted accounting principles. Individual companies calculate these measures differently and you should not rely on them to measure our performance. You can read more about Non-GAAP measures and how we calculate them starting on page 70.

What’s inside

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Where to find additional information

Additional information about us may be found under our profile on SEDAR (www.sedar.com). Our 2021 information circular, which we expect to file on or about March 4, 2021, has more information about how we compensate our directors and officers, the audit committee, who owns our securities and our corporate governance practices. Our financial statements and management’s discussion and analysis have

In this document

- » we, us, our and Superior mean Superior Plus Corp.
- » “AIF” and this document mean this annual information form.

All information is as of March 4, 2021, and all dollar amounts are in Canadian dollars, unless stated otherwise.

more financial information. These documents are all on our website (www.superiorplus.com) and under our profile on SEDAR (www.sedar.com).

If you would prefer to have printed copies, we will send them to you free of charge. Send your request to the Vice President, Investor Relations and Treasurer, at:

Superior Plus Corp.

Suite 401–200 Wellington Street West

Toronto, Ontario M5V 3C7

Telephone: (416) 345-8050

Toll-free: (866) 490-PLUS (7587)

Facsimile: (416) 340-6030

Website: www.superiorplus.com

About Superior Plus Corp.

Superior Plus Corp. is a diversified business incorporated under the Canada Business Corporations Act ("CBCA").

Our common shares trade on the TSX under the symbol SPB.

How we're structured

The table below describes our core structure. You will find a detailed organizational chart on the next page.

Superior Plus Corp.

- » successor to Superior Plus Income Fund, a limited purpose, unincorporated trust formed under the laws of the Province of Alberta
- » formed on December 31, 2008 when Superior Plus Income Fund was converted to a corporation under a court-approved plan of arrangement and renamed
- » owns directly and indirectly 100% of Superior Plus LP:
 - owns 100% of Superior Plus LP Class A limited partnership units
 - owns 100% of Superior GP common shares.

Function

Is the publicly traded holding company of Superior Plus LP. Financed its investment in Superior Plus LP by issuing equity securities and convertible debentures.

Receives income from its investment in Superior Plus LP. Pays dividends to shareholders after paying its expenses.

Superior Plus LP

- » limited partnership with Superior General Partner Inc. ("Superior GP") (as general partner) and Superior Plus Corp. (as limited partner)
- » formed on September 17, 2006
- » directly and indirectly wholly-owned by Superior:
 - Superior owns 100% of the Class A limited partnership units
 - Superior GP owns all the general partnership units.

Function

Operates three segments:

- » Energy Distribution provides distribution, wholesale procurement and related services for propane, heating oil and other refined fuels through two reportable segments, Canadian Propane Distribution and U.S. Propane Distribution
- » Specialty Chemicals supplies sodium chlorate and technology to the pulp and paper industries and is a regional supplier of potassium and chlor-alkali products mainly in the U.S. Midwest and Western Canada.

See page 8 for details

Registered head office

Superior Plus Corp., Superior General Partner Inc. and Superior Plus LP have the same registered head office:

Suite 401-200 Wellington Street West
Toronto, Ontario M5V 3C7

Superior General Partner Inc.

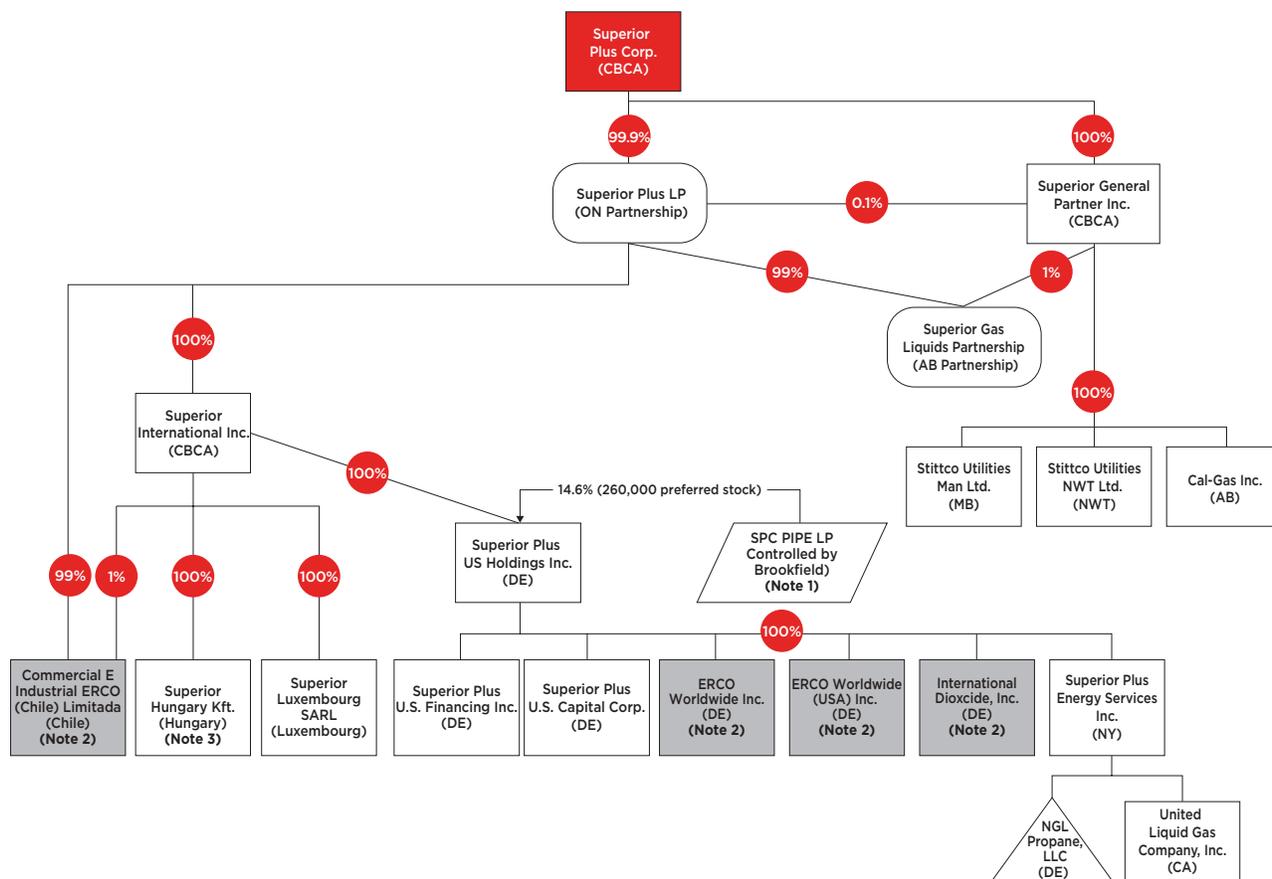
- » wholly-owned subsidiary of Superior
- » formed on January 1, 2009 through the amalgamation of Superior Plus Inc. and Superior Plus Administration Inc. under the CBCA
- » owns all the general partnership units.

Function

Has exclusive authority to manage and make all decisions related to the business and affairs of Superior Plus LP under a limited partnership agreement between Superior GP (as general partner) and Superior Plus Corp. (as limited partner) signed on September 17, 2006 and amended and restated on December 31, 2008.

Must exercise its powers and discharge its duties honestly, in good faith and in the best interests of Superior Plus LP, exercising the care, diligence and skill of a reasonably prudent person in comparable circumstances.

Organization chart



Notes:

- ⁽¹⁾ The series 1 exchangeable preferred stock are exchangeable for common shares of Superior at an initial exchange price of approximately US\$8.67 per share, subject to adjustment and may also be exchanged for Series 1, Preferred Shares of Superior Plus Corp. in certain limited circumstances. See "Our capital structure – Exchangeable preferred stock of Superior Plus US Holdings Inc."
- ⁽²⁾ On February 18, 2021, Superior entered into an agreement to sell its 100% interest in the entities that fall under the Specialty Chemicals segment.
- ⁽³⁾ In the process of being renamed from Chickasaw Hungary Kft. to Superior Hungary Kft.

Major developments⁽¹⁾

2018

January

- » We entered into agreements with two third parties to sell the propane assets associated with the divested sites as required by the consent agreement we entered into with the Competition Bureau in connection with the Canwest Acquisition (as defined below). Read about the Canwest Acquisition on page 16.

February

- » We issued \$220 million principal amount of our 5.125% Senior Unsecured Notes. Read about the notes on page 45.
- » We bought the propane distribution assets and the fuels and lubricants business of Hi-Grade Oil Co. in Ohio for US\$6.4 million. We simultaneously sold the fuels and lubricant business on the same day to a third party for US\$1.7 million.

March

- » We redeemed all \$200 million of our outstanding 6.5% Senior Unsecured Notes on March 8, 2018.

April

- » We sold certain retail distillate assets in Pennsylvania to a third party for US\$16.7 million.
- » We sold our wholesale refined fuels business and certain refined fuel terminal assets located in New York to Sunoco LP for US\$39.5 million plus working capital of US\$16.0 million.
- » We sold our Petrofuels business located in St. Catharines, Ontario for \$4.1 million.
- » We completed the sales of Canwest Propane (as defined below) assets required by the Consent Agreement for \$13.0 million plus working capital of \$2.0 million.

May

- » We bought the propane distribution assets of Blue Flame, an independent distributor in Pennsylvania for US\$11.0 million.
- » We completed an extension of our \$620 million credit facility and increased the accordion facility to provide up to an additional \$300 million of capacity. We also extended the credit facility's maturity date to May 8, 2023.

June

- » We increased our credit facility to \$750 million and maintained the accordion facility and maturity date.
- » We bought the business assets of Pepco Atlantic Inc. for \$3.7 million, which primarily serves residential and commercial customers in Halifax.

2018

July

- » We bought NGL Propane, LLC, NGL Energy Partners LP's retail propane distribution business for US\$889.8 million. The purchase was financed through a combination of debt and equity, including U.S. and Canadian debt offerings of US\$350 million and \$150 million principal amount of unsecured notes, respectively, the issuance of \$400 million worth of subscription receipts and borrowings under our existing credit facilities. Read more on page 16.

September

- » We bought the propane distribution and other assets of Porco Energy Corp, an independent propane and distillate fuel distributor in New York for US\$16.0 million.

October

- » We acquired all of the issued and outstanding shares of United Liquid Gas Company, Inc., which operates under the tradename of United Pacific Energy, an independent wholesale natural gas liquid distributor in California for US\$33.0 million plus working capital of US\$6.9 million. The acquired assets included a 49% equity interest in Sheldon United Terminals.

November

- » We acquired substantially all of the propane distribution assets of Musco Fuel & Propane LLC, an independent propane distributor in Connecticut serving residential and commercial customers for US\$14.5 million.

2019

April

- » We bought the propane distribution assets of Phelps Sungas, Inc. and BMK of Geneva, Inc., an independent propane distributor in upstate New York for US\$18.7 million.

May

- » Our Specialty Chemicals business announced that it would be closing the sodium chlorate production facility in Saskatoon, Saskatchewan before the end of the year.
- » We extended our \$750 million syndicated credit facility (with a \$300 million accordion facility) to May 8, 2024. Read more about the facility on page 44.
- » We acquired the shares of Sheldon Gas Company and Sheldon Oil Company (together, "Sheldon"), an independent propane distributor in Northern California for US\$15.8 million. We also acquired the remaining 51% equity interest in Sheldon United Terminals.

June

- » We announced that we were considering the sale of our Specialty Chemicals business which operates under the tradename "ERCO Worldwide".

October

- » We acquired the propane distribution assets of Five Star Propane LLC, an independent propane distributor in North Carolina, operating under the tradename "Red Springs Fuel Oil" for US\$0.9 million.
- » We acquired the propane distribution assets of an independent distributor in Quebec and New Brunswick for \$4.9 million.

December

- » We acquired the propane distribution assets of Peninsula Oil Co. Inc., an independent propane distributor in Delaware for US\$12.1 million.

2020

January

- » We bought a Southern California retail propane distribution company, operating under the tradename of "Western Propane Service" for US\$22.7 million.
- » We completed the strategic review of the Specialty Chemicals business and determined not to proceed with a sale of Specialty Chemicals business at the time. We also re-established the dividend reinvestment program to repay debt and fund our acquisition program.

March

- » We announced that our annual general meeting that was previously scheduled to be held in person would be held in a virtual-only format due to COVID-19 and to comply with the directives from public health and government authorities.

June

- » We announced that Brookfield Asset Management Inc. ("Brookfield") through its Special Investments program agreed to make a US\$260 million (C\$353.8 million) equity investment in Superior through the newly created perpetual exchangeable Series 1 Preferred Stock of Superior Plus US Holdings Inc. on a private placement basis (the "Brookfield Investment"). Read more about the Brookfield Investment on page 41.
- » We suspended the dividend reinvestment program after the payment of the May dividend paid on June 15, 2020. Read more on page 43.

July

- » We announced the closing of the Brookfield Investment. Read more about the Brookfield Investment on page 41.

August

- » We acquired the assets of a retail propane distribution company, operating under the tradename "Champagne's Energy" for US\$27.2 million.

September

- » We acquired the assets of a retail propane and heating oil distribution company, operating under the tradename "Rymes Propane and Oil" for US\$150.6 million.

October

- » We acquired all of the equity interests of a South California propane distribution company, operating under the tradename "Central Coast Propane" for US\$12.9 million.
- » We acquired the assets of a retail propane distribution company operating under the tradename "Petrol Home Services" for US\$6.1 million.

2021

January

- » We bought all the assets of a retail propane and distillate distribution company, operating under the tradename of Holden Oil for US\$17.8 million.

February

- » We bought the shares of a retail propane distribution company, operating under the tradename of Miller Propane for \$7.5 million.
- » We bought the assets of a retail propane distribution company, operating under the tradename of Highlands Propane for \$13.9 million.
- » On February 18, 2021, we entered into an agreement to sell our Specialty Chemicals business to Birch Hill Equity Partners for total consideration of \$725 million. The sale is subject to the satisfaction of customary closing conditions and is expected to close in the first or early in the second quarter of 2021. You can read more about the sale on page 26.

March

- » On March 1, 2021, we announced a private placement by Superior Plus LP and Superior GP of US\$600 million of 4.5% senior unsecured notes with a maturity date of March 15, 2029 ("4.5% U.S. Notes"). The financing is expected to be completed and the 4.5% U.S. Notes issued on March 11, 2021, subject to customary closing conditions. Read more about the 4.5% U.S. Notes on page 47.
- » On March 1, 2021, we issued a conditional notice to redeem in full US\$350 million of 7.0% senior unsecured notes issued by Superior Plus LP and Superior GP. The redemption is expected to be completed on or about March 11, 2021 and is conditional upon the issuance of the 4.5% U.S. Notes.

⁽¹⁾ Amounts disclosed in the Major developments section for acquisitions and divestitures are the approximate amounts at the time the transaction was announced and may differ from amounts disclosed in our financial statements due to various adjustments.

About Superior Plus LP

Overview of the business

Superior Plus LP's goal is to generate stable cash flows and long-term value-based growth from the Energy Distribution segments. The divestiture of Specialty Chemicals subsequent to December 31, 2020 is expected to support this growth.

Prior to the determination to sell the Specialty Chemicals business in 2020, Superior had three reportable segments.

1. U.S. Propane Distribution (see page 18)

Buys, sells and distributes propane and other liquid fuels and related products in the U.S.

2. Canadian Propane Distribution (see page 22)

Buys, sells and distributes propane and other liquid fuels and related products in Canada and provides wholesale portfolio management services through Superior Gas Liquids ("SGL") in Canada and the U.S.

The U.S. Propane Distribution and Canadian Propane Distribution segments are collectively referred to in this AIF as the Energy Distribution business due to the similarities in each business.

3. Specialty Chemicals (see page 26)

Produces and sells sodium chlorate, chlor-alkali products and sodium chlorite in North America and internationally. On February 18, 2021, Superior entered into an agreement to sell its 100% interest in the assets and entities that make up this segment.

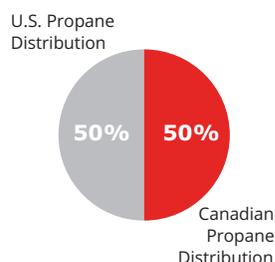
Head Office

Superior manages its portfolio of companies from its corporate office, which is responsible for carrying out strategy, allocating capital, making acquisitions and divestitures, managing risk and succession planning.

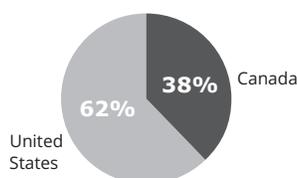
The 35 employees at head office include executive management, treasury, legal, tax, financial reporting, business development, risk and compliance, investor relations and corporate secretarial functions.

Each business is managed by a strong, experienced team that is compensated to maintain and grow cash flow and achieve financial performance.

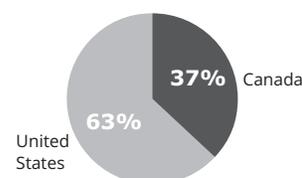
2020 Revenue by reportable segment⁽¹⁾



2020 Revenue by country



2020 Assets by country



⁽¹⁾ Excludes the impact of intersegment revenues that are eliminated on consolidation.

The above charts exclude the revenue and assets of the Specialty Chemicals segment. During 2020, the Specialty Chemicals segment had revenue of \$587.4 million and total assets of \$784.7 million. The 2020 Revenue by reportable segment including Specialty Chemicals segment was 38% Canadian Propane Distribution, 37% US Propane Distribution and 25% Specialty Chemicals. The 2020 Revenue by country was 62% United States, 34% Canada and 4% Other and the 2020 Assets by country was 59% United States, 40% Canada and 1% Other.

Financial information

Financial information for the past two years, including information by reportable segment, is included in our management's discussion and analysis and financial statements for the year ended December 31, 2020. These are available on our website (www.superiorplus.com) and under our profile on SEDAR (www.sedar.com).

Our approach to governance and corporate social responsibility

Governance

We are committed to high standards of corporate governance. Our corporate governance practices meet the guidelines of the Canadian Securities Administrators, and we regularly review and update them as appropriate when regulations change or best practices evolve. In 2020, we maintained our ISS Governance QualityScore of 2 throughout the year.

Our corporate governance practices are designed to ensure we:

- » operate in a safe, reliable and environmentally responsible way
- » meet our obligations to all regulatory bodies, business partners, customers, stakeholders, employees and shareholders
- » manage our businesses effectively in the best interest of all stakeholders.

You can read more about our corporate governance practices in our management information circular dated March 4, 2021, which is available on our website (www.superiorplus.com) and under our profile on SEDAR (www.sedar.com).

Code of business conduct and ethics

Our Code of Business Conduct and Ethics (Code) reinforces our principles and values and guides behaviour to avoid any potential reputational harm, liability or financial loss.

The code covers several areas, including:

- » avoiding conflicts of interest
- » protecting our corporate assets and opportunities
- » keeping corporate information confidential
- » dealing fairly with our shareholders, employees, customers, suppliers and competitors
- » maintaining a positive work environment where employees treat each other with respect
- » protecting the health and safety of our employees, customers and communities in which we operate
- » conducting activities in an environmentally responsible manner
- » complying with laws, rules and regulations
- » reporting any illegal, unethical or inappropriate behaviour.

The code applies to all directors, officers, employees and independent contractors, and every year they must certify that they have read and will abide by it. They must also certify that they have read and will abide by our other policies, including our Communication and Disclosure Policy and Practices, Insider Trading, Anti-Corruption, Privacy, Whistleblower, Human Rights, Competition Compliance and HS&E

Avoiding conflicts of interest

A conflict of interest is any relationship that prevents someone from acting objectively or in our best interests. We expect our employees, officers and directors to avoid situations where they might find themselves in a conflict of interest. However, if anyone believes a conflict of interest or perceived conflict of interest exists, they should report it right away:

- » employees should speak to their supervisor, the Vice President of Human Resources or the Senior Vice President and Chief Legal Officer
 - » executive officers and directors should speak to the President and Chief Executive Officer, the Senior Vice President and Chief Legal Officer or the Chair of the Board.
-

policies. Reports of non-compliance with the code or policies are reported in accordance with our Whistleblower Policy for which the Audit committee has oversight responsibility.

Any employee or independent contractor who has a question about the code, a concern about a situation or suspects a breach of the code must report it immediately to their supervisor, the Vice President, Human Resources of their business or our Chief Legal Officer. Directors or officers who have questions or concerns should speak to the President and Chief Executive Officer, the Chair of the board or our Chief Legal Officer.

Whistleblower policy

An important part of fostering a culture of accountability is making sure that people have a way to raise concerns about fraud or other wrongdoing without fear of retaliation.

Our Whistleblower Policy establishes a framework for reporting and investigating concerns relating to questionable accounting, auditing, fraud or other inappropriate conduct which does not adhere to the standards set out in our Code or our other policies, including our Human Rights Policy. It allows people to provide anonymous reports and protects the confidentiality of the information submitted. It is implemented by our whistleblower committee, which includes senior executives from our risk and compliance, finance, legal and human resources departments. Reporting to our Audit committee, the whistleblower committee manages our procedures for receiving, retaining and responding to any concerns.

We encourage anyone suspecting an incident of fraud or other wrongdoing to report it immediately, in one of two ways:

- » by reporting to their immediate supervisor
- » by calling our *ConfidenceLine* (1-800-661-9675) 24 hours a day, seven days a week, or online at www.superiorplus.confidenceline.net. Reports can be made anonymously, and the service supports calls in French, English or Spanish, and is administered by a third party.

The Vice President, Risk and Compliance receives all reports and refers them to the whistleblower committee, which investigates and, after which, the Vice President, Risk and Compliance reports on the findings and recommendations to the audit committee in camera.

There is no retaliation against someone who makes a report in good faith.

Corporate Social Responsibility

Superior recognizes the value of acting as a socially responsible organization as it benefits other people, stakeholders, organizations and the regions in which we operate and carry on our business. We believe that acting in a socially responsible and sustainable manner and continually striving to improve our performance in this area will create long term shareholder value.

In this regard, we will be publishing our inaugural Sustainability Report on or about April 6, 2021.

People

Human Rights policy

In November 2018, the board adopted the Human Rights policy which reflects Superior's commitment to respect and promote human rights in our business operations and our relationships with our customers, suppliers and our workforce throughout the world. The policy is in accordance with internationally recognized principles on human rights as set out in the United Nations' Universal Declaration of Human Rights and the International Labour Organization's Declaration of Fundamental Principles and Rights at Work. The policy demonstrates our commitment to the principles of respect for human rights, diversity and inclusion, freedom of association, collective bargaining, safe and healthy workplace and workplace security and the prohibition of forced labour, human trafficking and child labour.

We are committed to maintaining a culture that supports human rights and all employees are trained and educated on ethical standards, diversity and anti-harassment. Training and communication of the Human Rights policy is integrated into our learning management system and our new employee onboarding process. We ensure compliance with applicable privacy, employment and labour laws by continuous monitoring. Any employee who would like to confidentially report a potential violation of this policy can raise such concerns:

- » with their direct HR supervisor, the Vice President, Human Resources or the Chief Legal Officer
- » by calling our *ConfidenceLine* in accordance with our Whistleblower Policy.

HS&E policy

Our Health, Safety & Environment policy ("HS&E Policy") promotes a culture focused on health, safety and the environment, and one that complies with leading best practices, including compliance with industry standards and applicable laws. Our objective is to minimize the impact of our operations on the environment and to provide safe and healthy working conditions for our employees, customers, contractors and the communities in which we operate. The board's health, safety and environment committee monitors compliance with the HS&E Policy through regular reporting.

COVID-19 response

The COVID-19 pandemic dominated headlines and nearly every aspect of daily life in 2020. At Superior, we adapted our business practices with the health and safety of our employees, our customers and local communities as our first priority. In response to COVID-19 and in-line with recommendations from local health authorities, enhanced operating procedures and protocols were instituted to maintain our sites and facilities to even higher levels of cleanliness. Propane distribution and the production and distribution of our specialty chemicals products were declared critical and essential infrastructure and products in Canada, U.S. and Chile. All of Superior's facilities and locations continued to operate with modified operating procedures to ensure the safety of our employees, customers, suppliers and the communities we operate in.

In response to the anticipated impact of COVID-19 and as part of our ongoing cost-savings initiatives, we took immediate action to protect our business and financial strength in an effort to position Superior to emerge from this situation even stronger by reducing operating costs and capital spending.

Superior's Energy Distribution employees have done an exceptional job ensuring our customers' homes and business are heated and they have the fuel to keep their businesses, organizations and vehicles operating. Our Specialty Chemicals employees continue to work with modified operating procedures and provide the chemicals to make essential products, including those that are used to combat the impact from COVID-19.

We will continue to monitor developments and mitigate any evolving risks related to COVID-19 and will comply with the measures and restrictions being announced by public health and government authorities. Superior has not experienced any material operational disruptions to its facilities or other assets as a result of COVID-19. See "Risk Factors".

Leadership diversity

We recognize the value and advantages of diverse ideas and are committed to increasing the presence of underrepresented groups within key areas of the organization. Having a diverse leadership team provides a richer experience and a broader perspective to leadership and decision-making.

As a result of our broader diversity strategy that began in 2015, 27% of our executive officers company-wide and 18% of corporate senior management positions are held by women.

The following table reflects the diversity of our executive officers:

| Category | % of Executive Officers* |
|---------------------------|---------------------------------|
| Female | 27 |
| Aboriginal Peoples | — |
| Persons with disabilities | — |
| Visible minorities | 18 |

* based on self-identification and 69% participation rate.

Company Diversity initiatives

We recognize the value and advantages of diverse ideas and are committed to increasing the presence of underrepresented groups within key areas of the organization. We are integrating the concept of diversity beyond gender in our hiring processes to ensure that the candidate pool consists of qualified and diverse individuals and continue to build awareness across the organization. You can read more about our diversity initiatives in our inaugural Sustainability Report to be published on or around April 6, 2021.

Board diversity

In August 2018, we revised our board diversity policy to include measurable objectives for attaining at least 30% female members on the board within 3-5 years from August 2018. In August 2019, we further revised our board diversity policy to specifically include consideration of individuals from additional designated groups that are defined in the *Employment Equity Act* (Canada), being Aboriginal Peoples, people with disabilities and members of visible minorities. We have not yet adopted any targets or measurable objectives with respect to members of these additional designated groups as we have only started to collect the associated data through voluntary disclosures. Despite not having targets in all diversity categories at this time, the board diversity policy does provide that the Governance and nominating committee in identifying candidates for appointment as board members will consider candidates on merit with regard to the benefits of diversity, in order to maintain an optimum mix of skills, knowledge, experience, education, age, race, ethnicity, geographic locations and representation of persons within the designated groups on the board. The Governance and nominating committee will monitor the implementation of the board diversity policy and will report on the progress made towards achieving the measurable objectives to the board and in our information circular. The Governance and nominating committee will continue to review the objectives set out in the board diversity policy and may recommend changes or additional measurable objectives.

The following table reflects the diversity of our board members:

| Category | % of Board Members* |
|---------------------------|----------------------------|
| Female | 20 |
| Aboriginal Peoples | — |
| Persons with disabilities | — |
| Visible minorities | — |

* based on self-identification and 50% participation rate.

Indigenous relations

Superior Propane has been a trusted energy partner of Indigenous peoples and businesses across Canada since 1951. Our relations with Indigenous communities recognize the unique and defining features of Indigenous culture and markets.

Superior Propane works with more than one-third of the Indigenous communities across Canada, delivering enhanced value to communities and businesses, contributing to community and cultural initiatives and collaborating on major projects. We recognize the health and environmental benefits Indigenous communities experience with access to a clean and affordable energy source such as propane. We work with Indigenous communities as they transition towards reduced carbon emissions and a green economy. You can read more about our partnership with the Indigenous communities in our inaugural Sustainability Report to be published on or around April 6, 2021.

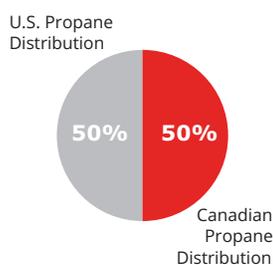
Energy Distribution

Energy Distribution consists of two reportable segments:

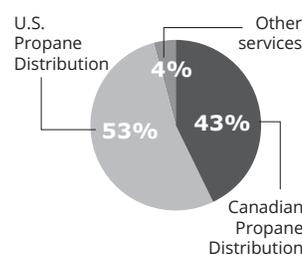
- » **U.S. Propane Distribution (U.S. Propane)** – see page 18.
- » **Canadian Propane Distribution** – see page 21.

The U.S. Propane Distribution segment distributes propane and liquid fuels and related products in the U.S. The Canadian Propane Distribution segment distributes propane and other liquid fuels and related products in Canada and includes the SGL division which manages the propane supply and primary distribution functions, risk management, and pricing for both the Canadian retail business (Superior Propane), as well as for their wholesale customers located in Canada and the United States. SGL has offices located in Canada and Nevada.

2020 Energy Distribution Revenue by reportable segment⁽¹⁾



2020 Energy Distribution Adjusted gross profit⁽²⁾ by service



⁽¹⁾ Excludes the impact of intersegment revenues that are eliminated on consolidation.

⁽²⁾ Adjusted gross profit is a Non-GAAP financial measure. See "Non-GAAP Financial Measures".

Products

Liquid fuels like propane and heating oil are efficient energy sources used primarily for heating, cooking and transportation.

Propane

Propane is an attractive energy source because it is clean, versatile and efficient. It is extracted from natural gas during production and processing and from crude oil during the refining process. Propane gas can be compressed at low pressures into liquid form. When the pressure is reduced, the liquid propane becomes a gas that is ignited and burned to create energy for many different uses. Propane is colourless and odourless, so an odourant is added to propane to make it detectable if there is a leak or release.

Canada produces approximately 15.8⁽¹⁾ billion litres of propane a year. Approximately 92% is extracted from natural gas during gas processing operations at field plants or at large straddle plants on major natural gas transportation systems. The remaining 8% is extracted from crude oil during the refining process.

The retail propane industry is mature, and makes up about 2% of total energy consumption in Canada. Propane competes with other energy sources like natural gas, fuel oil, electricity and wood for traditional uses. With the exception of natural gas, propane produces less carbon dioxide per unit of energy than these other energy sources⁽²⁾. If natural gas is available, being the least expensive source of heating fuel, propane can be used as a portable or standby fuel for peak period requirements in industrial applications. If natural gas is not available, propane is a great alternative because it is portable and is similar to natural gas.

⁽¹⁾ Statistics Canada: Table 25-10-0026-01 Supply and demand of natural gas liquids, annual.

⁽²⁾ Source: U.S. Energy Information Administration website FAQ.

Of the propane produced in Canada every year, it is estimated that 52% is exported to the United States, mainly by truck and railcar. The remainder is used to satisfy domestic demand in Canada which is estimated at 5.55 billion litres per year. Demand in both Canada and the United States includes industrial, commercial and residential, with residential consumption making up the majority. Highlights of the customer segments, including the primary use and key conditions impacting customer demand, are described in the chart below.

**Residential/
commercial**

- » typically used where natural gas is not readily available to heat buildings, water, and for cooking, refrigeration, laundry, off-grid electrical generation and residential fireplaces
- » demand depends on weather conditions and energy conservation
- » extremely competitive, especially as natural gas becomes more available in rural markets
- » residential demand depends on cost and availability, while commercial demand varies with economic activity.

Industrials

- » used for forklift truck, welding, resale agent, construction and roofing markets, process heating and heat treatment for manufacturing, forestry, mining and fuel for oilfield applications in Western Canada
- » demand depends on economic activity levels.

Wholesale

- » includes the sale of bulk propane used in large quantities sourced direct from refinery to customer
- » applications can range from mining, forestry or even utilities.

Oilfield

- » uses include propane powered combustion engines and power generation used in the extraction process, heating of crude oil to improve handling and transportation, and heating of water used in various fracking processes
- » demand depends on global economics and access to new markets beyond the U.S.

Motor Fuels

- » used to fuel vehicles, particularly large volume users like public and private fleets
- » could help lower Canada’s greenhouse gas emissions, as propane vehicle emissions are low in greenhouse gas and other pollutants that contribute to ground level ozone and respiratory health problems
- » despite decline over the last 10 years, renewed interest due to new developments in engine conversion technology combined with the lower price of propane relative to oil.

Heating oil and other liquid fuels

Heating oil is a low viscosity, flammable, liquid petroleum product produced at crude oil refineries that is mostly used for space heating. It has two types of customers: residential and commercial.

Residential – Residential demand is very seasonal and highest in the northeastern United States, where 25% of households use heating oil for space heating and they represent about 80% of the U.S. households that use heating oil for space heating.

Commercial – Commercial customers from agriculture, construction, commercial heating and manufacturing use heating oil and motor fuels, including diesel and various grades of gasoline for farming, fleets, and other enterprises. This market is sensitive to overall economic conditions, can depend on weather conditions and has some growth opportunities in non-weather related businesses.

Environment, safety and regulations

You can read more about our approach to environmental, social and governance issues in our inaugural Sustainability Report to be published on or about April 6, 2021, and about the risks of our Energy Distribution businesses starting on page 58.

Acquisitions and expansions

The propane and refined fuel distribution industries are highly fragmented, and the Energy Distribution businesses are actively engaged in expanding their reach and services by acquiring businesses.

Canwest Propane (“Canwest”)

On March 1, 2017, we entered into certain agreements giving us the right to purchase 100% of the equity securities of the entities that carry on the industrial propane business of Canwest from Gibson Energy ULC (the Canwest Acquisition) for cash consideration of approximately \$412.0 million, plus \$20.4 million of working capital adjustments. The Canwest Acquisition was subject to the satisfaction of certain conditions, including the receipt of customary regulatory approvals. You can read more about the Canwest Acquisition in the business acquisition report we filed in respect of this transaction on December 11, 2017, which is available under our profile on SEDAR (www.sedar.com).

On September 27, 2017, we received regulatory approval from the Competition Bureau and closed the Canwest Acquisition. As outlined in the Consent Agreement registered with the Competition Bureau, we agreed to divest five local branches and nine satellite locations from the combined Superior Propane and Canwest Propane organization. These assets were sold for approximately \$13.0 million.

Superior Propane completed the integration of Canwest in 2018 and the transition services agreement with the vendor was terminated at the end of October, 2018. Over 35,000 Canwest customers and 72,000 delivery locations were converted to Superior’s operating model and all field operations began operating as one team using Superior’s systems and processes. In conjunction with the consolidation of field operations, 176 Superior and Canwest operating facilities were reduced to 91 active locations by the end of September, 2018. In order to support the combined business in Western Canada, a new Customer Experience Centre was established in Calgary, Alberta in the first quarter of 2018, which is responsible for answering customer calls and scheduling propane deliveries and service work.

NGL Propane, LLC (“NGL”)

On July 10, 2018, we bought NGL, NGL Energy Partners LP’s retail propane distribution business for approximately US\$896.5 million. The purchase was financed through a combination of debt and equity, including U.S. and Canadian debt offerings of US\$350 million and \$150 million principal amount of unsecured notes, respectively, the issuance of \$400 million worth of subscription receipts (which were converted into 32,000,000 common shares on closing of the acquisition) and borrowings under our existing credit facilities. You can read more about our acquisition of NGL in the business acquisition report we filed in respect of this transaction on August 3, 2018 which is available under our profile on SEDAR (www.sedar.com).

Throughout 2019 and 2020, various integration activities were developed, communicated and executed to bring best practices across the U.S. footprint. Health and safety, fleet, customer pricing, supply and procurement and finance and accounting were among the functions that were integrated. In addition, a system evaluation was performed in 2019 to select the best fit billing and distribution system. A delivery and dispatch management operating process branded “The Superior Way” was also designed and developed using the framework from Canadian Propane Distribution. The Superior Way was fully implemented in the U.S.

A system implementation project was also initiated to consolidate all customers in one standardized database that will facilitate delivery and billing efficiencies. Approximately one-third of our customers were successfully converted to the new system in a phased approach beginning in March 2020. We expect that one-half of the remaining NGL customers will be converted to the new system in 2021 with the other one-half of customers being converted in 2022. Although we were planning to complete the conversion process in 2021, the rescheduling of the conversion of certain customers into 2022 is not expected to impact achieving anticipated synergies.

Integration activities were successfully executed resulting in realized and run-rate synergies in 2020, and going forward of approximately US\$24 million, which is 20% more than originally forecasted.

Other Acquisitions

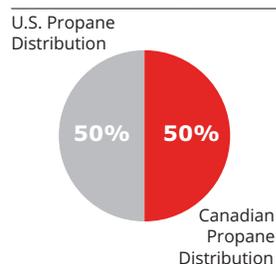
- » On January 9, 2020 we acquired a Southern California retail propane distribution company, operating under the tradename of "Western Propane Service" for approximately US\$22.7 million.
- » On August 3, 2020, we acquired the assets of a retail propane distribution company, operating under the tradename "Champagne's Energy" for US\$27.2 million.
- » On September 1, 2020, we acquired the assets of a retail propane and heating oil distribution company, operating under the tradename "Rymes Propane and Oil" for US\$150.6 million.
- » On October 15, 2020, we acquired the equity interests of a South California propane distribution company, operating under the tradename "Central Coast Propane" for US\$12.9 million.
- » On October 27, 2020, we acquired the assets of a retail propane distribution company operating under the tradename "Petrol Home Services" for US\$6.1 million.
- » On January 26, 2021 we acquired the assets of a retail propane and distillate distribution company operating under the tradename "Holden Oil" for US\$17.8 million.
- » We bought the shares of a retail propane distribution company, operating under the tradename of Miller Propane for \$7.5 million.
- » We bought the assets of a retail propane distribution company, operating under the tradename of Highlands Propane for \$13.9 million.

1. U.S. Propane

| | | | |
|---------------------------------|---|--|---|
| Tradenames⁽¹⁾ | Superior Plus Propane Downeast Energy Eastern Propane Rymes Propane and Oil Central Coast Propane | Griffith Energy Earhart Propane Virginia Propane Champagne's Energy | Osterman Propane Atlantic Propane Western Propane |
| Products | Propane, liquid fuels | | |
| Market | United States | | |
| Locations | 387 (owned and leased) » 155 service centres » 232 terminals, bulk plants and secondary offices | | |
| Vehicles | 2,228 | | |
| Head office | Valley Forge, Pennsylvania | | |
| Employees | 2,152 | | |
| Founded | 2009 | | |

⁽¹⁾ Key tradenames are listed in the chart. U.S. Propane carries on business under an additional 41 tradenames not listed above.

2020 Energy Distribution Revenue by reportable segment⁽¹⁾



U.S. Propane distributes propane gas and liquid fuels like heating oil in the Northeast, Atlantic, Southeast, and Midwest regions, along with California, in the United States. It also installs, maintains and repairs, propane and heating oil equipment.

⁽¹⁾ Excludes the impact of intersegment revenues that are eliminated on consolidation.

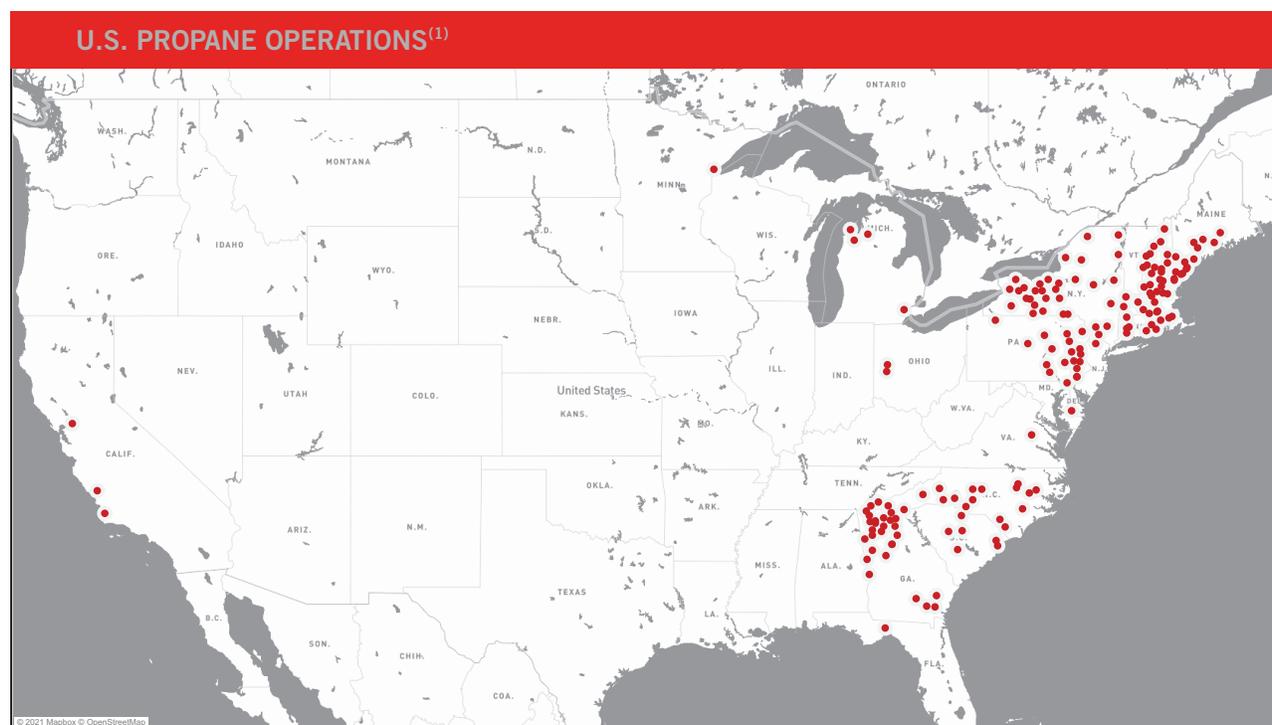
Customers

U.S. Propane's approximately 590,000 customers are a diverse group of retail and commercial propane and heating oil/distillate customers, including residential, agricultural and construction companies, municipalities and schools.

Customer mix by sales volume

| | |
|-------------|-----|
| Residential | 55% |
| Commercial | 42% |
| Wholesale | 3% |

Operating structure



⁽¹⁾ excluding satellite locations.

U.S. Propane has an industry-leading operating infrastructure. It has third party propane supply points strategically located across 230 bulk plants, which are in key markets and have about 14 million gallons of storage capacity. U.S. Propane also has third party storage agreements that enhance its market reach and distribution capacity, as well as ownership of two rail terminals.

It uses an energy specific reporting system to track inventory in real time, coordinate deliveries and manage accounts.

Its operations are divided into six regions that are overseen by general managers who are responsible for satellite operations, customers, and the overall profitability of their geographic business units.

Employees

50 (or 2.3%) of U.S. Propane's employees are unionized under three agreements that expire on March 31, 2021, September 30, 2022 and March 31, 2023. Collective bargaining agreements are renegotiated in the normal course of business.

Product sourcing

Propane gas is purchased in bulk and shipped to over 20 states across the East Coast, Midwest and California. U.S. Propane is supplied by 24 different companies, with no single supplier providing more than 18% of total volume. Product is supplied using rail and pipeline.

Volumes are primarily bought on a market related index. Spot volumes are also purchased to meet the balance of seasonal demand.

Transportation and storage

U.S. Propane has primary and secondary transport needs:

- » *Primary* – transporting propane and heating oil from regional supply points to its satellite locations or directly to large volume customers

» *Secondary* – shipping propane and heating oil from its satellite locations to its customers.

It uses 25 different third party carriers or common carriers, as well as U.S. Propane owned and leased large volume tractor trailers to meet its primary transportation needs.

U.S. Propane uses a fleet of trucks for secondary transportation. It owns about 79% of the fleet, and leases the balance under financing leases. Propane is delivered in pressurized cylinders and bulk volumes. Heating oil is also delivered in bulk volumes. U.S. Propane employs full-time, part-time and seasonal drivers who make deliveries during the peak winter demand periods. The trucks are maintained by in-house mechanics and third party vendors.

| The fleet | Number | Capacity |
|-------------------------------------|---------------|-------------------------|
| Pressurized propane delivery trucks | 712 | 2,400 to 3,500 gallons |
| Refined fuel delivery trucks | 352 | 9,000 to 12,500 gallons |
| Service vehicles | 348 | — |
| Utility vehicles | 683 | — |
| Tractors | 66 | — |
| Refined fuel trailers | 67 | 9,000 to 12,500 gallons |
| Total | 2,228 | |

Competition and pricing

The propane market in the United States is highly competitive and fragmented. Pricing is largely based on a margin above product and transportation costs. Profit margins can be affected by a time lag between changes in market pricing and customer price adjustments. If market prices increase, retail gross margins tend to decrease in the short term while customer pricing is adjusted as such costs are typically passed onto customers. However, when market prices decrease, retail gross margins and profitability tend to increase.

Reliance on heating oil for space heating is highest in the American northeast, however U.S. Propane loses approximately 8.8% of its heating oil customers every year because:

- » Heating oil demand in the Northeast is declining by about 3.5% annually (based on ten-year performance)
- » U.S. Propane is exiting lower margin customer segments to focus on residential propane markets, a key driver of long-term growth.

U.S. Propane has been successful in converting heating oil customers to propane. Large fuel distribution companies with a recognizable brand that sell more than one type of fuel and have a reputation for good service have been very successful in keeping their customers and gaining new ones by offering attractive prices for switching from heating oil. The pace of conversions has slowed in recent years because of the attractive cost of heating oil relative to other fuels.

Marketing

Sales and customer service is managed locally, complemented by centralized inside sales and marketing support. Local employees are responsible for finding and keeping customers.

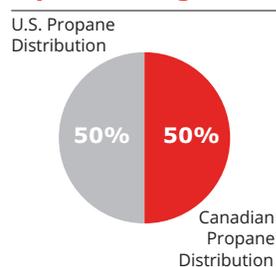
U.S. Propane's annual marketing initiatives include:

- » meeting growth targets for residential and commercial propane large tank accounts
- » improving retention of high value customer segments by using analytics more effectively and increasing customer touchpoints and satisfaction
- » supporting residential and commercial acquisition and sales efforts with year-round digital marketing campaigns (paid search, social, web etc.)
- » continuing to enhance online portals, websites and mobile apps to attract and retain customers.

2. Canadian Propane Distribution

| | | | |
|--------------------|---|--|---|
| Tradenames | Caledon Propane Canwest Propane United Pacific Energy | Superior Gas Liquids Stittco Energy Superior Gas Liquids USA | Superior Propane Pomerleau Gaz Propane |
| Products | Propane, lubricants, equipment | | |
| Markets | Canada, United States | | |
| Locations | 219: 37 market offices, 182 satellite locations and storage yards | | |
| Vehicles | 1,037 (owned and leased) | | |
| Head office | Mississauga, Ontario | | |
| Employees | 1,690 | | |
| Founded | 1951 | | |

2020 Energy Distribution Revenue by reportable segment⁽¹⁾



⁽¹⁾ Excludes the impact of intersegment revenues that are eliminated on consolidation.

Canadian Propane Distribution is Canada's largest national propane retailer. It:

- » distributes and sells propane, and propane-consuming equipment
- » rents tanks, cylinders and other equipment
- » supplies, installs and repairs equipment
- » offers equipment warranties and maintenance programs.

Canadian Propane Distribution includes SGL, a division that manages the propane supply and primary distribution functions, risk management and pricing for both the Canadian retail business (Superior Propane), as well as for their wholesale customers located in Canada and the United States. You can read more about SGL starting on page 24.

Customers

Canadian Propane Distribution has approximately 190,000 customer locations, serving residential, wholesale, commercial, agricultural, industrial and automotive customer markets. No one customer represented more than 10% of its total revenue or delivered volume in 2020. About 66% of the total portable annual fuel volume is sold during the winter heating season, usually from October to March.

Customer mix by sales volume⁽¹⁾

| | |
|-------------|-----|
| Commercial | 43% |
| Residential | 8% |
| Wholesale | 49% |

⁽¹⁾ excludes inter-segment transactions.

the agreement are underway. Collective bargaining agreements are renegotiated in the normal course of business.

Product sourcing

The Canadian Propane Distribution business buys its retail propane from 50 propane producers and suppliers across Canada under contracts with SGL, as supplier. You can read about the contracts on page 24.

Transportation and storage

Canadian Propane Distribution has primary and secondary transport needs:

- » *Primary* – transporting propane from regional supply points to satellite locations, storage yards and directly to large volume customers
- » *Secondary* – shipping propane, refined fuels and lubricants from its satellite locations and storage yards to its customers.

Transport trailers and pressurized railcars are its primary modes of transportation. The trailers, which can take between 35,000 to 65,000 litres per trailer, are managed by third-party carriers. Approximately 29% is transported by railcars that can take approximately 115,000 litres per car. You can read more about the railcars, which are managed by SGL, on page 24.

Satellite locations and storage yards are its secondary modes of transport and are close to customers to minimize distribution costs. This also makes it easier to deliver to customers during peak demand in the winter, when poor road conditions can make distribution difficult.

Canadian Propane Distribution has a fleet of trucks to meet its local delivery needs. Superior GP owns 71% of the vehicles and 26% are leased under financing leases. Propane is delivered in pressurized cylinders and bulk volumes. Canadian Propane Distribution employs full-time and part-time drivers as well as seasonal drivers who make deliveries during the peak winter demand periods.

| The fleet | Number | Capacity |
|----------------------------------|--------|------------------------------|
| Pressurized bulk delivery trucks | 430 | 6,500 to 30,000 litres |
| Cylinder trucks | 78 | boxes that are 12 to 26 feet |
| Tractors | 34 | — |
| Pressurized trailers | 94 | 25,000 to 68,000 litres |
| Flatdeck trailers | 19 | — |
| Crane trucks | 91 | — |
| Service vehicles | 291 | — |
| Total | 1,037 | |

Competition and pricing

The highly fragmented Canadian retail propane industry has about 200 local and regional propane retailers. While the market data is very difficult to validate, we estimate that Canadian Propane Distribution has greater than 35% share of the national propane retail demand market.

Propane distribution is a local, relationship based business, and competition is driven by price and level of service. Pricing is managed at the corporate, regional and local market level. It's mostly based on a margin above product and transportation costs which are typically passed onto customers, but is also affected by the local costs of other fuels. Profit margins can be affected by a time lag between changes

in wholesale pricing and customer price adjustments. If wholesale prices increase, retail gross margins tend to decrease in the short term while customer pricing is adjusted.

Customers typically consider the following factors before deciding to buy:

- » supply, including reliability and long-term availability
- » price and capital cost
- » convenience, including portability, storage requirements and available space
- » equipment efficiency
- » a supplier's local presence and service reputation.

Marketing

The marketing focus is on enhancing the brand, retaining and acquiring customers, and demonstrating the benefits of propane over electricity, natural gas and heating oil.

In 2020, Canadian Propane Distribution continued to strengthen its online marketing efforts and digital advantage versus the competition. Online subscriptions and activity on mySUPERIOR™ residential and business portals and mobile app continues to grow allowing customers to track propane consumption, order fuel and pay bills online.

Adoption and promotion of SMART Tank™ wireless tank sensors continue to grow allowing improvement in delivery efficiencies and overall customer experience. Wireless sensors are standard with new customer sign-ups and plans to increase the roll-out of wireless sensors to existing customers continue.

Superior Gas Liquids

SGL (SGL) is a niche business.

An intermediary between natural gas liquids producers and retail customers in Canada and the United States, SGL balances a producer's need for predictable volumes and variable pricing with a retail customer's need for variable volumes and predictable pricing. It creates profits by maintaining a consistent supply for small and medium propane retailers throughout North America while effectively managing pricing relationships with producers in Alberta, Ontario, California, Kansas and Texas.

It also optimizes storage, supply requirements, pipeline deliveries, railcar and truck transportation sales.

SGL is based in Calgary, Alberta and also has an office in Reno, Nevada. It has 67 employees, none of whom are unionized.

Customers

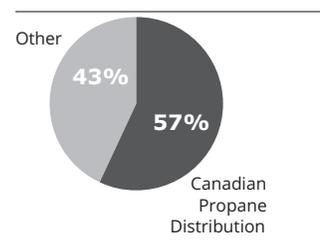
SGL sold 2.08 billion litres of natural gas liquids to approximately 145 counterparties in 2020. SGL's largest customer is our Canadian Propane Distribution business, which represented 57% of its annual sales.

Product sourcing

SGL has access to a readily available supply of propane because of the substantial propane surplus in Canada, and the well established relationships it has with its principal suppliers.

It buys retail propane from about 50 propane producers and suppliers across Canada, California, Kansas and Texas typically under multi-year contracts based on industry posted prices at the time of delivery. Some contracts allow monthly supply volumes to go up or down based on changing demand requirements. The current contracts end in 2021 to 2024. New supply contracts are negotiated in the ordinary course of business and typically range from a term of one to three years.

Customer mix by sales volume



Five companies supply an aggregate of 60% of its annual propane needs:

- » Plains Midstream Canada ULC
- » Gibson Energy Infrastructure
- » Chevron Products Company, a division of Chevron USA Inc.
- » PBF Holding Company LLC
- » California Resources Corporation

SGL will also sometimes enter into short-term forward purchase and sale agreements to take advantage of opportunities that meet the needs of its customers.

Transportation and storage

Propane is delivered to supply points that are near to customer demand.

SGL ships by truck and rail. About 28% of the rail needs are met by approximately 363 railcars that are leased under agreements with a six month to seven year term. The rest of the railcars are provided by the propane suppliers under their annual supply contracts.

SGL has 117 million litres of leased underground storage capacity in Michigan, Alberta and Ontario. The storage lease agreements expire between March 31, 2021 and March 31, 2023. SGL negotiates extensions in the ordinary course of business. It will only enter into long-term storage contracts if it is economically advantageous to do so.

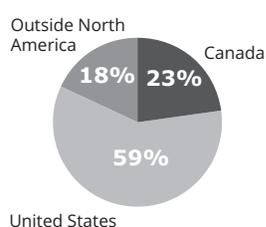
Competition

The wholesale natural gas liquids market is very competitive with companies trying to expand their presence in a market that has had little growth in demand. Increased competition has reduced volatility in the market, resulting in shrinking margins. Continuous innovation, a wider variety of pricing structures and superior customer service should allow SGL to remain competitive.

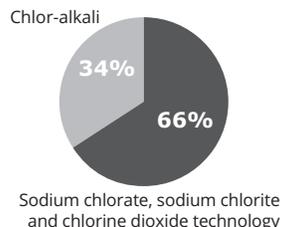
3. Specialty Chemicals

| | |
|------------------------------|---|
| Tradename | ERCO Worldwide |
| Products | Sodium chlorate, chlor-alkali products, sodium chlorite |
| Markets | North and South America, Asia, Europe |
| Production facilities | 10 » 6 in Canada » 3 in the United States » 1 in Chile |
| Railcars | 1,758 (owned and leased) |
| Head office | Toronto, Ontario |
| Employees | 566 |
| Founded | Late 1890s |

2020 Specialty Chemicals Revenue by region



2020 Specialty Chemicals Revenue by product



On February 18, 2021, Superior’s subsidiaries, Superior Plus LP, Superior GP, Superior International Inc. and Superior Plus US Holdings Inc. entered into an agreement to sell their 100% interest in the assets and entities that make up the Specialty Chemicals segment to certain affiliated entities of Birch Hill Equity Partners for total consideration of \$725 million (the “Agreement”).

Under the terms of the Agreement, the purchase price will be satisfied by the payment of \$600 million in cash and \$125 million in the form of an unsecured, subordinated promissory note (the “Vendor Note”) to be issued by EW Chemical Holdings LP, subject to certain post-closing adjustments. The Vendor Note will bear interest at a rate of 6% compounded annually, which interest may be accrued and paid on maturity. The principal amount of the Vendor Note and accrued and unpaid interest will be due five and a half years from the closing.

The purchase price is subject to adjustment if the average EBITDA from operations excluding the impact of IFRS 16 (See “Non-GAAP Measures”) of the Specialty Chemicals business for the three, consecutive twelve-month periods following closing is greater than \$115 million or less than \$100 million by multiplying the difference by 4.5 subject to a maximum adjustment up or down of \$84 million (plus accrued interest at a rate of 6% from closing). The sale is subject to customary closing conditions and is expected to close in the first or second quarter of 2021. You can read more about this disposition in the material change report we filed on February 26, 2021, which is available under our profile on SEDAR (www.sedar.com).

The Specialty Chemicals' business is one of North America's largest producers and suppliers of specialty chemicals that are used mostly in the pulp and paper, water treatment and oil and gas industries. It produces three products:

- » sodium chlorate – see page 30
- » chlor-alkali products (sodium hydroxide, potassium hydroxide, chlorine, hydrochloric acid) – see page 31
- » sodium chlorite – see page 33.

Customers

Specialty Chemicals' top 10 customers make up about 53% of its revenue, with its largest customer making up about 9%. Specialty Chemicals largest export market from North America is Japan. Selling prices, cost efficiencies, product quality, logistical capability, reliability of supply, technical expertise and service are all key competitive factors.

Employees

Specialty Chemicals has 566 full-time employees, including 141 unionized employees. Four of Specialty Chemicals' plants have collective bargaining agreements that are renegotiated in the normal course of business:

- » Vancouver, Canada – a three-year agreement that came into effect from December 1, 2018 and expires on November 30, 2021
- » Saskatoon, Canada – a four-year agreement that came into effect on October 1, 2019 and expires on September 30, 2023
- » Buckingham, Canada – one six-year agreement with the office and technical group that will expire on March 14, 2024, and a second six-year agreement for the operations team that expires on November 30, 2023
- » Mininco, Chile – a thirty-month agreement that expires on November 22, 2022.

Production facilities

All of Specialty Chemicals' facilities use what we believe to be proven and safe manufacturing processes and are close to major customers or rail terminals.

The Port Edwards and Saskatoon chlor-alkali facilities use membrane technology. These facilities were expanded in 2014 and 2015 to convert chlorine into higher value hydrochloric acid.

In 2005, Specialty Chemicals began to reduce its dependency on the North American pulp and paper industry by acquiring a chlor-alkali facility in the United States and building a sodium chlorate plant in Chile. Specialty Chemicals designed, oversaw the building and operates the sodium chlorate facility in Mininco, Chile under a long-term supply agreement with CMPC Celulosa S.A. that is intended to protect Specialty Chemicals' investment and expires in 2036.

Annual capacity by product

| | |
|-----------------|------------------------------------|
| Sodium chlorate | 487,000 metric tonne (MT) |
| Chlor-alkali | 157,000 electrochemical unit (ECU) |
| Sodium chlorite | 10,000 MT |

We closed our Saskatoon, Saskatchewan sodium chlorate production facility, which had an annual production capacity of 40,000MT, in 2019 due to the negative impact from rising electrical power prices in the Province of Saskatchewan and the anticipated capital investment required to continue operating the facility reliably. Also in 2019, we approved expansions of the sodium chlorate production capacity at the Buckingham, Quebec (+5,000MT) and Valdosta, Georgia (+11,000MT) sodium chlorate facilities. The Buckingham expansion project, which commenced in 2019, was completed in 2020. The Valdosta expansion commenced in 2020 and has a target completion of 2022. The expansions are anticipated to support regional and export customer demand.



Raw materials

Specialty Chemicals uses electrical energy, sodium chloride, potassium chloride and water to produce its chemical products. Electrical energy makes up 65% to 85% of the total cost of producing sodium chlorate, followed by salt at about 15% to 30%.

Electricity is regulated in all locations except Alberta, where it is deregulated. Each facility gets its electricity from local power producers through contracts that renew automatically or are long term. The electricity contracts generally provide Specialty Chemicals with some portion of firm power supply and a portion that may be interrupted by the producer based on the terms of the various agreements. Specialty Chemicals can quickly reduce its power consumption at minimal cost, which in some jurisdictions allows it to reduce its overall power costs. Specialty Chemicals monitors energy pricing and may enter into hedging arrangements to mitigate energy pricing risk.

Specialty Chemicals buys sodium chloride for six of its plants from third-party suppliers. These are typically fixed-price contracts with terms of one or more years and may renew automatically. The facilities in Manitoba and Saskatchewan produce their own supply by solution mining at the plant site.

Specialty Chemicals buys most of its potassium chloride from Nutrien Inc. (formerly Potash Corporation of Saskatchewan), which operates two potassium mines that can produce potassium that meets Specialty Chemicals' specifications.

Transportation

Specialty Chemicals uses third-party carriers to transport its products by rail, truck, barge or export container.

It owns 233 and leases 1,525 railcars. The leased railcars have staggered expiration terms through to 2029, which Specialty Chemicals generally extends before the leases expire. Railcar regulations for the transportation of chlorine have now been finalized. Older legacy cars will have to be replaced by 2027 with the new, interim design railcar which significantly reduces the probability of a release during an accident. These interim design railcars have been granted a 50 year life span approval by both Canadian and U.S. regulatory authorities. As of December 2020, over 65% of railcars used by Specialty Chemicals to transport chlorine are interim design railcars.

| Transportation by type | North America | South America |
|------------------------|---------------|---------------|
| Rail | 77% | 0% |
| Pipeline or barge | 3% | 29% |
| Truck | 10% | 71% |
| Export container | 10% | 0% |

Environment, safety and regulations

You can read more about Specialty Chemicals' health, safety and environmental risks on page 59.

Acquisitions and expansions

In 2017, Specialty Chemicals bought International Dioxide, Inc. ("IDI") from LANXESS Corporation. IDI provides sodium-chlorite based solutions including small-scale chlorine dioxide generation technology. This acquisition means that Specialty Chemicals can integrate its sodium chlorite production with IDI's end customer applications and solutions. The integration of IDI into Specialty Chemicals is now complete.

Products

1. Sodium chlorate

Sodium chlorate is used by the pulp and paper industry to bleach pulp. A small amount is used to produce agricultural herbicides and in other industrial applications.

How it's made

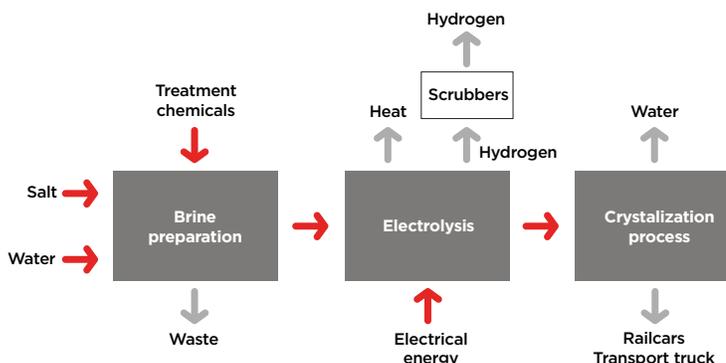
Sodium chlorate is produced using an electrochemical process.

An electrical current is applied to water that has a high concentration of salt. The solution is treated and filtered to remove the impurities and crystallized by removing excess water. Once cooled, the final product resembles a white crystal which can be transported by rail or truck. If transported by pipeline, it is shipped as a solution.

Sodium chlorate – quick facts⁽¹⁾

| | |
|------------------------------|------------------------------|
| Sales | 437,612 MT |
| Global demand ⁽¹⁾ | Approximately 3.4 million MT |
| Annual production capacity | 487,000 MT |

⁽¹⁾ Source: Specialty Chemicals management & IHS Markit



The process also produces hydrogen gas. The gas is purified, and some of the gas is fed to boilers where it is burned as fuel to produce steam for process heating. Hydrogen gas that is not used as fuel can be vented, sold or used as fuel for other applications.

Demand

The demand for sodium chlorate is about 1.2 million MT in North America and 3.4 million MT globally.

In North America, where demand is mature, bleached pulp and paper producers continue to be affected by decreasing demand in printing and writing papers, foreign exchange rates and higher fiber and energy costs.

Growth is expected from developing economic regions, particularly in Asia Pacific and South America, where paper consumption is increasing, and stricter environmental standards are being adopted. Pulp mills are increasingly being established in areas that have access to low cost, renewable wood fiber, a supply of stable energy and supportive regulatory environments. These customers prefer to buy from sodium chlorate facilities that meet their requirements and are close to their mills.

Sales and marketing

Sodium chlorate is sold directly to pulp and paper mills under one-to-three-year supply arrangements. The sales team is made up of account managers with technical expertise in pulp bleaching applications and chlorine dioxide generation, who develop relationships with clients and manage all technical service and support initiatives. Because chlorine dioxide generators are very technical, the product, marketing, technical service and engineering teams work together to deliver the total value proposition.

Specialty Chemicals has offices in Chile, Japan and China to meet the growing sodium chlorate demand from markets in South America and Asia Pacific.

Chlorine dioxide generators

Approximately 2% of the revenue for sodium chlorate comes from related technology. Specialty Chemicals is the largest worldwide supplier of modern chlorine dioxide generators that convert sodium chlorate into chlorine dioxide. It has a competitive advantage driven by the ability to offer customers

intellectual property (e.g. trade secrets, copyrighted software) in its chlorine dioxide generator technology and sodium chlorate, the primary ingredient for making chlorine dioxide.

Chlorine dioxide is an environmentally preferred bleaching agent, considered the “best available technology” used by the pulp and paper industry to produce bleached pulp. Every mill that uses chlorine dioxide to bleach pulp needs at least one chlorine dioxide generator.

Specialty Chemicals earns revenue from its Specialty Chemicals branded chlorine dioxide generators in three ways:

- » selling the generators – generators are built on site and designed to meet a mill’s specific needs: size, technology, pulping conditions, strength and desired whiteness. Specialty Chemicals’ services include engineering, equipment specification and procurement, on-site technical assistance, operator training and plant start-up services
- » licensing the technology – ongoing technical support services and spare parts are also provided
- » licensing related software – ERCO Smarts™ is an advanced automation software package that improves the generator’s efficiency.

Competition

Sodium chlorate is produced by three other companies in North America: Nouryon Chemicals, Kemira Paper Chemicals and Chemtrade Logistics. Specialty Chemicals and Nouryon Chemicals are the only manufacturers that produce and install standalone chlorine dioxide generators in pulp mills. Providing generator technology and services in addition to chemicals differentiates Specialty Chemicals by creating value-added supplier relationships with customers. The experience and expertise of the Specialty Chemicals staff is a critical component to creating differential value and an essential part of the value proposition.

Specialty Chemicals’ proprietary chlorine dioxide generators and related technology are installed in the majority of the world’s pulp and paper mills.

2. Chlor-alkali products

Specialty Chemicals produces four chlor-alkali products: sodium hydroxide, potassium hydroxide, chlorine and hydrochloric acid.

Chlor-alkali products are used in a wide variety of industries:

Chlor-alkali products – quick facts⁽¹⁾

| | |
|----------------------------|--------------------------------|
| Sales | 131,200 ECU |
| North American demand | approximately 11.1 million ECU |
| Annual production capacity | 157,000 ECU |

⁽¹⁾ Source: Specialty Chemicals Management & IHS Markit

- » Sodium hydroxide is used in the pulp and paper, soap and detergent, alumina, textile and petroleum industries
- » Potassium hydroxide is used in applications that require potassium ions to make potassium chemicals like potassium carbonate, potassium phosphates, potassium soaps and potassium acetate, which is gaining popularity as an environmentally friendly runway de-icer. Replacing sodium with potassium in food is also gaining in popularity
- » Chlorine is used to make polyvinyl chloride (PVC), titanium dioxide, and to treat water and eliminate waterborne diseases in drinking water, among other uses
- » Hydrochloric acid is used in oil and gas operations, water treatment, food processing and steel pickling.

How chlor-alkali products are made

All of Specialty Chemicals’ chlor-alkali products are made from water, electrical energy and either sodium chloride or potassium chloride.

Chlorine is produced by dissolving salt in water and supplying it to the anode compartment of an electrochemical cell. When power is applied, chlorine ions move towards the anode and are oxidized into chlorine gas. Water is supplied to the cell's cathode compartment, and the hydrogen ion is reduced at the cathode to form hydrogen gas that is released. The hydrogen gas is recovered and sold or used to produce hydrochloric acid or steam.

The sodium or potassium ions pass through the membrane from the anode to the cathode where they combine with the water's leftover hydroxide ions to create sodium hydroxide or potassium hydroxide.

Every ton of chlorine with sodium chloride will produce 1.12 tons of sodium hydroxide, and every ton of chlorine with potassium chloride will produce approximately 1.58 tons of potassium hydroxide.

Demand

In North America, demand for our products⁽¹⁾ has been relatively stable:

| | |
|---------------------|-----------------------------------|
| Chlorine | approximately 11.1 million MT |
| Sodium hydroxide | approximately 11.6 million dry MT |
| Potassium hydroxide | approximately 0.5 million dry MT |
| Hydrochloric acid | approximately 4.0 million wet MT |

⁽¹⁾ Source: Specialty Chemicals management & IHS Markit

Competition

Specialty Chemicals represents approximately 1% of the total chlor-alkali production capacity in North America. The top five chlor-alkali producers in North America are:

- » Olin Corporation (37%)
- » Occidental Chemical Corporation (22%)
- » Westlake Chemical Corporation (19%)
- » Shintech Inc. (7%)
- » Formosa Plastics Corporation (6%).

Specialty Chemicals represents approximately 14% of the total potassium hydroxide production capacity in North America. It competes with three other companies:

- » Occidental Chemical Corporation (51%)
- » Olin Corporation (25%)
- » ASHTA Chemicals Inc. (10%).

Sales and marketing

Specialty Chemicals' chlor-alkali products are sold by dedicated salespeople and distributors. The chlor-alkali product portfolio provides Specialty Chemicals with a diversified set of customers and markets, as nearly all its chlorine, hydrochloric acid and potassium hydroxide is sold to end markets unrelated to the pulp and paper industry. Sodium hydroxide is sold into diversified end markets that include alumina, textiles, pulp and paper and water treatment. A large percentage of chlorine is integrated into downstream products like vinyls.

3. Sodium chlorite

Sodium chlorite is niche chemistry mostly used to produce chlorine dioxide on-site to disinfect water in smaller capacity operations such as municipal drinking water, food processing, oil and gas and other industrial water applications.

Sodium chlorite – quick facts⁽¹⁾

| | |
|----------------------------|-------------------------|
| Sales | 5,568 MT |
| North American demand | approximately 15,000 MT |
| Annual production capacity | 10,000 MT |

⁽¹⁾ Source: Specialty Chemicals management

Demand

Demand for sodium chlorite in North America has increased steadily over the 10 years leading up to 2019. Apart from the decline in oil activity in the past two years, new environmental pressures and more stringent water treatment regulations continue to drive increased demand for sodium chlorite.

Competition

There are three sodium chlorite production facilities in North America. Specialty Chemicals owns two of these facilities, both of which are located in Canada and together represent approximately half of North America's installed capacity. The third plant is owned by Occidental Chemical Corporation and is located in the United States.

Sales and marketing

The IDI team is a full-service provider of chlorine dioxide chemistry, equipment and applications. More than half of its 31 full-time employees are dedicated to supporting customers in the field. Its sales and technical staff have expertise in key chlorine dioxide market segments in a wide range of applications.

How we are governed

Our board of directors has ten members. Nine are independent, as defined by National Instrument 58-101 – Disclosure of Corporate Governance Practices, National Policy 58-201 – Disclosure Standards, and National Instrument 52-110 – Audit Committees (“NI 52-110”). Mr. Desjardins is not independent because he is our President and Chief Executive Officer.

The board has four standing committees:

- » audit
- » governance and nominating
- » human resources and compensation
- » health, safety and environment.

All of the committees are entirely made up of independent directors.

Directors are elected at our annual general meeting of shareholders, and serve until the next year’s annual meeting of shareholders or until a successor is elected or appointed.

Our directors and executive officers collectively own 952,846 or about 0.54% of our outstanding common shares. The number of common shares that each director owns is listed in the table below.

You can read more about our directors and our approach to governance in our information circular dated March 4, 2021, which is available on our website (www.superiorplus.com) and on our profile on SEDAR (www.sedar.com).

Directors

| | Board committees | Principal occupation or employment in the last five years |
|--|---|---|
| Catherine M. Best Alberta, Canada » director since 2007 » owns 7,000 common shares | Audit (chair) Governance and nominating | Corporate director and consultant 2000 to 2008 – Executive Vice President, Risk Management and Chief Financial Officer, Calgary Health Region 2008 to 2009 – Interim Chief Financial Officer of Alberta Health Services. |
| Eugene V. N. Bissell Pennsylvania, USA » director since 2014 » owns 15,972 common shares | Audit Health, safety and environment (chair) | Corporate director 2000 to 2012 – President, Chief Executive Officer and director, AmeriGas Propane LP, a Master Limited Partnership traded on the New York Stock Exchange and a subsidiary of UGI Corp., a distributor and marketer of energy products, including natural gas, propane, butane and electricity. |
| Richard C. Bradeen Québec, Canada » director since May 2015 » owns 10,000 common shares | Audit Human resources and compensation | Corporate director and consultant 2009 to 2013 – Senior Vice President, Strategy, Mergers & Acquisitions, Pension Investments, Corporate Audit Services and Risk Assessment, Bombardier Inc., a leading worldwide manufacturer of planes and trains. |
| Luc Desjardins Ontario, Canada » director since 2011 » owns 501,797 common shares | None | President and Chief Executive Officer, Superior Plus Corp. Prior to 2011 – Operating partner, The Sterling Group LP, a private equity firm in the U.S. |

| | Board committees | Principal occupation or employment in the last five years |
|---|---|--|
| Randall J. Findlay Alberta, Canada » director since 2007 ⁽¹⁾ » owns 20,000 common shares | Audit Governance and nominating (chair) | Corporate director 2001 to 2012 – President and co-founder, Provident Energy Trust, an open-ended energy income trust that owns and manages an oil and gas production business and a natural gas liquids midstream services and marketing business. |
| Patrick E. Gottschalk Pennsylvania, USA » director since 2017 » owns 50,000 common shares | Audit Health, safety and environment | Corporate director 2012 to 2016 – Business President, Dow Chemical Company, an American chemical and plastics manufacturer and a leading supplier of chemicals, plastics, synthetic fibres, and agricultural products. |
| Douglas J. Harrison Ontario, Canada » director since 2015 » owns 17,600 common shares | Health, safety and environment Human resources and compensation | Corporate director and consultant 2013 to 2018 – President and Chief Executive Officer, VersaCold Logistics Services, Canada’s largest supplier of temperature sensitive supply chain and logistics services. |
| Mary B. Jordan British Columbia, Canada » director since May 2014 » owns 5,000 common shares | Human resources and compensation (chair) Governance and nominating | Corporate director 2006 to 2008 – Executive Vice President, Human Resources & Internal Communications, Laidlaw International, Inc., a provider of school, intercity bus and other transportation services. |
| Angelo R. Rufino New York, USA » director since 2020 ⁽²⁾ » owns nil common shares | Audit | Managing Partner, Head of North America, Brookfield Special Investments Fund Prior to 2014 – Brigade Capital Management, Senior Investment Professional. |
| David P. Smith (board chair) Ontario, Canada » director since 1998 ⁽³⁾ » owns 90,987 common shares | Human resources and compensation Governance and nominating | Corporate director Formerly, Managing Partner, Enterprise Capital Management Inc., a privately owned investment manager. |

⁽¹⁾ Mr. Findlay was a director of Spyglass Resources Corp. (and its predecessor). Listed on the TSX, Spyglass was an oil and gas company based in western Canada. It was placed into receivership by a syndicate of its lenders on November 26, 2015, and was subsequently sold to private interests. Mr. Findlay sat on the board from March 12, 2012 to May 13, 2015.

⁽²⁾ Brookfield representative. Brookfield’s affiliate owns 260,000 shares of exchangeable preferred stock of our U.S. subsidiary, which are exchangeable for 30,002,837 common shares. See “Our capital structure – Exchangeable preferred stock of Superior Plus US Holdings Inc.”

⁽³⁾ Mr. Smith was a director of CASA Energy Services Corp., a private Calgary-based energy services firm. CASA was insolvent when Mr. Smith was elected as a director and chairman of the board, and his role was to help stabilize the business and achieve the best results for its stakeholders. On May 21, 2015, a proposal was filed with the Office of the Superintendent of Bankruptcy Canada to reorganize CASA, which the Alberta Court of Queen’s Bench approved on June 26, 2015.

Executive officers

| | Principal occupation and employment in the past five years |
|--|--|
| Luc Desjardins Ontario, Canada | President and Chief Executive Officer, Superior Plus Corp. since 2011 Prior to 2011 – Operating partner, The Sterling Group LP, a private equity firm in the U.S. |
| Beth Summers Ontario, Canada | Executive Vice President and Chief Financial Officer, Superior Plus Corp. since 2015 2014 to 2015 – Senior Vice President and Chief Financial Officer, Ontario Power Generation 2009 to 2014 – Chief Financial Officer, Just Energy Group Inc. |
| Darren Hribar Ontario, Canada | Senior Vice President and Chief Legal Officer, Superior Plus Corp. since 2015 Prior to 2015 – Partner, Norton Rose Fulbright Canada, LLP |
| Greg McCamus Ontario, Canada | President, Energy Distribution including Superior Propane since 2012 June to November 2012 – Interim President, Canadian Propane Distribution 2008 to November 2012 – President, U.S. Propane |
| Ed Bechberger Ontario, Canada | President, Specialty Chemicals (ERCO Worldwide) since 2015 Prior to 2015 – Senior Vice President, Operations, Specialty Chemicals |
| Andy Peyton Pennsylvania, USA | President, U.S. Propane since 2016 Prior to 2016 – Vice President, Corporate Development of AmeriGas Partners LP |
| Shawn Vammen Alberta, Canada | Senior Vice President, Superior Gas Liquids since 2014 2010 to 2014 – Vice President, Supply and Marketing, Superior Gas Liquids 2008 to 2010 – various senior positions at Superior Gas Liquids |

About the Audit committee

The Audit committee assists the board in fulfilling its financial reporting and control responsibilities to our stakeholders. It oversees the external auditor and meets *in camera*, without management present, with the external auditor at each regularly scheduled meeting. The Audit committee also oversees internal controls and management information systems, risk management and internal audit. It assesses and reports to the board on how we manage our financial risk and transactions or circumstances that could materially affect our financial profile.

You can read more about the Audit committee and its activities in our information circular dated March 4, 2021, which is available on our website (www.superiorplus.com) and on SEDAR (www.sedar.com).

Mandate

See Appendix A for a copy of the Audit committee mandate. You can also find a copy on our website (www.superiorplus.com) and on our profile on SEDAR (www.sedar.com).

Committee composition

The table below lists the six members of the Audit committee, and their relevant education and experience.

They are all independent and financially literate (as defined by NI 52-110).

| | Relevant education and experience |
|---|--|
| Catherine M. Best B.I.D, FCPA, FCA, ICD.D | <p>Catherine Best is a corporate director and consultant.</p> <p>While Executive Vice President, Risk Management and Chief Financial Officer for the Calgary Health Region and Interim Chief Financial Officer of Alberta Health Services, she was responsible for all finance functions, including financial operations, budgeting, forecasting and planning, business support for operating and corporate portfolios, performance reporting, business planning and treasury management.</p> <p>Ms. Best was a chartered accountant at Ernst & Young, an accounting firm, for nineteen years, the last ten years as Corporate Audit Partner.</p> |
| Eugene V. N. Bissell BA, MBA | <p>Eugene Bissell is a corporate director.</p> <p>He was the President and Chief Executive Officer of AmeriGas Propane LP from 2000 until his retirement in 2012. Mr. Bissell has over 18 years of public company board experience and broad career experience gained over more than 30 years in CEO and various other senior management positions in the propane and industrial gas sectors, including in areas of strategic planning, risk management, sales and operational management, corporate development, as well as large scale acquisition negotiation and integration.</p> |
| Richard C. Bradeen B.Com, CPA, CA | <p>Richard Bradeen is a corporate director and consultant.</p> <p>Mr. Bradeen is a chartered accountant with over 35 years of experience. He was the Senior Vice President, Strategy, Mergers & Acquisitions, Pension Investments, Corporate Audit Services and Risk Assessment at Bombardier Inc. from 2009 to 2013. He started his career at Bombardier in 1997 as Vice President, Acquisitions and held increasingly senior roles. Prior to that, Mr. Bradeen served as a partner and a member of the Partnership Board of Directors of Ernst & Young. He joined Ernst & Young in 1978 and held increasingly senior roles over a 19-year period, including that of President, Corporate Finance Group in Toronto.</p> |

Relevant education and experience

Randall J. Findlay
BASC, P.Eng, ICD.D

Randall Findlay is a corporate director.

Mr. Findlay was President and co-founder of Provident Energy Trust and a member of its board of directors from 2001 to 2012. He has served as a director of a number of public and private companies and is currently the Chair of Pembina Pipeline. He is on the board of Hull Child and Family Services Foundation.

Patrick E. Gottschalk
BSChE, MBA

Mr. Gottschalk is a corporate director.

Mr. Gottschalk served as Business President of Dow Chemical Company's (Dow Chemical) coatings, monomer and plastic additives business from 2012 to 2016. Mr. Gottschalk served in positions with increasing responsibility within Dow Chemical since 2001. Prior to that, he held various roles at Union Carbide Corporation in the M&A, commercial and business integration areas. In addition to deep business and financial acumen, Mr. Gottschalk brings significant experience in operations, business development and integrating companies after mergers and acquisitions.

Angelo R. Rufino
BA, MBA

Mr. Rufino is a Managing Partner in Brookfield's Private Equity Group where he serves as the Head of North America for the Brookfield Special Investments Fund.

Mr. Rufino has a broad range of experience in investments and capital markets through progressive positions at Brigade Capital Management, where he was a senior investment professional responsible for the firm's investments in autos, industrials, transportation and services with a focus on distressed credit and special situations across the high yield, leveraged loan and equity markets as well as positions in investment banking at JPMorgan Chase and as a securities examiner at the U.S. Securities and Exchange Commission.

Auditor

Ernst & Young LLP (E&Y) was appointed by the board as our auditor effective February 14, 2018. E&Y is independent within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of Ontario.

E&Y audit fees (“EY”)

The table lists below the services EY provided and the fees we paid EY for the period January 1, 2019 to December 31, 2019 and for the period January 1, 2020 to December 31, 2020 and do not take into consideration the fiscal year to which the services relate.

| | 2020 | 2019 |
|---|--------------|--------------|
| Audit fees | \$ 2,808,000 | \$ 3,024,500 |
| » fees for audit and review of Superior Group financial statements and Superior Plus LP’s annual financial statements | | |
| » services provided in connection with statutory and regulatory filings | | |
| » fees in connection with prospectus related services. | | |
| Audit-related fees | \$ 304,000 | \$ — |
| » Fees for assurance and due diligence services, pension plan audits, accounting consultations and audits in connection with acquisitions, attest services that are not required by statute or regulation and consultation concerning financial accounting and reporting standards. | | |
| Tax fees | \$ — | \$ — |
| » Fees for tax compliance, tax advice and tax planning. | | |
| All other fees | \$ 13,942 | \$ — |
| » fees requiring approval from the Audit committee. | | |
| Total Fees | \$ 3,125,942 | \$ 3,024,500 |

Our capital structure

Our objectives when managing capital are to:

- » maintain a flexible capital structure to preserve our ability to meet our financial obligations, including potential obligations from acquisitions
- » safeguard our assets while maximizing the growth of our businesses and returns to shareholders.

Our capital structure includes:

- » shareholders' equity (common and preferred shares)
- » long-term debt (revolving credit and notes).

Shareholders' equity

Common shares

We can issue an unlimited number of common shares. There were 176,041,687 common shares outstanding as of March 4, 2021.

If you hold common shares, you are entitled to:

- » receive any dividends that are declared by our board of directors
- » vote at any meeting of common shareholders – each share you own entitles you to one vote
- » receive your pro rata share of any property or assets if the company is liquidated, dissolved or wound up, after owners of preferred shares have received their portion.

Market for common shares and trading activities

Our common shares trade on the TSX under the symbol SPB. The table below shows the high, low and closing prices and volume for our common shares on the TSX in 2020.

| 2020 | High | Low | Close | Volume |
|-------------|-----------------|----------------|-----------------|--------------------|
| January | \$ 11.79 | \$ 11.47 | \$ 11.55 | 11,968,000 |
| February | \$ 10.18 | \$ 9.70 | \$ 10.03 | 18,295,200 |
| March | \$ 8.54 | \$ 7.66 | \$ 8.26 | 28,130,400 |
| April | \$ 10.15 | \$ 9.73 | \$ 9.88 | 13,506,800 |
| May | \$ 9.52 | \$ 9.21 | \$ 9.45 | 9,630,900 |
| June | \$ 11.14 | \$ 10.88 | \$ 11.12 | 19,384,300 |
| July | \$ 11.80 | \$ 11.56 | \$ 11.67 | 10,263,700 |
| August | \$ 12.29 | \$ 12.03 | \$ 12.08 | 11,705,200 |
| September | \$ 11.95 | \$ 11.75 | \$ 11.76 | 9,590,900 |
| October | \$ 12.14 | \$ 11.74 | \$ 11.85 | 10,495,800 |
| November | \$ 12.34 | \$ 11.99 | \$ 12.16 | 14,051,900 |
| December | \$ 12.29 | \$ 12.13 | \$ 12.18 | 8,906,900 |
| 2020 | \$ 12.34 | \$ 7.66 | \$ 12.18 | 165,930,000 |

Exchangeable preferred stock of Superior Plus US Holdings Inc.

On July 13, 2020, we issued 260,000 shares of Series 1 Preferred Stock (the "Preferred Stock") of our Delaware subsidiary Superior Plus US Holdings Inc. to an affiliate of Brookfield (the "Brookfield Investor") for US\$260 million in connection with the Brookfield Investment.

Holders of the Preferred Stock are entitled to:

- » a cumulative dividend of 7.25% per annum through to the end of Superior's second fiscal quarter in 2027 after which time the rate increases as described below
- » exchange each share of Preferred Stock into common shares of Superior at approximately US\$8.67 per share (the "Exchange Price") calculated by dividing the liquidation preference of the Preferred Stock then in effect (plus any accrued and unpaid dividends) by the Exchange Price (the "Exchange Price") (being 30,002,837 common shares in aggregate), subject to adjustment and to certain thresholds
- » participate, on an as-exchanged basis, in any dividends paid by Superior on its common shares in excess of \$0.06 per common share per month
- » vote on an as-exchanged basis with holders of common shares of Superior by instructing the holder of the Special Voting Shares (as defined below) in accordance with the terms of a Voting Trust Agreement between Superior Plus US Holdings Inc., Superior, SPC PIPE L.P. and Computershare dated July 13, 2020 (the "Voting Trust Agreement")
- » in the event of any liquidation, winding up or dissolution of Superior, receive prior, and in preference to, any distribution to the holders of common shares of Superior, an amount equal to the greater of the liquidation preference per share and a premium of up to 0.4 times the liquidation preference then in effect plus accrued and unpaid dividends or the amount receivable had the shares of Preferred Stock been exchanged for common shares immediately prior to the liquidation event.

Superior has the option to redeem all, but not less than all, of the Preferred Stock after June 13, 2027, at US\$1,000 per share plus accrued and unpaid dividends. If Superior does not redeem the Preferred Stock, the dividend rate increases by 0.75% per annum for the subsequent four years to a maximum of 10.25%. Superior also has the option to cause the exchange of all of the Preferred Stock into common shares of Superior on or after June 13, 2023, if the volume-weighted average price of the common shares during the then preceding 30 consecutive trading day period, converted to U.S. dollars at the applicable exchange rate, is greater than 145% of the exchange price.

In the event of a liquidation, winding-up or dissolution of Superior Plus US Holdings Inc., where there is no concurrent liquidation, winding-up or dissolution of Superior, Superior will automatically exchange each share of Preferred Stock for one Parent Preferred Share (defined below) of Superior pursuant to the terms of an Exchange and Support Agreement among Superior, Superior Plus US Holdings Inc. and SPC PIPE L.P. dated July 13, 2020 (the "Exchange Agreement").

In connection with the Brookfield Investment, we also entered into an investor rights agreement with the Brookfield Investor providing for, among other things, registration rights, participation rights, certain standstill and transfer restrictions and director nomination rights. Pursuant to this agreement, the Brookfield Investor has agreed to a lock-up that prohibits it from selling Preferred Stock, Parent Preferred Shares or common shares of Superior prior to July 13, 2021. Following such 12-month period, the Brookfield Investor will be prohibited from transferring any Preferred Stock, Parent Preferred Shares or common shares of Superior if such transfer: (i) would cause the acquirer to own in excess of 18% of Superior's common shares on an as-exchanged or as-converted basis, as the case may be; or (ii) is to a competitor of Superior.

Additional information regarding the Brookfield Investment, including the complete terms and conditions of the Preferred Stock and the Special Voting Shares and copies of the material agreements, is available on our profile on SEDAR (www.sedar.com).

Preferred shares

We can issue an unlimited number of preferred shares in one or more series.

The board determines the rights, restrictions, conditions and limitations of each class of preferred shares.

Series 1, Special Voting Preferred Shares

We can issue an unlimited number of Series 1, Special Voting Preferred shares (the “Special Voting Shares”) subject to the terms of the Voting Trust Agreement. There were 30,002,837 Special Voting Shares outstanding as of March 4, 2021, being equal to the number of common shares of Superior that the Preferred Stock may be exchanged for as of such date.

The holder of the Special Voting Shares is:

- » entitled to vote at any meeting of common shareholders – each share entitles the holder to one vote per share on all matters submitted to a vote to the common shareholders, voting together as a class, subject to certain exceptions and in accordance with the terms of the Voting Trust Agreement
- » not entitled to receive dividends.

The holders of shares of Preferred Stock are entitled to instruct the trustee that holds the outstanding Special Voting Shares with respect to the voting of such shares on a proportionate basis pursuant to the terms of the Voting Trust Agreement.

All Special Voting Shares are issued at, and are redeemable for, the nominal amount of \$0.00001 per share.

Series 2, Preferred Shares

We can issue 260,000 Series 2, Preferred shares (“Parent Preferred Shares”) in accordance with the terms and conditions of the Exchange Agreement. There were no Series 2, Preferred shares outstanding as of March 4, 2021.

The Parent Preferred Shares will only be issued in the event of a liquidation, winding-up or dissolution of Superior Plus US Holdings Inc. where there is no concurrent liquidation, winding-up or dissolution of Superior, the Parent Preferred Shares are intended to be economically equivalent to the Preferred Stock in terms of dividends, redemption and liquidation preference and will be convertible into common shares on an equivalent basis as the Preferred Stock. The complete terms and conditions of the Parent Preferred Shares are available on our profile on SEDAR (www.sedar.com).

Dividends

Our dividend policy balances sustainable dividends with cash flow from operations, our financial condition and leverage, our working capital requirements and our ability to act on investment opportunities. The policy is consistent with the rules set out in the CBCA.

Dividends are declared by our board of directors. The board sets the amount and determines when they are paid. Under the terms of our long-term credit facility (see page 44), we cannot pay dividends to our shareholders if we default on our credit agreement, or if paying dividends would cause us to default. See “Credit Facility – Financial Covenants”.

All dividends are eligible dividends, as defined by the Income Tax Act. This means that individual common shareholders will benefit from the Income Tax Act’s enhanced gross-up and dividend tax credit mechanism.

Holders of Preferred Stock are entitled to receive, if, as and when declared by the board of directors of Superior Plus US Holdings Inc., dividends on the Preferred Stock on the same schedule as dividends are paid on the common shares of Superior, but no less frequently than quarterly. See “Exchangeable preferred stock of Superior Plus US Holdings Inc.” on page 41 for further details.

Distributions from Superior Plus LP

Superior GP's board determines the amount and frequency of distributions from Superior Plus LP to Superior. It has approved a distribution policy (which it can modify) that allows Superior to maintain its dividend policy, subject to any contractual restrictions on distributions, including agreements entered into with lenders to Superior Plus LP or its affiliates.

Cash dividends

All common shareholders of record on the last business day of the month receive dividends on or about the 15th day of the next month. The table below shows the dividends per common share for the last three years ended December 31.

| | 2018 | 2019 | 2020 |
|---------------------|---------|---------|---------|
| Cash dividends | \$ 0.06 | \$ 0.06 | \$ 0.06 |
| Annual distribution | \$ 0.72 | \$ 0.72 | \$ 0.72 |

Dividend reinvestment program

We have a dividend reinvestment program that lets shareholders use their dividends to purchase common shares at a 4% discount to the market price (the average closing price of the common shares on the TSX for the five-day trading period ending on the business day before the dividend payment date).

The program was active for four periods:

- » January 2007 to December 2008
- » May 2010 to April 2013
- » December 2015 to September 2016
- » February 2020 to May 2020.

The board suspended the program in September 2016 due to the termination of the Canexus transaction and the sale of the Construction Products Distribution business since there was no need for additional funding. The dividend reinvestment program was not utilized in 2019.

The board re-established the dividend reinvestment program commencing with the dividend declared in February 2020, which was paid on March 13, 2020. The board suspended the program after payment of the May dividend on June 15, 2020, as there was no need for additional funding subsequent to the Brookfield Investment. The proceeds from the dividend reinvestment program were used to reduce debt, fund retail propane acquisitions and for other general corporate purposes.

The program can be re-activated at the discretion of the board, subject to regulatory approval.

Shareholder rights plan

Our shareholder rights plan was established by an agreement between Superior Plus Corp. and Computershare dated February 16, 2012, and was last amended and restated on May 8, 2018. The plan is designed to make sure, to the extent possible, that all shareholders are treated fairly and equally if there is an acquisition of a controlling position in our common shares by any person or group of persons acting together.

The plan was adopted by shareholders at the annual and special meeting of shareholders held May 2, 2012, and was last reconfirmed at the annual and special meeting of shareholders on May 8, 2018. It will be voted upon at our annual and special meeting of shareholders on May 12, 2021. You can find a copy of the amended and restated shareholder rights plan on our website at superiorplus.com. It is also available under our profile on SEDAR (www.sedar.com).

Long-term debt

Long-term debt includes:

- » a credit facility
- » senior unsecured notes (5.25% Notes, 5.125% Notes, 7.0% U.S. Notes and 4.5% U.S. Notes).

Credit facility

\$1.05 billion (including the accordion feature) revolving credit facility offered by a syndicate of lenders that matures on May 8, 2024.

Financial covenants

The credit facility has the following financial covenants that restrict our ability to incur more long-term debt and pay dividends to Superior and our shareholders:

- » our consolidated secured debt to “Consolidated EBITDA” (as defined in the credit agreement) ratio cannot be more than 3.0 to 1.0 (but is increased to 3.5 times for a period of four fiscal quarters following a material acquisition)
- » our consolidated debt (excluding convertible unsecured subordinated debentures) to Consolidated EBITDA coverage ratio cannot be more than 5.0 to 1.0
- » distributions (including dividends to Superior and its shareholders)
 - distributions can be made where our consolidated secured debt to “Consolidated EBITDA” (as defined in the credit agreement) ratio is not more than 2.5 to 1.0 and our consolidated debt (excluding convertible unsecured subordinated debentures) to Consolidated EBITDA coverage ratio is not more than 4.5 to 1.0 on a trailing twelve month rolling basis and on a proforma basis after giving effect to such distributions; or
 - if the financial ratios in the immediately preceding bullet cannot be met, distributions cannot exceed non-adjusted EBITDA less non-adjusted interest expense, paid in cash and current cash taxes, plus \$50.0 million on a trailing twelve month rolling basis. (Principal repayments of subordinated debt are excluded from this restriction if, among other things, our consolidated secured debt to Consolidated EBITDA ratio is less than 2.5 times in the applicable reporting period, including the pro forma impact of the related principal repayment).

We cannot pay dividends if there is a default under our credit facility, or if paying the dividend would result in a default under our credit facility, in each case, while such default remains uncured.

Ratios for the last three years ended December 31

Our ratios meet the terms of our credit facility.

| | 2018 | 2019 | 2020 |
|--|-----------|-----------|-----------|
| Consolidated secured debt to Consolidated EBITDA ratio | 1.4 times | 1.2 times | 0.9 times |
| Consolidated debt to Consolidated EBITDA ratio | 4.2 times | 3.7 times | 3.4 times |

The foregoing description of the credit facility and certain provisions of the credit agreement governing such credit facility is not intended to be a complete recitation of the terms of such credit agreement. We refer you to the full text of the credit agreement, a copy of which is available on SEDAR (www.sedar.com).

Senior unsecured notes

The subsequent description of the 5.25% Notes, the 5.125% Notes, the 7.0% U.S. Notes and the 4.5% U.S. Notes and certain provisions of the trust indentures pertaining to such notes is not intended to be a complete recitation of the terms of such notes and the indentures that govern them. We refer you to the

full text of the notes and the indentures that govern them, copies of which are, or will be after closing in the case of the 4.5% U.S. Notes, available on SEDAR (www.sedar.com).

5.25% Notes

\$400 million of 5.25% senior unsecured notes issued by Superior Plus LP on February 27, 2017, and October 16, 2017, with a maturity date of February 27, 2024

The 5.25% Notes bear interest at 5.25% per year, paid semi-annually in arrears on February 27 and August 27 of each year.

Under the terms of the trust indenture, Superior Plus LP can:

- » use the net cash proceeds of one or more common share offerings any time before February 27, 2020, to redeem up to 35% of the total principal amount of the 5.25% Notes at a price of 105.25% of the principal amount plus accrued and unpaid interest, if at least 65% of the principal amount of the initial 5.25% Notes remain outstanding after the redemption and the redemption occurs 90 days after the closing of the related common share offering
- » redeem all or part of the outstanding 5.25% Notes any time before February 27, 2020, at a price equal to 100% of the principal amount, plus accrued and unpaid interest, plus a make-whole premium
- » redeem all or part of the outstanding 5.25% Notes plus accrued and unpaid interest on or after February 27, 2020, at the prescribed redemption price plus accrued and unpaid interest. The prescribed redemption price is as follows (beginning on February 27 of each of the following years): 2020 (103.938%), 2021 (102.625%), 2022 (101.313%) and 2023 and thereafter (100%).

Change of control

If there is a change of control, Superior Plus LP is required to offer to buy the 5.25% Notes from each noteholder at a cash price that equals 101% of the aggregate principal amount plus accrued and unpaid interest under the terms of the trust indenture.

Terms that restrict additional debt

Under the terms of the trust indenture, Superior Plus LP cannot incur additional debt unless its fixed charge coverage ratio for the most recently completed four quarters is not less than 2.0 to 1.0 on a pro forma basis, or a permitted debt exception is available including (among others):

- » a credit facilities basket equal to the greater of (i) \$750 million, and (ii) an amount that does not cause its senior secured leverage ratio to exceed 3.0 times to 1.0
- » on December 31, 2020, the fixed charge coverage ratio was 4.4 times to 1.

Terms that govern dividends

Under the restricted payment covenant in the trust indenture, we can pay dividends to our common shareholders if the total of all dividends paid in the previous four quarters is not more than our "Consolidated EBITDA" (as defined in the trust indenture) less our consolidated interest expense and cash income taxes for such period, and the senior secured leverage ratio does not exceed 3.0 times to 1.0 (or we otherwise utilize our restricted payment builder basket, if available).

5.125% Notes

\$370 million of 5.125% senior unsecured notes issued at par by Superior Plus LP on February 1, 2018, and July 3, 2018, with a maturity date of August 27, 2025

The 5.125% Notes bear interest at 5.125% per year, paid semi-annually in arrears on February 27 and August 27 of each year.

Under the terms of the trust indenture, Superior Plus LP can:

- » use the net cash proceeds of one or more common share offerings any time before February 27, 2021, to redeem up to 35% of the total principal amount of the 5.125% Notes at a price of 105.125% of the principal amount plus accrued and unpaid interest, if at least 65% of the principal amount of the initial 5.125% Notes remain outstanding after the redemption and the redemption occurs 90 days after the closing of the related common share offering
- » redeem all or part of the outstanding 5.125% Notes any time before February 27, 2021, at a price equal to 100% of the principal amount, plus accrued and unpaid interest, plus a premium
- » redeem all or part of the outstanding 5.125% Notes plus accrued and unpaid interest on or after February 27, 2021 at the prescribed redemption price plus accrued and unpaid interest. The prescribed redemption price is as follows (beginning on February 27 of each of the following years): 2021 (103.844%), 2022 (102.563%), 2023 (101.281%) and 2024 and thereafter (100%).

Change of control

If there is a change of control, Superior Plus LP is required to offer to buy the 5.125% Notes from each noteholder at a cash price that equals 101% of the aggregate principal amount plus accrued and unpaid interest under the terms of the trust indenture.

Terms that restrict additional debt

Under the terms of the trust indenture, Superior Plus LP cannot incur additional debt unless its fixed charge coverage ratio for the most recently completed four quarters is not less than 2.0 to 1.0 on a pro forma basis, or a permitted debt exception is available, including (among others):

- » a credit facilities basket equal to the greater of (i) \$750 million, and (ii) an amount that does not cause the senior secured leverage ratio to exceed 3.0 times to 1.0.

Terms that govern dividends

Under the restricted payment covenant in the trust indenture, we can pay dividends to our common shareholders if the total of all dividends paid in the previous four quarters is not more than our "Consolidated EBITDA" (as defined in the trust indenture) less our consolidated interest expense and cash income taxes for such period, and the senior secured leverage ratio does not exceed 3.0 times to 1.0 (or we otherwise utilize the restricted payment builder basket, if available).

7.0% U.S. Notes

US\$350 million of 7.0% senior unsecured notes issued at par by Superior Plus LP and Superior GP on July 3, 2018, with a maturity date of July 15, 2026

The 7.0% U.S. Notes bear interest at 7.0% per year, paid semi-annually in arrears on January 15 and July 15 of each year.

Under the terms of the trust indenture, Superior Plus LP and Superior GP can:

- » use the net cash proceeds of one or more common share offerings any time before July 15, 2021, to redeem up to 40% of the total principal amount at a price of 107.0% of the principal amount plus accrued and unpaid interest, if at least 60% of the 7.0% U.S. Notes remain outstanding after the redemption and the redemption occurs 90 days after the closing of the related common share offering
- » redeem all or part of the outstanding 7.0% U.S. Notes any time before July 15, 2021, at a price equal to 100% of the principal amount, plus accrued and unpaid interest, plus a make-whole premium
- » redeem all or part of the outstanding 7.0% U.S. Notes plus accrued and unpaid interest on or after July 15, 2021, at the prescribed redemption price plus accrued and unpaid interest. The prescribed redemption price is as follows (beginning on July 15 of each of the following years): 2021 (105.250%), 2022 (103.500%), 2023 (101.750%) and 2024 and thereafter (100%).

Change of control

If there is a change of control, Superior Plus LP and Superior GP are required to offer to buy the 7.0% U.S. Notes from each noteholder at a cash price that equals 101% of the aggregate principal amount plus accrued and unpaid interest under the terms of the trust indenture.

Terms that restrict additional debt

Under the terms of the trust indenture, Superior Plus LP cannot incur additional debt unless its fixed charge coverage ratio for the most recently completed four quarters is not less than 2.0 to 1.0 on a pro forma basis or a permitted debt exception is available, including (among others):

- » a credit facilities basket equal to the greater of (i) US\$1,050 million, and (ii) an amount that does not cause the senior secured leverage ratio to exceed 3.0 times to 1.0.

Terms that govern dividends

Under the restricted payment covenant in the trust indenture, we can pay dividends to our common shareholders if the total of all dividends paid in the previous four quarters is not more than our "Consolidated EBITDA" (as defined in the trust indenture) less our consolidated interest expense and cash income taxes for such period, and the senior secured leverage ratio does not exceed 3.0 times to 1.0 (or we otherwise utilize our restricted payment builder basket, if available).

Redemption of 7.0% U.S. Notes and Issuance of 4.5% U.S. Notes

On March 1, 2021, we issued a conditional notice to redeem the outstanding 7.0% U.S. Notes. The redemption is expected to be completed on or about March 11, 2021 and is conditional upon the completion of the private placement (the "Private Placement") by Superior Plus LP and Superior GP of US\$600 million of 4.5% senior unsecured notes with a maturity date of March 15, 2029. The 4.5% U.S. Notes are expected to be issued on March 11, 2021, subject to customary closing conditions.

The 4.5% U.S. Notes will bear interest at 4.5% per year, paid semi-annually in arrears on March 15 and September 15 of each year.

Under the terms of the trust indenture to be entered into at the closing of the Private Placement, Superior Plus LP and Superior GP will be permitted to:

- » use the net cash proceeds of one or more common share offerings any time before March 15, 2024 to redeem up to 35% of the total principal amount at a price of 104.5% of the principal amount plus accrued and unpaid interest, if at least 65% of the 4.5% U.S. Notes remain outstanding after the redemption and the redemption occurs within 180 days after the closing of the related common share offering
- » redeem all or part of the outstanding 4.5% U.S. Notes any time before March 15, 2024 at a price equal to 100% of the principal amount, plus accrued and unpaid interest, plus a make-whole premium
- » redeem all or part of the outstanding 4.5% U.S. Notes plus accrued and unpaid interest on or after March 15, 2024 at the prescribed redemption price plus accrued and unpaid interest. The prescribed redemption price is as follows (beginning on March 15 of each of the following years): 2024 (102.250%), 2025 (101.500%), 2026 (100.750%) and 2027 and thereafter (100%).

Change of control

If there is a change of control, Superior Plus LP and Superior GP will be required to offer to buy the 4.5% U.S. Notes from each noteholder at a cash price that equals 101% of the aggregate principal amount plus accrued and unpaid interest under the terms of the trust indenture.

Terms that restrict additional debt

Under the terms of the trust indenture to be entered into at the closing of the Private Placement, Superior Plus LP will be restricted from incurring additional debt unless its fixed charge coverage ratio for the most recently completed four quarters is not less than 2.0 to 1.0 on a pro forma basis or a permitted debt exception is available, including (among others):

- » a credit facilities basket equal to the greater of (i) US\$1,050 million, and (ii) an amount that does not cause the senior secured leverage ratio to exceed 3.0 times to 1.0.

Terms that govern dividends

Under the restricted payment covenant in the trust indenture to be entered into at the closing of the Private Placement, we will be permitted to pay dividends to our common shareholders if the total of all dividends paid in the previous four quarters is not more than our "Consolidated EBITDA" (to be defined in the trust indenture) less our consolidated interest expense and cash income taxes for such period, and the senior secured leverage ratio does not exceed 3.0 times to 1.0 (or we otherwise utilize our restricted payment builder basket, if available).

Credit ratings

Credit ratings are a way to assess a company's credit risk. They are not a comment on the market price of a security or its suitability for an individual investor and are not recommendations to buy, hold or sell our securities.

We pay customary rating fees to rating agencies DBRS Limited ("DBRS"), Standard & Poor's ("S&P") and Moody's Investor Service ("Moody's") and provide them with confidential, in-depth information to support the credit rating process.

The rating agencies can change or withdraw these ratings if they believe circumstances warrant.

The table below shows the DBRS, S&P and Moody's rating for our corporate credit and our 5.25% Notes, 5.125% Notes, 7.0% U.S. Notes, and 4.5% U.S. Notes as of March 4, 2021:

| | Corporate credit | Unsecured 5.25% Notes, 5.125% Notes, 7.0% U.S. Notes and 4.5% U.S. Notes |
|---|---|---|
| DBRS 10 categories ranging from AAA to D. High and low indicate relative standing credit within rating category. | BB (high) | BB ⁽¹⁾ |
| | BB is the fifth highest of 10 rating categories. It means the investment is speculative and non-investment grade. The capacity for the payment of financial obligations is uncertain and companies that are BB are vulnerable to future events. | |
| Moody's 9 categories ranging from Aaa to C. | Ba2 | Ba3 ⁽²⁾ |
| | Ba is the fifth highest of 9 rating categories. Obligations that are rated Ba are considered to be speculative and non-investment grade. Companies that are Ba rated are considered to have substantial credit risk. | |
| S&P 10 categories ranging from AAA to D. | BB- | BB- |
| | BB is the fifth highest of 10 rating categories. It means the investment is less vulnerable to non-payment than other lower-rated companies. However, there are major ongoing uncertainties and exposure to adverse business, financial, or economic conditions that could affect a company's capacity to meet its financial obligations. | |

⁽¹⁾ applicable only to 5.25% Notes and 5.125% Notes.

⁽²⁾ applicable only to 7.0% U.S. Notes and 4.5% U.S. Notes.

Risks associated with our business

There are risks in every business.

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

This section describes the risks that are most material to our business. This is not a complete list of the potential risks we face – there may be others we are not aware of, or risks we feel are not material today that could become material in the future. We have comprehensive systems and procedures in place to manage these risks, but there is no assurance that we will be successful in preventing the harm that any of these risks could cause.

Forward-looking information

This AIF, the documents it incorporates by reference and other documents that form part of our public disclosure record include statements with forward-looking information. Actual events and results could be materially different from the forward-looking information in these statements, because of the risks and uncertainties associated with our business. See page 69 for more information about forward-looking information.

Please also see the risk discussion in our 2020 Management Discussion & Analysis.

Types of risk

| | |
|-----------------------------------|----|
| Financial and corporate | 49 |
| Operational | 54 |
| Legal | 65 |

Financial and corporate risks

Acquisition of NGL

Recent acquisitions and divestitures

When we sign an agreement to buy assets or businesses, the vendors make certain representations, warranties and provide indemnities up to certain limits and/or subject to certain thresholds.

We always conduct due diligence before completing any acquisition, but there are circumstances such as those listed below when we could become liable for the liabilities of the companies we acquire, which could have an adverse effect on our company:

- » the representations and warranties are inaccurate or have limited application
- » liabilities are discovered that exceed these limits or are not covered by the representations, warranties or indemnities
- » certain liabilities are not identified in the agreements
- » the vendors default in their obligations.

There may also be liabilities or risks not discovered in our due diligence investigations that could have an adverse effect on our company.

We also enter into agreements to sell certain assets or businesses. We may not be able to successfully divest assets at acceptable prices or within the timeline envisaged due to market conditions or credit risk, resulting in increased pressure on our cash position and potential impairments. We may be held liable for past acts, failures to act or liabilities that are different from those foreseen or for breaches of representations and warranties we have made to the buyer(s). We may also face liabilities if a purchaser fails to honour all of its commitments. Accordingly, if we are unable to divest assets at acceptable prices

or within our envisaged timeframe, or we are responsible for liabilities relating to the transaction after closing, this could have an adverse effect on our earnings, cash flows and financial condition.

We complete a number of acquisitions during each year. We remain subject to the following risks associated with these transactions:

Integrating successfully: Integrating multiple acquisitions' operations, depending on their size, is a complex, time consuming and costly process. Not completing all components of the integration in a timely manner could have a material adverse effect on our business, results of operations, cash flows or financial position. The difficulties of integrating acquisitions include:

- » Coordinating geographically disparate operations, different systems and facilities
- » Adapting to additional regulatory and other legal requirements in new U.S. jurisdictions
- » Integrating corporate, technological and administrative functions and employment and compensation policies and practices
- » Diverting management's attention from other business concerns including other growth initiatives
- » Controlling costs to achieve the integration benefits
- » Potential customer attrition.

The integration process could interrupt or slow down our business activities. Members of the management team may be required to devote considerable time to the integration process, which will reduce the time they have to manage the business. If management is not able to effectively manage the integration process, or if any business activities are interrupted as a result of the integration process, there could be a negative effect on our business.

Demands on management: Our acquisition of a number of businesses has placed significant demands on our managerial, operational and financial personnel and systems. No assurance can be given that our systems, procedures, personnel and controls are adequate to support the expansion of our operations. Our future operating results will be affected by the ability of our officers and key employees to manage changing business conditions and to implement and improve our operational and financial controls and reporting systems.

Disposition of Specialty Chemicals

On February 18, 2021, we entered into a purchase and sale agreement to sell our Specialty Chemicals business segment for total consideration of \$725 million (of which \$600 million is payable in cash at closing and \$125 million will be satisfied through the issuance of the Vendor Note). Completion of the disposition is subject to the satisfaction or prior waiver of certain customary closing conditions, including the obtaining of certain regulatory approvals. As such, there is no assurance that the disposition will be completed or, if completed, will be on terms that are substantially the same as those described herein. In addition, it is possible that the completion of the disposition could be delayed, including as the result of third parties seeking to enjoin the consummation of the disposition. If the closing conditions to the disposition are not satisfied or waived, we will not realize any of the anticipated benefits from the disposition, including the anticipated increase in our liquidity, and we will have incurred significant management time and expenses.

A portion of the consideration payable to us is subject to an earn-out adjustment, and will not be paid to us for several years following closing of the disposition in accordance with the terms of the purchase and sale agreement and the Vendor Note. As a result, the consideration that we may ultimately receive is subject to adjustment based upon the future performance of the Specialty Chemicals business, which will be controlled by the buyer following closing, and subject to potential disputes with the buyer as to the calculation of such adjustments. In addition, the buyer's obligations under the Vendor Note (and any additional promissory notes issued for the earn-out adjustment) will be subordinated in right of payment to the buyer's senior secured lenders. Pursuant to the terms of such senior secured debt, there are

circumstances in which the buyer will be prohibited from making payments to us under the Vendor Note and our ability to exercise our remedies in those circumstances will be subject to a standstill period in favor of the buyer's senior secured lenders. A deterioration in the buyer's available liquidity, results of operations or access to third party capital or the insolvency of the buyer may make it impossible for the buyer to repay all or a portion of the Vendor Note at maturity.

Under the terms of the purchase and sale agreement, we will also remain liable for certain pre-closing liabilities of the Specialty Chemicals business following the completion of the disposition, including certain environmental and pre-closing tax matters. While the terms of the purchase and sale agreement seek to limit our known liabilities to the buyer, the nature and size of certain liabilities may be unknown to us, and may be significant. In addition, we may be required to indemnify the buyer for any of these liabilities under the purchase and sale agreement. The subsequent discovery or quantification of material liabilities of the Specialty Chemicals business that we remain liable for, or may be required to indemnify the buyer for, could have a material adverse effect on our business, financial condition or future prospects. We have also made certain representations and warranties and provided certain indemnities to the buyer and received certain indemnities from the buyer. As a result, we may still be held liable for past acts, failures to act or liabilities relating to the Specialty Chemicals business that are different from those foreseen by us when entering into the transaction. In addition, there is no assurance that the buyer will not default on its indemnification obligations to us, which may result in financial loss to us.

Access to capital

Our credit facilities and Superior Plus LP's senior unsecured notes contain covenants that require Superior Plus LP to meet certain financial tests that restrict, among other things, our ability or the ability of Superior Plus LP to incur additional debt, dispose of assets or pay dividends/distributions in certain circumstances.

Superior Plus LP pays out a substantial amount of its available cash flow, which means it can only make capital expenditures to fund growth opportunities when other sources of financing are available. Lack of access to additional financing could limit its future growth and, over time, have a material adverse effect on the amount of cash available for dividends to our shareholders.

If external sources of capital, including public and private markets, become limited or unavailable, we and Superior Plus LP may not be able to make the necessary capital investments to maintain or expand the business, make necessary principal payments under the term credit facility or repay other indebtedness.

Growth through acquisitions

Superior Plus LP has built its business through organic growth, and most notably in recent years, through acquisitions. There can be no assurance that it will continue to find appropriate acquisition targets, or that it will be able to buy those targets on economically acceptable terms. Competition for acquisition targets in both the propane distribution and specialty chemical businesses has increased over recent years, resulting in increased costs to acquire such assets and businesses. Continued competition for acquisition targets may result in further increases in prices for assets and businesses, which would have a negative impact on our ability to source suitable targets at economically attractive prices to grow our business.

Dividends and distributions

We depend entirely on the operations and assets of Superior Plus LP. Our ability to make dividend payments to our shareholders depends on Superior Plus LP's ability to make distributions from its outstanding limited partnership units, and on its operations.

Our credit facilities and Superior Plus LP's senior unsecured notes contain covenants that require Superior Plus LP to meet certain financial tests and that restrict, among other things, our ability or the ability of Superior Plus LP to incur additional debt, dispose of assets or pay dividends/distributions in certain

circumstances. These restrictions may preclude Superior Plus LP from returning capital or making distributions on the limited partnership units. See Long-term debt on page 44 for a description of the financial covenants.

There can be no assurance of the amount of cash Superior Plus LP will generate or distribute, and therefore of the funds available for dividends to our shareholders. The actual amount distributed from the limited partnership units will depend on many factors, including without limitation, the performance of Superior Plus LP's operating businesses, the effect of acquisitions or dispositions on Superior Plus LP, and other factors that may be beyond our control or the control of Superior Plus LP. In the event significant sustaining capital expenditures are required by Superior Plus LP or the profitability of Superior Plus LP declines, there would be a decrease in the amount of cash available for dividends to our shareholders and the decrease could be material.

Our dividend policy is subject to change at the discretion of our board. Superior Plus LP's distribution policy is subject to the discretion of the board of Superior GP. Both policies are limited by contractual agreements including agreements with lenders to us and our affiliates, and by restrictions under corporate law. See Dividends on page 43 and Credit facility – Financial covenants on page 44 for more information.

Income taxes

We cannot be certain that the income tax laws where we operate will not change, or be administered or interpreted in a way that has an adverse effect on us or our shareholders.

We or our business segments file tax reports with the following agencies:

- » the CRA and varying provincial tax agencies
- » the U.S. Internal Revenue Service and varying state and local tax agencies
- » the Chilean Internal Revenue Service
- » the Hungarian Tax Authorities
- » the Luxembourg Tax Authorities.

We cannot be certain that these agencies will agree with how we calculate our taxable income, or guarantee that the agencies will not make changes to their administrative practices that have an adverse effect on us or our shareholders.

Interest rates

We have substantial exposure to floating interest rates through a combination of floating interest rate borrowings and the use of derivatives. A significant portion of Energy Distribution's sales and substantially all of Specialty Chemicals sales are also affected by general economic trends: when the economy is strong, interest rates increase and so does sales demand from our customers, increasing our ability to pay higher interest costs. The opposite is also true. There is a relationship between interest rates, the level of economic activity, and our ability to pay higher or lower interest rates. Higher interest rates can also increase borrowing costs, however, which will have an adverse effect.

Foreign exchange

A significant portion of our net cash flows are in U.S. dollars. Changes in Canadian/U.S. dollar exchange rates can have an impact on our profitability.

Specialty Chemicals' exposure to fluctuations in foreign currency exchange rates is expected to be approximately US\$130 million to US\$150 million for the full year in 2021, and includes U.S. denominated net revenue from Canadian operations and the net cash flow generated from operations in the United States and Chile. We manage U.S. Propane's and Specialty Chemicals' exposure by entering into hedge contracts with external third parties and internally with our other businesses. U.S. Propane is exposed to fluctuations in foreign currency exchange rates. The hedges are intended to cover a portion

of the revenue in order to allow the unhedged portion to match the foreign cost component of the hedge contract. It is not possible to completely offset the effects of changing foreign currency values, which leaves some residual exposure that may impact our financial results.

You can read more about how we manage our foreign exchange risk in our management's discussion and analysis for the year ended December 31, 2020, which is available on our website (www.superiorplus.com) and on SEDAR (www.sedar.com).

International trade relations

The former U.S. federal administration previously indicated its intent to alter its approach to international trade policy and in some cases to renegotiate, or potentially terminate, certain existing bilateral or multilateral trade agreements and treaties with foreign countries. During its tenure, the former administration withdrew the United States from the Trans-Pacific Partnership and the former North American Free Trade Agreement was replaced with the United States Mexico Canada Agreement. In addition, the former administration initiated tariffs on certain foreign goods, and related to this action, certain foreign governments, including China, have instituted tariffs on certain U.S. goods. While negotiations continue on possible trade solutions, it remains unclear what the new U.S. federal administration or foreign governments will or will not do with respect to tariffs or other international trade agreements and policies. Any trade disruption related to tariffs or international trade agreements or policies has the potential to adversely impact our supply chain and the domestic and foreign markets for our products and, thus, to have a material adverse effect on our business and results of operations.

Political uncertainties

Unforeseen political events or political uncertainty in markets where we own and operate assets, sell our products and may look to for further growth of our businesses may create economic uncertainty that has a negative impact on our financial performance. An uncertain political environment may arise from frequent changes in governments and related governmental priorities and policies, political conflict or the implementation, or threat, of protectionist measures. In addition, political outcomes in the markets in which we operate may also result in legal uncertainty and potentially divergent national, state and/or provincial laws and regulations, which can contribute to general economic uncertainty. Such uncertainty could cause disruptions to our businesses, including affecting the business of and/or our relationships with our customers and suppliers. Disruptions and uncertainties could adversely affect our financial condition, operating results and cash flows.

Catastrophic events, natural disasters, severe weather and disease

Our business may be negatively impacted to varying degrees by a number of events that are beyond our control, including cyber-attacks, unauthorized access, energy blackouts, pandemics, terrorist attacks, acts of war, earthquakes, hurricanes, tornados, fires, floods, ice storms or other natural or manmade catastrophes. While we engage in emergency preparedness, including business continuity planning, to mitigate risks, such events can evolve very rapidly and their impacts can be difficult to predict. As such, there can be no assurance that in the event of such a catastrophe our operations and ability to carry on business will not be disrupted. The occurrence of such events may not release us from performing our obligations to third parties. A catastrophic event, or fear of any of the foregoing, could adversely impact us by causing operating or supply chain delays and disruptions, labour shortages, expansion project delays and facility shutdowns, which could have a negative impact on our ability to conduct our business and increase our costs. In addition, liquidity and volatility, credit availability and market and financial conditions generally could change at any time as a result. Any of these events in isolation or in combination could have a material negative impact on our financial condition, operating results and cash flows.

Since December 31, 2019, the outbreak of the novel strain of coronavirus, specifically identified as "COVID-19", has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed

quarantine periods and social distancing, have caused material disruption to businesses globally resulting in an economic slowdown. Global equity markets have experienced significant volatility and weakness. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. The duration and impact of the COVID-19 outbreak is unknown at this time, as is the efficacy of the government and central bank interventions. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of Superior and its operating subsidiaries in future periods.

Transportation network disruptions

All three of Superior's business segments rely on rail as a mode of delivering product and/or receiving materials and goods across Canada and the US to service customer demand. Due to the integrated nature of North America's freight transportation infrastructure, Superior's operations may be negatively affected by service disruptions with their transportation provider or other transportation links such as ports and other railroads that interchange with our transportation provider(s). A significant prolonged service disruption of one or more of these entities could have an adverse effect on Superior's ability to carry on its business and service customer demand and on our results of operations. Service disruptions can be caused by, but are not limited to, severe weather and natural disasters such as extreme cold or heat, flooding, droughts, fires, hurricanes and earthquakes as well as labour disruptions and political disruptions, which include protests and intentional blockades and acts of terrorism.

Issuing shares

If our board of directors decides to issue additional common shares, preferred shares or securities convertible into common shares, our existing shareholders may suffer significant dilution.

Limited liability

We hold a 99.9% limited partnership interest in Superior Plus LP. As a limited partner of a limited partnership existing under the laws of the Province of Ontario, our liability for indebtedness, claims and other liabilities of Superior Plus LP is limited to our investment in the partnership.

We could lose our limited liability in certain circumstances. For example, directly assuming active management of Superior Plus LP would jeopardize our limited liability.

Operational risks

Demand, supply and pricing

Energy Distribution

Propane represents approximately 2% of the overall Canadian energy market and is used in a wide range of applications, including residential, commercial, industrial, agricultural and automotive uses. Propane is an efficient and portable fuel composed of carbon and hydrogen atoms that is a derivative of natural gas processing and oil refining. Fluctuations in the cost of propane encourage customers to reduce fuel consumption and to invest in more energy efficient equipment, reducing demand for certain uses. There are various federal and provincial carbon pricing requirements and initiatives that will bring visibility to cleaner fuels. Propane is positioned well against heating oil, diesel and other distillates. These government-led initiatives, if underpinned by incentives, could facilitate increased activity around residential conversions to propane, auto propane growth and potentially an increased use of propane for power generation.

SGL's supply is currently purchased from approximately 50 propane producers and suppliers in Canada and the United States. If SGL were unable to obtain the required supply from these producers, it could have an adverse effect on it and the Canadian Propane Distribution business and U.S. Propane Distribution business. The retail propane business is a "margin-based" business where the level of profitability is largely dependent on the difference between retail sales prices and wholesale product

costs. Changes in propane supply costs are normally passed through to customers. Delays in passing on supply costs to customers can have an adverse effect on profitability.

In the northeastern United States, approximately 4% of households use propane and another 20% use heating oil as their primary space heating fuel. Heating oil is a low viscosity, flammable, liquid petroleum product produced at crude oil refineries as a part of the distillate fuel oil product family. Residential space heating is the primary use for propane and heating oil, making the demand highly seasonal.

The northeastern United States has traditionally relied on heating oil as a household fuel source, but demand has gradually declined over the past 20 years as propane and natural gas fuels have become more readily available. Residential space heating is the primary use for propane and heating oil, making the demand highly seasonal. U.S. Propane experiences a 9% decline in its heating oil customers annually. This is partially impacted by the decline in demand for heating oil in the northeastern United States, which is declining at a modest rate of 3.5%. U.S. Propane is a "margin-based" business where the level of profitability is largely dependent on the difference between retail sales prices and wholesale product costs. Changes in supply costs are normally passed through to customers, but timing lags may result in positive or negative gross margin fluctuations.

SGL sources its fixed-price term propane sales commitments by entering into various physical and financial propane purchase and sale contracts for similar terms and volumes to create an effective fixed-price cost of supply. SGL transacts with approximately 52 propane counterparties. There can be no assurance that any of these counterparties will not default on any of its obligations to SGL, requiring SGL to find another source to meet its supply commitment. A default could have a material adverse effect on our company. To minimize its exposure to this risk, SGL evaluates the financial condition of each counterparty and establishes credit limits.

Specialty Chemicals

Specialty Chemicals uses four primary raw materials to produce its chemical products: electricity, salt, potassium chloride and water. Electricity comprises 65% to 85% of variable production costs for sodium chlorate. Sodium-based chlor-alkali variable production costs include electricity costs, which are approximately 35% to 55% of the total, while potassium-based chlor-alkali products have a significant portion of the variable production cost attributed to potassium chloride and therefore electricity costs are approximately 10% to 20% of the total. The business has long-term contracts or contracts that renew automatically with power producers in each of the jurisdictions in which its plants are located. These contracts generally provide Specialty Chemicals with some portion of firm and non-firm power supply. The business can reduce its power consumption quickly and at minimal cost, which allows it, in some jurisdictions, to provide benefits to the electric power system in return for financial credits. Approximately 7% of Specialty Chemicals' annual power requirements are located in deregulated electricity jurisdictions that are subject to market forces and price risks. Specialty Chemicals regularly monitors energy pricing and may secure hedging arrangements to mitigate energy price risk. See Specialty Chemicals on page 29.

Electricity for Specialty Chemicals' Chilean facility is supplied by CMPC Celulosa S.A. as part of a long-term sodium chlorate supply agreement.

Specialty Chemicals purchases salt from third-party suppliers and is also self-supplied at the Hargrave and Saskatoon facilities through long-term salt reserves that are solution-mined on site. Salt purchase contracts are typically fixed-price contracts with terms of one year or greater, often with automatic renewals. Salt costs typically make up 15% to 30% of the variable production costs for sodium chlorate.

Potassium chloride is a key raw material used in the production of potassium hydroxide at Specialty Chemicals Port Edwards, Wisconsin, facility. Specialty Chemicals has a strategic partnership with the potassium chloride supplier who is capable of providing the product specifications required by Specialty Chemicals. In the event of a potassium chloride supply interruption, Specialty Chemicals' Port Edwards facility is able to partially switch between sodium and potassium products, reducing the risks associated with a single point of supply for potassium chloride.

The cost of electricity is far greater than all other costs of production combined for Specialty Chemicals. Therefore, supply of electricity at reasonable prices and on acceptable terms is critical. If Specialty Chemicals were unable to obtain electricity at reasonable prices and on acceptable terms, the result would be a negative impact on its results of operations. Electricity prices in some jurisdictions are subject to fluctuations for a variety of reasons beyond Specialty Chemicals' control, for instance, energy price volatilities in deregulated energy markets, regulatory and compliance risks, climate policies and carbon pricing. All can make near-term costs for electric power uncertain. There is no assurance that Specialty Chemicals will continue to be able to secure adequate supplies of electricity at reasonable prices or on acceptable terms.

Specialty Chemicals' chlorate business is impacted by global economic conditions and, in particular, the strength of the Chinese economy. To the extent international demand for bleached pulp from countries such as China decreases, the price for bleached pulp is negatively impacted. Reduced pricing tends to put pressure on North American pulp producers, which may lead to mill closures and reduced overall demand for sodium chlorate.

From time to time, certain pulp mills in North America have conducted trials or announced considering converting to unbleached pulp. To the extent that such conversions are completed, the result may have a negative effect on demand for sodium chlorate, which would have a negative impact on our Specialty Chemicals business.

Volume variability, weather conditions and economic demand

Energy Distribution

Weather, general economic conditions and the volatility in the cost of propane affect propane market volumes. Weather influences the demand for propane primarily for home and facility heating uses and also for agricultural applications, such as crop drying.

In the US, the propane demand has been stable in the Northeast, while there have been historical declines across the remainder of the country. Overall, we anticipate our demand will remain relatively stable due to the proportion of propane delivered in the Northeast.

Approximately 66% of the Energy Distribution businesses' annual portable fuel volume is distributed during the October to March winter heating season. The Energy Distribution businesses offer customers fixed-price contracts throughout the year, supported by purchasing arrangements with SGL. Volatility in the cost of propane influences demand for propane as high prices erode demand for propane and customers undertake conservation or energy efficient actions, or seek lower cost energy alternatives. Conversely, low prices tend to make customers less price sensitive and less focused on their amount of consumption.

Harsh weather can create conditions that exacerbate demand for propane, impede the transportation and delivery of propane, or restrict the ability for the Energy Distribution businesses to obtain propane from their suppliers. These conditions may also increase the Energy Distribution businesses' operating costs and may reduce customers' demand for propane, any of which may have an adverse effect on the Energy Distribution businesses.

Harsh weather can create conditions that exacerbate demand for propane, impede the transportation and delivery of propane, or restrict the ability for the Energy Distribution businesses to obtain propane from their suppliers. These conditions may also increase the Energy Distribution businesses' operating costs and may reduce customers' demand for propane, any of which may have an adverse effect on the Energy Distribution businesses.

Due to the nature of SGL's supply arrangements, storage contracts and available hedging strategies, in periods of declining prices and low demand, SGL may be faced with a mismatch in the timing of inventory sales and prevailing market prices.

Demand from end-use heating applications is relatively predictable. However, weather and general economic conditions affect distillates and propane market volumes. Weather influences the immediate demand, primarily for heating, while longer-term demand declines due to economic conditions as customers trend towards conservation and supplement heating with alternative sources such as wood pellets.

Competition

Energy Distribution

Propane is sold in competition with other energy sources such as fuel oil, electricity and natural gas, some of which are less costly on an energy equivalent basis. While propane is usually more cost effective than electricity, electricity is a major competitor in most areas. Fuel oil is also used as a residential, commercial and industrial source of heat and, in general, is less costly on an equivalent energy basis, although the operating efficiencies, environmental and air quality factors of propane help make it competitive with fuel oil. Except for certain industrial and commercial applications, propane is generally not competitive with natural gas in areas where natural gas already exists. Other alternative energy sources such as compressed natural gas, methanol and ethanol are available or could be further developed and could have an impact on the propane industry and the Energy Distribution businesses in the future. The trend towards increased conservation measures and technological advances in energy efficiency may have a detrimental effect on propane demand and Energy Distribution businesses' sales. Increases in the cost of propane encourage customers to reduce fuel consumption and to invest in more energy efficient equipment, reducing demand. Propane commodity prices are affected by crude oil and natural gas commodity prices.

Automotive propane demand depends on propane pricing, the market's acceptance of propane conversion options and the availability of infrastructure. Canadian Propane Distribution has strategic partnerships with companies focused on after-market conversion technologies. This segment has been impacted by the development of more fuel efficient and complicated engines, which increase the cost of converting engines to propane and reduce the savings per kilometre driven.

Although the Canadian Propane Distribution business is the largest provider of propane in Canada, it faces intense competition in each region of the country where it carries on business from a variety of competitors. In addition to competition from other energy sources, the Canadian Propane Distribution business competes with approximately 200 other retail marketers. Propane retailing is a local, relationship-based business, in which propane competes for market share based on price and level of service. The industry is mature, with limited growth potential and relatively low barriers to entry. The Canadian Propane Distribution business' ability to remain an industry leader depends on its ability to provide reliable service at competitive selling prices. There can be no assurance that the Canadian Propane Distribution business will be able to compete successfully against its current or future competitors or that competition will not have a material adverse effect on our results of operations and financial condition, and on the amount of cash available for dividends to shareholders.

U.S. Propane competition is usually local, between large full service, multi-state marketers and smaller local independent marketers. Marketers primarily compete based upon price and service and tend to operate in close proximity to customers, typically within a 35-mile marketing radius from a central depot, to lower delivery costs and provide prompt service.

Among U.S. Propane's largest competitors, pricing tends to be competitive and generally based upon a reasonable markup of overall cost of fuel, delivery, and service. U.S. Propane is well positioned to compete with these corporations given its volume, terminal and bulk storage facilities, and attractive customer density footprint. U.S. Propane also competes with its other smaller regional and local suppliers, who generally have fewer than 3,000 residential customers and do not have sufficient volume or infrastructure to achieve the cost efficiencies that U.S. Propane is able to achieve.

Competition also arises from suppliers of alternative sources of energy, such as natural gas. The rate of conversion from the use of home heating oil is primarily affected by the viability of natural gas, fuel prices, and the cost of replacing the home's existing oil-fired heating system.

Specialty Chemicals

Specialty Chemicals competes with Nouryon Chemicals, Kemira Paper Chemicals and Chemtrade Logistics for its sodium chlorate business in North America. The business also competes with a number of multinational and regional producers worldwide. Key competitive factors include price, product quality, logistics capability, reliability of supply, and technical capability and service. Kemira and Chemtrade do not provide chlorine dioxide generators or related technology. The business also competes with chlor-alkali producers, such as Olin Corporation, Occidental Chemical Corporation, Westlake Chemical Corporation, Shintech Inc. and Formosa Plastics Corporation, as well as Chemtrade Logistics. Many of Specialty Chemicals' competitors are large companies with greater resources than Superior and therefore may be difficult to compete against successfully.

In addition, the end-use markets for Specialty Chemicals' products are correlated to the general economic environment and the competitiveness of its customers, which is outside of its control. North American bleached pulp producers are experiencing global competitive pressure as a result of increased fibre and energy costs and the impact of exchange rates, which may result in reduced demand for sodium chlorate in North America. In addition, North American demand for chlorine and chlorine-related products may be impacted by the general economic environment, which can directly impact the pricing for chlor-alkali products. During recessionary times, pricing for sodium hydroxide (NaOH) can be elevated as the slowdown usually decreases demand for chlorine, causing a tight sodium hydroxide market.

Health, safety and environment

Energy Distribution

Energy Distribution businesses' commodities create greenhouse gases. The regulatory landscape related to greenhouse gases could change based on ongoing discussions in various political and environmental forums.

Slight quantities of propane may be released during transfer operations. The storage and transfer of propane has limited impact on soil or groundwater given that a release of propane will disperse into the atmosphere rather than contaminating soil or water.

The Canadian Propane Distribution business has established a comprehensive program directed at environmental, health and safety protection to mitigate risk. This program consists of safety and environmental policies and procedures, codes of practice, periodic self-audits, employee training, quarterly and annual reporting and emergency prevention and response.

The Canadian Propane Distribution business' operations are subject to the risks associated with handling, storing and transporting propane in bulk. The potential exists for accidents to occur or equipment to fail, which could result in the release of propane, which could potentially result in a fire or explosion causing damage to facilities, death or injury and liabilities to third parties. Any environmental, health or safety-related incidents may result in regulatory or legal action, which could potentially result in adverse consequences such as fines, damages, increased costs, legal actions, other sanctions and negative publicity that could have an adverse effect on our business.

U.S. Propane's safety practices and regulatory compliance are an important part of its business, which is managed through a centralized safety and environment system. U.S. Propane's operations are subject to the risks associated with the handling and storage of and transporting refined fuels in bulk. The potential exists for accidents to occur or equipment to fail, which could result in the release of these substances, which could result in a fire or explosion, causing damage to facilities, death or injury and liabilities to third parties. Any environmental, health or safety-related incidents may result in regulatory or legal

action, which could result in adverse consequences such as fines, damages, increased costs, legal actions, other sanctions and negative publicity that could have an adverse effect on our business.

The storage and delivery of refined fuels pose the potential for spills that impact the soils and water of storage facilities and customer properties. U.S. Propane-operated bulk storage areas and loading/unloading points have secondary containment to prevent spills from reaching soil or groundwater. Customer locations are inspected by drivers and technicians during visits to identify potential release hazards and necessary corrections are performed before product is delivered. A release that could impact soil or groundwater is required to be reported to the appropriate government agencies; clean-up operations are conducted by internal and third party technicians.

In Canada and the United States, regulators responsible for the safe handling of hazardous materials continue to review, revise and implement new safety standards to enhance public safety. New safety standards have the potential for a significant cost to implement and maintain depending on their nature and complexity. If at any time the appropriate regulatory authorities deem any of the facilities unsafe, they may order that the facilities be shut down.

Specialty Chemicals

Specialty Chemicals maintains management systems and practices to closely monitor health, safety and environmental aspects of its operations. The operations of Specialty Chemicals are subject to the risks normally incident to the handling, production, transportation and disposal of wastes generated from the production of chemical products. A release of a hazardous substance in an amount that exceeds regulatory thresholds, or that could have an adverse impact on the environment is required to be reported to the appropriate government agencies; clean-up operations are conducted by internal and third party technicians. Specialty Chemicals' facilities produce large volumes of chemicals, using equipment with fine tolerances. The potential exists for the release of highly toxic and lethal substances, including chlorine from a facility or transportation equipment. Equipment failure could result in damage to facilities, death or injury and liabilities to third parties. If at any time the appropriate regulatory authorities deem any of the facilities unsafe, they may order that the facilities be shut down. Any environmental, health or safety-related incidents may result in regulatory or legal action, which could result in adverse consequences such as fines, damages, increased costs, legal actions, other sanctions and negative publicity that could have an adverse effect on our business.

Regulatory environment and legislative change

Energy Distribution

The Energy Distribution businesses are subject to extensive federal, provincial, state and local laws and regulations, including those relating to the protection of the environment, waste management, discharge of hazardous materials and the characteristics and composition of refined products. Certain of these laws and regulations may also require assessment or remediation efforts at Canadian Propane Distribution and U.S. Propane's facilities and at third party sites.

Environmental laws that apply to the Canadian Propane Distribution business and U.S. Propane are subject to frequent change and often become more stringent over time. Compliance with current and future environmental laws and regulations may require significant expenditures, increasing the overall cost of operating the business. Failure to comply with these laws and regulations could also result in substantial fines or penalties against us or orders that could limit our operations and have an adverse effect on our company.

U.S. Propane is based in the United States and operates in the United States. These operations could be affected by changes to laws, rules or policies that may either be more favourable to competing energy sources or increase costs or otherwise negatively affect the operations of U.S. Propane in comparison to these competing energy sources, which could have an adverse effect on our company. Our reliance on these markets means that we are subject to downturns in the U.S. economy, weather patterns in the

U.S., U.S. regulatory changes, protectionist actions by U.S. legislators and other political developments, all of which could have an adverse impact on our financial results.

Specialty Chemicals

Specialty Chemicals' operations and activities in various jurisdictions across North America and in Chile require regulatory approvals for the handling, production, transportation and disposal of chemical products and waste substances. Environmental laws applicable to Specialty Chemicals are subject to frequent change and often become more stringent over time. Compliance with current and future environmental laws and regulations may require significant expenditures, increasing the overall cost of operating the business. Failure to obtain or fully comply with these laws and regulations could also result in substantial fines or penalties against Specialty Chemicals or orders that could limit its operations and have an adverse effect on Specialty Chemicals.

Reliance on third parties

Superior Plus LP has contracts with third parties that represent a significant source of revenue, and with others that are important suppliers. Third parties include: Plains Midstream Canada ULC, Gibson Energy Infrastructure, Chevron Products Company, a division of Chevron USA Inc., Nutrien, Inc., CMPC Celulosa S.A., PFB Holding Company LLC and California Resources Corporation. Superior Plus LP takes steps to mitigate these risks, but a failure of any of these companies to fulfill their commitments, meet their contractual obligations or if they are otherwise unable to perform as expected, could have a material adverse effect on Superior Plus LP's business, financial condition or operations, even if the failure constitutes a breach of contract.

In addition, Specialty Chemicals purchases its raw materials, including electricity, from large organizations that tend to have greater resources and bargaining strength than Specialty Chemicals, which can have a negative effect on the cost of supply of these materials that it may not be able to pass onto its customers.

Information technology and cybersecurity

We use several information technology systems to manage our business and operate our facilities. The reliability and security of these systems is critical. If the functionality of these systems is interrupted or fails and cannot be restored quickly, or if the technologies are no longer supported, our ability to operate our facilities and conduct our business could be compromised. We continue to mature our approach to technology planning.

Specifically, we have risk mitigation plans in the areas of disaster recovery and cybersecurity as follows:

- » Our disaster recovery plan consists of the backup and ongoing, continuous replication of all Superior cloud-hosted systems and data from our main New Jersey data center to a second, redundant data center in Texas. In case of a major disaster affecting our main data center or loss of our backups, we could resume operations from our Texas data center. This plan will be formally tested in 2021. As part of the annual C-SOX IT general controls review, operational back-up and restore procedures are tested to ensure they are designed and operating effectively.
- » Our cybersecurity plan consists of a comprehensive managed services program provided by MNP, a leader in the field of cybersecurity. We have obtained third party validation (Riskrecon) that using MNP provides an increased level of security resulting from the adoption of the MNP managed services program and an appropriate and reasonable level of protection against common hacking and cyberattacks that could negatively affect the Company. On October 18, 2019, Riskrecon rated Superior 9.3 out of 10 (the higher the rating, the lower the cybersecurity risk), placing us well above the 8.2 rating for the industry average.

Although the technology systems we use are intended to be secure, there is a risk that an unauthorized third party could still gain access to systems. A security breach could lead to a number of adverse consequences, including but not limited to, the unavailability, disruption or loss of key functionalities

within our control systems and the unauthorized disclosure, corruption or loss of sensitive company, customer or personal information. We attempt to prevent security breaches by implementing various technology security measures such as the aforementioned MNP managed services, segregating control systems from our general business network, engaging skilled consultants and employees to manage our technology applications, conducting periodic audits and adopting policies and procedures (such as forcing a change to user passwords every three months) as appropriate. We provide mandatory cybersecurity awareness training to our employees and perform security tests to assess risk and compliance with our procedures.

To date, there has not been a cybersecurity breach that has had a material impact on our business or operations. Due to the rapidly evolving nature of the threats, however, there is no guarantee that the measures we take to protect our business systems and operational control systems will be effective in protecting against a breach in the future.

In addition, many jurisdictions in which we operate have adopted breach of privacy and data security laws or regulations that require notification to consumers if the security of their personal information is breached, among other requirements. Governmental focus on data security may lead to additional legislative action, and the increased emphasis on information security may lead customers to request that we take additional measures to enhance security or restrict the manner in which we collect and use customer information to gather insights into customer behaviour and develop our marketing programs. As a result, we may have to modify our business systems and practices with the goal of further improving data security, which would result in increased expenditures and operating complexity. Any compromise of our security or accidental loss or theft of customer data in our possession could result in a violation of applicable privacy and other laws, significant legal and financial exposure and damage to our reputation, which could adversely impact our business and the results of our operations.

Climate change

Climate change and the contribution of greenhouse gas (“GHG”) emissions continues to be a concern at the international, national, provincial, state and local levels. Both Canada and the United States are signatories to the United Nations Framework Convention on Climate Change (“UNFCCC”), which was entered into in order to work towards stabilizing atmospheric GHG emissions at a level to prevent “dangerous anthropogenic interference with the climate system”. Canada has also ratified the Paris Agreement, an international agreement within the UNFCCC to address climate change, and the United States has declared its intention to rejoin this agreement. Provinces in Canada have adopted a range of laws to put a price on, or otherwise regulate, GHG emissions. In addition, the Canadian federal government has implemented a regime that puts a price on certain GHG emissions in provinces and territories that do not have an adequate GHG emissions pricing regime, as determined by the federal government. Among other things, this regime imposes a regulatory charge on certain GHG emitting fuels – including propane sold in such provinces and territories. Under the current regime, such charge will increase annually until at least 2022, and there is a proposal for further increases until at least 2030. Currently, the regulation of GHG emissions in Canada is the subject of litigation between the Canadian federal government and certain provinces. Both Houses of the United States Congress also have considered laws to reduce emissions of GHGs. Although Congress has not yet enacted comprehensive U.S. federal carbon pricing legislation, the current executive branch has proposed and implemented various measures to require reductions in GHG emissions and to promote low carbon technologies. For instance, the new U.S. federal administration issued an executive order focused on addressing climate change in January 2021. Among other things, the climate change executive order directed the Secretary of the Interior to pause new oil and natural gas leasing on public lands or in offshore waters pending completion of a comprehensive review of the federal permitting and leasing practices, consider whether to adjust royalties associated with coal, oil, and gas resources extracted from public lands and offshore waters, or take other appropriate action, to account for corresponding climate costs. The climate change executive order also directed the federal government to identify “fossil fuel subsidies” to take steps to ensure that, to the extent consistent with applicable law, federal funding is not directly subsidizing fossil

fuels. Legal challenges to the suspension have already been filed and are currently pending. In a separate executive order, also issued in January 2021, the new U.S. federal administration established an Interagency Working Group on the Social Cost of Greenhouse Gases (“Working Group”), which is called on to, among other things, develop methodologies for calculating the “social cost of carbon,” “social cost of nitrous oxide” and “social cost of methane.” Final recommendations from the Working Group are due no later than January 2022. In addition, a number of U.S. states and municipalities have implemented laws and policies related to climate change, including reducing the emission of GHGs. Such laws and policies in Canada and the United States continue to evolve.

Climate change and laws to reduce GHG emissions, as well as other actions related to climate change and GHG emission reductions, could impact our business in a number of different ways. For example, GHG emission reduction requirements may require us and/or our suppliers to incur increased capital and operating costs, which would likely impact our product prices and consumer demand. In addition, such increased costs may not be passed along to certain of our customers who have fixed price contracts with us. Likewise, GHG emission pricing requirements (including annual increases to existing requirements) will make our products more expensive for the end-users and may impact consumer demand. In addition to cost consequences, consumer demand for propane and heating oil may also diminish due to a desire for alternatives to these products (such as natural gas or renewable energy) and a decreased need for propane and heating oil due to increased energy efficient products and/or buildings. While we cannot currently predict the impact of GHG emission reduction and pricing activities as well as any unrelated change in demand for propane and heating oil, the culmination of these factors is expected to result in a decline of consumption of petroleum products over time, which would have an adverse effect on our business.

Another possible consequence of climate change is changing weather patterns and unpredictable weather events. Among other things, increased volatility in seasonal temperatures may occur. It is difficult to predict how the market for the fuels we distribute would be affected by increased temperature volatility. However, if there is an overall trend of warmer temperatures, it would likely have an adverse effect on the heating component of our Energy Distribution business. In addition, climate change may result in more harsh weather conditions. As described above, harsh weather can create conditions that exacerbate demand for propane, impede the transportation and delivery of propane, or restrict the ability of the Energy Distribution businesses to obtain propane from their suppliers. These conditions may also increase the Energy Distribution businesses’ operating costs and may reduce customers’ demand for propane, any of which may have an adverse effect on the Energy Distribution businesses.

A number of factors (including those described above) may affect our reputation and certain investors’ sentiments towards investing in our industry. As a result of climate change-related concerns, some institutional and public investors have announced that they are no longer willing to fund or invest in oil and gas producers or other companies involved in the transportation or distribution of hydrocarbon products or that they are reducing the amount of such investment over time. Any reduction in the investor base willing to invest in our suppliers may impact the availability and cost of obtaining propane over time and could have an adverse effect on our business. Any reduction in the investor base willing to invest in our industry, and, more specifically, us, may result in limiting our access to capital, increasing the cost of capital and decreasing the price and liquidity of our securities.

We continue to monitor these complex factors related to climate change and GHG emissions reductions in an effort to assess the potential impacts on each of our businesses and to mitigate negative impacts where possible.

Manufacturing and production

Specialty Chemicals

Specialty Chemicals’ production facilities maintain complex process and electrical equipment. The facilities have existed for many years and undergone upgrades and improvements over time. Routine maintenance

is regularly completed to ensure equipment is operated within appropriate engineering and technical requirements. Notwithstanding Specialty Chemicals' operating standards and history of limited downtime, an unforeseen breakdown of electrical transformer or rectifier equipment would temporarily reduce production capacity at the affected facility. While insurance coverage exists to mitigate substantial loss due to equipment outage (although not all claim scenarios are necessarily covered), Specialty Chemicals' reputation and its ability to meet customer requirements could be negatively affected as a result of a major electrical equipment failure. Capital expenditures may be required to repair, modernize or address other issues at Specialty Chemicals' facilities. Any unexpected requirement of large capital expenditures could have a material adverse effect on our liquidity and financial condition.

Transportation

Spikes in demand caused by weather or other factors can stress the supply chain, disrupt transportation and hamper our ability to obtain additional quantities of propane. Transportation providers (rail and truck) in some circumstances have limited ability to provide additional resources in times of extreme peak demand.

Fixed-price offerings

Energy Distribution

The Canadian Propane Distribution business offers its customers various fixed-price propane programs. In order to mitigate the price risk from offering these services, the Canadian Propane Distribution business, through SGL, uses either its physical inventory positions or forward commodity transactions with various third parties having terms and volumes substantially the same as its customers' contracts. In periods of high propane price volatility, the fixed-price programs create exposure to over- or under-supply positions as the demand from customers may significantly exceed or fall short of supply procured. In addition, if propane prices decline significantly subsequent to customers signing up for a fixed-price program, there is a risk that customers will default on their commitments. Fixed-price offerings make up approximately 23% of the Canadian Propane Distribution business and SGL's delivered volumes. See Note 16 to the Financial Statements for fixed-price propane purchase and sale commitment amounts.

U.S. Propane offers its customers some limited fixed-price and capped-price programs. In order to mitigate the price risk from offering these services, U.S. Propane uses call options and physical positions, supplemented by forward commodity transactions with various third parties having terms and volumes substantially the same as its customers' contracts. In periods of high commodity prices, volatility in the fixed-price programs create exposure to over- or under-supply positions as the demand from customers may significantly exceed or fall short of supply procured. In addition, if commodity prices decline significantly subsequent to customers signing up for a fixed-price program, there is a risk that customers will default on their commitments. Fixed-price offerings make up approximately 25% of U.S. Propane's flowing volumes. See Note 16 to the Financial Statements for refined fuel purchase and sale commitment amounts.

SGL primarily purchases and sells propane, as well as butane and other refined fuel products, to meet its estimated commitments to its wholesale customers based upon, among other things, the historical consumption of propane by its customers. Depending on a number of factors, including weather, pricing, customer attrition and economic conditions, customer consumption may vary from the volume purchased. This variance may require SGL to purchase or sell its products at market prices that may have a material adverse effect on our financial results. To mitigate potential balancing risk, SGL closely monitors its balancing position and leases storage facilities to secure supply for its customers, in an effort to minimize imbalances.

SGL's supply contracts for its customers are exposed to fluctuations in commodity prices. SGL typically enters into derivative instruments or secures physical product to match its customer commitments. However, from time to time and subject to certain internal limits, SGL purchases commodities such as propane or butane in advance of entering into customer supply contracts for such product or enters into

customer supply contracts prior to securing a matching supply commitment or derivative and is exposed to commodity price risk where customer commitments and supply do not match. SGL may suffer losses if it is required to sell excess supply or purchase additional supply in the spot market where the underlying commodity price moves against SGL. SGL may also enter into contracts at one location but be required to deliver to another location, which may have a negative financial impact on SGL. Such losses or negative financial impact could have a material adverse effect on SGL's financial results.

Customer payment

Superior Plus LP depends in part on the viability of its customers for collections of trade accounts receivable and notes receivable. There can be no assurance that its customers will not experience financial difficulties in the future or that they will be able to collect all of their trade accounts receivable or notes receivable.

Employee retention

Our success, and the success of our operational segments, depends heavily on the skills and expertise of our employees. Failing to attract and keep experienced management, qualified professionals and support staff could:

- » lower our profitability
- » limit our ability to take on new customers or meet our customer obligations
- » increase the amount we have to pay to our employees.

Labour relations

Energy Distribution

As of December 31, 2020, approximately 50 or 2.3% of U.S. Propane's employees are unionized. Employees are unionized under three agreements that expire on March 31, 2021, September 30, 2022 and March 31, 2023.

As of December 31, 2020, approximately 322 or 19% of the Canadian Propane Distribution business's employees are unionized through three provincial or regional certifications in British Columbia, Yukon and Québec. Expiry dates range from December 17, 2023 to December 31, 2023, while the third collective bargaining agreement is currently being negotiated. While labour disruptions are not expected, there is always risk associated with the collective agreement negotiation process that could have an adverse impact on our company.

If non-unionized employees become subject to collective agreements, the terms of any new collective agreements would have implications for the affected operations, and those implications could be material.

Specialty Chemicals

As at December 31, 2020, 24.5% of Specialty Chemicals' employees located at four plants in Vancouver, Saskatoon, Buckingham and Mininco, Chile, are subject to collective bargaining agreements. Future expiry dates for the locations range from November 30, 2021, to March 14, 2024. Collective bargaining agreements are renegotiated in the normal course of business. If we are not able to renegotiate the collective bargaining agreements, there could be an adverse effect on our operations.

Legal risks

Legal proceedings

Superior Plus LP and its subsidiaries are currently involved in legal proceedings (see page 68). We cannot predict the outcome with certainty, but do not believe that an adverse decision would have a material adverse effect on our financial condition. We have significant operations in Canada, the United States and Chile, and may be exposed to litigation or legal proceedings in these jurisdictions. If a court finds that we or any of our subsidiaries have failed to comply with laws or regulations and there is a significant judgment that results in a significant fine or penalty, there could be an adverse effect on our company.

We are currently involved in litigation to recover the \$25 million termination fee from Canexus Corporation. We have also filed a statement of defense to Canexus Corporation's claim for a reverse termination fee of \$25 million from Superior. We cannot predict the outcome with certainty, but do not believe that an adverse decision would have a material adverse effect on our financial condition (see page 68). The case is proceeding through the discovery phase and it is currently scheduled for trial in Alberta in October 2021.

Insurance coverage

Our operations are subject to all of the risks and hazards inherent in the propane storage and distribution and specialty chemicals businesses, including explosions, fires and accidents, including road and highway accidents involving our trucks. Any such events could result in substantial losses due to breaches of contractual commitments, personal injury and/or loss of life, damage to and destruction of property and equipment and pollution or other environmental damage. These risks may also result in curtailment or suspension of our operations. A natural disaster or other hazard affecting the areas in which we operate could have a material adverse effect on our operations. We are not fully insured against all risks inherent in our business. In addition, we are not insured against all environmental accidents that might occur, some of which may result in toxic tort claims. If a significant accident or event occurs for which we are not fully insured, it could result in a material adverse effect on our business, financial condition and results of operations. Furthermore, we may not be able to maintain or obtain insurance of the type and amount we desire at reasonable rates. As a result of market conditions, premiums and deductibles for certain of our insurance policies may substantially increase. In some instances, certain insurance could become unavailable or available only for reduced amounts of coverage. Additionally, we may be unable to recover from prior owners of our assets, pursuant to our indemnification rights, for potential environmental liabilities.

Legal and other information

Transfer agent and registrar

Computershare is our transfer agent and registrar for all of our publicly listed securities. Computershare's principal offices are in Montreal, Toronto, Calgary and Vancouver in Canada.

Conflicts of interest

Conflicts of interest can arise when a director or officer of Superior is also a director, officer or has similar responsibilities in another company that competes with Superior. Under the rules set out in the CBCA, directors and officers have a duty to act honestly and in good faith with a view to act in the best interests of the corporation. Our directors follow the rules set out in the CBCA so that where the board is voting on a material transaction or material contract that a director has an interest in, the director must disclose their interest and refrain from voting. We take extra steps to avoid any real or perceived conflicts of interest. At the start of each board meeting, the Chair asks directors if there are any independence or conflict of interest issues that may affect the director's ability to exercise independent judgment. This is to ensure that directors consider transactions, agreements and other matters without compromise.

Interest of management and others in material transactions

Except as set out below, none of our directors, executive officers or shareholders who beneficially own or exercise control over more than 10% of our outstanding common shares, or anyone associated or affiliated with any one of them, has, or has had in the last three years, a direct or indirect material interest in any transaction or proposed transaction that has materially affected or would materially affect the company.

- » On July 13, 2020, we completed the Brookfield Investment and Mr. Rufino, who was arm's-length to Superior prior to the investment, was appointed to our board as Brookfield's nominee in connection therewith. See "Major Developments", "Our Capital Structure" and "Material Contracts" in this annual information form. Additional information regarding the Brookfield Investment, including a material change report and copies of the material agreements, is available on our profile on SEDAR (www.sedar.com).

Intellectual property

Superior GP owns all the right, title and interest in:

- » Superior Propane (Superieur in French), Superior Gas Liquids, mySuperior, mySuperiorPro, Canwest Propane, United Pacific Energy, Stittco Energy, Pomerleau Gaz Propane and Caledon Propane trademarks, related design and other tradenames, registered or acquired at various times over the years and relating to specific programs or services Canadian Propane Distribution provides, or to its marketing activities
- » The ERCO Worldwide (ERCO Mondial in French) tradename in Canada, the ERCO Worldwide trademark in various countries and related design and certain other trademarks and patents registered or acquired at various times over the years relating to specific technology, products or services that Specialty Chemicals provides.

In addition, Superior Plus LP owns various trademarks, related design and other tradenames, registered or acquired at various times over the years and relating to specific technology, products, or services of IDI.

Owning these trademarks means that Superior GP and/or Superior Plus LP own the names, designs, logos and technology associated with its businesses that are recognizable to the public or to industry internationally. Each trademark lasts from 10 to 15 years after it is registered and can be renewed for another 10 to 15 years, depending on where it was registered.

We use various works protected by intellectual property rights, which we own or for which we have been granted rights to use. These include copyrights in content, programs, software and applications (including the mySuperior and mySuperiorPro platforms), domain names, patents or patent applications for inventions owned or produced by us and our employees. In particular, the mySuperior and mySuperiorPro brands play a key role in product positioning. Our branding is straightforward and directly supports our strategy of delivering a better customer experience.

Superior Plus LP also protects its proprietary chlorine dioxide, sodium chlorate and sodium chlorite technologies with proprietary software and trade secrets that are licensed to customers.

Material contracts

In 2021, we entered into a purchase and sale agreement dated February 18, 2021 among Superior Plus LP, Superior General Partner Inc., Superior International Inc. and Superior US Holdings Inc. as sellers and EW Chemical Holdings LP, EW Chemicals Holdings Inc., and EW Chemical (US) Holdings Inc., as buyers to sell the assets and entities that make up the Specialty Chemicals segment, a full copy of which is available on our profile on SEDAR (www.sedar.com).

In 2020, we entered into the following material contracts (not including those that we entered into as part of the ordinary course of business), full copies of which are available on our profile on SEDAR (www.sedar.com):

- » Securities Subscription Agreement among Brookfield BBP Canada Holdings Inc., Superior Plus US Holdings Inc. and Superior dated June 8, 2020, whereby Brookfield BBP Canada Holdings Inc. subscribed shares of Preferred Stock of Superior Plus US Holdings Inc.
- » Amending Agreement among Brookfield BBP Canada Holdings Inc., Superior and Superior Plus US Holdings Inc. dated July 12, 2020, to the Securities Subscription Agreement dated June 8, 2020
- » Assignment and Assumption Agreement among Brookfield BBP Canada Holdings Inc., SPC PIPE L.P., Superior and Superior Plus US Holdings Inc. dated July 12, 2020, whereby Brookfield BBP Canada Holdings Inc. assigned its rights, interests and obligations under the Securities Subscription Agreement to SPC PIPE L.P.
- » Investor Rights Agreement among SPC PIPE L.P., Superior and Superior Plus US Holdings Inc. dated July 13, 2020, providing for, among other things, registration rights, participation rights, certain standstill and transfer restrictions and director nomination rights
- » Exchange and Support Agreement among Superior, Superior Plus US Holdings Inc., SPC PIPE L.P., and Any Person that Becomes a Holder of Series 1, Preferred Shares of Superior Plus US Holdings Inc. dated July 13, 2020
- » Subordinated Guarantee Agreement between SPC PIPE L.P. and Superior dated July 13, 2020
- » Voting Trust Agreement between Superior Plus US Holdings Inc., Superior and SPC PIPE L.P. and Computershare dated July 13, 2020, to provide for the rights of Computershare to exercise the voting rights of holders of shares of Preferred Stock.

Contracts that we entered into before 2019 that are still in effect are:

- » 7.0% U.S. Note Indenture – the note indenture among Superior Plus LP, Superior GP and Computershare, dated July 3, 2018, under which Superior Plus LP and Superior GP issued the 7.0% U.S. Notes
- » 5.125% Note Indenture – the note Indenture between Superior Plus LP and Computershare, dated February 1, 2018, under which Superior Plus LP issued the 5.125% Notes
- » Amended and restated credit agreement dated May 8, 2018
- » Second amending agreement dated May 8, 2019, to the amended and restated credit agreement dated May 8, 2018, extending the facility to May 8, 2024

- » Shareholder rights plan agreement between Superior Plus Corp. and Computershare, dated February 16, 2012, as amended and restated on March 20, 2012, May 1, 2015, May 8, 2018, and May 12, 2021
- » Membership interest purchase agreement dated May 30, 2018, among NGL Energy Partners LP, NGL Energy Operating, LLC and Superior Plus Energy Services Inc.
- » Amended and restated limited partnership agreement dated December 31, 2008, between Superior Plus Corp. and Superior Plus Inc.
- » Indemnity agreement dated December 31, 2008, between Superior Plus Corp. and New Ballard (the corporation created to carry on the business of Ballard Power Systems Inc. when Superior Plus Income Fund was converted to a corporation and renamed Superior Plus Corp.)
- » Consent agreement between the Commissioner of Competition, Superior Plus Corp. and Superior Plus LP dated September 27, 2017
- » Share purchase agreement dated July 4, 2016, between Construction Products Acquisition, LLC, Superior Plus LP and Superior Plus U.S. Holdings Inc.
- » 5.25% Note Indenture – the trust indenture between Superior Plus LP and Computershare, dated February 27, 2017, under which Superior Plus LP issued the 5.25% Notes, as amended on July 3, 2018
- » Option purchase agreement dated February 13, 2017, under which Superior Plus LP agreed to acquire (or have its designate acquire) an irrevocable option to buy all of the issued and outstanding shares and units of the entities that carried on Canwest’s retail propane business (the Canwest securities)
- » Option agreement dated March 1, 2017, under which Superior Plus LP acquired the option to buy the Canwest securities from Gibson in exchange for \$412 million, subject to certain adjustments.

Legal proceedings

Termination fee

We are involved in legal proceedings relating to our terminated arrangement with Canexus Corporation.

On October 6, 2015, we entered into an agreement to acquire all of the issued and outstanding common shares of Canexus Corporation by way of a court approved plan of arrangement. We terminated that agreement on June 30, 2016, and notified Canexus Corporation that we had terminated the agreement because they had breached the arrangement agreement, failed to remedy the breach, and that we were seeking a \$25-million termination fee.

On July 12, 2016, we began a legal proceeding in the Court of Queen’s Bench of Alberta to recover the \$25 million termination fee from Canexus Corporation, and filed a statement of defense to Canexus Corporation’s claim for a reverse termination fee of \$25 million from Superior.

The case is continuing through the discovery phase and it is currently scheduled for trial in Alberta in October 2021.

We cannot predict the outcome with certainty, but do not believe that an adverse decision would have a material adverse effect on our financial condition. We believe that Canexus Corporation’s claim for the reverse termination fee is without merit, and we intend to vigorously defend ourselves and continue to pursue payment of the \$25 million termination fee owed by Canexus Corporation.

General

Sometimes, we or our subsidiaries are named as parties in legal proceedings and regulatory actions, usually related to normal operational or labour issues. We cannot predict the outcome of these proceedings, but we do not expect them to have a material adverse effect on the company as a whole.

Other than the proceedings discussed above, we have not been a party to any legal proceedings that have damages that exceed 10% of our current assets, excluding interest and costs.

Superior is not, and has not been at any time within the most recently completed financial year, a party to any legal proceedings, known or contemplated, where the damages involved, excluding interest and costs, exceed 10% of Superior's current assets.

Forward-looking information

Certain information included herein is forward-looking information within the meaning of applicable Canadian securities laws. Forward-looking information may include statements regarding the objectives, business strategies to achieve those objectives, expected financial results, risk management, economic or market conditions, and the outlook of or involving Superior, Superior LP and its businesses. Such information is typically identified by words such as "anticipate", "believe", "continue", "could", "estimate", "expect", "plan", "intend", "forecast", "future", "outlook", "guidance", "may", "predict", "project", "should", "strategy", "target", "will" or similar expressions suggesting future outcomes.

Forward-looking information in this AIF may include future financial position, consolidated and business segment outlooks, business strategy and objectives, development plans and programs, business expansion and cost structure and other improvement projects, the expected disposition of Specialty Chemicals business expected product margins and sales volumes, market conditions in Canada and the U.S., expected synergies associated with the NGL acquisition, expected seasonality of demand, future economic conditions, demand for chemicals including sodium chlorate and chlor-alkali products, expected governmental regulatory regimes and legislation and their expected impact on regulatory and compliance costs, expectations for the outcome of existing and potential legal and contractual claims, our ability to obtain financing on acceptable terms, expected life of facilities and statements regarding net working capital and capital expenditure requirements of Superior or Superior LP.

Forward-looking information is provided for the purpose of providing information about management's expectations and plans about the future and may not be appropriate for other purposes. Forward-looking information herein is based on various assumptions and expectations that Superior believes are reasonable in the circumstances. No assurance can be given that these assumptions and expectations will prove to be correct. Those assumptions and expectations are based on information currently available to Superior, including information obtained from third party industry analysts and other third party sources, and the historic performance of Superior's businesses. Such assumptions include anticipated financial performance, current business and economic trends, the amount of future dividends paid by Superior, completion of the Specialty Chemicals disposition on a timely basis and receipt of future consideration therefrom, business prospects, availability and utilization of tax basis, regulatory developments, currency, exchange and interest rates, average weather, trading data, future commodity prices, oil and gas industry activity levels, cost estimates and the assumptions set forth below; such assumptions are subject to the risks and uncertainties set forth below.

By its very nature, forward-looking information involves numerous assumptions, risks and uncertainties, both general and specific. Should one or more of these risks and uncertainties materialize or should underlying assumptions prove incorrect, as many important factors are beyond Superior's control, Superior's or Superior LP's actual performance and financial results may vary materially from those estimates and intentions contemplated, expressed or implied in the forward-looking information. These risks and uncertainties include incorrect assessments of value when making acquisitions, increases in debt service charges, the loss of key personnel, fluctuations in foreign currency and exchange rates, inadequate insurance coverage, liability for cash taxes, counterparty risk, compliance with environmental laws and regulations, operational risks involving Superior's facilities, force majeure, labour relations matters, Superior's ability to access external sources of debt and equity capital, and the risks identified in (i) this AIF under the heading "Risks associated with our business" and (ii) Superior's Management Discussion & Analysis. The preceding list of assumptions, risks and uncertainties is not exhaustive.

When relying on our forward-looking information to make decisions with respect to Superior, investors and others should carefully consider the preceding factors, other uncertainties and potential events. Any forward-looking information is provided as of the date of this AIF and, except as required by law, neither Superior nor Superior LP undertakes to update or revise such information to reflect new information, subsequent or otherwise. For the reasons set forth above, investors should not place undue reliance on forward-looking information.

Non-GAAP financial measures

The intent of non-GAAP financial measures is to provide additional information to investors and others, to help them assess our performance and the performance of our operating businesses on the same basis as management. They should not be considered in isolation, as a substitute for performance measures prepared according to International Financial Reporting Standards (“IFRS”), or as alternatives to net earnings, cash flow from operating activities or other measures of financial results that are calculated according to IFRS as an indicator of our performance.

In this AIF, for purposes of discussing certain of our long-term debt covenants, we have used references to “Consolidated EBITDA” which is a financial measure that is not defined by IFRS but is used by our creditors in certain financial covenants contained within our debt instruments to assess our ongoing ability to service our debt. Non-GAAP financial measures do not have standardized meanings prescribed by IFRS. In this instance, the financial measure is defined within each of the applicable instruments governing our long-term debt and is therefore unlikely to be comparable to similar measures presented by other companies or presented by us in other contexts. For the full definition of “Consolidated EBITDA”, please see our amended and restated credit agreement dated May 8, 2018, as amended on May 8, 2019 and the trust indentures governing each of our 5.25% Notes, 5.125% Notes and 7.0% U.S. Notes, all of which are filed under our profile on SEDAR (www.sedar.com).

We also make reference to Adjusted Gross Profit which is another measure that does not have a standardized meaning prescribed by IFRS. “Adjusted Gross Profit” represents revenue less cost of sales adjusted for realized gains and losses on commodity derivative instruments related to risk management. Management uses Adjusted Gross Profit to set margin targets and measure results. Unrealized gains and losses on commodity derivative instruments are excluded because of the accounting mis-match that exists as a result of the customer contract not being included in the determination of the fair value for this risk management activity. For a reconciliation of Adjusted Gross Profit to measures under IFRS, see our MD&A which is posted on SEDAR.

We also make reference to EBITDA from operations of the Specialty Chemicals business for purposes of discussing certain post-closing adjustments which may be made to the purchase price for the Specialty Chemicals sale transaction (the “purchase price adjustments”). EBITDA from operations is used in this document in substitution for “Consolidated Net EBITDA” which is specifically defined in, and calculated in accordance with, the Agreement. EBITDA from operations is not defined by IFRS and is therefore referred to as a Non-GAAP financial measure. We may also calculate EBITDA from operations differently for purposes other than the purchase price adjustments. Securities regulations require that Non-GAAP financial measures are clearly defined, qualified and reconciled to their most comparable GAAP financial measures. Non-GAAP financial measures should not, therefore, be considered in isolation or used in substitute for measures of performance prepared in accordance with GAAP.

“EBITDA from operations” is defined by us for purposes of discussing the purchase price adjustments as earnings before interest, taxes, depreciation, amortization, losses (gains) on disposal of assets, finance expense, restructuring costs, transaction and other costs, and unrealized gains (losses) on derivative financial instruments and excluding costs that are not considered representative of the underlying core operating performance of the Specialty Chemicals business, including gains and losses on foreign currency hedging contracts, transaction and other costs, and excludes the impact of IFRS 16.

Appendix A – Audit Committee Mandate

A. Purpose

The primary purpose of the Audit Committee (the “Committee”) of the Board of Directors (the “Board”) of Superior Plus Corp. (the “Corporation”) is to assist the Board in fulfilling its oversight responsibilities in relation to (i) the integrity of the financial statements and financial reporting of the Corporation and its subsidiaries, (ii) compliance with accounting and finance based legal and regulatory requirements; (iii) the independent auditor’s qualifications, independence and compensation; (iv) the internal controls and management information systems and procedures of the Corporation; (v) performance of the external audit process of the independent auditor; (vi) the internal audit function; (vii) financial and enterprise risk management practices and (viii) transactions or circumstances which could materially affect the financial profile of the Corporation.

The Committee reports to the Board. The role of the Committee is one of stewardship and oversight. The Committee plays an important role within the control environment and monitoring components of internal control over financial reporting. Management is responsible for the business and affairs of the Corporation including preparing the financial statements and financial reporting of the Corporation and for maintaining internal control and management information and risk management systems and procedures. The external auditors are responsible for the integrated audit or review of the financial statements and the internal controls over financial reporting and other services they provide.

B. Mandate

1. Financial Statements and Financial Reporting

The Committee shall:

- (a) exercise oversight of the reliability and integrity of the accounting principles and practices utilized by the Corporation;
- (b) review with management and the external auditors (separately with each and together), and recommend to the Board for approval, the annual financial statements of the Corporation, the reports of the external auditors thereon and related financial reporting, including Management’s Discussion and Analysis (“MD&A”) and earnings press releases prior to the public disclosure of such information;
- (c) review with management and the external auditors (separately with each and together), the external auditors’ interim review findings report and recommend to the Board for approval, the interim financial statements of the Corporation and related financial reporting, including MD&A and earnings press releases prior to the public disclosure of such information;
- (d) review any news release, before being released to the public, that contains material financial information or estimates or information regarding the Corporation’s future financial performance or prospects;
- (e) review with management and recommend to the Board for approval, the Corporation’s Annual Information Form;
- (f) review with management and recommend to the Board for approval, any financial statements of the Corporation which have not previously been approved by the Board and which are to be included in a prospectus of the Corporation;
- (g) review with management and the external auditors, and recommend to the Board for approval, management’s internal control reports of the Corporation and the related required disclosures in the MD&A, as required by applicable securities laws, rules and guidelines;

- (h) consider and be satisfied that appropriate processes are in place with respect to applicable certification requirements regarding the Corporation's annual and interim financial statements and other disclosure;
- (i) consider and be satisfied that adequate procedures are in place for the review of the Corporation's public disclosure of financial information extracted or derived from the Corporation's financial statements (other than disclosure referred to in clauses (b), (c) and (f) above), and periodically assess the adequacy of such procedures;
- (j) review with management, the external auditors and, if necessary, legal counsel (i) any legal matters, including litigation, claim or contingency and tax assessments, that could have a material effect upon the financial position of the Corporation and the manner in which these matters may be, or have been, disclosed in the financial statements; (ii) compliance policies; and (iii) any material reports or inquiries received from regulators, governmental agencies or employees that raise material issues regarding the Corporation's financial statements and accounting or compliance policies; and
- (k) review accounting, tax and financial aspects of the operations of the Corporation as the Committee considers appropriate.

2. Relationships with External Auditors

The Committee shall:

- (a) at least annually, review and evaluate the external auditors, including the lead partner's performance and make a recommendation to the Board as to the appointment or re-appointment of the external auditors or whether a change of external auditors is advisable, ensuring that such auditors are participants in good standing pursuant to applicable securities laws;
- (b) consider and make a recommendation to the Board as to the compensation of the external auditors;
- (c) at least annually, review and approve the annual audit plan of the external auditors, including any material changes thereto and reviewing and discussing with the external auditors all critical accounting policies and practices to be used in the audit and any alternative treatments of financial information within generally accepted accounting principles that have been discussed with management;
- (d) ensure that the external auditors report directly to the Committee and oversee the work of the external auditors engaged for the purpose of preparing or issuing an auditor's report or performing other audit, review or attest services, including reviewing and discussing with the external auditors:
 - (i) any major issues regarding accounting principles and financial statement presentation, any significant changes in management's selection or application of accounting principles, any significant financial reporting issues and judgments made in connection with the preparation of the Corporation's financial statements; and
 - (ii) any problems or difficulties encountered during the audit or provisions of other services, including restrictions on the scope of activities or access to information, and any significant disagreements between the external auditors and management in relation to financial reporting;
- (e) review and discuss with the external auditors all significant relationships that the external auditors and their affiliates have with the Corporation and their affiliates in order to determine the external auditors' independence, including, without limitation, (a) requesting, receiving and reviewing, on a periodic basis, a formal written statement from the external auditors delineating all relationships that may reasonably be thought to bear on the independence of the external auditors with respect to the Corporation, (b) discussing with the external auditors any disclosed relationships or services that the external auditors believe may affect the objectivity and independence of the external auditors, and (c) recommending that the Board take appropriate action in response to the external auditors' report to satisfy itself of the external auditors' independence;

- (f) monitor the rotation of partners on the audit engagement team in accordance with applicable law and professional standards and requirements for auditor independence;
- (g) as may be required by applicable securities laws, rules and guidelines, either:
 - (i) pre-approve all non-audit services to be provided by the external auditors to the Corporation (or their respective subsidiaries, if any), or, in the case of *de minimus* non-audit services, approve such non-audit services prior to the completion of the audit; or
 - (ii) adopt specific policies and procedures for the engagement of the external auditors for the purpose of the provision of non-audit services; and
- (h) review and approve the hiring practices or policies of the Corporation regarding partners, former partners, employees and former employees of the present and former external auditors of the Corporation.

3. Internal Audit Function

The head of internal audit shall report directly to the Audit Committee and functionally to the Chief Financial Officer of the Corporation.

The Committee shall carry out the following responsibilities with regard to the internal audit function:

- (a) review with management and the head of internal audit the charter, activities, staffing, and organizational structure of internal audit;
- (b) have final authority to review and approve the annual audit plan and all major changes to the plan;
- (c) ensure there are no unjustified restrictions or limitations, and review and concur in the appointment, replacement, or dismissal of the head of internal audit; and
- (d) on a regular basis, meet separately with the head of internal audit to discuss any matters that the Committee or the head of internal audit believes should be discussed privately.

4. Internal Controls

The Committee shall:

- (a) periodically review with management and the external auditors, the Corporation's internal control over financial reporting and management information systems and procedures, any significant deficiencies or material weakness in their design or operation, any proposed major changes to them and any fraud involving management or other employees who have a significant role in the Corporation's internal control over financial reporting and determine whether the Corporation is in compliance with applicable legal and regulatory requirements and with the Corporation's policies;
- (b) review with management, on at least an annual basis, their approach to monitoring the performance of the internal controls over financial reporting in accordance with their CEO/CFO certification process, as required by applicable securities laws, rules and guidelines;
- (c) review the appropriateness of the accounting practices and policies of the Corporation and review any proposed changes thereto;
- (d) review the external auditors' recommendations regarding any matters, including internal control and management information systems and procedures, and management's responses thereto;
- (e) review and monitor procedures for (i) the receipt, retention and treatment of complaints, submissions and concerns, by employees or otherwise, regarding financial reporting and disclosure, accounting, internal accounting controls or auditing matters; and (ii) the confidential, anonymous submission by employees of the Corporation's concerns regarding questionable accounting or auditing matters;

- (f) review policies and practices concerning the expenses and perquisites of the President and CEO, including the use of the assets of the Corporation;
- (g) review with external auditors any corporate transactions in which directors or officers of the Corporation have a personal interest; and
- (h) communicate with the Board regarding the Corporation's code of conduct and on matters relating to ethics and fraud, as it relates to internal controls, financial reporting and all auditing activities.

5. Risk Management Oversight

The Committee shall:

- (a) exercise oversight with respect to the implementation and effectiveness of the Corporation's enterprise risk management system;
- (b) review with management and the external auditors their assessment of significant corporate and financial risks and exposures including without limitation cyber security risks;
- (c) review and assess the appropriateness and effectiveness of the steps that management has taken to mitigate such risks including policies, procedures, responses, recovery and communication and disclosure plans, where applicable;
- (d) report the results of such reviews to the Board for the purpose of assisting the Board in identifying the principal business risks associated with the businesses of the Corporation; and
- (e) annually review the adequacy of the Corporation's insurance program.

C. Committee and Procedures

1. Composition of Committee

The Committee shall consist of not less than three directors of the Corporation. Each Committee member shall satisfy the independence and financial literacy requirements of applicable securities laws, rules or guidelines and any other applicable regulatory rules. In particular, each member of the Committee shall have no direct or indirect material relationship with the Corporation or any affiliate thereof which could reasonably be expected to interfere with the exercise of the member's independent judgment. Determinations as to whether a particular director satisfies the requirements for membership on the Committee shall be made by the full Board. Any member who ceases to be independent shall immediately cease to be Committee member.

2. Appointment of Committee members

Members of the Committee shall be appointed from time to time and shall hold office at the pleasure of the Board. Where a vacancy occurs at any time in the membership of the Committee, it may be filled by the Board. The Board shall fill any vacancy if the membership of the Committee is less than three directors. If a vacancy on the Committee exists, the remaining members may exercise all of the Committee's powers so long as a quorum exists.

3. Absence of Committee Chair

If the Chair of the Committee is not present at any meeting of the Committee, one of the other members of the Committee who is present at the meeting shall be chosen by the Committee to preside at the meeting.

4. Authority to Engage Experts

The Committee has the authority to communicate directly with internal and external auditors and to engage independent counsel and other advisors as it determines necessary to carry out its duties and to

set the compensation for any such counsel and advisors, such engagement to be at the Corporation's expense.

5. Meetings

The Committee shall meet at least once per quarter each year and shall meet at such other times during each year as it deems appropriate. In addition, the Chair of the Committee may call a special meeting of the Committee at any time. The Committee shall meet with the external auditors on a regular basis in the absence of management and, if so requested by a member of the Committee, the external auditor shall attend every meeting of the Committee held during the term of office of the external auditor. The Chair of the Committee or the Chair of the Board or any two members of the Committee or the external auditors may call a meeting of the Committee. The external auditors shall be provided with notice of every meeting of the Committee and, at the expense of the Corporation, shall be entitled to attend and be heard at such meetings. The Chair of the Committee shall hold *in camera* meetings of the Committee, without management present, at every Committee meeting. Board members who are not members of the Committee may attend Committee meetings at the discretion of the Chair of the Committee.

Information and data that is important to the Committee's understanding of the businesses of the Corporation should be distributed to and reviewed by the Committee on a timely basis in advance of the meetings. Management should make every attempt to see that this material is as brief as possible while still providing the information relevant to proposed Committee discussion. As a general rule, presentations on specific subjects should be sent to the Committee members in advance so that Committee meeting time may be conserved and discussion time focused on questions that the Committee has arising from the material.

6. Quorum

A majority of Committee members present in person, by telephone or by other permissible communication facilities shall constitute a quorum.

7. Procedure, Records and Reporting

Subject to any statute or the articles and by-laws of the Corporation, the Committee shall fix its own procedures at meetings, keep minutes of its proceedings and report to the Board as appropriate but in any event not later than the next meeting of the Board. Such report shall include: (i) any issues with respect to the quality or integrity of the financial statements; (ii) compliance of the Corporation and its subsidiaries with respect to legal or regulatory requirements; (iii) performance and independence of the external auditors; and (iv) performance of the internal audit function of the Corporation and its subsidiaries. Minutes of each meeting shall be circulated to the Board.

8. Delegation

The Committee may delegate from time to time to any person or committee of persons any of the Committee's responsibilities that lawfully may be delegated.

9. Review of Terms of Service

The Committee shall review and reassess the adequacy of these mandates at least annually, and otherwise as it deems appropriate, and recommend changes to the Board. Such review shall include the evaluation of the performance of the Committee against criteria defined in the Committee and Board mandates.



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