Superior Plus

Annual Information Form

(For fiscal year ended December 31, 2017)

February 27, 2018

2017 Annual Information Form

Superior Plus Corp. operates two business segments through our subsidiary, Superior Plus LP:

- **Energy Distribution** buys and sells propane and other liquid fuels and related products in Canada and the United States
- **Specialty Chemicals** produces and sells sodium chlorate, chlor-alkali products and sodium chlorite in North America and internationally.

Headquartered in Toronto, we trade on the Toronto Stock Exchange under the symbol SPB and have approximately 142.8 million common shares outstanding. We have approximately 3,373 employees worldwide.

In this document

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

Information is as of February 27, 2018, and all dollar amounts are in Canadian dollars, unless stated otherwise.

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 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 50.

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 51.

What's inside

Where to find additional information

Our 2018 information circular, which we expect to file on or about March 1, 2018, 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 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 Toronto Stock Exchange under the symbol SPB.

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

How we're structured

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

Superior Plus LP

» limited partnership with Superior General Partner Inc. (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 Class A limited partnership units
- Superior General Partner Inc. owns all the general partnership units

Function

Operates two segments:

» Energy Distribution provides distribution, wholesale procurement and propane-related services, heating oil and other refined fuels under two divisions, Canadian Propane Distribution and U.S. Refined Fuels (USRF)
» Specialty Chemicals supplies sodium chlorate and technology to the pulp and paper industries and a regional supplier of potassium and chlor-alkali products in the U.S. Midwest and Western Canada

See page 6 for details

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

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 General Partner Inc. (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

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 with Ballard Power Systems Inc. and renamed
» owns directly and indirectly 100% of Superior Plus LP:
- holds 100% of Superior Plus LP Class A limited partnership units
- holds 100% of Superior General Partner Inc. common shares

Function

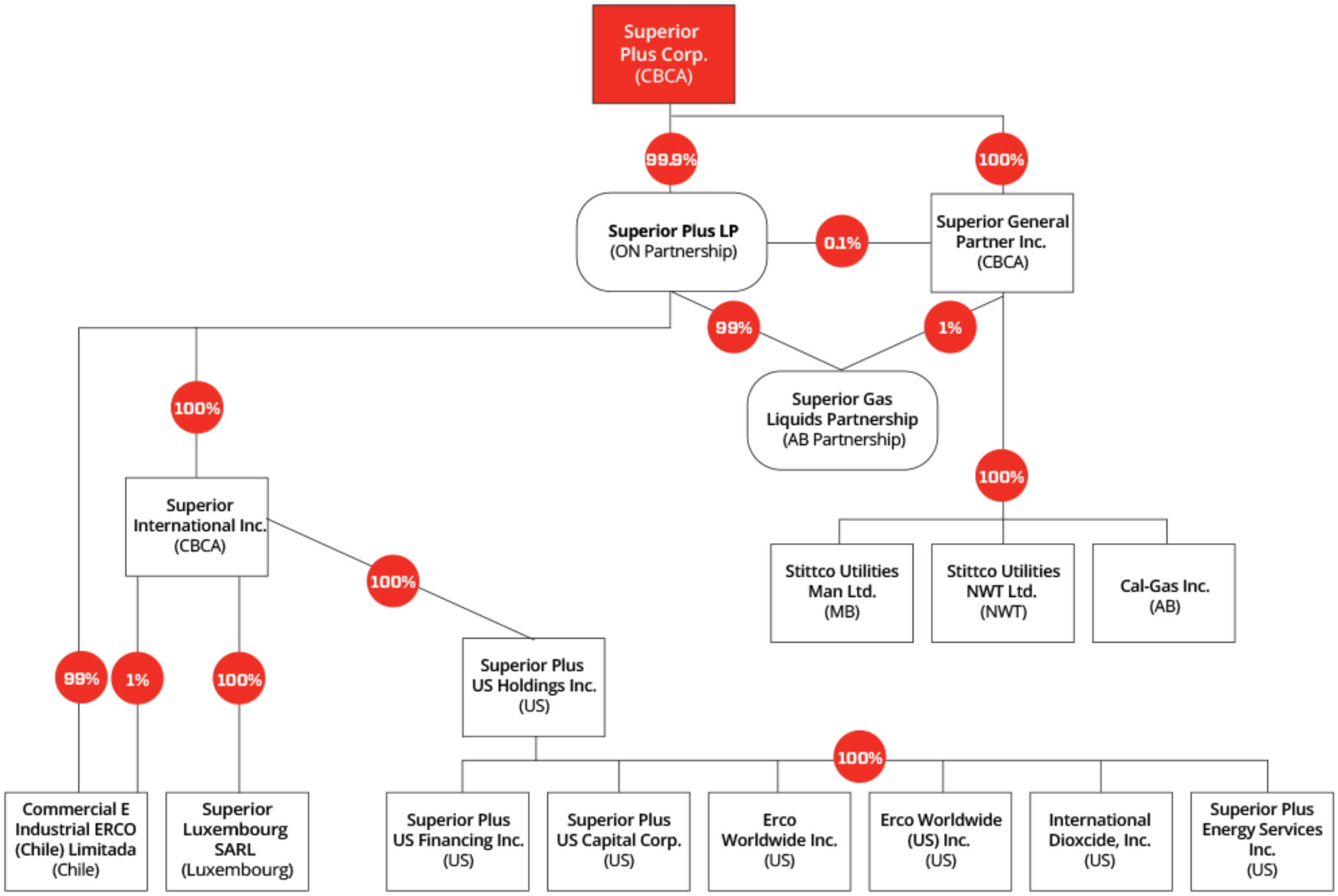
Is the publicly traded holding company of Superior Plus LP

Financed its investment in Superior Plus LP by issuing equity securities and convertible debentures (see page 32 for details)

Receives income from its investment in Superior Plus LP

Pays dividends to shareholders after paying its expenses and making interest payments to debentureholders

Organization chart



Major developments

2015

April

- We bought the retail propane and heating oil distribution business from Warner's Gas Service, Inc. for $5.5 million including deferred consideration and less net working capital adjustments.

May

- Shareholders confirmed the shareholder rights plan at our annual and special meeting. Read about the plan on page 33.
- We extended our credit facility's maturity date to June 27, 2019.

June

- We redeemed all $172.5 million of the 5.75% convertible debentures due June 30, 2017.

October

- We repaid the last U.S. $30 million of U.S. $160.0 million in senior secured notes issued on October 29, 2003.
- We completed a public offering of 13,888,895 common shares at $10.35 per share for net proceeds of about $138 million.
- We agreed to buy all the issued and outstanding common shares of Canexus Corporation under a court-approved plan of arrangement.

December

- We expanded our credit facility's syndicate to 10 lenders and extended the maturity date to December 22, 2019.
- We redeemed all $69.3 million of the 7.50% convertible debentures that were due on October 31, 2016.
- We reinstated our dividend reinvestment program. Read about the program on page 33.

2016

January

- Specialty Chemicals made a final payment of $3.25 million to Tronox LLC under a strategic supply agreement that ended in January 2016.

March

- We sold our fixed-price energy services business assets for $4.3 million.

June

- We bought the assets of Caledon Propane Inc. for $8.2 million, a propane distributor serving residential and commercial customers in Ontario and Manitoba.
- We terminated our agreement to acquire Canexus Corporation.

July

- We began legal action against Canexus for payment of a $25 million termination fee. We were notified that Canexus filed a claim for a $25 million reverse termination fee, and filed our defense. Read more about our legal claim on page 47.

August

- We sold our Construction Products Distribution business to Foundation Building Materials, LLC for U.S. $325 million, less working capital adjustments.

September

- We suspended our dividend reinvestment program after paying the August dividend. Read about the program on page 33.
- We redeemed all $150 million of the 6.0% convertible debentures due June 30, 2018.

2017

February

- We completed a $250 million private placement of 5.25% Senior Unsecured Notes. Read about the notes on page 34.

March

- We entered into certain agreements to purchase the entities that carry on the industrial propane business of Canwest from Gibson Energy ULC for cash consideration of $412.0 million plus $20.4 million of working capital adjustments. The acquisition was subject to the satisfaction of certain conditions, including the receipt of customary regulatory approvals.

April

- We bought Pomerleau Gaz Propane Inc., a propane distributor serving residential and commercial customers in southeastern Quebec for $10.7 million.

May

- We increased our credit facility to $620 million and maintained the accordion facility which could provide an additional $180 million of capacity. We also extended the credit facility's maturity date to April 28, 2022. Read more about the facility on page 34.

August

- We bought the propane distribution assets of Yankee Propane and Virginia Propane for U.S. $31.5 million, increasing our reach in New York, New Jersey and Virginia.
- We signed an agreement with the Canada Revenue Agency (CRA) related to its objection to the tax consequences of our corporate conversion in 2008. Read more on page 49.

September

- We purchased all of the issued and outstanding shares and units of the companies that operate the retail propane business of Canwest Propane for $412 million plus $20.4 million working capital adjustments after receiving Competition Bureau clearance. See page 12 for more information.

October

- We bought all the issued and outstanding shares of International Dioxcide, Inc. from Lanxess Corporation for US$11.1 million, expanding the sodium chlorite based solutions of our Specialty Chemicals business.
- We issued an additional $150 million principal amount of our 5.25% Senior Unsecured Notes and used the proceeds to redeem the outstanding 6.0% convertible debentures. Read about the notes on page 34.
- We bought the propane distribution assets of R.W. Earhart Company, for U.S. $38 million, and expanded our reach to Ohio.

November

- We redeemed the remaining outstanding $97 million of our 6.0% convertible unsecured debentures due June 30, 2019.

2018

January - February

- 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.
- We issued $220 million principal amount of our 5.125% Senior Unsecured Notes. Read about the notes on page 35.
- We announced the redemption of the $200 million. outstanding 6.5% Senior Unsecured Notes on March 8, 2018.
- We bought the propane distribution assets and the fuels and lubricants business of Hi-Grade Oil Co. for $6.4 million. increasing our reach in Ohio. We subsequently sold the fuels and lubricant business on the same day to a third party.

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 two businesses:

1. **Energy Distribution** (see page 11)
   Buys and sells propane and other liquid fuels and related products in Canada and the U.S.

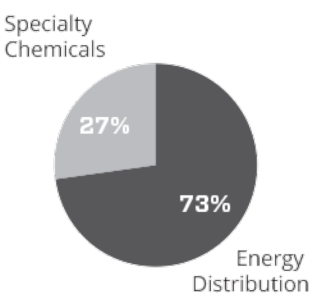
2. **Specialty Chemicals** (see page 21)
   Produces and sells sodium chlorate, chlor-alkali products and sodium chlorite in North America and internationally.

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

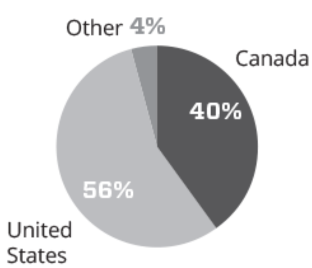
The 25 employees at head office include executive management, treasury, legal, tax, financial reporting, business development, risk and compliance, investor relations and corporate secretarial functions.

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

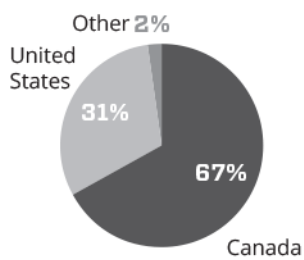
2017 Revenue by reportable segment



Revenue by region



Assets by location



Financial information

Financial information for the past two years, including information by reportable segment, is in our management's discussion and analysis and financial statements for the year ended December 31, 2017. These are available on our website (www.superiorplus.com) and on SEDAR (www.sedar.com).

Our approach to environmental, social and governance (ESG) issues

Our approach to ESG starts with good corporate governance.

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.

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 2017, our ranking in The Globe and Mail's report on corporate boards improved from 65 to 45, and our ISS QualityScore improved from 6 to 4.

You can read more about our corporate governance practices in our management information circular dated February 27, 2018, which is available on our website (www.superiorplus.com) and SEDAR (www.sedar.com).

Code of business conduct and ethics

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

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 sets out a framework for reporting and investigating concerns relating to questionable accounting, auditing, fraud or other inappropriate conduct. 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.

Health, safety and environment practices

Our goal is to become an industry leader in health, safety and environmental practices at all of our operations, to minimize the impact of our operations on the environment, and to provide safe, healthy working conditions.

We are committed to providing work environments that protect the health and safety of our employees, our customers, our contractors and our communities, and that are in compliance with all applicable federal, provincial and local health, safety and environmental requirements.

Overseeing HS&E

The board's health, safety and environment (HS&E) committee oversees the development, monitoring and effective implementation of systems, programs and initiatives for the management of health, safety and environmental risk. The HS&E committee is made up of independent board members.

Our HS&E Policy helps us promote a culture focused on health, safety and the environment, and one that complies with best practices, including industry standards and applicable laws. Our objective is to be an industry leader in health, safety and environmental practices in all of our operations through technological innovation and process efficiencies, to minimize the impact of our operations on the environment and to provide safe and healthful working conditions for our employees, customers, contractors and in the communities we operate in.

HS&E at our operations

Each of our businesses has site-specific health, safety, emergency preparedness and environmental policies and action plans for their operations that are consistent with the principles outlined in our HS&E Policy.

Energy Distribution

The Energy Distribution business supports its regional and local operations with customer, technical, occupational health and safety and fleet support representatives that operate nationally. They provide market emergency response support services, inspections, advice and training so that facilities and equipment are operated and maintained safely and in compliance with corporate and regulatory standards. They support field operations in the design, construction and inspection of large-scale customer installations. Industry organizations and other third parties also provide emergency response support.

In 2017, we made two changes that strengthen the vital link between the board's HS&E committee and our operations:

- appointed an HS&E executive level sponsor and an HS&E coordinator to provide leadership and operational expertise that will help support the board's HS&E committee in fulfilling its mandate
- enhanced our HS&E program by establishing a divisional HS&E committee to act as a companywide network and platform for sharing information, resources and best practices within the company, and to improve the quality of HS&E reporting to the board.

Both Canadian Propane Distribution and USRF use a centralized health, safety and environmental management system that oversees safety practices, ensures regulatory compliance and safeguards the lives, health and property of its employees, contractors, customers and communities. The ongoing management of health and safety includes monitoring and frequent audits to promote continuous learning and improvement.

In 2017 the Energy Distribution business undertook various initiatives to enhance its safety performance at its operations. Some highlights and accomplishments include:

- Canadian Propane Distribution's Atlantic Region was eleven consecutive months recordable injury free
- Canadian Propane Distribution's Pacific Region was ten consecutive months recordable injury free
- USRF enhanced its safety program through the roll out of the Personal Hazard Assessment and the Behavioural Observation programs
- USRF introduced bi-annual environmental webinar sessions for the entire company to provide training and awareness on spill prevention, spill reporting, waste management and stormwater management policies and practices.

The Canadian Propane Distribution business is an active member of the Canadian Propane Association and an operating committee member and plan participant of Emergency Response Assistance Canada, an organization that responds to industry emergencies. It leads the industry with key safety programs that protect employees, customers and communities, and in its technical and regulatory compliance.

You can read more about the health, safety and environmental risk risks of our Energy Distribution business starting on page 43.

Specialty Chemicals

Our Specialty Chemicals business, which operates under the ERCO Worldwide trade name, handles, produces, transports, treats and disposes of regulated materials covered by environmental, safety and transportation legislation.

The Specialty Chemicals business supports its regional and local operations with customer, technical, occupational health and safety support representatives that operate nationally. They provide market emergency response support services, inspections, advice and training so that facilities and equipment are operated and maintained safely and in compliance with corporate and regulatory standards. They support field operations in the design, construction and inspection of large-scale customer installations. Industry organizations and other third parties also provide emergency response support.

Specialty Chemicals is a founding member of Responsible Care®, an initiative of the Chemistry Industry Association of Canada, the American Chemistry Council and the Asosiacion Gremial de Industrales Quimicos de Chile.

Responsible Care® members agree to continue to improve their environmental and safety performance, and commit to building good relationships with the communities in which they work.

Specialty Chemicals uses a centralized health, safety and environmental management system that oversees safety practices, ensures regulatory compliance and safeguards the lives, health and property of its employees, contractors, customers and communities. The ongoing management of health and safety includes monitoring and frequent audits to promote continuous learning and improvement.

Specialty Chemicals has been successfully verified against the Responsible Care® ethics and codes of practice seven times, reflecting over 20 years of externally verified compliance to the codes. This is critical to ensure that all of Specialty Chemicals' products and technologies are used and managed safely, in an environmentally sound, and a socially responsible manner throughout their life cycle. It continually aims for a best-in-class record in the chemical industry, and has been recognized for its safety and environmental performance and sustainability projects. For example, the conversion to membrane technology at the Port Edwards chlor-alkali facility eliminates the need to use mercury. Specialty Chemicals has also recently acquired 75 new state-of-the-art chlorine cars, which are designed to withstand a transportation incident without a release.

We are proud of Specialty Chemicals' safety performance. Some 2017 highlights include:

- the Grande Prairie, Alberta plant surpassed 1,000,000 hours and 19 years without a recordable injury on January 10, 2018, and reached 26 years without a lost time incident on January 6, 2018
- the Saskatoon, Saskatchewan facility received the Chlorine Institute Process Safety Award again in 2017 (has received the award every year since 2010)
- the Port Edwards, Wisconsin facility received the Chlorine Institute Process Safety Award again in 2017 (has received the award every year since 2005)
- the Buckingham, Quebec plant became the only plant ever to receive Canadian Pacific Railway's Safe Shipper award for 14 consecutive years.

Specialty Chemicals has been a past recipient of certain safety awards including, The American Association of Railroads, the Grand Slam Award, and the Perfect Game Award. These awards are the highest honour in rail safety and have very stringent criteria, including being recognized by at least four Class 1 railways and having no loss of material attributed to the shipping party.

You can read more about the health, safety and environmental risk of our Specialty Chemicals business on page 43.

Environmental benefits of propane use

Our Energy Distribution business provides customers with propane, which is a low carbon fuel, emits virtually no air pollutants, and is safely transported and used across Canada and the United States every day. Compared to other fuels, propane's utilization helps to improve air quality, reduce greenhouse gas emissions and protect the environment.

Propane emits 60% less carbon monoxide than gasoline, 98% less particulate matter than diesel and contains virtually no sulfur – a contributor to acid rain. Propane emits practically no soot, and low hydrogen and oxides of nitrogen, which are the basic precursors of ground-level ozone, or smog. Burning propane also produces lower levels of air toxins, such as benzene and acetaldehyde, than either gasoline or diesel. Propane is a safe, nontoxic fuel that doesn't contaminate soil or groundwater.

How we're reducing greenhouse gases

Canadian Propane Distribution is reducing its greenhouse gas emissions. For example, Superior Propane is:

- using a dual-fuel system on a portion of its fleet to reduce dependence on diesel for bulk trucks and gasoline for light duty service vehicles. This has reduced greenhouse emissions by up to 11% per light duty vehicle and toxic Benzene and Formaldehyde by 96%
- using SMART Tank sensors which are now installed at over 15,000 customer locations. This has saved an average of one delivery per tank per year, lowering carbon dioxide emissions by about 150 tonnes (based on EPA SmartWay: Shipper Partner Tool: Technical Documentation, 2013 and the Environment Defence Fund Green Freight Handbook)
- supporting recycling by using retread tires for the majority of its drive tire replacement requirements

USRF has expanded its use of Vnomics, an onboard driver-feedback system that encourages drivers to operate their trucks as efficiently as possible. The program has saved over 90,438 gallons of fuel and 1,012 tons of carbon dioxide since it was fully implemented in the spring of 2017 (based on U.S. Energy Information Administration standard estimate rates).

A socially responsible way to do business

Leadership diversity

We value the importance of having a diverse leadership team because it provides a richer experience and a broader perspective to leadership and decision-making.

The total number of female executives increased from 3 to 5 this year, resulting in part from a renewed focus on diversity that began in 2015 when management, with the oversight and direction of the board's governance and nominating committee, began working on a broader diversity strategy for Superior.

In 2017, we introduced a formal diversity strategy in each business that includes training for all new and existing employees, integrating diversity into our talent and recruitment strategies and monitoring progress to strive towards a diverse workforce. We introduced specific initiatives to attract more women to various management roles, established an internal mentorship program for selected high-potential female managers, and invited them to attend our Evolution 2020 Leadership meeting.

Board diversity

We also account for diversity when recruiting new directors to the board. For example, in our search for a new director in 2017, the governance and nominating committee focused on diversity of gender, ethnicity, experience and geography. Sixty percent of the candidates interviewed were female leading to fifty percent of the candidates that were short-listed also being female. After a thorough vetting process and despite gender diversity being one of the focuses, we appointed Mr. Gottschalk to the board on August 9, 2017 as he has the right mix of experience in the international business, chemicals and health and safety areas.

Aboriginal relations strategy

The Canadian Propane Distribution business has been a trusted energy partner of Aboriginal people and businesses across Canada since 1951. It has an Aboriginal relations strategy that recognizes the unique and defining features of Aboriginal culture and markets. It is committed to Aboriginal people and delivering enhanced value to First Nations, Metis and Inuit businesses and communities by:

- recognizing and respecting the uniqueness of Aboriginal culture, history and associated titles and rights
- operating within Aboriginal land use expectations and in an environmentally sustainable manner
- communicating in a way that is collaborative, consultative, and transparent
- supporting Aboriginal capacity-building programs for education, training, mentoring and employment
- contributing to Aboriginal community and cultural programs
- sponsoring recreational and educational facilities for certain Aboriginal communities
- being a member of certain aboriginal committees and member of certain associations, for example, the Canadian Council for Aboriginal Business.

Investing in our communities

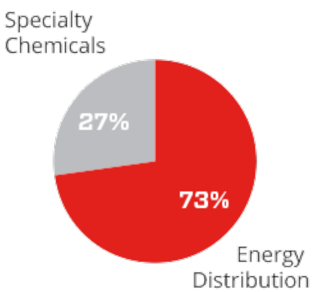
Although we do not have a formal organization-wide strategy, we encourage each of our businesses to get involved in their local communities and to contribute to charitable organizations. In particular, our involvement and contribution includes:

- we've joined our employees in raising, in aggregate, over $1.4 million over the last 10 years for The Rexall™ OneWalk to Conquer Cancer, the United Way campaign, the Canadian Women's Foundation, The Canadian Breast Cancer Foundation, Canadian Tire Jumpstart Program and Breast Cancer Research Foundation in the United States
- Superior Propane's Pink Trucks raise breast cancer awareness across Canada by appearing at community events and Superior Propane donates a portion of the propane sales pumped through the Pink Trucks to the Canadian Breast Cancer Foundation
- Specialty Chemicals' Chilean plant funds a scholarship for local students with high potential who otherwise could not afford post-secondary education
- Specialty Chemicals' plant in Valdosta, Georgia was named Manufacturer of the Year by its local Chamber of Commerce in 2006 and 2012 in recognition of its support for the local community
- Specialty Chemicals supports Minerva, a non-profit volunteer-run organization that is a leader in health and safety management education. It provides curriculum for post-secondary institutions that encourages future business leaders to create healthier and safer workplaces
- Specialty Chemicals has sponsored and supported the University of Toronto, Faculty of Applied Science and Engineering for over 50 years, and provides an annual scholarship to a first-year engineering student
- Specialty Chemicals supports Engineering Leaders of Tomorrow, a program that hosts workshops on issues including race and gender equity, and helps students transition into the workplace. It also sponsors fourth-year chemical engineering design teams by giving them real world design problems and supporting their learning throughout the semester.

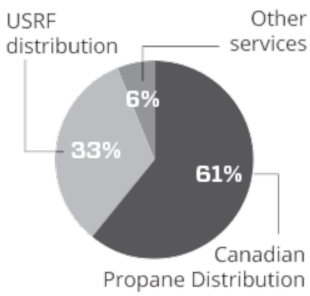
1. Energy Distribution

Products	Liquid fuels including propane and heating oil, related equipment and services
Markets	Canada, United States
Customers	Residential, small and large commercial, national, industrial, oilfield
Locations	362
Head office	Mississauga, Ontario
Employees	2,769

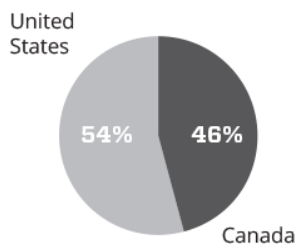
2017 Revenue by reportable segment



Gross profit by service



Revenue by region



The Energy Distribution business buys and sells propane, other liquid fuels and related products in Canada and the U.S.

It has two divisions:
» **Canadian Propane Distribution** – see page 14
» **USRF** – see page 18

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 about 10 billion litres of propane every year. Approximately 85% is extracted from natural gas during gas processing operations at field plants or at large straddle plants on major natural gas trunk line systems. The remaining 15% 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, propane produces less carbon dioxide per unit of energy than these other energy sources[1] . 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.

About half of the propane produced every year is exported to the United States, where it is used to heat about 4% of households, mostly in rural areas.

[1]Source: U.S. Energy Information Administration website FAQ

The other half is split between retail and non-retail consumption in Canada:

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
- demands 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

Agricultural

- used for space heating, brooding and greenhouse operations, grain drying, tobacco curing and weed control
- extremely competitive, especially as natural gas becomes more available in rural markets
- demand for crop drying depends on seasonal weather conditions and crop values

Industrial

- 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

Automotive

- 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 three types of customers: residential, commercial and bulk.

Residential – Residential demand is very seasonal and highest in the northeastern United States, where 25% of households use heating oil for space heating compared to 5.5% nationally.

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 on page 6, and about the risks of our Energy Distribution business starting on page 40.

Acquisitions and expansions

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

Canwest Propane

On February 13, 2017, Superior Plus LP entered into an option purchase agreement with Gibson Energy ULC (Gibson) and Canwest (Canwest Propane ULC, Stittco Energy Limited, Cal-Gas Inc. and Canwest Propane Partnership). Under the agreement, 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).

On March 1, 2017, Superior Plus LP acquired the option to buy the Canwest securities from Gibson in exchange for $412 million, subject to customary adjustments. On March 1, 2017, Superior Plus LP exercised its option, subject to certain closing conditions including receiving required regulatory approvals.

On September 27, 2017, Superior Plus LP received approval from the Competition Bureau and subsequently acquired the Canwest securities for nominal consideration. In a consent agreement between Superior Plus LP and the Commissioner of Competition on September 27, 2017, Superior Plus LP agreed to divest five local branches and nine satellite locations from the combined Superior Plus LP and Canwest operations. The estimated impact from the required divestitures is less than 5% of Canwest's retail propane volumes, so it is not material to Superior Plus LP's business.

Founded in 1987, Canwest is a propane supply and distribution franchise in western Canada, serving a diverse customer base of oil and gas, commercial, industrial, residential and construction customers under the brands of Canwest and Stittco. Canwest distributes propane to over 50,000 customers throughout western Canada through its 67 branches and satellite locations in six provinces/territories.

You can read more about the acquisition in the press release dated September 27, 2017 and the business acquisition report dated December 11, 2017, which is available on SEDAR (www.sedar.com).

Pomerleau Gaz Propane Inc.

On April 20, 2017, we bought Pomerleau Gaz Propane Inc., a propane distributor serving residential and commercial customers in southeastern Quebec for $10.7 million.

Yankee Propane and Virginia Propane

On August 1, 2017 we bought the propane distribution assets of Yankee Propane and Virginia Propane for U.S. $31.5 million, increasing our reach in New York, New Jersey and Virginia, adding about 29.2 million litres to our propane distribution business, and expanding to the Northeast U.S.

R.W. Earhart Company

On October 2, 2017, we bought the propane distribution assets of R.W. Earhart Company, for U.S. $38 million, adding about 47.3 million litres to our propane distribution business, and expanding to Ohio.

Hi-Grade Oil Co.

On February 1, 2018, we bought the propane distribution assets and the fuels and lubricants business of Hi-Grade Oil Co. for $6.4 million increasing our reach in Ohio. We sold the fuels and lubricant business on the same day to a third party.

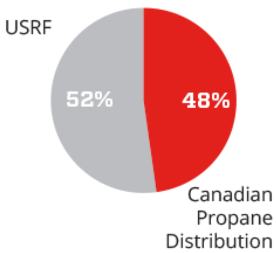
Divestitures

In 2018, we entered into separate agreements with two third parties who have agreed to purchase the propane assets which we are required to divest by the terms of the consent agreement referred to above. Both transactions are subject to approval of the buyers by the Competition Bureau and certain other typical closing conditions.

Canadian Propane Distribution

Trade names	Caledon Propane Canwest Propane Pomerleau Gaz Propane	Superior Gas Liquids Stittco Energy	Superior PetroFuels Superior Propane
Products	Propane, refined fuels, lubricants, equipment		
Market	Canada		
Locations	287: 84 market offices, 203 satellite locations and storage yards		
Vehicles	1273 (owned and leased)		
Head office	Mississauga, Ontario		
Employees	1776		
Founded	1951		

2017 Revenue by business division



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

- distributes and sells propane, refined fuels, and propane-consuming equipment
- rents tanks, cylinders and other equipment
- supplies, installs and repairs equipment
- offers equipment warranties and maintenance programs
- sells fuels and lubricants to commercial, industrial, agricultural and residential customers in Southwestern Ontario under the trade name Superior PetroFuels

Canadian Propane Distribution includes Superior Gas Liquids, a division that supplies portfolio management services primarily to the Canadian Propane Distribution business and small and medium-sized propane retailers in the U.S. and Canada. You can read more about Superior Gas Liquids starting on page 16.

Customers

The company has about 270,000 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 2017. About 65% of the total portable annual fuel volume is sold during the winter heating season, usually from October to March.

Customer mix by sales volume	
Wholesale	40%
Commercial	17%
Residential	9%
Industrial	26%
Automotive	4%
Agriculture	4%

Operating structure

Canadian Propane Distribution's business structure balances a strong local presence with the efficiencies of a national operation. It has a head office, two national operating centres and a sales and administrative centre. It uses an energy specific reporting system to track inventory in real time, coordinate deliveries and manage accounts. Its operations are divided into six geographical regions that are in turn divided into market areas or districts.

The head office manages propane and supply transportation, information systems, health and safety, finance, marketing, sales and human resources. The national operating centres – located in Guelph, Ontario and Ste. Catherine, Quebec – manage all routing, scheduling and delivery for delivery orders. The Quebec office also provides customer support and supports the sales and administration centre, which is in Thunder Bay, Ontario and manages the billing, credit and collection services.

Each geographical region is led by a general manager responsible for multiple market areas, overseeing satellite operations, customers, administration and the overall profitability of the region. The regions also provide leadership, service coordination and administrative support.

The market areas typically span 80 to 150 kilometres and have a market manager, fuel delivery truck drivers and service technicians. Market offices are usually on two to five acre parcels in rural, industrial or commercial areas and include propane storage tanks, a cylinder dock, enough space to store a working supply of customer tanks and cylinders, parking for trucks and a warehouse for rental equipment, appliance, materials and supplies inventories.

Canwest Propane

Canwest Propane and Stittco Energy have a more decentralized operating model. Each market area, called a branch, has a branch manager, fuel delivery truck drivers and service technicians, as well as its own administrative team that coordinates deliveries, oversees collections, answers calls and processes walk-in customer transactions and work orders. Canwest has 37 branches and 30 satellite locations.

Canadian Propane Distribution is in the process of integrating Canwest Propane's operations into its operating structure, and migrating the branch administrative services to a new operating centre in Calgary, Alberta.

Employees

Approximately 269 or 15% of the Canadian Propane Distribution employees are unionized through provincial or regional certifications in British Columbia, the Yukon and Quebec. There are four union agreements, with expiry dates ranging from April 30, 2018 to July 31, 2021. Collective bargaining agreements are renegotiated in the normal course of business

Product sourcing

The Canadian Propane Distribution business buys its retail propane from 12 propane producers and suppliers across Canada under contracts with Superior Gas Liquids, as supplier. You can read about the contracts on page 17.

Transportation and storage

Canadian Propane Distribution has primary and secondary transport needs:

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

Transport trailers and pressurized railcars are its primary modes of transportation. The cargo liners, which can take between 35,000 to 65,000 litres per trailer, are managed by third-party carriers. Approximately 21% is transported by railcars that can take approximately 115,000 litres per car. You can read more about the railcars, which are managed by Superior Gas Liquids, on page 17.

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 secondary transportation needs. Superior General Partner Inc. owns 79% of the vehicles and 21% are leased under financing leases. Propane is delivered in pressurized cylinders and bulk volumes. Heating oil, refined fuels and lubricants are also delivered in bulk volumes. Canadian Propane Distribution employs full-time, part-time and seasonal drivers who make deliveries during the peak winter demand periods.

The fleet	Number	Capacity
Pressurized bulk delivery trucks	486	6,500 to 30,000 litres
Refined fuel and lubricant bulk delivery trucks	6	10,000 to 25,000 litres
Cylinder trucks	83	boxes that are 12 to 26 feet
Tractors	50	--
Pressurized trailers	113	25,000 to 68,000 litres
Flatdeck trailers	69	
Crane trucks	111	--
Service vehicles	359	--
Total	1277	

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 about 40% to 45% of the national market share. 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.

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, but is also affected by the local costs of other fuels.

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 2017, Canadian Propane Distribution strengthened its online marketing efforts:
- increased subscriptions and activity on mySuperior.ca, a web portal that residential customers use to see account balances and invoice history, pay bills, order fuel and track propane consumption
- increased activity on mySuperioPRO, a business-to-business web portal for large enterprise customers with complex needs who manage up to hundreds of tanks nationwide
- launched mySuperiorPLUS, a web portal for small and medium commercial operators whose needs are more complex than residential customers but not complicated enough to need the PRO portal.

In November 2017, Canadian Propane Distribution signed a multi-year strategic agreement with a technology provider to source tank sensors. This agreement will increase the use of tank sensors, which will continue to improve delivery efficiency and overall customer experience.

Superior Gas Liquids

Superior Gas Liquids (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, Kansas and Texas.

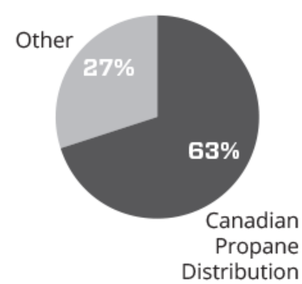
It also optimizes storage, supply requirements, pipeline deliveries, railcar and truck transportation sales.

SGL is based in Calgary, Alberta and has 33 employees, none of whom are unionized.

Customers

SGL sold 1.62 billion litres of natural gas liquids to approximately 100 counterparties in 2017. SGL's largest customer is our Canadian Propane Distribution business, which represented 63% of its annual sales.

Customer mix by sales volume



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 12 propane producers and suppliers across Canada, 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 on March 31, 2018 and 2019. New supply contracts are negotiated in the ordinary course of business and typically range from a term of one to three years.

Five companies supply about 90% of its annual propane needs. Each supplies at least 5%:
- Plains Midstream Canada ULC
- Shell Chemicals Canada, by its managing partner Shell Canada Limited
- Pembina Infrastructure & Logistics L.P.
- Imperial Oil Limited
- Gibson Gas Liquids Partnership

SGL will also sometimes enter into short-term forward purchase and sale agreements to take advantage of opportunities and 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 20% of the rail needs are met by approximately 400 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 95.6 million litres of leased underground storage capacity in Michigan, Kansas, Saskatchewan, Alberta, and Ontario. The storage lease agreements expire between March 31, 2018 and March 31, 2019. 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.

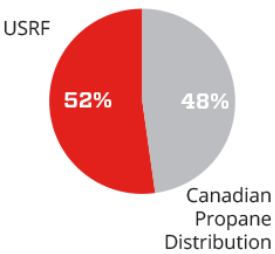
Competition

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.

U.S. Refined Fuels (USRF)

Trade names	Earhart Propane Virginia Propane	Yankee Propane Superior Plus Energy Services
Products	Liquid fuels, propane	
Market	Northeastern United States	
Locations	75 (owned and leased) » 45 service centres » 30 terminals, bulk plants and secondary offices	
Vehicles	918	
Head office	Rochester, New York	
Employees	960	
Founded	2009	

2017 Revenue by business division



USRF distributes propane gas and liquid fuels like heating oil in 13 states: New York, Pennsylvania, Connecticut, Rhode Island, Ohio, Virginia, New Jersey, Kentucky, Maryland, Massachusetts, Delaware, Vermont, and West Virginia. It also installs, maintains and repairs heating oil and propane heating equipment.

Customers

USRF's approximately 200,000 customers are a diverse group of wholesale/dealer, commercial, and retail heating oil and propane customers, including homeowners, agricultural and construction companies, municipalities and schools. More than 48% of its revenue is driven by residential use.

Operating structure

USRF has an industry-leading operating infrastructure. It has storage and supply points close to the fuel terminals and 68 bulk plants that it buys from, which are in key markets and have about 30 million gallons of storage capacity. USRF also has throughput agreements and access to third party supply points that enhance its market reach and distribution capacity.

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, administration and the overall profitability of their geographic business units.

Employees

Approximately 20 (or 2%) of USRF's employees are unionized under two agreements that expire on March 31 and May 29, 2018. Collective bargaining agreements are renegotiated in the normal course of business.

Product sourcing

Refined fuel products are purchased in bulk and shipped to both New York and Pennsylvania. Five companies supply about 83% of USRF's purchased volume.

- Superior Gas Liquids
- Plains All American Pipeline L.P.
- CHS Inc.
- BP plc
- Penn Oaks

The remaining 17% is from six suppliers.

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

Most products are supplied by pipeline and rail. Pipeline transit time is 7-10 days on the Buckeye Pipeline from Linden, New Jersey and on the Atlantic and Laurel Pipelines from Philadelphia. Pipeline volumes are priced as USRF takes title to the product and hedges the product against price volatility using NYMEX futures contracts. These hedging activities carry some risk because 2000 ppm heating oil is hedged with ultra-low sulphur diesel futures, creating quality differential exposure. See page 39 for more information about the risks associated with our hedging activities.

Transportation and storage

USRF has primary and secondary transport needs:

» *Primary* – transporting refined fuels from regional refineries to terminals, and then to its satellite locations or directly to large volume customers
» *Secondary* – shipping propane, heating oil and other refined fuels and lubricants from its satellite locations, company owned pipeline terminals and third party terminals to its customers

It uses pipelines and owned and leased large volume tractor-trailers to meet most of its primary transportation needs.

USRF uses a fleet of trucks for secondary transportation. It owns about 55% of the fleet, and leases the balance under financing leases. Propane is delivered in pressurized cylinders and bulk volumes. Heating oil, refined fuels and lubricants are also delivered in bulk volumes. USRF 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
Refined fuel delivery trucks	244	9,000 to 12,500 gallons
Service vehicles	159	--
Pressurized propane delivery trucks	185	2,400 to 3,500 gallons
Utility vehicles	225	--
Tractors that pull trailers	47	--
Refined fuel trailers	58	9,000 to 12,500 gallons
Total	918	

Competition and pricing

The refined fuels market in the United States is highly competitive and fragmented. Refined fuel pricing is largely based on a margin above product and transportation costs. 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. However, when wholesale prices decrease, retail gross margins and profitability tend to increase.

Reliance on heating oil for space heating is highest in the American northeast, however USRF loses 11% of its heating oil customers every year because:

» markets in the northeastern United States are declining by 8%, and heating oil demand in the Northeast is declining by about 3.7% annually
» USRF is exiting lower margin customer segments to focus on residential propane markets, a key driver of long-term growth.

The following table shows the change in the number of households using natural gas, heating oil and propane between the winters of 2007-2008 and 2013-14, according to the website of the U.S. Energy Information Agency:

	2007-2008	2013-2014	change
Natural gas	10.71 million	11.51 million	+800,000
Heating oil	6.52 million	5.25 million	-1.27 million
Propane	700,000	840,000	+140,000

USRF 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, where employees are responsible for finding and keeping customers.

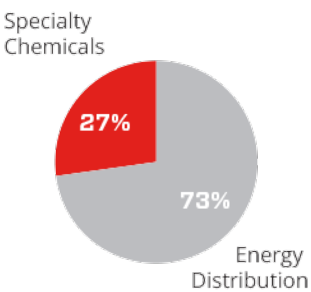
USRF’s marketing goals for 2018 include:

- meeting growth targets for residential and commercial propane large tank accounts
- improving retention of high value customer segments by using analytics more effectively and implementing a customer loyalty program
- supporting residential and commercial acquisition and sales efforts with consistent digital marketing campaigns (paid search, social, web etc.)
- continuing to develop and leverage its online portal, website and mobile app to attract and retain customers.

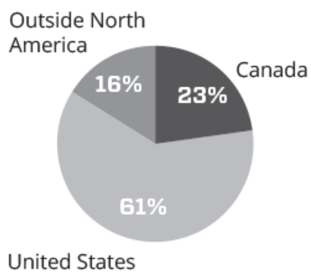
2. Specialty Chemicals

Trade name	ERCO Worldwide
Products	Sodium chlorate, chlor-alkali products, sodium chlorite
Market	North and South America, Asia, Europe
Production facilities	10 » 6 in Canada » 3 in the United States » 1 in Chile
Railcars	1,639 (owned and leased)
Head office	Toronto, Ontario
Employees	579
Founded	Late 1890s

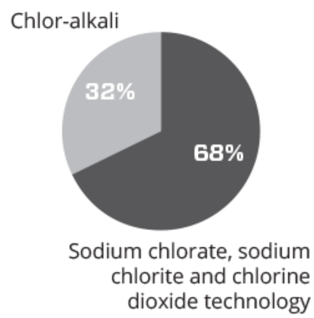
2017 Revenue by reportable segment



Revenue by region



Revenue by product



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 23
» chlor-alkali products (chlorine, sodium hydroxide, potassium hydroxide, hydrochloric acid) – see page 25
» sodium chlorite – see page 26.

Customers

Specialty Chemicals top 10 customers make up about 58% of its revenue, with its largest customer making up about 9%. Specialty Chemicals largest export market 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 579 full-time employees, including 147 unionized employees. Four of Specialty Chemicals 's plants have collective bargaining agreements that are renegotiated in the normal course of business:

» Vancouver, Canada – a six-year agreement that expires on November 30, 2018
» Saskatoon, Canada – a three-year agreement that came into effect on October 1, 2016
» Buckingham, Canada – one six-year agreement with the office and technical group that will expire on March 14, 2018, and a second agreement for the operations team that expired on November 30, 2017. Specialty Chemicals is negotiating a new agreement with the operations team
» Mininco, Chile – a thirty-two month agreement that expires on May 22, 2020.

Production facilities

All of Specialty Chemicals 's facilities use proven and safe manufacturing processes, and are close to major customers or rail terminals.

The Port Edwards and Saskatoon 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 protects Specialty Chemicals' investment and expires in 2036.

Annual capacity by product

Sodium chlorate	515,000 metric tonne (MT)
Chlor-alkali	157,000 electrochemical unit (ECU)
Sodium chlorite	10,000 MT

Raw materials

Specialty Chemicals uses electrical energy, sodium chloride, potassium chloride and water to produce its chemical products. Electrical energy makes up 70 to 85% of the total cost of producing sodium chlorate, followed by salt at about 10%.

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.

LOCATIONS AND PRODUCTS

Transportation

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

Transportation by type	North America	South America
Rail	69%	0%
Pipeline or barge	3%	27%
Truck	18%	73%
Export container	10%	0%

It owns 257 and leases 1,382 railcars. The railcars have staggered expiration terms through to 2029, which Specialty Chemicals generally extends before the leases expire. It's expected that regulations for transporting chlorine, including the type of railcar that can be used, will become more stringent in five to 10 years. Specialty Chemicals bought 50 new interim design chlorine cars in 2016, and 25 in 2017.

Environment, safety and regulations

You can read more about our approach to environmental, social and governance issues on page 6, and Specialty Chemicals' health, safety and environmental risk on page 43.

Acquisitions and expansions

Specialty Chemicals is actively engaged in sourcing and acquiring businesses to expand its reach and enhance its services.

In 2017, it bought International Dioxcide, Inc. from LANXESS Corporation. International Dioxcide, Inc. 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.

Products

1. Sodium chlorate

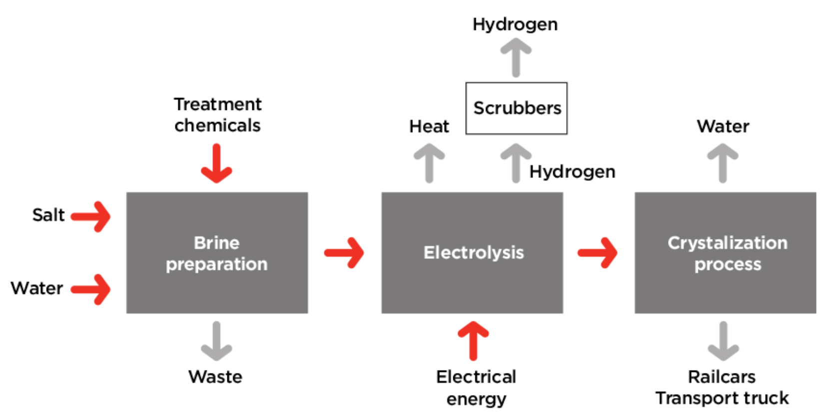
Sodium chlorate is used by the pulp and paper industry to bleach pulp. A small amount is used to produce agricultural herbicides and in other industrial applications.

Sodium chlorate – quick facts[1]	
Sales	502,000 MT
Global demand[1]	Approximately 3.6 million MT
Annual production capacity	515,000 MT

[1]*Source: Specialty Chemicals Management & HIS Markit*

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.



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 1.4 million MT in North America and 3.6 million MT globally.

In North America, where demand is mature, bleached pulp and paper producers continue to be affected by foreign exchange rates and higher fibre 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 fibre, 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 business managers with technical expertise in pulp bleaching applications and generating chlorine dioxide who develop relationships with clients by providing technical service and support. Because the chlorine dioxide generators are very technical, the product, marketing, technical service and engineering teams work together on sales.

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

Chlorine dioxide generators

Approximately 2% of the revenue for sodium chlorate comes from related technology. With 67 patents, Specialty Chemicals is the largest worldwide supplier of modern chlorine dioxide generators that convert sodium chlorate into chlorine dioxide. It is one of two suppliers that offer both patented chlorine dioxide generator technology and sodium chlorate, the primary ingredient for making chlorine dioxide.

Used by the pulp and paper industry to produce bleached pulp, chlorine dioxide is an environmentally preferred bleaching agent, and it's considered the best way 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, like 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.
- selling 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: Eka Chemicals, Kemira and Chemtrade. Only Specialty Chemicals and Eka Chemicals make integrated and standalone generators that produce chlorine dioxide in pulp mills. Providing generator technology and services in addition to chemicals gives Specialty Chemicals the ability to establish valued relationships with customers and monitor developments in the market.

Specialty Chemicals' patented 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: chlorine, sodium hydroxide, potassium hydroxide and hydrochloric acid.

Chlor-alkali products – quick facts[1]

Sales	143,000 ECU
North American demand	Approximately 12.8 million ECU
Annual production capacity	157,000 ECU

[1]Source: Specialty Chemicals Management & HIS Markit

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

- Chlorine is used to make polyvinyl chloride (PVC) and titanium dioxide to treat water and eliminate water-borne diseases in drinking water, among other uses.
- Sodium hydroxide (lye) 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.
- Hydrochloric acid is used in oil and gas operations, water treatment, and food 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 is stable for our products[1]:

Chlorine	approximately 12.8 million MT
Sodium hydroxide	approximately 11.1 million dry MT
Potassium hydroxide	approximately 0.5 million dry MT
Hydrochloric acid	approximately 5.1 million wet MT

[1]Source: Specialty Chemicals Management & IHS Markit

Competition

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

- Olin Corporation (36%)
- Occidental Chemical Corporation (23%)
- Westlake Chemical Corporation (19%)
- Shintech Inc. (7%)
- Formosa Plastics Corporate (6%).

Specialty Chemicals represents 15% of the total potassium hydroxide production capacity in North America (15%). It competes with three other companies:

- Occidental Chemical Corporation (51%)
- Olin Corporation (25%)
- ASHTA Chemicals Inc. (9%).

Sales and marketing

Specialty Chemicals' chlor-alkali products are sold by dedicated sales people and distributors. Chlor-alkali products provide Specialty Chemicals with customer base diversification as Specialty Chemicals sells nearly all its chlorine, hydrochloric acid and potassium hydroxide 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 a niche chemical used to treat water, as a sanitizer in food processing and in oil and gas and other industrial applications. It's also used to produce chlorine dioxide in smaller scale operations.

Sodium chlorite – quick facts[1]

Sales	7,600 MT
North American demand	Approximately 15,000 – 20,000 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 last 10 years, despite pressure from declining oil activity which began in 2015. New industrial environmental and more stringent water treatment regulations have increased demand, and new oil and gas applications have also contributed to the growth.

Competition

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

Sales and marketing

The International Dioxcide, Inc. team is a full-service provider of chlorine dioxide chemistry, equipment and applications. More than half of its 34 full-time employees are dedicated to supporting customers in the field. Its sales and technical staff has expertise in key chlorine dioxide market segments in a wide range of applications.

How we are governed

Our board of directors has 10 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. Mr. Desjardins is not independent because he is the President and Chief Executive Officer.

The board has four standing committees:

» audit
» governance and nominating
» 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 collectively own 523,787 or about 0.37% 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 February 27, 2018, which is available on our website (www.superiorplus.com) and 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 2000 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	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 Quebec, Canada » director since May 2015 » owns 10,000 common shares	Audit 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 347,456 common shares and $500,000 in 6.5% Senior unsecured notes (Superior Plus LP)	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[1] Alberta, Canada » director since 2007 » owns 20,000 commons shares	Audit Governance and nominating (chair)	Corporate director 2001 to 2012 – President, 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 30,000 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 suppliers of chemicals, plastics, synthetic fibres, and agricultural products
Douglas J. Harrison Ontario, Canada » director since 2015 » owns 9,600 common shares	Audit Health, safety and environment	President and Chief Executive Officer, VersaCold Logistics Services, Canada's largest supplier of temperature sensitive supply chain and logistics services Prior to that, Chief Operating Officer, Day & Ross Transportation Group, President, Acklands-Grainger Inc., Canada's leading industrial and safety supply company and Vice President and Managing Director, Ryder Integrated Logistics, a global supply chain consulting and services company
Mary B. Jordan British Columbia, Canada » director since May 2014 » owns 5,000 common shares	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
Walentin Mirosh Alberta, Canada » director since 2007 » owns 7,400 common shares	Compensation Health, safety and environment (chair)	Corporate director and President, Mircan Resources Ltd., a private investment and consulting company 2003 to 2009 Vice President and Special Advisor to the President and Chief Operating Officer, NOVA Chemicals Corp., a producer and marketer of ethylene, polyethylene and styrenics
David P. Smith (board chair) Ontario, Canada » director since 1998[2] » owns 75,681 common shares	Compensation Governance and nominating	Corporate director Prior to that, Managing Partner, Enterprise Capital Management Inc., a privately owned investment manager

[1] Mr. Findlay was a director of:

- » Wellpoint Systems Inc. Listed on the TSX Venture Exchange, Wellpoint supplied software to the energy industry in Canada, the U.S. and internationally. It was placed into receivership by two of its lenders on January 31, 2011. Mr. Findlay sat on the board from June 2008 to January 31, 2011.
- » 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] 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. 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. 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. Prior to 2015 – Partner, Norton Rose Fulbright Canada, LLP
Greg McCamus Ontario, Canada	President, Energy Distribution including Canadian Propane June to November 2012 – Interim President, Canadian Propane Distribution 2008 to November 2012 – President, USRF Fuels 2005 to November 2012 – President, Superior Energy Management
Ed Bechberger Ontario, Canada	President, Specialty Chemicals (ERCO Worldwide) Prior to 2015 – Senior Vice-President, Operations, Specialty Chemicals
Andrew Peyton Pennsylvania, USA	President, USRF Prior to 2016 – Vice-President, Corporate Development of AmeriGas Partners LP
Shawn Vammen Alberta, Canada	Senior Vice President, Superior Gas Liquids 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 2018 information circular, 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 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, FCA, ICD.D	Catherine Best is a corporate director and consultant. 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. Ms. Best was a chartered accountant at Ernst & Young, an accounting firm, for nineteen years, the last ten years as Corporate Audit Partner.
Eugene V. N. Bissell BA, MBA	Eugene Bissell is a corporate director. He was the President and Chief Executive Officer of AmeriGas Propane LP from 2000 until his retirement in 2012. Mr. Bissell has over 14 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.
Richard C. Bradeen BCom, CPA, CA	Richard Bradeen is a corporate director and consultant. 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.
Randall J. Findlay BASc, P.Eng, ICD.D	Randall Findlay is a corporate director. Mr. Findlay served as President of Provident Energy Trust and as 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 was member of the audit committee of HNZ Group.
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.

	Relevant education and experience
Douglas J. Harrison MBA, CPA, CMA, ICD.D, CCLP	Douglas Harrison is the President and Chief Executive Officer of VersaCold Logistics Services. Previously he served as Chief Operating Officer of Day & Ross Transportation Group (a subsidiary of McCain Foods); President of Acklands-Grainger Inc., Canada's leading industrial and safety supply company; and Vice President and Managing Director for Ryder Integrated Logistics. Mr. Harrison serves on the board of the Technical Standards and Safety Authority (TSSA). In the past, he has served on the boards of the Conference Board of Canada, Hamilton Utilities Corporation, Horizon Utilities and Mohawk College and was Chair of the Board of Directors of Livingston International.

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.

Our former auditor, Deloitte LLP, resigned as of February 14, 2018, at our request. We filed a Change of Auditor Notice on February 22, 2018 in accordance with National Instrument 51-102 on SEDAR (www.sedar.com).

The table below shows the fees we paid to Deloitte LLP for its services in 2016 and 2017. Fees are for the fiscal years ended December 31, and do not take into consideration the year the services relate to.

	2016	2017
Audit fees » 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	$3,006,506	$1,998,595
Audit-related fees » fees for one-time stand-alone audits of Superior Gas Liquids and Construction Products Distribution » fees for auditing or reviewing financial statements that were not part of audit fees, such as attendance at quarterly audit meetings, pension plan audits and regulatory reviews	$402,162	$367,843
All other fees (must be approved by audit committee): » fees related to IFRS technical updates	$339,753	$-
Total	$3,748,421	$2,366,438

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 142,842,820 million common shares outstanding as of February 27, 2018.

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 Toronto Stock Exchange under the symbol SBP. The table below shows the high, low and closing prices and volume for our common shares on the TSX in 2017.

2017	High	Low	Close	Volume
January	$13.10	$12.33	$12.86	5,674,146
February	$13.24	$12.22	$12.32	7,965,470
March	$13.05	$12.39	$12.90	6,990,551
April	$13.25	$12.75	$13.07	6,621,737
May	$13.34	$11.82	$11.94	6,710,618
June	$12.08	$11.22	$11.42	6,414,389
July	$11.50	$10.86	$10.93	5,451,553
August	$11.89	$10.80	$11.84	4,730,984
September	$12.78	$11.50	$12.64	6,594,352
October	$13.13	$12.43	$12.99	4,616,747
November	$13.13	$11.79	$12.17	5,746,471
December	$12.19	$11.67	$11.87	3,203,141
2017	$13.34	$10.80	$11.87	70,720,159

Preferred shares

We can issue an unlimited number of preferred shares in one or more series. There are no preferred shares issued and outstanding.

The board determines the rights, restrictions, conditions and limitations of each class of preferred shares. Holders of preferred shares (rateably with holders of other series of preferred shares) come before holders of common shares for receiving dividends and distributing assets if the company is liquidated, dissolved or wound up.

Dividends

Our board has introduced a dividend policy that 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 Canadian Business Corporations Act.

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 34), 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 Act's enhanced gross-up and dividend tax credit mechanism.

Distributions from Superior Plus LP
Superior General Partner Inc.'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.

	2015	2016	2017
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 three periods:
- January 2007 to December 2008
- May 2010 to April 2013
- December 2015 to September 2016.

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

Shareholder rights plan

Our shareholder rights plan is established by an agreement between Superior Plus Corp. and Computershare dated February 16, 2012, as amended and restated on May 1, 2015. 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 reconfirmed at the annual and special meeting of shareholders on May 1, 2015.

Both the plan itself and TSX rules require that shareholders confirm the plan every three years. On February 14, 2018, the board approved continuing the rights plan for another three years in an amended and restated form subject to the approval of our shareholders. It will be voted on at our annual and special meeting of shareholders on May 8, 2018. You can find a summary of the amended and restated plan in our 2018 management information circular, starting on page 78. 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 (6.5% Notes, 5.25% and 5.125% Notes).

Credit facility

$800 million (including the accordion feature) revolving credit facility offered by 10 lenders that matures on April 28, 2022.

When we converted from an income trust to a corporation on December 31, 2008, we entered into a $595 million revolving credit facility offered by 11 financial institutions that had a maturity date of June 28, 2010. Since that time, we have made amendments to the credit facility to:

» extend the maturity date
» expand and reduce the facility as determined by management
» reduce/increase the number of lenders.

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 compliance EBITDA ratio cannot be more than 3.0 to 1.0 (we can increase it to 3.5 times for a period of 90 days during an acquisition)
» our consolidated debt (excluding convertible unsecured subordinated debentures) to compliance EBITDA coverage ratio cannot be more than 5.0 to 1.0
» distributions (including payments to debenture holders, Superior and its shareholders) cannot exceed compliance EBITDA less non-adjusted interest expense, cash income taxes and certain pro forma cash income taxes, plus $35.0 million on a trailing twelve month rolling basis. (We can exclude principal payments to debenture holders from this calculation if our consolidated secured debt to compliance EBITDA ratio is less than 2.5 times in any reporting period, including the pro forma impact of the related principal repayment.)

Convertible unsecured subordinated debentures are excluded from the determination of financial covenant ratios.

We cannot pay dividends if we default or are defaulting on our credit facility, or if paying the dividends meant we would default on the credit facility.

Ratios for the last three years ended December 31

Our ratios meet the terms of our credit facility.

	2015	**2016**	**2017**
Consolidated secured debt to compliance EBITDA ratio	1.6 times	1.3 times	1.6 times
Consolidated debt to compliance EBITDA ratio	2.4 times	2.3 times	3.8 times

Senior unsecured notes

Senior unsecured notes are issued under trust indentures between Superior Plus LP and Computershare which are available on SEDAR (www.sedar.com).

6.5% Notes

$200 million of 6.5% senior unsecured notes issued by Superior Plus LP on December 9, 2014 with a maturity date of December 9, 2021

The 6.5% Notes bear 6.5% interest per year, paid semi-annually in arrears on June 9 and December 9 of each year. The 6.5% Notes will be redeemed on March 8, 2018.

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 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 plus accrued and unpaid interest at a price of 105.25% of the principal amount, if at least 65% of the notes remain outstanding after the redemption and it occurs 90 days after the closing of the offering
- redeem all or part of the outstanding Senior Unsecured Notes any time before February 27, 2020 at a price equal to 100% of the principal amount, plus accrued and unpaid interest and a premium as determined by the terms of the indenture agreement
- redeem all or part of the outstanding notes plus accrued and unpaid interest on or after February 27, 2020 as follows at the prescribed redemption price plus accrued and unpaid interest. The prescribed redemption price is as follows: 2020 (103.938%), 2021 (102.625%), 2022 (101.313%) and 2023 and thereafter (100%).

Change of control

If there is a change control (as defined in the trust indenture), Superior Plus LP is required to offer to buy the 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 trust indenture.

Terms that regulate taking on additional debt

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

- can take on more debt as long as its total debt is less than $750 million, or an amount that maintains its senior secured leverage ratio (as defined in the trust indenture) at less than 3.0 times to 1.0 (whichever is higher)
- cannot take on more debt unless its fixed charge coverage ratio (as defined in the trust indenture) for the most recently completed four quarters is not less than 2.0 to 1.0 on a pro forma basis. On December 31, 2017, its fixed charge coverage ratio was 5.2 times to 1.
- cannot make distributions to Superior or to our shareholders if it defaults or is defaulting on the notes, if making the distribution would mean it defaulted on the notes, or it could not take on at least $1.00 more of additional debt under the terms of the note agreement.

We can still 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 less our consolidated interest expense and cash income taxes for such period, (as defined more particularly by the trust indenture), and the senior secured leverage ratio does not exceed 3.0 times to 1.0.

5.125% Notes

$220 million of 5.125% senior unsecured notes issued at par by Superior Plus LP on February 1, 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 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 plus accrued and unpaid interest at a price of 105.25% of the principal amount, if at least 65% of the notes remain outstanding after the redemption and it occurs 90 days after the closing of the offering
- redeem all or part of the outstanding Senior Unsecured Notes any time before February 27, 2021 at a price equal to 100% of the principal amount, plus accrued and unpaid interest and a premium as determined by the terms of the indenture agreement
- redeem all or part of the outstanding notes plus accrued and unpaid interest on or after February 27, 2021 as follows at the prescribed redemption price plus accrued and unpaid interest. The prescribed redemption price is as follows: 2021 (103.844%), 2022 (102.563%), 2023 (101.281%) and 2024 and thereafter (100%).

Change of control

If there is a change control (as defined in the trust indenture), Superior Plus LP is required to offer to buy the 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 trust indenture.

Terms that regulate taking on additional debt

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

» can take on more debt as long as its total debt is less than $750 million, or an amount that maintains its senior secured leverage ratio (as defined in the trust indenture) at less than 3.0 times to 1.0 (whichever is higher)
» cannot take on more debt unless its fixed charge coverage ratio (as defined in the trust indenture) for the most recently completed four quarters is not less than 2.0 to 1.0 on a pro forma basis
» cannot make distributions to Superior or to our shareholders if it defaults or is defaulting on the notes, if making the distribution would mean it defaulted on the notes, or it could not take on at least $1.00 more of additional debt under the terms of the note agreement.

We can still 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 less our consolidated interest expense and cash income taxes for such period, (as defined more particularly by the trust indenture), and the senior secured leverage ratio does not exceed 3.0 times to 1.0.

Convertible debentures

Convertible debentures are issued under an indenture between Superior and Computershare (the debenture trustee), dated August 28, 2009, as amended and supplemented.

6.0% Debentures (2019)

$97 million in 6.0% convertible unsecured subordinated debentures issued on July 15, 2013 with a maturity date of June 30, 2019 were redeemed on November 15, 2017.

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) and Standard & Poor's (S&P) 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 and S&P rating for our corporate credit and our 6.5%, 5.25% and 5.125% notes as of February 27, 2018:

	Corporate credit	Unsecured 6.5%, 5.25% and 5.125% notes
DBRS 10 categories ranging from AAA to D. High and low indicate relative standing credit within rating category.	BB (high)	BB (low)
	BB is the fifth highest of 10 rating categories. It means the investment is speculative and non-investment grade. Protection is uncertain, particularly during economic recession. Companies in this range may have limited access to capital markets and additional liquidity. In many cases, deficiencies in critical mass, diversification, and competitive strength are additional negative considerations.	
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 speculative issues. However, there are major ongoing uncertainties or exposure to adverse business, financial, or economic conditions that could affect a company's capacity to meet its financial obligations.	

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 50 for more information about forward-looking information.

Please also see the risk discussion in our 2017 Management Discussion & Analysis.

Types of risk

Financial risks

Acquisition of Canwest

We completed our acquisition of Canwest Propane on September 27, 2017. We remain subject to the following risks associated with this transaction:

Realizing the benefits: Our acquisition of Canwest included assumptions about anticipated benefits of the acquisition, including, among other things, expected accretion from synergies. A failure to realize benefits we anticipated could have a material adverse effect on our business, financial condition, operations, assets or future prospects.

Integrating successfully: Integrating Canwest's operations with our existing business is a complex, time consuming and costly process. Not completing the integration in a timely manner could have a material adverse effect on our business, results of operations, cash flows and financial position. The difficulties of integrating Canwest include:

- coordinating geographically disparate organizations, systems and facilities
- adapting to additional regulatory and other legal requirements
- integrating corporate, technological and administrative function and employment and compensation policies and practices
- diverting management's attention from other business concerns
- 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 amounts of 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.

Environment requirements and liabilities: The operations Superior Plus LP acquired from Canwest are subject to extensive laws, policies, guidelines, standards, codes, permits and approvals relating to the protection of the environment and people. The regulatory requirements govern, among other things, the release of substances into the environment, the contamination of soil, the storage, handling and transportation of dangerous goods and hazardous and non-hazardous substances and waste, remediation of contamination and land use and zoning requirements. These environmental requirements could have a material impact on our business.

Demands on management: Our acquisition of Canwest has placed significant demands on our managerial, operational and financial personnel and systems. No assurance can be given that our systems, procedures 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.

Recent acquisitions and divestments

When we sign an agreement to buy assets or businesses, we are provided with representations, warranties and indemnities from the vendors up to certain limits or thresholds.

We always conduct due diligence before completing any acquisition, but there are circumstances 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. 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, this could have an adverse effect on our earnings, cash flows and financial condition.

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 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.

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.

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 34 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 General Partner Inc. 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 32 and Credit facility – Financial covenants on page 34 for more information.

Income taxes

We can't 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 Luxembourg Tax Authorities.

We can't be certain that these agencies will agree with how we calculate our taxable income, or guarantee that the agencies won't make changes to their administrative practices that has 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

Some 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$140 million to US$160 million in 2018, and includes US denominated net revenue from Canadian operations and the net cash flow generated from operations in the United States and Chile. We manage USRF's and Specialty Chemicals' exposure by entering into hedge contracts with external third parties and internally with our other businesses. USRF is exposed to fluctuations in foreign currency exchange rates. We manage USRF's and Specialty Chemicals' exposure by entering into hedge contracts with external third parties and internally with our other businesses. 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, 2017, which is available on our website (www.superiorplus.com) and on SEDAR. (www.sedar.com).

Growth through acquisition

Superior Plus LP has built its business through organic growth and acquisitions. There can be no assurance that it will continue to find appropriate acquisition targets, or that it will be able to buy those companies on economically acceptable terms.

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. 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 tax mandates that will bring visibility to cleaner fuels. Propane is positioned well against heating oil, diesel and other distillates. These government-lead 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 13 propane producers and suppliers in Canada and the United States. If SGL was not able to obtain the required supply from these producers, it could have an adverse effect on it and the Canadian 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.

Approximately five million households or roughly 25% use distillate fuel oil as their main space heating fuel located in the northeastern United States. 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 heating oil, making the demand highly seasonal. Based on the latest available data, residential customers in the northeastern United States consumed over 3.1 billion gallons of heating oil.

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. While heating oil no longer maintains an appreciable share of new home construction, turnover on existing homes is slow due to the cost requirements to switch. USRF experiences an 11% 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 3.7%. USRF 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 13 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, potash and water. Electricity comprises 70% to 85% of variable production costs for sodium chlorate. Sodium-based chlor-alkali variable production costs include electricity costs which are approximately 45% 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 15% 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 power supply and a portion that may be interrupted by the producer based on the terms of the various agreements. The business can reduce its power consumption quickly and at minimal cost, which allows it, in some jurisdictions, to reduce its overall power costs. Approximately 10% of Specialty Chemicals' annual power requirements are located in deregulated electricity jurisdictions. Specialty Chemicals regularly monitors energy pricing and may secure hedging arrangements to mitigate energy price risk. See Specialty Chemicals on page 21.

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 at each of its plants with the exception of the Hargrave and Saskatoon facilities, which are self-supplied 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 10 to 15% of the variable production costs for sodium chlorate.

Potassium chloride is a major raw material used in the production of potassium hydroxide at Specialty Chemicals' Port Edwards Wisconsin facility. Substantially all of Specialty Chemicals' potassium chloride is received from Nutrien Inc. (formerly Potash Corporation of Saskatchewan), which operates two potassium chloride mines that are able to provide the product specifications required by Specialty Chemicals. In the event of a potassium chloride supply interruption, Specialty Chemicals' Port Edwards facility is able to switch production to the sodium molecule from the potassium molecule. The ability to switch between sodium and potassium reduces 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 is unable to obtain electricity at reasonable prices and on acceptable terms, it will have a negative impact on its results of operations. The electricity that Specialty Chemicals uses is supplied by others and may be subject to wide price fluctuations for a variety of reasons beyond Specialty Chemicals' control. The deregulation of electric power makes short-term future costs for electric power uncertain in certain jurisdictions in which this business operates. 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.

Volume variability, weather conditions and economic demand

Energy Distribution

Historically, overall propane demand from non-automotive end-use applications has been stable. However, 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.

Approximately 65% of the Canadian Propane Distribution business' annual portable fuel volume is distributed during the October to March winter heating season. The Canadian Propane Distribution business offers 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 Canadian Propane Distribution business to obtain propane from its suppliers. These conditions may also increase the Canadian Propane Distribution business' operating costs and may reduce customers' demand for propane, any of which may have an adverse effect on Canadian Propane.

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 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 Canadian Propane in the future. The trend towards increased conservation measures and technological advances in energy efficiency may have a detrimental effect on propane demand and Canadian Propane's 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 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.

USRF 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 USRF's largest competitors, pricing tends to be competitive and generally based upon a reasonable markup of overall cost of fuel, delivery, and service. USRF is well positioned to compete with these corporations given its volume, terminal and bulk storage facilities, and attractive customer density footprint. USRF is also well positioned to compete 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 USRF 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 Eka, Kemira and Chemtrade across 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.

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

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 result in a fire or explosion causing damage to facilities, death or injury and liabilities to third parties. The storage and transfer of propane has limited impact on soil or water given that a release of propane will disperse into the atmosphere.

USRF safety practices and regulatory compliance are an important part of its business, which is managed through a centralized safety and environment system. USRF's operations are subject to the risks associated with handling, storage 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.

The storage and delivery of refined fuels poses the potential for spills which impact the soils and water of storage facilities and customer properties. USRF operated bulk storage areas and loading/unloading points have secondary containment to prevent spills from reaching soil or ground water. 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 ground water is required to be reported to the appropriate government agencies; clean-up operations are conducted by internal and third party technicians. USRF's commodities create greenhouse gases. The regulatory landscape related to greenhouse gases could change based on ongoing discussions in various political and environmental forums.

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. However, the cost and timing to comply with any new or proposed changes is unknown at this time. 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 that could impact soil or ground water 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.

Regulatory environment and legislative change

Energy Distribution

The Canadian Propane Distribution business and USRF 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 USRF's facilities and at third party sites.

Environmental laws that apply to the Canadian Propane Distribution business and USRF 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.

USRF is based in the United States and operates in the United States and Canada. These operations could be affected by changes to laws, rules or policies which may either be more favourable to competing energy sources or increase costs or otherwise negatively affect the operations of USRF 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 American 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.

Information technology and cyber security

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.

Although the technology systems we use are intended to be secure, there is a risk that an unauthorized third party could access the 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, 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 as appropriate. We provide intensive training to our employees and perform security tests to assess risk and compliance with the procedures.

To date, there has not been a cybersecurity breach that has had a material impact on our business or operations. There is no guarantee, however, 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

There continues to be concern, both provincially and nationally, about climate change and the contribution of greenhouse gas (GHG) emissions, notably carbon dioxide, to global climate change. Four provinces in Canada have adopted legislation while the others provinces as well as the Canadian federal government have committed to adopting some form of legislation to price carbon in the future. Both Houses of the United States Congress also have considered adopting legislation to reduce emissions of GHGs. Although Congress has not yet enacted U.S. federal climate change legislation, numerous U.S. states and municipalities have adopted laws and policies on climate change.

The adoption of climate change legislation or regulatory programs to reduce GHG emissions could require us to incur increased capital and operating costs, which would likely impact our product prices and consumer demand. We cannot predict whether or in what form climate change legislation and renewable energy standards may be enacted in the areas in which we operate. However, the implementation of emissions legislation and regulations is expected to result in a decline of consumption of petroleum products over time, which would have an adverse effect on our business. In addition, a possible consequence of climate change is increased volatility in seasonal temperatures. 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 could adversely affect the heating component of our Energy Distribution business.

We continue to monitor these regulatory developments and legislative changes in an effort to assess the potential impacts on each of our businesses and to mitigate negative impacts where possible.

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, Spectra Energy Empress LP, NAL Resources Management Ltd., TransCanada Energy Ltd., Nutrien, Inc., CMPC Celulosa S.A., Armstrong World Industries, CGC Inc., a USG company and Gibson Energy Inc.. Superior Plus LP takes steps to mitigate these risks, but a failure of any of these companies to fulfil their commitments, meet their contractual obligations or 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.

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, breakdown of electrical transformer or rectifier equipment would temporarily reduce production capacity at the affected facility. Although insurance coverage exists to mitigate substantial loss due to equipment outage, Specialty Chemicals' reputation and its ability to meet customer requirements could be negatively affected due to 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 15% of the Canadian Propane Distribution business and SGL's delivered volumes. See Note 20 to the Financial Statements for fixed-price propane purchase and sale commitment amounts.

USRF offers its customers some limited fixed-price and capped-price programs. In order to mitigate the price risk from offering these services, USRF 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 under 6.8% of the USRF's flowing volumes. See Note 20 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 of 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 which 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.

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 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, 2017, approximately 269 or 15% of the Canadian Propane Distribution business' employees are unionized through three provincial or regional certifications in British Columbia, Yukon and Quebec. Expiry dates range from April 30, 2018 to July 31, 2021. 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.

As of December 31, 2017, approximately 20 or 2% of USRF's employees are unionized. One of the union agreements expires on March 31, 2018 and the other expires on May 29, 2018.

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, 2017, 25% 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 March 14, 2018 to May 22, 2020. 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

Intellectual property

Specialty Chemicals' chlorine dioxide generators and the related technology are protected by patents and patent applications. Over time, patents expire and, as Specialty Chemicals employs new technology, new patent applications are made and in certain cases new patents are obtained protecting the technology. However, in the case of expired patent applications that are not granted, or comparable technology owned and patented by competitors, Specialty Chemicals may not have the exclusive right to use the subject of the patent, and the technology could be used by a competitor, which could have an adverse effect on our company.

Legal proceedings

Superior Plus LP and its subsidiaries are currently involved in legal proceedings (see page 49). 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 its 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 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 49).

Insurance coverage

Superior Plus LP is and will continue to be involved in various legal proceedings and litigation that arises in the normal course of its business. It maintains insurance policies with amounts, coverages and deductibles it believes are reasonable and prudent. There can be no assurance, however, that this insurance will be adequate to protect Superior Plus LP from potential future claims related to the operations of its businesses, or that the insurance will be available in the future at economical prices. Also, there can be no assurance that Superior Plus LP's insurance providers will have the ability to satisfy all future claims in accordance with our policies.

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 Canada Business Corporations Act, 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 Canada Business Corporations Act 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 judgement. This is to ensure that directors consider transactions, agreements and other matters without compromise.

Interest of management and others in material transactions

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.

Intellectual property

Superior General Partner Inc. owns all the right, title and interest in:

- Superior Propane (Superieur in French), Superior Gas Liquids, mySuperior, mySuperiorPro, Canwest Propane, Sttitco Energy, Pomerleau Gaz Propane and Caledon Propane trademarks, related design and other trade names, registered or acquired at various times over the years and relating to specific programs or services Canadian Propane provides, or to its marketing activities
- the ERCO Worldwide (ERCO Mondial in French) trade name 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 trade names, registered or acquired at various times over the years and relating to specific technology, products, or services of International Dioxcide, Inc.

Owning these trademarks means that Superior General Partner Inc. owns 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 97 patents which includes 18 patent application in progress, which provide protection in Canada, the United States of America, and several other jurisdictions around the world. Each patent lasts for 15 to 20 years from the date it is registered.

Material contracts

In 2017 and the beginning of 2018, we entered into the following material contracts (not including those that we entered into as part of the ordinary course of business):

- 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.
- 5.25% Note Indenture – the trust indenture between Superior Plus LP and Computershare, dated February 27, 2017, under which Superior Plus Corp. issued the 5.25% Notes.
- 5.125% Note Indenture, the trust indenture between Superior Plus LP and Computershare, dated February 1, 2018, under which Superior Plus LP issued the 5.125% Notes.
- Consent agreement between The Commissioner of Competition and Superior Plus Corp. and Superior Plus LP dated September 27, 2017.

Contracts that we entered into before 2017 that are still in effect are:

- 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.).
- Amended and restated credit agreement dated as of December 22, 2015.
- 6.5% Note Indenture – the trust indenture between Superior Plus LP and Computershare, dated December 9, 2014, under which Superior Plus LP issued the 6.5% Notes.
- Shareholder rights plan agreement between Superior Plus Corp. and Computershare, dated February 16, 2012, as amended and restated on May 1, 2015.
- Share purchase agreement dated July 4, 2016 between Construction Products Acquisition, LLC, Superior Plus LP and Superior Plus US Holdings Inc.

Legal proceedings

Tax reassessments

On August 1, 2017 we entered into an agreement with the CRA regarding its objection to the tax consequences of our corporate conversion transaction on December 31, 2008. We received approximately $31.3 million in refunds from the CRA and provincial tax agencies in the fourth quarter of 2017.

Canexus Corporation 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 Corporations' 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. We believe that Canexus Corporations' 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 don't 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, guidance, may, predict, project, should, strategy, target, will or similar expressions suggesting future outcomes.

Forward-looking information in this AIF may include business strategy and objectives, development plans and programs, business conditions, business expansion and improvement projects, market conditions in Canada and the U.S., future income taxes and the basis of preparation of future tax returns, the impact of proposed changes to Canadian tax legislation or U.S. tax legislation, future economic conditions, future exchange rates and exposure to such rates and incremental earnings associated with such risks, dividend strategy, payout ratio, expected weather, expectations in respect of global economic environment, Superior's trading strategies and the risk involved in these strategies, the impact of certain hedges on future reported earnings and cash flows, commodity prices and costs, the impact of contracts for commodities, demand for propane, heating oil and similar products, demand for chemicals including sodium chlorate and chlor-alkali, anticipated costs, effect of operational and technological improvements, future working capital levels, 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, expectations relating to the renegotiation of collective bargaining agreements, expected leverage ratios and debt repayment, estimated regulatory costs, Superior's 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, business prospects, availability and utilization of tax basis, regulatory developments, currency, exchange and interest rates, trading data, 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 "Risk Factors" 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.

With respect to forward-looking information contained in this AIF, and in addition to other assumptions identified in this AIF, we have made the following assumptions regarding, among other things:

Corporate

- economic growth in Canada and the United States is expected to increase modestly
- we are expected to continue to attract capital and obtain financing on acceptable terms
- we are substantively hedged for our estimated U.S. dollar exposure for 2018, and due to the hedge position, a change in the Canadian to U.S. dollar exchange rate for 2018 would not have a material impact on us. The foreign currency exchange rate between the Canadian dollar and U.S. dollar is expected to average 0.8 in 2018 on all unhedged foreign currency transactions
- financial and physical counterparties are expected to continue fulfilling their obligations to Superior
- regulatory authorities are not expected to impose any new regulations impacting us
- our average interest rate on floating-rate debt is expected to modestly increase in 2018. Interest expense is anticipated to increase due to higher average debt levels related to the Canwest acquisition and tuck in acquisitions and the interest costs for the Notes.

Energy Distribution

- wholesale propane and USRF-related prices are not anticipated to significantly affect demand for propane and refined fuels and related services
- operating costs are expected to be lower due to continuous improvement initiatives and restructuring activities related to integrating Canwest and realizing synergies.

Specialty Chemicals

- average plant utilization will approximate 90%-95% in 2018.

Non-GAAP financial measures

In this AIF, we've used a term that is not defined by GAAP, but is used by management to evaluate our performance and the performance of our business. This measure may also be used by investors, financial institutions and credit rating agencies to assess our performance and ability to service debt.

Non-GAAP financial measures do not have standardized meaning prescribed by GAAP and are therefore unlikely to be comparable to similar measures presented by other companies. Securities regulations require that Non-GAAP financial measures be clearly defined, qualified and reconciled to their most comparable GAAP financial measures. Except as otherwise indicated, these Non-GAAP financial measures are calculated and disclosed on a consistent basis from period to period. Specific items may only be relevant in certain periods.

The intent of Non-GAAP financial measures is to provide additional useful information to investors and analysts and the measures do not have any standardized meaning under IFRS. The measures should not, therefore, be considered in isolation or used in substitute for measures of performance prepared in accordance with IFRS. Other issuers may calculate Non-GAAP financial measures differently.

Investors should be cautioned that Compliance EBITDA should not be construed as an alternative to net earnings, cash flow from operating activities or other measures of financial results determined in accordance with GAAP as an indicator of our performance.

Compliance EBITDA, a non-GAAP financial measure used in this AIF represents earnings before interest, taxes, depreciation, amortization and certain other non-cash expenses calculated on a 12-month trailing basis, giving pro forma effect to acquisitions and divestitures, and is used by Superior to calculate compliance with its debt covenants and other credit information.

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 practises 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, 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, 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 significant 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) exercise oversight with respect to the implementation and effectiveness of the Corporation's enterprise risk management system;

(j) 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;

(k) 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

(l) 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, 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;

(d) ensure that the external auditor reports 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 the resolution of any disagreements between management and the external auditors;

(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;

(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 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 financing 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) review with management and the external auditors their assessment of significant corporate and financial risks and exposures including without limitation cyber security risks;

(b) 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;

(c) 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

(d) 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 judgement. 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.

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 four times per 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.

6. Quorum

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

7. Procedures, 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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