Annual Information Form

For the fiscal year ended
December 31, 2018

February 27, 2019

Superior Plus

2018 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, South America and internationally.

Headquartered in Toronto, we trade on the Toronto Stock Exchange under the symbol SPB and have approximately 174.9 million common shares outstanding. We have approximately 4,342 employees worldwide.

In this document

» we, us, our and Superior mean Superior Plus Corp.

» AIF and this document mean this annual information form.

All information is as of February 27, 2019, 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 59.

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 60.

What's inside

Where to find additional information

Our 2019 information circular, which we expect to file on or about February 28, 2019 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. (Superior GP) (as general partner) and Superior Plus Corp. (as limited partner)
- formed on September 17, 2006
- directly and indirectly wholly owned by Superior:
  - Superior owns 100% of Class A limited partnership units
  - Superior GP owns all the general partnership units

Function
Operates two segments:

- Energy Distribution provides distribution, wholesale procurement and related services for propane, heating oil and other refined fuels under two divisions, Canadian Propane Distribution and US Propane Distribution
- Specialty Chemicals supplies sodium chlorate and technology to the pulp and paper industries and is a regional supplier of potassium and chlor-alkali products mainly in the US 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
- owns all the general partnership units

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

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

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:
  - owns 100% of Superior Plus LP Class A limited partnership units
  - owns 100% of Superior GP common shares

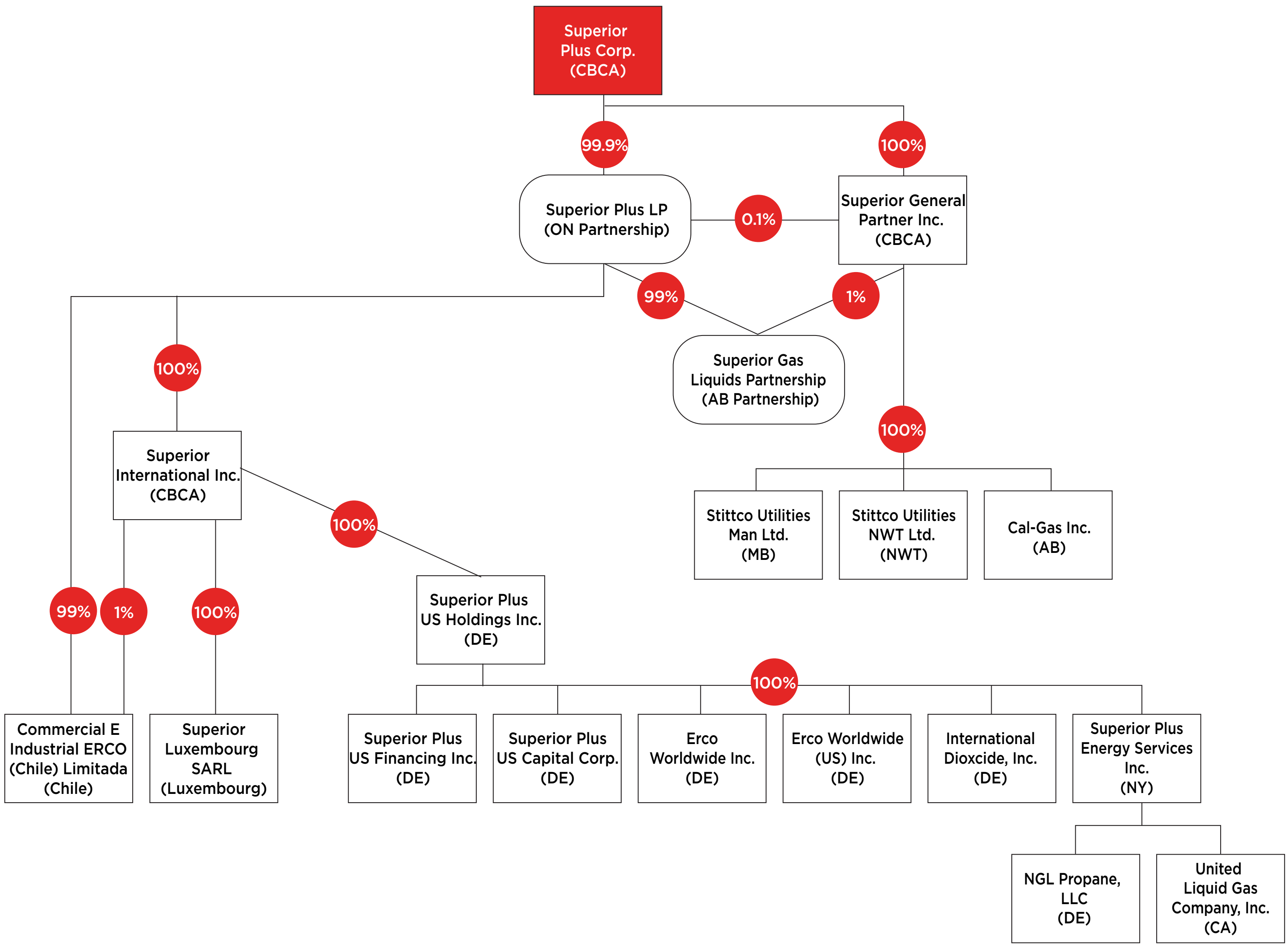
Function
Is the publicly traded holding company of Superior Plus LP

Financed its investment in Superior Plus LP by issuing equity securities and convertible debentures

Receives income from its investment in Superior Plus LP

Pays dividends to shareholders after paying its expenses

Organization chart



Major developments

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 58.

August

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

September

- We suspended our dividend reinvestment program after paying the August dividend. Read about the program on page 39.
- We redeemed all $150 million of our outstanding 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 42.

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 41.

August

- We bought the propane distribution assets of Yankee Propane and Virginia Propane for US$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.

September

- We purchased all of the issued and outstanding shares and units of the companies that operate the retail propane business of Canwest for $412 million plus $20.4 million working capital adjustments after receiving Competition Bureau clearance. See page 18 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. Read about the notes on page 42.
- We bought the propane distribution assets of R.W. Earhart Company, for US$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

- We entered into agreements with two third parties to sell the propane assets associated with the divested sites as required by the Consent Agreement we entered into with the Competition Bureau in connection with the Canwest acquisition.

February

- We issued $220 million principal amount of our 5.125% Senior Unsecured Notes. Read about the notes on page 42.
- We bought the propane distribution assets and the fuels and lubricants business of Hi-Grade Oil Co. in Ohio for US$6.4 million. We simultaneously sold the fuels and lubricant business on the same day to a third party for US$1.7 million.

March

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

April

- We sold certain retail distillate assets in Pennsylvania to a third party for US$16.7 million.
- We sold our wholesale refined fuels business and certain refined fuel terminal assets located in New York to Sunoco LP for approximately US$39.5 million plus working capital of approximately US$16.0 million.
- We sold our Petrofuels business located in St. Catharines, Ontario for $4.1 million.
- We completed the Canwest asset sales pursuant to the Consent Agreement for $11.2 million plus working capital of approximately $2.0 million.

May

- We bought the propane distribution assets of Blue Flame, an independent distributor in Pennsylvania for US$11.0 million.
- We completed an extension of our $620 million credit facility and increased the accordion facility to provide up to an additional $300 million of capacity. We also extended the credit facility's maturity date to May 8, 2023.
- We commenced a normal course issuer bid (NCIB) to purchase for cancellation up to 7,142,141 common shares through the facilities of the TSX.

June

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

2018

July

- We bought NGL Propane, LLC, NGL Energy Partners LP's retail propane distribution business for approximately US$889.8 million. The purchase was financed through a combination of debt and equity, including US and Canadian debt offerings of US$350 million and $150 million principal amount of unsecured notes, respectively, the issuance of $400 million worth of subscription receipts and borrowings under our existing credit facilities. Read more on page 18.

September

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

October

- We acquired all of the issued and outstanding shares of United Liquid Gas Company, Inc., which operates under the trade name of United Pacific Energy, an independent wholesale natural gas liquid distributor in California for US$33.0 million plus working capital of approximately US$6.9 million.

November

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

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 16)

Buys and sells propane and other liquid fuels and related products in Canada and the US.

2. Specialty Chemicals (see page 28)

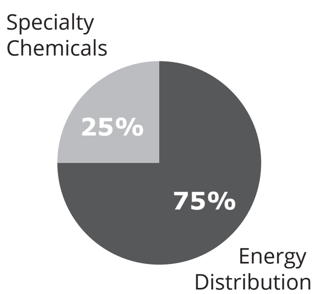
Produces and sells sodium chlorate, chlor-alkali products and sodium chlorite in North America and internationally.

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

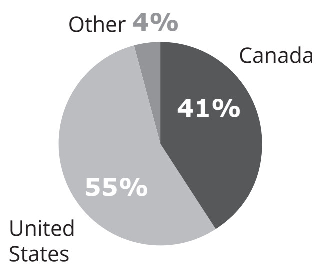
The 27 employees at head office include executive management, treasury, legal, tax, financial reporting, business development, risk and compliance, investor relations and corporate secretarial functions.

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

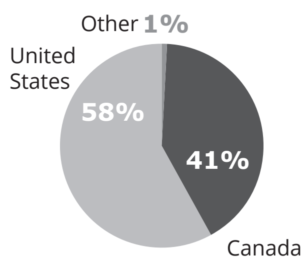
2018 Revenue by reportable segment[(1)]



Revenue by region[(1)]



Assets by location



[(1)] Chart reflects results of NGL Propane from completion of the acquisition on July 10, 2018.

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, 2018. These are available on our website (www.superiorplus.com) and on SEDAR (www.sedar.com).

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

Governance

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 2018, our ISS Governance QualityScore improved from 4 to 1 and our inaugural ISS Environmental QualityScore was an 8 and the ISS Social score a 6. We are committed to improving our existing environmental practices as we strive to improve the health, safety and environmental practices at all our operations which we expect to positively impact our ISS Environmental and Social QualityScores.

You can read more about our corporate governance practices in our management information circular dated February 27, 2019, 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 (Code) reinforces our principles and values and guides behaviour to avoid any potential embarrassment, liability or financial loss.

The code covers several areas, including:

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

The code applies to all directors, officers, employees and independent contractors. Reports of non-compliance with the code or policies are reported in accordance with our Whistleblower Policy for which the audit committee has oversight responsibility.

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

Avoiding conflicts of interest

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

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

Whistleblower policy

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

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

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

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

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

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

Health, safety and environment practices

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

We seek continuous improvement of our health, safety and environmental performance in all of our operations. In 2011, Specialty Chemicals started on a journey to create a "World Class Safety Culture", building on the existing HS&E management system to further enhance its safety performance. Its vision was to create an injury-free workplace. Since embarking on this journey, Specialty Chemicals has reduced their recordable injuries across the company, by 50%. As part of that culture change, ERCO focused on leadership engagement and the measurement of leading indicators as critical components. Some examples include:

- "Face Time", where leaders proactively seek to dialogue with employees to review aspects of safety in their activities.
- employees are encouraged to report near misses as a way of identifying and eliminating safety hazards.

Likewise, our Energy Distribution business has introduced several new HS&E programs and enhanced training in their business to improve the safety culture. These safety programs include the Personal Hazard Assessment, the Behavioural Observation and Hazard Identification and Control programs which encourage front line employees and managers to be more pro-active about safety. These programs have already improved employees' attitudes toward safety. The training programs for managers have resulted in a robust incident investigation and reporting process and the learnings from such incidents have identified gaps in training and processes, enabling us to improve our existing programs. The Energy Distribution business has also improved the number and quality of near miss reporting, which has assisted with hazard identification and teaching our employees to eliminate/reduce the severity of a near-miss. At Superior Gas Liquids, various safety features such as installation of gas detectors, video cameras and biometrics for increased security were implemented as part of the upgrades at the St. Catharine's and Stevensville terminals with the goal of reducing the risk of incidents on sites.

In 2018, we strengthened our HS&E management system across our organization:

- Implemented various corporate level HS&E policies and guidelines to enhance the HS&E management system to support continuous improvement and outline consistent expectations for performance and reporting across the organization
- Ensured that our HS&E management system is aligned with the Occupational Health and Safety Management Standard CSA-Z1000-14
- Held our first Safety Summit which provided an opportunity to learn from the experience of another company's safety journey and provided a platform for the board HS&E Committee to engage in in-depth discussions with HS&E leaders across the organization
- Identified leading indicators to track and report on internally to improve safety performance
- Developed and approved 5-year HS&E targets for each division

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

Overseeing HS&E

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

Our Divisional HS&E committee, which is comprised of divisional HS&E leaders, was established in 2017, and serves as a companywide network and platform for sharing best practices, resources and improving our HS&E performance. It reports to the HS&E committee of the board. Our Divisional HS&E committee met four times in 2018. Its key activities and accomplishments during the year included:

- Drafted various corporate level policies and guidelines enhancing our commitment to health and safety at all our operations
- Standardized the board HS&E committee reporting process and templates

- Reviewed and finalized its mandate and implemented a 5-year work plan to develop and implement an effective HS&E management system across the divisions
- Developed a methodology to update the business HS&E goals to reflect acquisitions and divestitures during the year
- Held a workshop to identify the five leading indicators to report to the HS&E committee of the board commencing in 2019
- Developed an internal HS&E Compliance certification process for each business to enhance internal reporting
- Shared best practices and learnings between the businesses on various HS&E matters during the year.

HS&E Performance

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.

Specialty Chemicals is a founding member of Responsible Care®, a U.N. recognized sustainability initiative for the chemical industry around the world.

Specialty Chemicals is also a member of the Chemistry Industry Association of Canada (CIAC), Asociación Gremial de Industriales Químicos de Chile (ASIQUIM A.G.) and the American Chemistry Council (ACC).

The Canadian Propane Distribution and US Propane businesses each have 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 2018 the Energy Distribution business undertook various initiatives to enhance its safety performance at its operations. Some highlights and accomplishments include:

- Superior Propane reduced its transportation preventable motor vehicle accidents by 20% compared to 2017, in part due to driver training, pre-drive assessments and installation of back-up cameras on its bulk trucks
- Superior Propane increased its leading indicator reporting of Near Miss and Hazard Identifications by 5% over 2017 results, as one of the proactive measures to reduce and prevent injuries
- Superior Gas Liquids has not had a recordable incident in the last five years.

Superior Propane facilities are safety certified with the Certificate of Recognition (COR™) in Alberta, British Columbia, Saskatchewan and Manitoba.

Specialty Chemicals' North American chlorate and chlor-alkali products and generator business are ISO 9001:2015 certified.

You can read more about the health, safety and environmental risks of our Energy Distribution business starting on page 52.

Specialty Chemicals

Our Specialty Chemicals business, which operates under the ERCO Worldwide (ERCO) 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. ERCO plants are designed using recognized best engineering practices to prevent a chemical leak. Systems are designed with multiple layers of protection to minimize the impact should a leak occur and keep a release confined within the plant boundaries.

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.

Specialty Chemicals is proud to be one of the founding members of Responsible Care®, a U.N. recognized sustainability initiative for the chemical industry around the world, and a member of the Chemistry Industry Association of Canada (CIAC), Asociación Gremial de Industriales Químicos de Chile (ASIQUIM A.G.) and the American Chemistry Council (ACC). They are committed to the Principles of Sustainability and as such, recognize their responsibility to continuously improve their health, safety and environmental performance, and be sensitive and responsible to community concerns.

Responsible Care® companies are industry performance leaders, bound together by a commitment to address challenges and continuously improve performance of the chemical industry as a whole. Specialty Chemicals has been a key part of this group of leaders for almost 30 years under Responsible Care® in every country in which they operate. This commitment to Responsible Care® 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 also uses 75 new state-of-the-art chlorine cars, which are designed to withstand a transportation incident without a release.

Specialty Chemicals uses a centralized health, safety and environmental management system based on the codes and commitments under Responsible Care® 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.

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

» the Grande Prairie, Alberta plant surpassed 1,050,000 hours and 20 years without a recordable injury on January 10, 2019, and reached 27 years without a lost time incident on January 6, 2019

» the Saskatoon, Saskatchewan facility received the Chlorine Institute Process Safety Award again in 2018 (has received the award every year since 2010)

» the Port Edwards, Wisconsin facility received the Chlorine Institute Process Safety Award again in 2018 (with the exception of 2016, it has received the award every year since 2005).

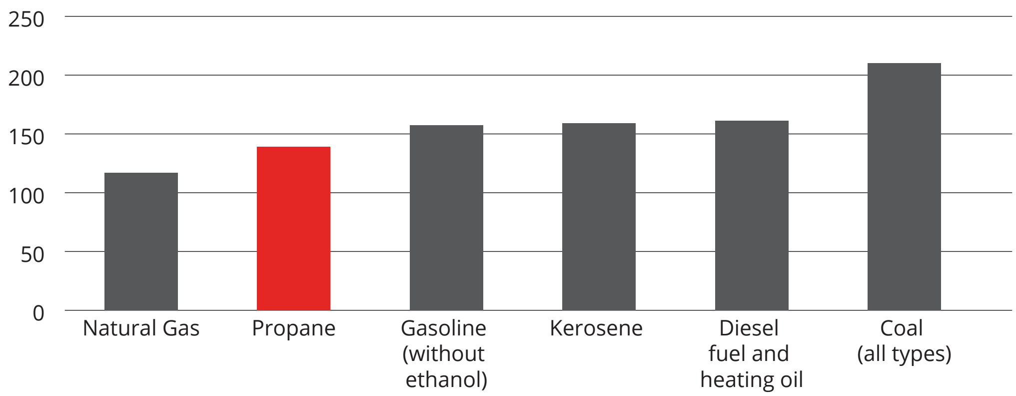
Specialty Chemicals has been a past recipient of certain safety awards including: the Association of American Railroads, the Grand Slam Award, and the Perfect Game Award. These awards are the highest honour in rail safety and have very stringent criteria, including being recognized by at least four Class 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 52.

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. Recognized for its low emissions and environmental impact by the Alternative Fuels Act and the United States Environmental Protection Agency, propane is one of the cleanest and most versatile fuels in existence.

Carbon Emissions by Fuel Source
(per million Btu)



Source: data derived from US Energy Information Administration website.

Propane emits 60% less carbon monoxide than gasoline, 98% less particulate matter than diesel and contains virtually no sulfur[1] 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. Unlike fuels such as gasoline or diesel, propane is a nontoxic fuel that doesn't contaminate soil or groundwater.

How we're reducing greenhouse gases (GHG)

Canadian Propane Distribution is making efforts to reduce its greenhouse gas emissions.

» In addition to providing customers with a low carbon fuel, Superior Propane has implemented procedures and policies to reduce the GHG emissions of its own operations in the following ways:
  - approximately 12% of its fleet including bulk trucks and service vehicles run on a dual-fuel system that reduces dependence on diesel for bulk trucks and gasoline for light duty service vehicles. For light-duty vehicles fueled with propane, the reduction in GHG emissions is as much as 11% per vehicle when compared to a light-duty vehicle fueled with gasoline, according to the Propane Education & Research Council (PERC). Harmful toxic substances such as benzene and formaldehyde are reduced by as much as 96% when using propane versus gasoline
  - upgraded more than 29,000 propane tanks at its customer locations by installing SMART Tank™ sensors, saving an average of one delivery per tank per year, lowering carbon dioxide emissions by an estimated 290 tonnes[2]
  - supporting recycling by using retread tires for approximately 50% of its drive tire replacement requirements.

» In addition, Superior Gas Liquids has:
  - terminals in California that use a nitrogen purge system to prevent any propane from being released into the atmosphere through the truck and railcar loading process
  - replaced all the yard lights in Stevensville from mercury/sodium vapour lights to LED lights, resulting in significant energy savings
  - all its vehicles operating in California are "Certified Clean Idle" under California's idling regulations and are also compliant with California's low emission regulations.

[1] Source: Canadian Propane Association website

[2] Calculations based on EPA SmartWay: Shipper Partner Tool: Technical Documentation, 2013 and the Environment Defence Fund 'Green Freight Handbook: http://business.edf.org/files/2014/07/EDF-Green-Freight-Handbook.pdf.

Likewise, US Propane in addition to providing customers with a low carbon fuel, is reducing its GHG emissions by:

- upgrading more than 12,000 propane tanks at customer locations by installing Tank Monitors, saving an average of one delivery per tank per year
- tracking carbon dioxide emissions from its current fleet with a focus on reducing emissions
- expanding the use of Vnomics, an onboard driver-feedback system that encourages drivers to operate their trucks as efficiently as possible. The program has saved over 137,000 gallons of fuel and 1,548 tons of carbon dioxide since it was fully implemented in the spring of 2017 (based on national fuel price averages throughout the period).

The corporate office and Specialty Chemicals' corporate office have eliminated the use of bottled water replacing it with a water filtration system. The corporate office also introduced a coffee pod recycling service and participates with its building management on green initiatives such as waste management and reducing energy consumption.

Emergency Response Programs

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

For example, as an active member of the Canadian Propane Association (CPA) as well as an Operating Committee member and plan participant of Emergency Response Assistance Canada (ERAC) (an organization designated to respond to industry emergencies), Superior Propane continues to act as an industry leader both internally and externally to develop and enhance key safety programs to ensure employee, customer and community safety as well as technical and regulatory compliance. As part of Environment Canada's Environment Emergency Regulations (the E2 program), each Superior Propane facility maintains communication and engages with the local stakeholders such as the fire department, and all businesses and residences within the identified hazard radius of such facility.

The Specialty Chemicals business maintains several emergency response programs and is equipped with technical expertise and resources for responding to and supporting an on-site or transportation chemical emergency. The Saskatoon, Saskatchewan and Port Edwards, Wisconsin emergency response teams are a part of CHLOREP®, the Chlorine Institute's mutual aid program aimed at providing rapid and effective response to chlorine emergencies in the US and Canada. The emergency response teams regularly participate in CHLOREP® training and can be called upon to provide emergency response assistance in the event of a chlorine-related incident within their geographic sectors.

Specialty Chemicals is an active member of the Chemistry Industry Association of Canada's Transportation Community Awareness and Emergency Response initiative (TRANSCAER®) both at the national and provincial levels. As part of TRANSCAER®, Specialty Chemicals regularly partakes in meetings and events aimed at helping local municipalities, emergency responders and residents, along our products' transportation corridors, stay informed about the products being moved through their areas and prepare to respond to potential incidents involving dangerous goods.

Social Responsibility

People

Human Rights Policy

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

We are committed to maintaining a culture that supports human rights and all employees are trained and educated on ethical standards, diversity and anti-harassment. We ensure compliance with applicable privacy, employment and labour laws by continuous monitoring. Any employee who would like to confidentially report a potential violation of this policy can raise such concerns:

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

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.

As a result of our broader diversity strategy that began in 2015, 33% of the new senior management hires were women and the number of female executives increased from 5 to 6 in 2018.

Company Diversity initiatives

In 2018, some of our initiatives to promote diversity in the company and related accomplishments included:

- » expanded our mentorship program to include high potential female managers in all levels of the organization, integrated diversity initiatives into our hiring practices and included diversity as one of the measurements in our employee surveys
- » US Propane sponsored some of its women employees to a Wealth and Empowerment Lunch & Learn Program, a program for women to gain confidence to manage their finances and share experiences
- » included gender diversity in all leadership review processes
- » gender diversity requirements in all recruitment mandates
- » 63% of new hires at Specialty Chemicals were female
- » Superior Propane's new Western Operation Customer Centre, which opened in 2018, was staffed with 50% female employees
- » diversity training and awareness for all employees.

Board diversity

In August, 2018, we revised our board diversity policy to adopt an objective for attaining at least 30% female members on the board within 3–5 years from August, 2018. The board diversity policy also provides that the governance and nominating committee, in identifying candidates for appointment as board members, should specifically consider the benefits of diversity, in order to maintain an optimum mix of skills, knowledge, experience, education, gender, age, ethnicity and geographic locations on the board. The governance and nominating committee will monitor the implementation of the board diversity policy and will report on the progress made towards achieving these measurable objectives to the board and in the information circular. The governance and nominating committee will continue to review the objectives set out in the board diversity policy and may recommend changes or additional measurable objectives from time to time.

Community investment and engagement

Although we do not yet 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. As an organization, together with our employees, we collectively have raised in aggregate, over $2 million during the last 10 years for various charities and organizations, including The Rexall™ OneWalk to Conquer Cancer™, the United Way campaign, the Canadian Women's Foundation, The Canadian Cancer Society, the MLSE Foundation, The Enbridge® Ride to Conquer Cancer®, The Right to Play and Breast Cancer Research Foundation in the United States. Our corporate office offers its employees a paid day off to volunteer with any charitable organization of their choice to give back to the community.

Energy Distribution

Superior Propane is very proud to be involved in the communities we serve. Our offices across the country participate in office fundraisers in support of local community organizations such as the Heart & Stroke Foundation and the Humane Society. Further, our local propane facilities donate propane for important community initiatives such as Steps for Life, a walk to raise funds and awareness about the devastating ripple effects of workplace tragedy. Superior provides the propane for the monumental torch that is lit at the beginning of the walk and burns all night to give hope, heat and light to guide walkers.

Superior Propane has proudly partnered with national charities such as the Canadian Tire Jumpstart™ program and has donated $25,000 annually for more than 10 years. Its contribution has helped give more than 1,500 kids across Canada the chance to play organized sports and recreation activities of their choice. Since 2009, Superior has proudly supported the Canadian Breast Cancer Foundation (now part of the Canadian Cancer Society) and donated $40,000 in 2018. In addition to our annual donation, we have painted seven of our propane trucks pink to help raise breast cancer awareness across Canada.

Superior Gas Liquids conducts several food drives a year for the Calgary Interfaith Food Bank. It also sent a team of employees to volunteer at the SHARP foundation (a non-profit organization committed to providing a continuum of care for those living with HIV or at the highest risk of contracting HIV) in Calgary.

Both US Propane and Superior Propane post information on their websites to educate their customers, employees and the community on propane safety and proper tank maintenance for all their products.

Indigenous Relations strategy

Superior Propane has been a trusted energy partner of Indigenous people and businesses across Canada since 1951. It has an Indigenous Relations strategy that recognizes the unique and defining features of Indigenous culture and markets. It is committed to Indigenous 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 Indigenous land use expectations and in an environmentally sustainable manner
- communicating in a way that is collaborative, consultative, and transparent
- supporting Indigenous capacity-building programs for education, training, mentoring and employment
- contributing to Indigenous community and cultural programs
- sponsoring recreational and educational facilities for certain Indigenous communities
- being a member of certain Indigenous committees and member of certain associations, for example, the Canadian Council for Aboriginal Business.

Specialty Chemicals

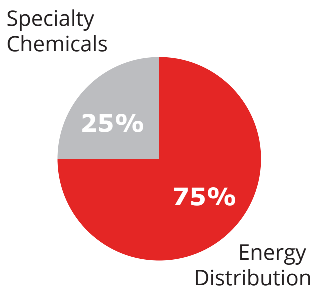
Specialty Chemicals has a long standing history of being involved in the communities we serve. Our locations across the country participate in fundraisers in support of local communities in which we operate.

» 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. This award recognizes local businesses that offer positive economic impact to the community, and demonstrate corporate citizenship and workplace excellence. Some specific criteria include work-life balance initiatives, employee education programs, diversity awareness programs, employee recognition programs, and conservation and waste reduction efforts
» 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
» Specialty Chemicals' Hargrave, Manitoba plant has provided monetary support to the local 4-H club for the past 16 years, giving local youth the opportunity for personal development and leadership building skills.

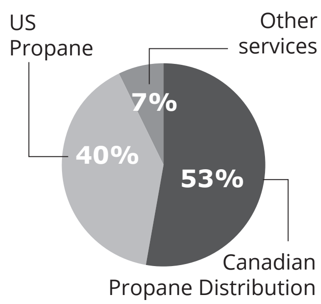
1. Energy Distribution

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 (Canadian Propane Distribution) Rochester, New York (US Propane Distribution)
Employees	3732

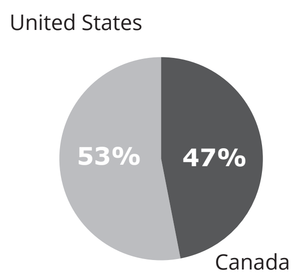
2018 Revenue by reportable segment[(1)]



Gross profit by service[(1)]



Revenue by region[(1)]



(1) Chart reflects results of NGL Propane from completion of the acquisition on July 10, 2018.

The Energy Distribution business buys and sells propane, other liquid fuels and related products in Canada and the US. It has two divisions:

» **Canadian Propane Distribution** – see page 20

» **US Propane Distribution (US Propane)** – see page 25

Products

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

Propane

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

Canada produces approximately 12.7 billion litres of propane a year. Approximately 92% is extracted from natural gas during gas processing operations at field plants or at large straddle plants on major natural gas transportation systems. The remaining 8% is extracted from crude oil during the refining process.

The retail propane industry is mature, and makes up about 2% of total energy consumption in Canada. Propane competes with other energy sources like natural gas, fuel oil, electricity and wood for traditional uses. With the exception of natural gas, propane produces less carbon dioxide per unit of energy than these other energy sources[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.

Of the propane produced in Canada every year, it is estimated that 52% is exported to the United States, mainly by truck and railcar. The remainder is used to satisfy domestic demand in Canada which is estimated at 5.55 billion litres per year. Demand in both Canada and the United States includes industrial, commercial and residential, with residential consumption making up the majority.

1 Source: US Energy Information Administration website FAQ

Residential/ commercial

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

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

Wholesale

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

Oilfield

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

Motor Fuels

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

Heating oil and other liquid fuels

Heating oil is a low viscosity, flammable, liquid petroleum product produced at crude oil refineries that is mostly used for space heating. It has 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 and they represent about 80% of the US households that use heating oil for space heating.

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

Environment, safety and regulations

You can read more about our approach to environmental, social and governance issues on page 6, and about the risks of our Energy Distribution business starting on page 49.

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 (Canwest)

On March 1, 2017, Superior Plus LP acquired an irrevocable option to buy all of the issued and outstanding shares and units of the entities that carried on Canwest retail propane business (the Canwest securities) from Gibson Energy ULC (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 (Consent Agreement).

Founded in 1987, Canwest was 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.

Superior Propane completed the integration of Canwest in 2018. Over 35,000 Canwest customers and 72,000 delivery locations were converted to Superior's operating model and all field operations began operating as one team using Superior's systems and processes. In conjunction with the consolidation of field operations, 176 Superior and Canwest operating facilities were reduced to 91 active locations by the end of Q3, 2018. In order to support the combined business in Western Canada, a new Customer Experience Centre was established in Calgary, Alberta in the first quarter of 2018, which is responsible for answering customer calls and scheduling propane deliveries and service work. Canwest's head office functions were also integrated with Superior's resulting in the closure of the Canwest head office and termination of the Gibson transition services agreement by the end of October, 2018.

Hi-Grade Oil Co.

On February 2, 2018, we bought the propane distribution assets and the fuels and lubricants business of Hi-Grade Oil Co. for US$6.4 million increasing our reach in Ohio. We sold the fuels and lubricant business on the same day to a third party.

Blue Flame Gas Service (Blue Flame)

On May 1, 2018, we bought the propane distribution assets of Blue Flame, an independent distributor in Pennsylvania for US$11.0 million.

Pepco Atlantic Inc. (Pepco)

On June 8, 2018, we acquired the business assets of Pepco for $3.7 million. Pepco serves residential and commercial customers primarily in the Halifax market.

NGL Propane, LLC (NGL)

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

Porco Energy Corp. (Porco)

On September 21, 2018, we bought the propane distribution and other assets of Porco, an independent propane and distillate fuel distributor in New York for US$16 million.

United Pacific Energy

On October 2, 2018, we acquired all of the issued and outstanding shares of United Liquid Gas Company, Inc., which operates under the trade name of United Pacific Energy, an independent wholesale natural gas liquid distributor in California for US$33.0 million plus working capital of approximately of US$6.9 million.

Musco Fuel and Propane LLP (Musco)

On November 1, 2018, we acquired substantially all of the propane distribution assets of Musco, an independent propane distributor in Connecticut serving residential and commercial customers for US$14.5 million.

Divestitures

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

On April 3, 2018, we sold certain retail distillate assets in Pennsylvania to a third party for US$16.7 million.

On April 19, 2018, we sold our Petrofuels business located in St. Catharines, Ontario to McDougall Energy Inc. for $4.1 million.

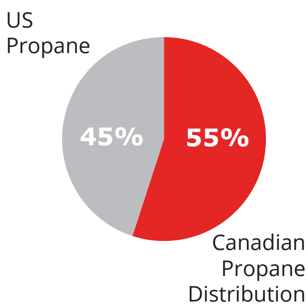
On April 20, 2018, we completed the Canwest asset sales pursuant to the Consent Agreement for $11.2 million plus working capital of approximately $2.0 million.

On April 25, 2018, we sold certain wholesale refined fuels business assets located across five states in the northeast US and refined fuel terminal assets located in New York to Sunoco LP for approximately US$39.5 million plus working capital of approximately US$16.0 million.

Canadian Propane Distribution

Trade names	Caledon Propane Canwest Propane United Pacific Energy	Superior Gas Liquids Stittco Energy Superior Gas Liquids USA	Superior Propane Pomerleau Gaz Propane
Products	Propane, lubricants, equipment		
Markets	Canada, United States		
Locations	241: 42 market offices, 199 satellite locations and storage yards		
Vehicles	1184 (owned and leased)		
Head office	Mississauga, Ontario		
Employees	1698		
Founded	1951		

2018 Revenue by business division



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

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

Canadian Propane Distribution includes 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 US and Canada. You can read more about Superior Gas Liquids starting on page 23.

Customers

Canadian Propane Distribution has approximately 220,000 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 2018. 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	
Commercial	16%
Oilfield	9%
Residential	8%
Industrial	12%
Wholesale	41%
Automotive	8%
Other	6%

Operating structure

CANADIAN PROPANE DISTRIBUTION OPERATIONS[1]

1 excluding satellite locations.

Canadian Propane Distribution's business structure balances a strong local presence with the efficiencies of a national operation. It has a head office, three customer experience centres and a customer care 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 customer experience centres – located in Calgary, Alberta, Guelph, Ontario and Ste. Catherine, Quebec – handle customer interactions from initial contact through to service and delivery coordination. The Quebec location also supports the customer care centre. The customer care centre, which is in Thunder Bay, Ontario 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.

Employees

Approximately 321 or 19% 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 December 31, 2020 to April 30, 2023. 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 23.

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 trailers, which can take between 35,000 to 65,000 litres per trailer, are managed by third-party carriers. Approximately 31% 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 24.

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

Canadian Propane Distribution has a fleet of trucks to meet its secondary transportation needs. Superior GP owns 77% of the vehicles and 23% are leased under financing leases. Propane is delivered in pressurized cylinders and bulk volumes. Heating oil is 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	474	6,500 to 30,000 litres
Cylinder trucks	83	boxes that are 12 to 26 feet
Tractors	47	—
Pressurized trailers	97	25,000 to 68,000 litres
Flatdeck trailers	47	—
Crane trucks	107	—
Service vehicles	329	—
Total	1184	

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% of the national market share.

Propane distribution is a local, relationship based business, and competition is driven by price and level of service. Pricing is managed at the corporate, regional and local market level. It's mostly based on a margin above product and transportation costs which costs are typically passed onto customers, but is also affected by the local costs of other fuels. Profit margins can be affected by a time lag between changes in wholesale pricing and customer price adjustments. If wholesale prices increase, retail gross margins tend to decrease in the short term while customer pricing is adjusted.

Customers typically consider the following factors before deciding to buy:

» supply including reliability and long-term availability

» price and capital cost

» convenience including portability, storage requirements and available space

» equipment efficiency

» a supplier's local presence and service reputation.

Marketing

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

In 2018, Canadian Propane Distribution continued to strengthen its online marketing efforts and digital advantage versus the competition. Online subscriptions and activity on mySuperior™ residential and business portals continue to grow allowing customers to track propane consumption, order fuel and pay bills online.

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

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, California, Kansas and Texas.

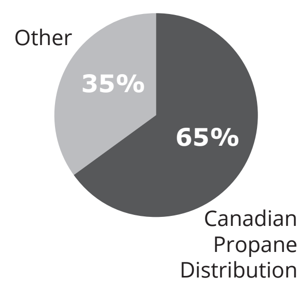
It also optimizes storage, supply requirements, pipeline deliveries, railcar and truck transportation sales.

SGL is based in Calgary, Alberta and also has an office in Reno, Nevada. It has 72 employees, none of whom are unionized.

Customers

SGL sold 2.30 billion litres of natural gas liquids to approximately 28 counterparties in 2018. SGL's largest customer is our Canadian Propane Distribution business, which represented 65% 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 13 propane producers and suppliers across Canada and California, typically under multi-year contracts based on industry posted prices at the time of delivery. Some contracts allow monthly supply volumes to go up or down based on changing demand requirements. The current contracts end in 2021 and 2022. 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 an aggregate of 61% of its annual propane needs:

- Plains Midstream Canada ULC
- Pembina Infrastructure & Logistics L.P.
- Gibson Gas Liquids Partnership
- Shell Chemicals Canada, by its managing partner Shell Canada Limited
- Shell Trading (US) Company.

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

Transportation and storage

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

SGL ships by truck and rail. About 23% of the rail needs are met by approximately 463 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 116.8 million litres of leased underground storage capacity in Michigan, Saskatchewan, Alberta, and Ontario. The storage lease agreements expire between March 31, 2019 and March 31, 2020. 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

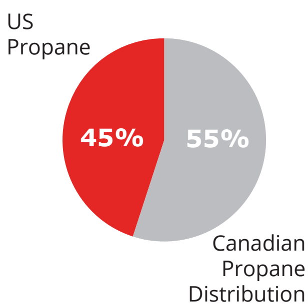
The wholesale natural gas liquids market is very competitive with companies trying to expand their presence in a market that has had little growth in demand. Increased competition has reduced volatility in the market, resulting in shrinking margins. Continuous innovation, a wider variety of pricing structures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

US Propane

Trade names[1]	Superior Plus Propane Downeast Energy Eastern Propane Griffith Energy Earhart Propane Virginia Propane Osterman Propane Atlantic Propane
Products	Propane, liquid fuels
Market	Eastern and Midwest United States
Locations	290 (owned and leased) » 198 service centres » 92 terminals, bulk plants and secondary offices
Vehicles	2014
Head office	Rochester, New York
Employees	1962
Founded	2009

1 Key trade names are listed in the chart. US Propane carries on business under an additional 39 trade names not listed above.

2018 Revenue by business division



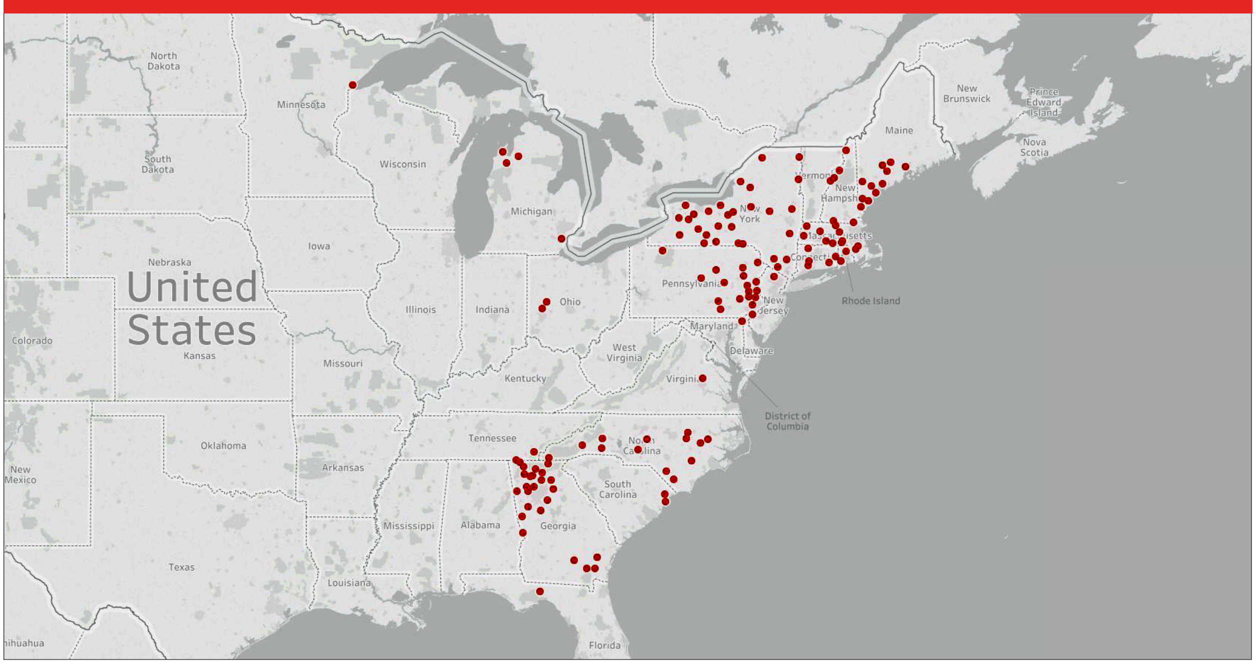
US Propane distributes propane gas and liquid fuels like heating oil along the Eastern Seaboard and into the Midwest with concentration in New York, Pennsylvania, Maine, Massachusetts, Connecticut, Rhode Island, New Jersey, Delaware, Virginia, North Carolina, South Carolina, Georgia, Ohio, and Michigan. It also installs, maintains and repairs heating oil and propane heating equipment.

Customers

US Propane's approximately 500,000 customers are a diverse group of retail and commercial propane and heating oil customers, including homeowners, agricultural and construction companies, municipalities and schools.

Operating structure

US PROPANE OPERATIONS[1]



1 excluding satellite locations

US Propane has an industry-leading operating infrastructure. It has third party propane supply points strategically located across 198 bulk plants, which are in key markets and have about 13 million gallons of storage capacity. US Propane also has third party storage agreements 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 eight 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

43 (or 2%) of US Propane's employees are unionized under three agreements that expire on March 31, 2020, March 31, 2021, and April 1, 2023. Collective bargaining agreements are renegotiated in the normal course of business.

Product sourcing

Propane gas is purchased in bulk and shipped to over 20 states across the East Coast and Midwest. Five companies supply about 80% of US Propane's purchased volume.

- NGL Supply Wholesale
- Superior Gas Liquids
- Plains All American Pipeline L.P.
- Crestwood LP
- DCP Midstream.

The remaining 20% is from thirteen additional suppliers.

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

Transportation and storage

US Propane has primary and secondary transport needs:

- *Primary* – transporting propane and heating oil from regional refineries and terminals to its satellite locations or directly to large volume customers
- *Secondary* – shipping propane and heating oil from its satellite locations to its customers.

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

US Propane uses a fleet of trucks for secondary transportation. It owns about 84% of the fleet, and leases the balance under financing leases. Propane is delivered in pressurized cylinders and bulk volumes. Heating oil is also delivered in bulk volumes. US Propane employs full-time, part-time and seasonal drivers who make deliveries during the peak winter demand periods. The trucks are maintained by in-house mechanics and third party vendors.

The fleet	Number	Capacity
Refined fuel delivery trucks	293	9,000 to 12,500 gallons
Service vehicles	327	—
Pressurized propane delivery trucks	617	2,400 to 3,500 gallons
Utility vehicles	687	—
Tractors	49	—
Refined fuel trailers	41	9,000 to 12,500 gallons
Total	2014	

Competition and pricing

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

Reliance on heating oil for space heating is highest in the American northeast, however US Propane 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
- US Propane 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 US 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

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

Marketing

Sales and customer service is managed locally, where employees are responsible for finding and keeping customers.

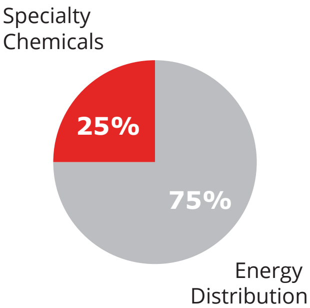
US Propane's marketing goals for 2019 include:

- 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
- using wireless tank monitors as a key promotional component to attract new customers, and will include them as part of retention campaigns for targeted customers beginning in 2019.

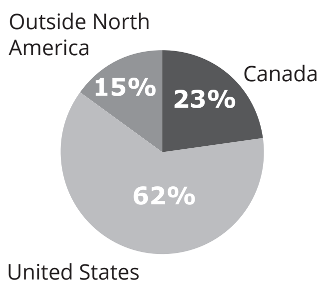
2. Specialty Chemicals

Trade names	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	1,795 (owned and leased)
Head office	Toronto, Ontario
Employees	583
Founded	Late 1890s

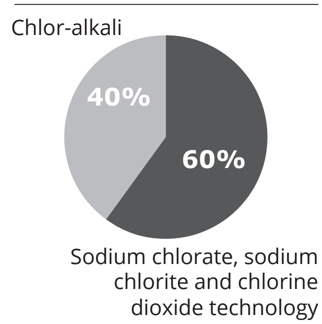
2018 Revenue by reportable segment[(1)]



Revenue by region



Revenue by product



(1) Chart reflects results of NGL Propane from completion of the acquisition on July 10, 2018.

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

» sodium chlorate – see page 30

» chlor-alkali products (sodium hydroxide, potassium hydroxide, chlorine, hydrochloric acid) – see page 32

» sodium chlorite – see page 33.

Customers

Specialty Chemicals top 10 customers make up about 51% of its revenue, with its largest customer making up about 8%. 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 583 full-time employees, including 153 unionized employees. Four of Specialty Chemicals' plants have collective bargaining agreements that are renegotiated in the normal course of business:

» Vancouver, Canada – a three-year agreement that came into effect from December 1, 2018 and expires on November 30, 2021

» Saskatoon, Canada – a three-year agreement that came into effect on October 1, 2016 and expires on September 30, 2019

» Buckingham, Canada – one six-year agreement with the office and technical group that will expire on March 14, 2024, and a second six year agreement for the operations team that expires on November 30, 2023

» Mininco, Chile – a thirty-two month agreement that expires on May 22, 2020.

Production facilities

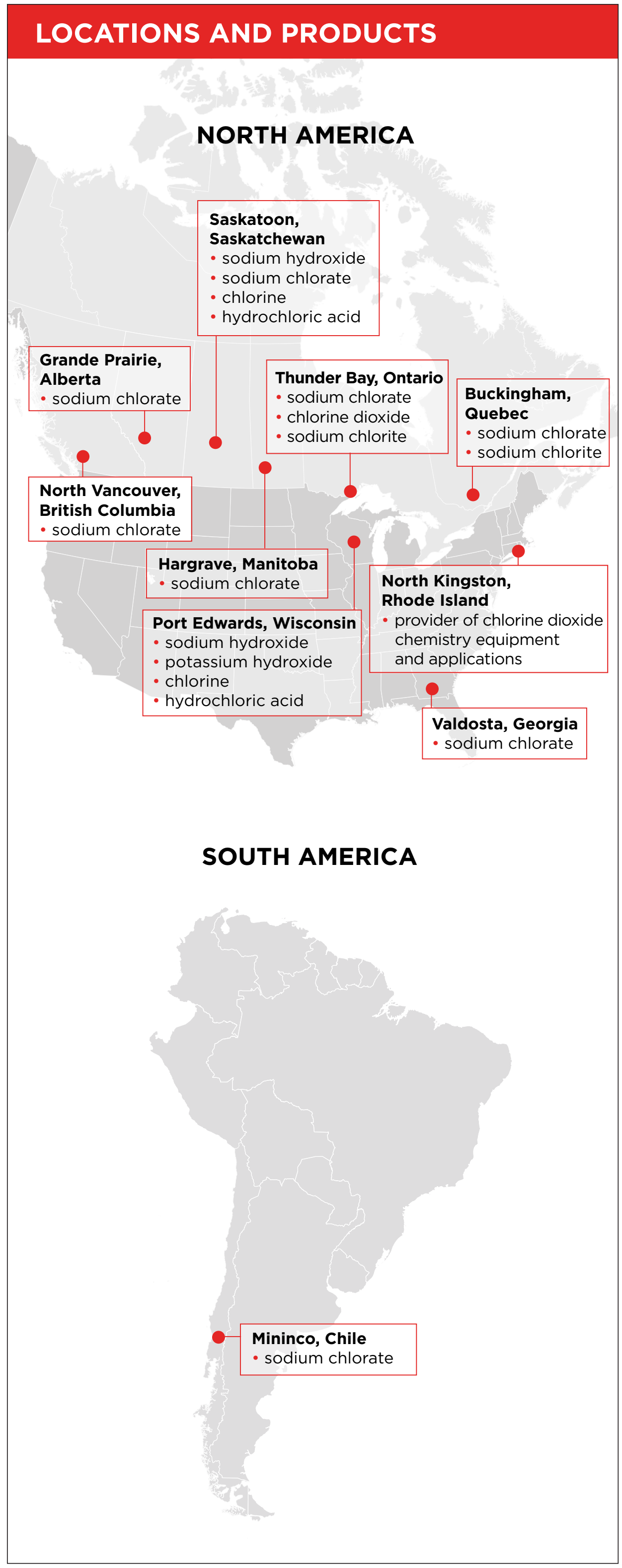
All of Specialty Chemicals' facilities use what we believe to be proven and safe manufacturing processes, and are close to major customers or rail terminals.

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

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

Annual capacity by product

Sodium chlorate	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.

Transportation

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

Transportation by type	North America	South America
Rail	69%	0%
Pipeline or barge	3%	29%
Truck	18%	71%
Export container	10%	0%

It owns 246 and leases 1,549 railcars. The railcars have staggered expiration terms through to 2029, which Specialty Chemicals generally extends before the leases expire. It is expected that regulations for transporting tank cars will become more stringent in the future. Specialty Chemicals bought 50 new interim design chlorine cars, which are designed to significantly reduce the probability of a release during an accident, in 2016, and 25 in 2017. Interim cars have recently been granted a 50 year life span by the Pipeline and Hazardous Materials Safety Administration (PHMSA).

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 risks on page 52.

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

Products

1. Sodium chlorate

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

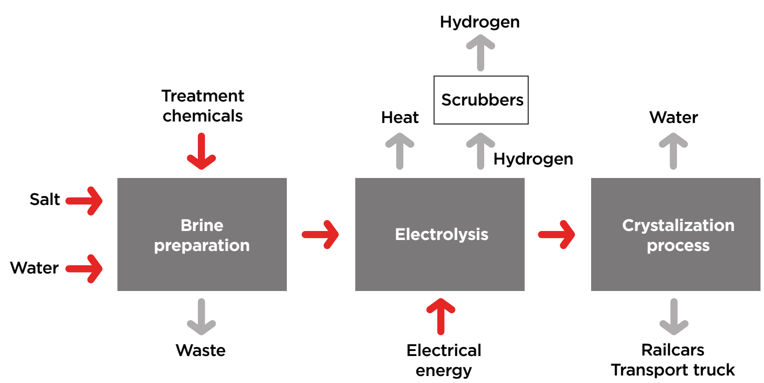
Sodium chlorate – quick facts[1]	
Sales	474,400 MT
Global demand[1]	Approximately 3.6 million MT
Annual production capacity	515,000 MT

[1] *Source: Specialty Chemicals Management & IHS 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 decreasing demand in printing and writing papers, 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 Asia Pacific.

Chlorine dioxide generators

Approximately 2% of the revenue for sodium chlorate comes from related technology. Specialty Chemicals is the largest worldwide supplier of modern chlorine dioxide generators that convert sodium chlorate into chlorine dioxide. It has a competitive advantage through its ability to offer customers intellectual property (e.g. trade secrets, copyrighted software) in its chlorine dioxide generator technology and sodium chlorate, the primary ingredient for making chlorine dioxide.

Used by the pulp and paper industry to produce bleached pulp, chlorine dioxide is an environmentally preferred bleaching agent and is 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
» licensing related software – ERCO Smarts™ is an advanced automation software package that improves the generator's efficiency.

Competition

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

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

2. Chlor-alkali products

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

Chlor-alkali products – 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 & IHS Markit*

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

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

How chlor-alkali products are made

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

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

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

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

Demand

In North America, demand for our products[1] has been stable:

Chlorine	approximately 12.8 million MT
Sodium hydroxide	approximately 11.8 million dry MT
Potassium hydroxide	approximately 0.5 million dry MT
Hydrochloric acid	approximately 5.2 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 13% of the total potassium hydroxide production capacity in North America. It competes with three other companies:

- Occidental Chemical Corporation (52%)
- Olin Corporation (25%)
- ASHTA Chemicals Inc. (10%).

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	8,100 MT
North American demand	Approximately 22,000 – 25,000 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 nine members. Eight are independent, as defined by National Instrument 58-101 – Disclosure of Corporate Governance Practices, National Policy 58-201 – Disclosure Standards, and National Instrument 52-110 – Audit Committees (NI 52-110). Mr. Desjardins is not independent because he is 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 589,273 or about 0.34% 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, 2019, 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	Compensation Health, safety and environment (chair)	Corporate director 2000 to 2012 – President, Chief Executive Officer and director, AmeriGas Propane LP, a Master Limited Partnership traded on the New York Stock Exchange and a subsidiary of UGI Corp., a distributor and marketer of energy products, including natural gas, propane, butane and electricity.
Richard C. Bradeen Quebéc, 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 383,456 common shares	None	President and Chief Executive Officer, Superior Plus Corp. Prior to 2011 – Operating partner, The Sterling Group LP, a private equity firm in the US.
Randall J. Findlay Alberta, Canada » director since 2007[1] » owns 20,000 commons shares	Audit Governance and nominating (chair)	Corporate director 2001 to 2012 – President and co-founder, Provident Energy Trust, an open-ended energy income trust that owns and manages an oil and gas production business and a natural gas liquids midstream services and marketing business.

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 US 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.

	Board committees	Principal occupation or employment in the last five years
Patrick E. Gottschalk Pennsylvania, USA » director since 2017 » owns 50,000 common shares	Audit Health, safety and environment	Corporate director 2012 to 2016 – Business President, Dow Chemical Company, an American chemical and plastics manufacturer and a leading supplier of chemicals, plastics, synthetic fibres, and agricultural products.
Douglas J. Harrison Ontario, Canada » director since 2015 » owns 17,600 common shares	Audit Health, safety and environment	Corporate director and consultant 2013 to 2018 – President and Chief Executive Officer, VersaCold Logistics Services, Canada's largest supplier of temperature sensitive supply chain and logistics services. 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.
David P. Smith (board chair) Ontario, Canada » director since 1998[1] » owns 80,245 common shares	Compensation Governance and nominating	Corporate director Prior to that, Managing Partner, Enterprise Capital Management Inc., a privately owned investment manager.

[1] 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 US
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 Superior Propane June to November 2012 – Interim President, Canadian Propane Distribution 2008 to November 2012 – President, US Propane 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
Andy Peyton Pennsylvania, USA	President, US Propane 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 information circular dated February 27, 2019, 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 five members of the audit committee, and their relevant education and experience.

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

	Relevant education and experience
Catherine M. Best B.I.D, FCPA, FCA, ICD.D	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.
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 was President and co-founder of Provident Energy Trust and a member of its board of directors from 2001 to 2012. He has served as a director of a number of public and private companies and is currently the Chair of Pembina Pipeline. He is on the board of privately held EllisDon Construction and is a member of its compensation committee.
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.
Douglas J. Harrison MBA, CPA, ICD.D, CCLP	Douglas Harrison is a corporate director and consultant. Mr. Harrison served as the President and Chief Executive Officer of VersaCold Logistics Services until December, 2018. 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 and is chair of the Technical Standards and Safety Authority (TSSA) and is Chair of the Canadian Commercial Corporation. 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 – Continuous Disclosure Obligations on SEDAR (www.sedar.com).

E&Y audit fees

The table lists below the services E&Y provided and the fees we paid them for the period February 14, 2018 to December 31, 2018. Fees are for the period ended December 31, 2018 and do not take into consideration the fiscal year the services relate to.

	2018
Audit fees	$ 2,104,500
» fees for audit and review of Superior Group financial statements and Superior Plus LP's annual financial statements	
» services provided in connection with statutory and regulatory filings	
» fees in connection with prospectus related services	
Audit-related fees	$ 428,750
» Fees for assurance and due diligence services, pension plan audits, accounting consultations and audits in connection with acquisitions, attest services that are not required by statute or regulation and consultation concerning financial accounting and reporting standards	
All other fees	$ —
» fees requiring approval from the audit committee	
Total Fees	$ 2,533,250

Deloitte audit fees

The table below lists the services Deloitte LLP provided and the fees we paid them for the year ended December 31, 2017 and for the period January 1, 2018 to February 14, 2018 and do not take into consideration the relevant fiscal year or period the services relate to.

	2018	2017
Audit fees	$ 809,970	$ 1,998,595
» fees for audit and review of Superior Group financial statements and Superior Plus LP's annual financial statements		
» services provided in connection with statutory and regulatory filings		
» fees in connection with prospectus related services		
Audit-related fees	$ —	$ 367,843
» 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		
All other fees	$ —	$ —
» fees requiring approval from the audit committee		
Total Fees	$ 809,970	$ 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 174,872,120 common shares outstanding as of February 27, 2019.

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 SPB. The table below shows the high, low and closing prices and volume for our common shares on the TSX in 2018.

2018	High	Low	Close	Volume
January	$ 12.29	$ 11.75	$ 11.97	8,045,853
February	$ 12.83	$ 11.26	$ 12.63	13,006,708
March	$ 12.97	$ 12.33	$ 12.34	8,443,218
April	$ 13.34	$ 12.25	$ 12.44	9,273,533
May	$ 13.51	$ 12.26	$ 12.37	11,576,604
June	$ 13.08	$ 12.18	$ 12.71	19,461,008
July	$ 13.25	$ 12.55	$ 12.81	15,517,299
August	$ 13.56	$ 12.78	$ 12.94	22,276,817
September	$ 13.30	$ 12.68	$ 12.68	17,617,328
October	$ 12.70	$ 11.46	$ 11.83	22,040,779
November	$ 12.20	$ 10.08	$ 10.40	22,971,935
December	$ 10.64	$ 9.17	$ 9.68	20,680,704
2018	$ 13.56	$ 9.17	$ 9.68	190,911,786

At-the-Market ("ATM") program

On September 27, 2018, Superior announced an At-the-Market ("ATM") equity financing program, which allowed us to sell smaller amounts of common shares at a lower cost than traditional equity offerings, without a discount and at prevailing trading prices, directly from treasury. The ATM program was put in place to maintain a robust pipeline of tuck-in acquisition opportunities, and the ATM program served as a low-cost, flexible funding alternative for these smaller acquisitions. In 2018, we issued 29,300 common shares for net proceeds of $0.4 million under the ATM program. The ATM program expired on December 9, 2018.

Subscription Receipts

In order to finance a portion of the acquisition cost for NGL, on June 8, 2018, we completed a public offering of 32 million subscription receipts at a price of $12.50 per subscription receipt which raised gross proceeds of $400 million. The subscription receipts were subsequently converted into 32,000,000 common shares when we closed the acquisition of NGL on July 13, 2018.

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 Canada 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 41), 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 GP's board determines the amount and frequency of distributions from Superior Plus LP to Superior. It has approved a distribution policy (which it can modify) that allows Superior to maintain its dividend policy, subject to any contractual restrictions on distributions, including agreements entered into with lenders to Superior Plus LP or its affiliates.

Cash dividends

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

	2016	2017	2018
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.

Normal Course Issuer Bid

On May 11, 2018, we commenced a normal course issuer bid (NCIB) to purchase for cancellation up to 7,142,141 common shares through the facilities of the TSX. The Corporation entered into an agreement with an investment dealer for the purpose of making purchases under the NCIB. As at the date hereof, the Corporation has not acquired any common shares pursuant to the NCIB, which will expire on May 10, 2019.

Shareholder rights plan

Our shareholder rights plan was established by an agreement between Superior Plus Corp. and Computershare dated February 16, 2012, amended and restated on May 1, 2015 and further amended and restated on May 8, 2018. The plan is designed to make sure, to the extent possible, that all shareholders are treated fairly and equally if there is an acquisition of a controlling position in our common shares by any person or group of persons acting together.

The plan was adopted by shareholders at the annual and special meeting of shareholders held May 2, 2012, reconfirmed at the annual and special meeting of shareholders on May 1, 2015 and further reconfirmed at the annual and special meeting of shareholders on May 8, 2018. You can find a copy of the amended and restated shareholder rights plan on our website at superiorplus.com. It is also available under our profile on SEDAR (www.sedar.com).

Long-term debt

Long-term debt includes:

- a credit facility
- senior unsecured notes (5.25% Notes, 5.125% Notes and 7.0% US Notes).

Credit facility

$1.05 billion (including the accordion feature) revolving credit facility offered by 10 lenders that matures on May 8, 2023.

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 “Consolidated EBITDA” (as defined in the credit agreement) ratio cannot be more than 3.0 to 1.0 (but is increased to 3.5 times for a period of four fiscal quarters following a material acquisition)
- our consolidated debt (excluding convertible unsecured subordinated debentures) to Consolidated EBITDA coverage ratio cannot be more than 5.0 to 1.0
- distributions (including payments to debenture holders, and dividends to Superior and its shareholders) cannot exceed non-adjusted EBITDA less non-adjusted interest expense, paid in cash and current cash taxes, plus $35.0 million on a trailing twelve month rolling basis. (Principal repayments of subordinated debt are excluded from this restriction if, among other things, our consolidated secured debt to Consolidated EBITDA ratio is less than 2.5 times in the applicable reporting period, including the pro forma impact of the related principal repayment.)

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

Ratios for the last three years ended December 31
Our ratios meet the terms of our credit facility.

	2016	**2017**	**2018**
Consolidated secured debt to Consolidated EBITDA ratio	1.3 times	1.6 times	1.4 times
Consolidated debt to Consolidated EBITDA ratio	2.3 times	3.8 times	4.2 times

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

Senior unsecured notes

The subsequent description of the 5.25% Notes, the 5.125% Notes and the 7.0% US Notes and certain provisions of the trust indentures pertaining to such notes is not intended to be a complete recitation of the terms of such notes and the indentures that govern them. We refer you to the full text of the notes and the indentures that govern them, copies of which are available on SEDAR (www.sedar.com).

5.25% Notes

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

The 5.25% Notes bear interest at 5.25% per year, paid semi-annually in arrears on February 27 and August 27 of each year. Under the terms of the trust indenture, Superior Plus LP can:

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

Change of control

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

Terms that restrict additional debt

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

- a credit facilities basket equal to the greater of (i) $750 million, and (ii) an amount that does not cause its senior secured leverage ratio to exceed 3.0 times to 1.0
- on December 31, 2018, the fixed charge coverage ratio was 5.4 times to 1.

Terms that govern dividends

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

5.125% Notes

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

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

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

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

Change of control

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

Terms that restrict additional debt

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

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

Terms that govern dividends

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

7.0% US Notes

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

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

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

» use the net cash proceeds of one or more common share offerings any time before July 15, 2021 to redeem up to 40% of the total principal amount at a price of 107.0% of the principal amount plus accrued and unpaid interest, if at least 60% of the 7.0% US Notes remain outstanding after the redemption and the redemption occurs 90 days after the closing of the related common share offering

» redeem all or part of the outstanding 7.0% US Notes any time before July 15, 2021 at a price equal to 100% of the principal amount, plus accrued and unpaid interest, plus a make-whole premium

» redeem all or part of the outstanding 7.0% US Notes plus accrued and unpaid interest on or after July 15, 2021 as follows at the prescribed redemption price plus accrued and unpaid interest. The prescribed redemption price is as follows (beginning on July 15 of each of the following years): 2021 (105.250%), 2022 (103.500%), 2023 (101.750%) and 2024 and thereafter (100%).

Change of control

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

Terms that restrict additional debt

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

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

Terms that govern dividends

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

Credit ratings

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

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

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

The table below shows the DBRS, S&P and Moody's rating for our corporate credit and our 5.25% Notes, 5.125% Notes and 7.0% US Notes as of February 27, 2019:

	Corporate credit	**Unsecured 5.25% Notes, 5.125% Notes and 7.0% US Notes**
DBRS	BB (high)	BB
10 categories ranging from AAA to D. High and low indicate relative standing credit within rating category.	B 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.	
Moody's	Ba2	Ba3[1]
9 categories ranging from Aaa to C.	Ba is the fifth highest of 9 rating categories. Obligations that are rated Ba are considered to be speculative and non-investment grade. Companies that are Ba rated are considered to have substantial credit risk.	
S&P	BB	BB
10 categories ranging from AAA to D.	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.	

[1] applicable to 7.0% US Notes.

Risks associated with our business

There are risks in every business.

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

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

Forward-looking information

This AIF, the documents it incorporates by reference and other documents that form part of our public disclosure record include statements with forward-looking information. Actual events and results could be materially different from the forward-looking information in these statements, because of the risks and uncertainties associated with our business. See page 59 for more information about forward-looking information.

Please also see the risk discussion in our 2018 Management Discussion & Analysis.

Types of risk

Financial and corporate risks

Acquisition of NGL

We completed our acquisition of NGL on July 10, 2018. We remain subject to the following risks associated with this transaction:

Realizing the benefits: Our acquisition of NGL 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 an adverse effect on our business, financial condition, operations, assets or future prospects and could result in the acquisition being less valuable to us than expected.

Integrating successfully: Integrating NGL's operations, which are much larger than our legacy US Propane operations, 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 or financial position. The difficulties of integrating NGL include:

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

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

Environment requirements and liabilities: The NGL operations Superior acquired 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 NGL has placed significant demands on our managerial, operational and financial personnel and systems. No assurance can be given that our systems, procedures, personnel and controls are adequate to support the expansion of our operations. Our future operating results will be affected by the ability of our officers and key employees to manage changing business conditions and to implement and improve our operational and financial controls and reporting systems.

Acquisition of Canwest

We completed our acquisition of Canwest 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 the remaining benefits we anticipated could have an adverse effect on our business, financial condition, operations, assets or future prospects.

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 divestitures

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 such as those listed below when we could become liable for the liabilities of the companies we acquire, which could have an adverse effect on our company:

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

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

We also enter into agreements to sell certain assets or businesses. We may not be able to successfully divest assets at acceptable prices or within the timeline envisaged due to market conditions or credit risk, resulting in increased pressure on our cash position and potential impairments. We may be held liable for past acts, failures to act or liabilities that are different from those foreseen. 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 that restrict, among other things, our ability or the ability of Superior Plus LP to incur additional debt, dispose of assets or pay dividends/distributions in certain circumstances.

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

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

Growth through acquisition

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

Dividends and distributions

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

Our credit facilities and Superior Plus LP's senior unsecured notes contain covenants that require Superior Plus LP to meet certain financial tests and that restrict, among other things, our ability or the ability of Superior Plus LP to incur additional debt, dispose of assets or pay dividends/distributions in certain circumstances. These restrictions may preclude Superior Plus LP from returning capital or making distributions on the limited partnership units. See Long-term debt on page 41 for a description of the financial covenants.

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

Our dividend policy is subject to change at the discretion of our board. Superior Plus LP's distribution policy is subject to the discretion of the board of Superior GP. Both policies are limited by contractual agreements including agreements with lenders to us and our affiliates, and by restrictions under corporate law. See Dividends on page 39 and Credit facility – Financial covenants on page 41 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 US 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 have an adverse effect on us or our shareholders.

Interest rates

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

Foreign exchange

A significant portion of our net cash flows are in US dollars. Changes in Canadian/US 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$150 million to US$170 million in 2019, 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 US Propane's and Specialty Chemicals' exposure by entering into hedge contracts with external third parties and internally with our other businesses. US Propane is exposed to fluctuations in foreign currency exchange rates. The hedges are intended to cover a portion of the revenue in order to allow the unhedged portion to match the foreign cost component of the hedge contract. It is not possible to completely offset the effects of changing foreign currency values, which leaves some residual exposure that may impact our financial results.

You can read more about how we manage our foreign exchange risk in our management's discussion and analysis for the year ended December 31, 2018, which is available on our website (www.superiorplus.com) and on SEDAR (www.sedar.com).

International Trade Relations

The US government has indicated its intent to alter its approach to international trade policy and in some cases to renegotiate, or potentially terminate, certain existing bilateral or multi-lateral trade agreements and treaties with foreign countries. In addition, the US government has initiated or is considering imposing tariffs on certain foreign goods, and related to this action, certain foreign governments, including China, have instituted or are considering imposing tariffs on certain US goods. It remains unclear what the US government or foreign governments will or will not do with respect to tariffs or other international trade agreements and policies. A trade war or other governmental action related to tariffs or international trade agreements or policies has the potential to adversely impact our supply chain and the domestic and foreign markets for our products and, thus, to have a material adverse effect on our business and results of operations.

Political Uncertainties

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

Issuing shares

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

Limited liability

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

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

Operational risks

Demand, supply and pricing

Energy Distribution

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

SGL's supply is currently purchased from approximately 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.

In the northeastern United States, approximately 4% of households use propane and another 21% use heating oil as their primary space heating fuel. Heating oil is a low viscosity, flammable, liquid petroleum product produced at crude oil refineries as a part of the distillate fuel oil product family. Residential space heating is the primary use for propane and heating oil, making the demand highly seasonal.

The northeastern United States has traditionally relied on heating oil as a household fuel source, but demand has gradually declined over the past 20 years as propane and natural gas fuels have become more readily available. US Propane 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%. US Propane is a "margin-based" business where the level of profitability is largely dependent on the difference between retail sales prices and wholesale product costs. Changes in supply costs are normally passed through to customers, but timing lags may result in positive or negative gross margin fluctuations.

SGL sources its fixed-price term propane sales commitments by entering into various physical and financial propane purchase and sale contracts for similar terms and volumes to create an effective fixed-price cost of supply. SGL transacts with approximately 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 which are subject to larger price variations based on market conditions. Specialty Chemicals regularly monitors energy pricing and may secure hedging arrangements to mitigate energy price risk. See Specialty Chemicals on page 28.

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.

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

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

Volume variability, weather conditions and economic demand

Energy Distribution

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

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

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

Competition

Energy Distribution

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

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

Among US Propane's largest competitors, pricing tends to be competitive and generally based upon a reasonable markup of overall cost of fuel, delivery, and service. US Propane is well positioned to compete with these corporations given its volume, terminal and bulk storage facilities, and attractive customer density footprint. US Propane 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 US Propane is able to achieve.

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

Specialty Chemicals

Specialty Chemicals competes with Nouryon, 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. Many of Specialty Chemicals' competitors are large companies with greater resources than Superior and therefore may be difficult to compete against successfully.

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

Health, safety and environment

Energy Distribution

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

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

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

US Propane's safety practices and regulatory compliance are an important part of its business, which is managed through a centralized safety and environment system. US Propane'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. Any environmental, health or safety related incidents may result in regulatory or legal action which could result in adverse consequences such as fines, damages, increased costs, legal actions, other sanctions and negative publicity which could have an adverse effect on our business.

The storage and delivery of refined fuels poses the potential for spills which impact the soils and water of storage facilities and customer properties. US Propane 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. US Propane'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. Any environmental, health or safety related incidents may result in regulatory or legal action which could result in adverse consequences such as fines, damages, increased costs, legal actions, other sanctions and negative publicity which could have an adverse effect on our business.

Regulatory environment and legislative change

Energy Distribution

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

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

US Propane 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 US Propane in comparison to these competing energy sources, which could have an adverse effect on our company. Our reliance on these markets means that we are subject to downturns in the US economy, weather patterns in the US, US regulatory changes, protectionist actions by US legislators and other political developments, all of which could have an adverse impact on our financial results.

Specialty Chemicals

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

Reliance on third parties

Superior Plus LP has contracts with third parties that represent a significant source of revenue, and with others that are important suppliers. Third parties include: Plains Midstream Canada, Shell Trading (US) Company, TransCanada Energy Ltd., Nutrien, Inc., CMPC Celulosa S.A. and Gibson Gas Liquids Partnership. 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 if they are otherwise unable to perform as expected, could have a material adverse effect on Superior Plus LP's business, financial condition or operations, even if the failure constitutes a breach of contract. In addition, Specialty Chemicals purchases its raw materials, including electricity, from large organizations that tend to have greater resources and bargaining strength than Specialty Chemicals, which can have a negative effect on the cost of supply of these materials that it may not be able to pass onto its customers.

Information technology and 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.

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

» Our disaster recovery plan includes the ongoing, continuous replications of all cloud-hosted systems and data from our main New Jersey data center to a second, redundant data center in Texas. In case of a major disaster affecting our main data center, we would resume operations from our Texas data center. This plan was successfully tested in 2017.

» Our cybersecurity plan consists of a comprehensive managed services program that is being provided by MNP, a leader in the field of cybersecurity. We have obtained third party validation that using MNP provides an increased level of security resulting from the adoption of the MNP managed services program and an appropriate and reasonable level of protection against common hacking and cyberattacks that could negatively affect the Company.

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 such as the aforementioned MNP managed services, segregating control systems from our general business network, engaging skilled consultants and employees to manage our technology applications, conducting periodic audits and adopting policies and procedures as appropriate. We provide intensive and mandatory cybersecurity awareness 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. Provinces in Canada have adopted a range of legislation to put a price on, or otherwise regulate, GHG emissions. In addition, the Canadian federal government has adopted legislation that puts a price on certain GHG emissions in provinces and territories that do not have an adequate GHG emissions pricing regime, as determined by the federal government. Currently, the regulation of GHG emissions in Canada is the subject of litigation between the Canadian federal government and certain provinces. Both Houses of the United States Congress also have considered adopting legislation to reduce emissions of GHGs. Although Congress has not yet enacted US federal climate change legislation, numerous US 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 would likely have an adverse effect on 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.

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. While insurance coverage exists to mitigate substantial loss due to equipment outage (although not all claim scenarios are necessarily covered), Specialty Chemicals' reputation and its ability to meet customer requirements could be negatively affected as a result of a major electrical equipment failure. Capital expenditures may be required to repair, modernize or address other issues at Specialty Chemicals' facilities. Any unexpected requirement of large capital expenditures could have a material adverse effect on our liquidity and financial condition.

Transportation

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

Fixed-price offerings

Energy Distribution

The Canadian Propane Distribution business offers its customers various fixed-price propane programs. In order to mitigate the price risk from offering these services, the Canadian Propane Distribution business, through SGL, uses either its physical inventory positions or forward commodity transactions with various third parties having terms and volumes substantially the same as its customers' contracts. In periods of high propane price volatility, the fixed-price programs create exposure to over or under supply positions as the demand from customers may significantly exceed or fall short of supply procured. In addition, if propane prices decline significantly subsequent to customers signing up for a fixed-price program there is a risk that customers will default on their commitments. Fixed-price offerings make up approximately 13% of the Canadian Propane Distribution business and SGL's delivered volumes. See Note 17 to the Financial Statements for fixed-price propane purchase and sale commitment amounts.

US Propane offers its customers some limited fixed-price and capped-price programs. In order to mitigate the price risk from offering these services, US Propane uses call options and physical positions, supplemented by forward commodity transactions with various third parties having terms and volumes substantially the same as its customers' contracts. In periods of high commodity prices volatility in the fixed-price programs create exposure to over or under supply positions as the demand from customers may significantly exceed or fall short of supply procured. In addition, if commodity prices decline significantly subsequent to customers signing up for a fixed-price program there is a risk that customers will default on their commitments. Fixed-price offerings make up under 12.8% of the US Propane's flowing volumes. See Note 17 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.

SGL's supply contracts for its customers are exposed to fluctuations in commodity prices. SGL typically enters into derivative instruments or secures physical product to match its customer commitments. However, from time to time and subject to certain internal limits, SGL purchases commodities such as propane or butane in advance of entering into customer supply contracts for such product or enters into customer supply contracts prior to securing a matching supply commitment or derivative and is exposed to commodity price risk where customer commitments and supply do not match. SGL may suffer losses if it is required to sell excess supply or purchase additional supply in the spot market where the underlying commodity price moves against SGL. SGL may also enter into contracts at one location but be required to deliver to another location which may have a negative financial impact on SGL. Such losses or negative financial impact could have a material adverse effect on SGL's financial results.

Customer payment

Superior Plus LP depends in part on the viability of its customers for collections of trade accounts receivable and notes receivable. There can be no assurance that its customers will not experience financial difficulties in the future or that they 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, 2018, approximately 321 or 19% 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 December 31, 2020 to April 30, 2023. 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, 2018, approximately 43 or 2% of US Propane's employees are unionized. Employees are unionized under three agreements that expire on March 31, 2020, March 31, 2021, and April 1, 2023.

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, 2018, 26% 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 September, 2019 to November, 2023. Collective bargaining agreements are renegotiated in the normal course of business. If we are not able to renegotiate the collective bargaining agreements, there could be an adverse effect on our operations.

Legal risks

Legal proceedings

Superior Plus LP and its subsidiaries are currently involved in legal proceedings (see page 58). 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 on our company.

We are currently involved in litigation to recover the $25 million termination fee from Canexus Corporation. We have also filed a statement of defense to Canexus Corporation's claim for a reverse termination fee of $25 million from Superior. We cannot predict the outcome with certainty, but do not believe that an adverse decision would have a material adverse effect on our financial condition (see page 58). The case is proceeding through the discovery phase and it is currently scheduled for trial in Alberta in 2021.

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 GP owns all the right, title and interest in:

» Superior Propane (Superieur in French), Superior Gas Liquids, mySuperior, mySuperiorPro, Canwest Propane, United Pacific Energy, Stittco Energy, Pomerleau Gaz Propane and Caledon Propane trademarks, related design and other 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 GP and/or Superior Plus LP own the names, designs, logos and technology associated with its businesses that are recognizable to the public or to industry internationally. Each trademark lasts from 10 to 15 years after it is registered and can be renewed for another 10 to 15 years, depending on where it was registered.

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

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

Material contracts

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

» 7.0% US Note Indenture – the note indenture between Superior Plus LP and Computershare, dated February 1, 2018 under which Superior Plus Corp. issued the 7.0% US Notes

» 5.125% Note Indenture – the note Indenture between Superior Plus LP and Computershare, dated July 3, 2018 under which Superior Plus Corp. issued the 5.125 % Notes

- Amended and restated credit agreement dated May 8, 2018
- Shareholder rights plan agreement between Superior Plus Corp. and Computershare, dated February 16, 2012, as amended and restated on March 20, 2012, May 1, 2015 and May 8, 2018
- Membership interest purchase agreement dated May 30, 2018 among NGL Energy Partners LP, NGL Energy Operating, LLC and Superior Plus Energy Services Inc.
- Subscription receipt agreement dated June 8, 2018 between Superior Plus Corp and TD Securities Inc., CIBC World Markets Inc. and Computershare Trust Company of Canada.

Contracts that we entered into before 2018 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.)
- Consent agreement between the Commissioner of Competition, Superior Plus Corp. and Superior Plus LP dated September 27, 2017
- Share purchase agreement dated July 4, 2016 between Construction Products Acquisition, LLC, Superior Plus LP and Superior Plus US Holdings Inc.
- 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, as amended on July 3, 2018
- Option purchase agreement dated February 13, 2017 under which Superior Plus LP agreed to acquire (or have its designate acquire) an irrevocable option to buy all of the issued and outstanding shares and units of the entities that carried on Canwest's retail propane business (the Canwest securities)
- Option agreement dated March 1, 2017 under which Superior Plus LP acquired the option to buy the Canwest securities from Gibson in exchange for $412 million, subject to certain adjustments.

Legal proceedings

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 Corporation's claim for a reverse termination fee of $25 million from Superior.

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

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

General

Sometimes we or our subsidiaries are named as parties in legal proceedings and regulatory actions, usually related to normal operational or labour issues. We cannot predict the outcome of these proceedings, but we 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, outlook, guidance, may, predict, project, should, strategy, target, will or similar expressions suggesting future outcomes.

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

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

By its very nature, forward-looking information involves numerous assumptions, risks and uncertainties, both general and specific. Should one or more of these risks and uncertainties materialize or should underlying assumptions prove incorrect, as many important factors are beyond Superior's control, Superior's or Superior LP's actual performance and financial results may vary materially from those estimates and intentions contemplated, expressed or implied in the forward-looking information. These risks and uncertainties include incorrect assessments of value when making acquisitions, increases in debt service charges, the loss of key personnel, fluctuations in foreign currency and exchange rates, inadequate insurance coverage, liability for cash taxes, counterparty risk, compliance with environmental laws and regulations, operational risks involving Superior's facilities, force majeure, labour relations matters, Superior's ability to access external sources of debt and equity capital, and the risks identified in (i) this AIF under the heading "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.

Non-GAAP financial measures

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

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 (separately with each and together), and recommend to the Board for approval, the annual financial statements of the Corporation, the reports of the external auditors thereon and related financial reporting, including Management's Discussion and Analysis ("MD&A") and earnings press releases prior to the public disclosure of such information;

(c) review with management and the external auditors (separately with each and together), the external auditors' interim review findings report and recommend to the Board for approval, the interim financial statements of the Corporation and related financial reporting, including MD&A and earnings press releases prior to the public disclosure of such information;

(d) review any news release, before being released to the public, that contains material financial information or estimates or information regarding the Corporation's future financial performance or prospects;

(e) review with management and recommend to the Board for approval, the Corporation's Annual Information Form;

(f) review with management and recommend to the Board for approval, any financial statements of the Corporation which have not previously been approved by the Board and which are to be included in a prospectus of the Corporation;

(g) review with management and the external auditors, and recommend to the Board for approval, management's internal control reports of the Corporation and the related required disclosures in the MD&A, as required by applicable securities laws, rules and guidelines;

(h) consider and be satisfied that appropriate processes are in place with respect to applicable certification requirements regarding the Corporation's annual and interim financial statements and other disclosure;

(i) consider and be satisfied that adequate procedures are in place for the review of the Corporation's public disclosure of financial information extracted or derived from the Corporation's financial statements (other than disclosure referred to in clauses (b), (c) and (f) above), and periodically assess the adequacy of such procedures;

(j) review with management, the external auditors and, if necessary, legal counsel (i) any legal matters, including litigation, claim or contingency and tax assessments, that could have a material effect upon the financial position of the Corporation and the manner in which these matters may be, or have been, disclosed in the financial statements; (ii) compliance policies; and (iii) any material reports or inquiries received from regulators, governmental agencies or employees that raise material issues regarding the Corporation's financial statements and accounting or compliance policies; and

(k) review accounting, tax and financial aspects of the operations of the Corporation as the Committee considers appropriate.

2. Relationships with External Auditors

The Committee shall:

a) at least annually, review and evaluate the external auditors, including the lead partner's performance and make a recommendation to the Board as to the appointment or re-appointment of the external auditors or whether a change of external auditors is advisable, ensuring that such auditors are participants in good standing pursuant to applicable securities laws;

(b) consider and make a recommendation to the Board as to the compensation of the external auditors;

(c) at least annually, review and approve the annual audit plan of the external auditors, including any material changes thereto and reviewing and discussing with the external auditors all critical accounting policies and practices to be used in the audit and any alternative treatments of financial information within generally accepted accounting principles that have been discussed with management;

(d) ensure that the external auditors report directly to the Committee and oversee the work of the external auditors engaged for the purpose of preparing or issuing an auditor's report or performing other audit, review or attest services, including reviewing and discussing with the external auditors:

  (i) any major issues regarding accounting principles and financial statement presentation, any significant changes in management's selection or application of accounting principles, any significant financial reporting issues and judgments made in connection with the preparation of the Corporation's financial statements; and

  (ii) any problems or difficulties encountered during the audit or provisions of other services, including restrictions on the scope of activities or access to information, and any significant disagreements between the external auditors and management in relation to financial reporting;

(e) review and discuss with the external auditors all significant relationships that the external auditors and their affiliates have with the Corporation and their affiliates in order to determine the external auditors' independence, including, without limitation, (a) requesting, receiving and reviewing, on a periodic basis, a formal written statement from the external auditors delineating all relationships that may reasonably be thought to bear on the independence of the external auditors with respect to the Corporation, (b) discussing with the external auditors any disclosed relationships or services that the external auditors believe may affect the objectivity and independence of the external auditors, and (c) recommending that the Board take appropriate action in response to the external auditors' report to satisfy itself of the external auditors' independence;

(f) monitor the rotation of partners on the audit engagement team in accordance with applicable law and professional standards and requirements for auditor independence;

(g) as may be required by applicable securities laws, rules and guidelines, either:

  (i) pre-approve all non-audit services to be provided by the external auditors to the Corporation (or their respective subsidiaries, if any), or, in the case of *de minimus* non-audit services, approve such non-audit services prior to the completion of the audit; or

  (ii) adopt specific policies and procedures for the engagement of the external auditors for the purpose of the provision of non-audit services; and

(h) review and approve the hiring practices or policies of the Corporation regarding partners, former partners, employees and former employees of the present and former external auditors of the Corporation.

3. Internal Audit Function

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

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

(a) review with management and the head of internal audit the charter, activities, staffing, and organizational structure of internal audit;

(b) have final authority to review and approve the annual audit plan and all major changes to the plan;

(c) ensure there are no unjustified restrictions or limitations, and review and concur in the appointment, replacement, or dismissal of the head of internal audit; and

(d) on a regular basis, meet separately with the head of internal audit to discuss any matters that the Committee or the head of internal audit believes should be discussed privately.

4. Internal Controls

The Committee shall:

(a) periodically review with management and the external auditors, the Corporation's internal control over financial reporting and management information systems and procedures, any significant deficiencies or material weakness in their design or operation, any proposed major changes to them and any fraud involving management or other employees who have a significant role in the Corporation's internal control over 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) exercise oversight with respect to the implementation and effectiveness of the Corporation's enterprise risk management system;

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

(c) review and assess the appropriateness and effectiveness of the steps that management has taken to mitigate such risks including policies, procedures, responses, recovery and communication and disclosure plans, where applicable;

(d) report the results of such reviews to the Board for the purpose of assisting the Board in identifying the principal business risks associated with the businesses of the Corporation; and

(e) annually review the adequacy of the Corporation's insurance program.

C. Committee and Procedures

1. Composition of Committee

The Committee shall consist of not less than three directors of the Corporation. Each Committee member shall satisfy the independence and financial literacy requirements of applicable securities laws, rules or guidelines and any other applicable regulatory rules. In particular, each member of the Committee shall have no direct or indirect material relationship with the Corporation or any affiliate thereof which could reasonably be expected to interfere with the exercise of the member's independent 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. If a vacancy on the Committee exists, the remaining members may exercise all of the Committee's powers so long as a quorum exists.

3. Absence of Committee Chair

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

4. Authority to Engage Experts

The Committee has the authority to communicate directly with internal and external auditors and to engage independent counsel and other advisors as it determines necessary to carry out its duties and to set the compensation for any such counsel and advisors, such engagement to be at the Corporation's expense.

5. Meetings

The Committee shall meet at least once per quarter each year and shall meet at such other times during each year as it deems appropriate. In addition, the Chair of the Committee may call a special meeting of the Committee at any time. The Committee shall meet with the external auditors on a regular basis in the absence of management and, if so requested by a member of the Committee, the external auditor shall attend every meeting of the Committee held during the term of office of the external auditor. The Chair of the Committee or the Chair of the Board or any two members of the Committee or the external auditors may call a meeting of the Committee. The external auditors shall be provided with notice of every meeting of the Committee and, at the expense of the Corporation, shall be entitled to attend and be heard at such meetings. The Chair of the Committee shall hold *in camera* meetings of the Committee, without management present, at every Committee meeting.

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

6. Quorum

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

7. Procedure, Records and Reporting

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

8. Delegation

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

9. Review of Terms of Service

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

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