



Letter to Chemtrade Investors

At the May 2021 Annual General Meeting of Chemtrade Unitholders, a majority of the units that were voted were **against** our executive compensation program.

[We take your vote seriously.](#)

On behalf of the Board of Trustees, we are writing to describe the background in which these executive compensation decisions were made and to share with you the changes we are making going forward.

Background leading to our decisions:

CEO Succession Planning

The Board's highest priority for the past three years has been succession planning for our CEO. The Board's plan resulted in Mark Davis's retirement as CEO on February 28, 2021; he was succeeded by Scott Rook on March 1, 2021. Mark was the founder of Chemtrade and its CEO for almost 20 years. We knew that a smooth transition would be challenging and that senior leadership stability would be important throughout the transition process.

Executive Team Stability

Three valuable members of the senior leadership team left the organization in 2020. This was also the first year of our incoming CEO's tenure with us as Chief Operating Officer. Some of the executive compensation decisions related to annual incentive compensation and long term incentives were made to retain and attract highly qualified candidates to our senior leadership team.

For the 2020 Incentive Compensation plan, the Board set realistic financial objectives based on the business plan which also considered the effects of the COVID-19 pandemic. The payouts associated with these targets were calculated with pre-established formulas and apply to all employees. Payouts for the executive team reflected largely achieving personal objectives, operational and organizational targets, including improvements in safety, reliability, productivity and talent development during a challenging year with the COVID-19 pandemic and many new leaders in key roles.

The other component of executive compensation includes the Long Term Incentive Plan (LTIP). LTIP grants normally cliff vest after three years, and consist of RSU (restricted share unit) grants and performance-based grants. 2020 LTIP grants were higher than in previous years, and were granted later in the year than usual, taking COVID-19 into account, which resulted in changes to the performance period. Grants also included a mid-term vesting period for a small amount of RSUs, to encourage the retention of employees most critical to our success, including our executives.

The Board believed, and continues to believe, that these compensation decisions were the right things to do and in the interest of investors, as it remains critical to maintain the stability of the executive team. The fact is that the CEO succession plan was implemented successfully – a very important achievement!

Changes we have made:

In 2020, we made the following improvements to our executive compensation program:

- Long Term Incentive Program Performance Metric Plan (PMP) metrics were changed from EBITDA, Total Shareholder Return (TSR) and Relative Total Shareholder Return (RTSR) to Return On Invested Capital and RTSR, and PMP grants were expressed at target (versus maximum) for clarity.
- In April 2020, a Compensation Philosophy was formalized. The philosophy is as follows:
 1. Target base salary plus target incentive compensation (IC) at or near market median of the appropriate peer group.
 2. Base salary to be approximately 20-40% of total target compensation. At risk pay to represent the balance.
 3. Total target compensation (base salary + target IC + target long term incentive (LTIP)) at or near market median.
 4. The majority of LTIP to be performance based (60-65%).
- In August 2020, the Board approved a new set of comparator companies to form an appropriate peer group. The companies were recommended by our Executive Compensation Consultant to better reflect our scope and scale.

Changes we are making going forward:

We are taking the following further actions to ensure we address your concerns:

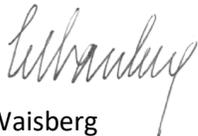
- We will be reviewing our entire program to ensure that it effectively attracts, retains and motivates executives, while meeting the expectations of investors to align pay with performance.
- We have rotated the Chair of the Corporate Compensation and Governance Committee and changed our Executive Compensation Consultant, to bring fresh thinking to executive compensation.
- The Chair of the Board and the Chair of the Corporate Compensation and Governance Committee will proactively engage with unitholders to hear additional feedback.
- An update on the above will be provided prior to the 2022 proxy season.

In addition, our new CEO will:

- Ensure that the annual business plan is focused on growing earnings, including organic growth opportunities. The financial targets of the annual incentive compensation program are derived from this plan.
- Consider how we can improve the disclosure of our incentive compensation metrics.
- Ensure ESG is a part of each executive's objectives.
- Increase communication with investors.

We trust that the above actions will address your concerns. We are both available to discuss executive compensation with you in person and answer your questions.

Sincerely,



Lorie Waisberg
Chair, Board of Trustees
Chair@chemtradelogistics.com



Lucio Di Clemente
Chair, Compensation and Corporate Governance Committee
CCGC@chemtradelogistics.com