CHEMTRADE

Chemtrade Logistics Income Fund

ANNUAL INFORMATION FORM 2023

March 8, 2024

2023 ANNUAL INFORMATION FORM

This annual information form describes Chemtrade Logistics Income Fund, its businesses, the risks they face and the market for its securities, among other things.

This document includes statements and information about our expectations for the future. When we talk about strategy, risks, plan 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 on page 70.

Where to find it

In this document:

- *Fund* means Chemtrade Logistics Income Fund
- *we, us* and *our* and *Chemtrade* mean the Fund and its subsidiaries, including Chemtrade Logistics Inc.
- *AIF* and *this document* mean this 2023 annual information form
- *unitholders* mean unitholders of the Fund
- *board of trustees* and *board* mean the Fund's board of trustees
- *trust units* and *units* means trust units of the Fund
- *Declaration of Trust* means the Amended and Restated Declaration of Trust dated January 22, 2024

All information is as of December 31, 2023, and all dollar amounts are in Canadian dollars, unless specified otherwise.

Where to go for more information

SEDAR+ (www.sedarplus.com): for more information about the Fund, including material contracts.

Management information circular: for information about how we compensate our trustees and officers, the audit committee, who owns our securities, and our corporate governance practices. We expect to file this year's circular on or around March 31, 2024.

Financial statements and management's discussion and analysis (MD&A): for additional financial information.

Our website (www.chemtradelogistics.com): for copies of the circular, financial reports, and other important information. Our website is not incorporated by reference into this AIF.

You can ask for a copy of the circular and financial reports by writing the Corporate Secretary at our corporate head office, below. These will be provided free of charge to unitholders of the Fund.

Registered and head office

Chemtrade Logistics Income Fund
Corporate Secretary
155 Gordon Baker Road
Suite 300
Toronto, Ontario M2H 3N5

ABOUT CHEMTRADE

Chemtrade provides industrial chemicals and services to customers in North America and around the world. In 2023, Chemtrade provided chemicals and services through two business segments (see page 7). Chemtrade had 1414 employees as of December 31, 2023, working out of more than 50 facilities, mostly in North America.

Headquartered in Toronto, Chemtrade Logistics Inc., our primary operating subsidiary, is wholly owned by Chemtrade Logistics Income Fund, a limited purpose trust established on July 11, 2001.

The Fund earns its income from Chemtrade Logistics Inc. and its subsidiaries, and its distributions depend on Chemtrade's cash flow.

Units of the Fund are traded on the Toronto Stock Exchange (TSX) under the symbol CHE.UN. The Fund had 117,048,304 units issued and outstanding as of December 31, 2023.

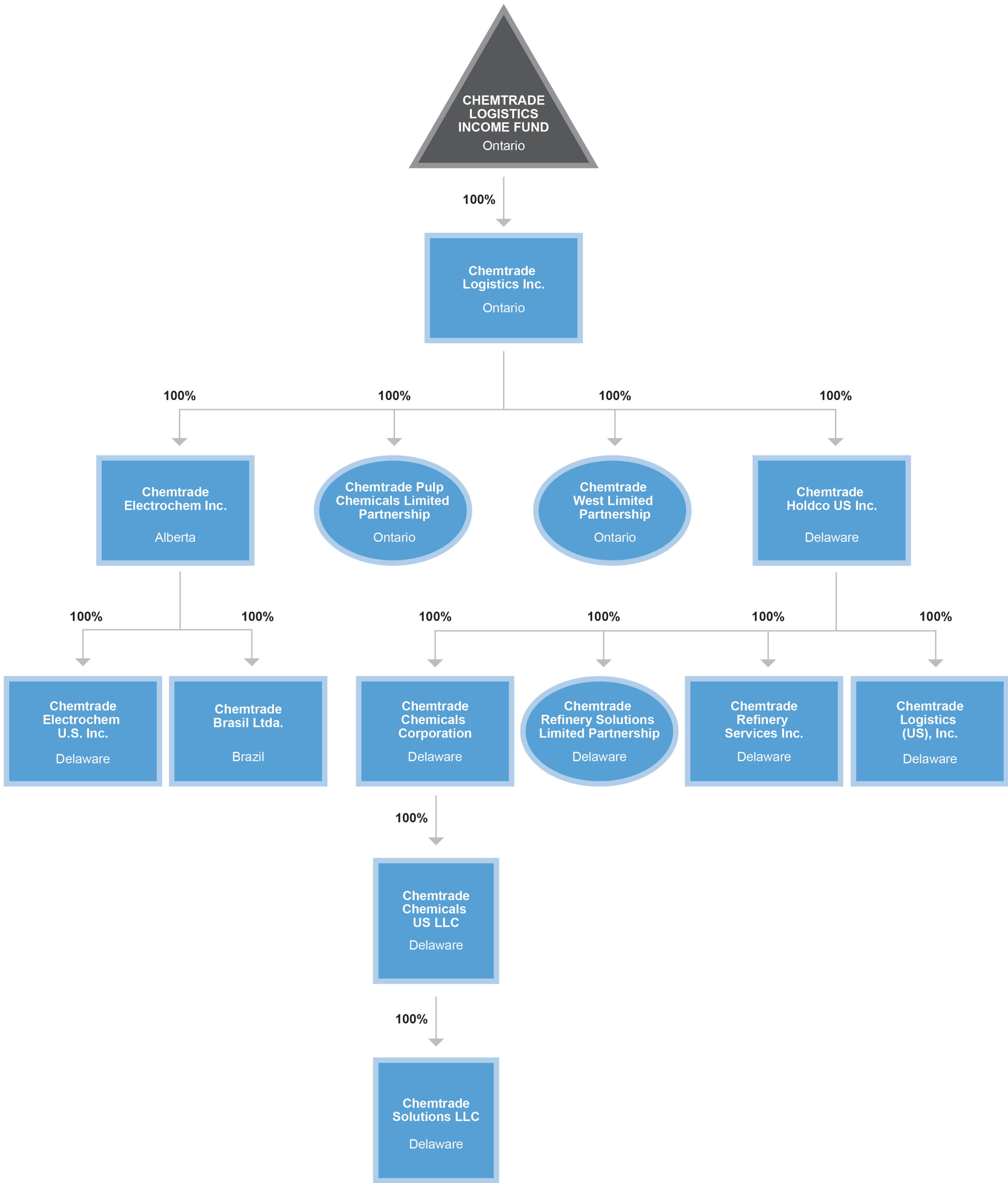
As of December 31, 2023, the Fund also had four series of convertible unsecured subordinate debentures outstanding. The debentures are listed on the TSX (see page 64 for details):

- CHE.DB.E – 2019 debentures due October 31, 2026
- CHE.DB.F – 2020 debentures due September 30, 2025
- CHE.DB.G – 2021 debentures due August 31, 2027
- CHE.DB.H – 2023 debentures due June 30, 2028

The Fund operates under a Declaration of Trust that was established on July 11, 2001 and was most recently amended and restated on January 22, 2024. The Fund's board of trustees, together with the boards of all its subsidiaries, assumes the overall stewardship of the Fund and Chemtrade.

Corporate structure

The Fund holds, directly or indirectly, all the participating equity of its material subsidiaries. The chart on the next page shows the material subsidiaries of the Fund, their jurisdictions of incorporation or organization, and the percentage of votes attaching to voting securities (some of which are held indirectly).


CHEMTRADE LOGISTICS INCOME FUND
Ontario
100%
Chemtrade Logistics Inc.
Ontario
100%
100%
100%
100%
Chemtrade Electrochem Inc.
Alberta
Chemtrade Pulp Chemicals Limited Partnership
Ontario
Chemtrade West Limited Partnership
Ontario
Chemtrade Holdco US Inc.
Delaware
100%
100%
100%
100%
100%
100%
Chemtrade Electrochem U.S. Inc.
Delaware
Chemtrade Brasil Ltda.
Brazil
Chemtrade Chemicals Corporation
Delaware
Chemtrade Refinery Solutions Limited Partnership
Delaware
Chemtrade Refinery Services Inc.
Delaware
Chemtrade Logistics (US), Inc.
Delaware
100%
Chemtrade Chemicals US LLC
Delaware
100%
Chemtrade Solutions LLC
Delaware

Major developments

2021

January

We launched our refreshed external website (www.chemtradelogistics.com), including updated environmental, social, and governance (ESG) content.

February

Mark Davis retired as President and Chief Executive Officer of Chemtrade and the Fund and as a member of the board on February 28, 2021.

March

Scott Rook was appointed President and Chief Executive Officer of the Fund and the Chemtrade entities effective March 1, 2021. He was also appointed a board member.

We completed a bought deal equity offering of 9,800,000 trust units at a price of $7.15 per unit for aggregate proceeds of approximately $70 million. We used the net proceeds from the offering to repay outstanding indebtedness under our credit facilities and for general trust purposes.

We settled the remaining derivative actions related to anti-competitive conduct that were initiated by a former employee.

May

Our May 11, 2021 annual and special meeting of unitholders was adjourned to May 26, 2021 due to lack of quorum. Based on a non-binding advisory vote at the meeting, a majority of unitholders did not approve the Fund's approach to executive compensation disclosed in our 2021 management information circular. 59.86% of votes cast at the meeting voted against the advisory resolution on our approach to executive compensation, representing approximately 15% of the Fund's issued and outstanding units at the time of the meeting.

Due to the persistence of the COVID-19 pandemic, we modified certain terms of our credit facilities including negotiating an amended covenant package to provide Chemtrade with additional covenant room until 2023.

September

We announced that a definitive agreement had been entered to sell our potassium chloride, caustic pellets, and vaccine adjuvants businesses.

November

We successfully completed the sale of our potassium chloride, caustic pellets, and vaccine adjuvants businesses to Vertellus LLC, for approximately US$154.0 million (KCl-Adjuvants Sale). We used the net proceeds of this sale to pay down senior debt under our credit facilities.

Chemtrade settled a lawsuit relating to Canexus Corporation's (Canexus) North American Terminal Operations (NATO) assets that resulted in a payment to Chemtrade of approximately $21.0 million.

We announced board approval of a capacity expansion of approximately 60% at our SWC segment's Cairo, Ohio ultrapure sulphuric acid facility. The expansion would include an upgrade in the quality of the existing capacity at this plant.

December

The Fund issued $130.0 million of 2021 debentures in a bought deal offering (see page 64). The net proceeds of the offering were temporarily used to pay down senior debt under our credit facilities, and then these proceeds, along with borrowings from the credit facilities, were used to fund the redemption of all the outstanding 2016 debentures in January 2022.

We modified certain terms of our credit facilities by converting the entire facility into a revolving credit facility, reducing the facility size by US$200 million, and extending the maturity of the facility to December 2026. We also amended our covenant package and pricing to pre-pandemic levels (see page 66).

2022

January

As a result of the KCl-Adjuvants Sale, we reconfigured our business segments to introduce a Sulphur & Water Chemicals business segment (SWC), which combines the products in our prior Sulphur Products & Performance Chemicals (SPPC) and the remaining products in the Water Solutions & Specialty Chemicals (WSSC) business segments. Beginning with our 2022 first quarter interim reporting, our financial statements reflect our two reportable business segments, being SWC and Electrochemicals (EC).

We redeemed all of our outstanding 2016 debentures. We used the net proceeds from the December 2021 debentures offering, together with our credit facilities, to fund the redemption.

March

We announced that our chair Lorie Waisberg would retire from the board of trustees after 21 years of service, effective following the 2022 annual meeting.

The Fund announced a comprehensive set of ESG targets that we intend to track, monitor and report, including greenhouse gas (GHG) and other air emissions, energy management, employee engagement and diversity (see page 11).

April

We sold our idled Augusta, Georgia sulphuric acid plant for net proceeds of US$10.0 million.

We announced plans to actively pursue a sale of land at our North Vancouver, British Columbia site through a sale-leaseback transaction, following which we would continue operating the North Vancouver chlor-akali facility.

May

We announced our intention to close our EC segment's Beauharnois, Québec sodium chlorate production facility by the end of 2022.

Luc Doyon was elected to the board of trustees at our annual meeting. Mr. Doyon brings a wealth of experience in the industrial chemical and manufacturing industries.

Following the meeting, Douglas Muzyka replaced Lorie Waisberg as chair of the board of trustees.

June

We amended certain terms of our credit facility to allow for the investment in the Kanto-Chemtrade joint venture and to recognize any cash distributions from this joint venture (see below for details) in the calculation of EBITDA for debt covenant purposes.

July

Chemtrade announced a joint venture with privately held Kanto Group for the greenfield construction of a high purity sulphuric acid plant in Casa Grande, Arizona. Kanto Group and Chemtrade own 51% and 49%, respectively, of KPCT Advanced Chemicals LLC, the joint venture entity. The cost of the project is to be shared by both parties equally.

August

We completed a bought deal equity offering in which the underwriters elected to exercise their over-allotment option in full, resulting in the public offering of 10,005,000 trust units at a price of $8.65 per unit for aggregate proceeds of approximately $86.5 million. The net proceeds were used to partially finance Chemtrade's ultrapure sulphuric acid growth projects to expand capacity at Chemtrade's existing Cairo, Ohio plant and to build the new joint venture plant in Arizona.

November

Chemtrade's board of trustees appointed Mr. David Mutombo as a trustee effective November 7, 2022. Mr. Mutombo brought a wealth of experience in engineering, project management and operations management roles.

We held an Investor Day in Toronto featuring presentations by our senior leadership team on our operational, commercial and ESG initiatives.

December

We hosted state and local government officials and industry representatives at a ground breaking ceremony for our ultrapure acid expansion and upgrade project at our Cairo, Ohio facility.

We announced a successful outcome to our lawsuit against Superior Plus Corporation (Superior). The lawsuit involved a $25 million termination fee due to Chemtrade, as a result of Superior's failed attempt to acquire Canexus, prior to Chemtrade's 2017 acquisition of Canexus. On January 19, 2023, Superior filed a Notice of Appeal with the Alberta Court of Appeal with respect to our successful judgment, which is scheduled to be heard May 16, 2024.

2023

February

We reported record high annual revenue and Adjusted EBITDA for 2022 of $1,813.4 million and $430.9 million, respectively (see page 55 in our MD&A for the year ended December 31, 2023).

Due to the sharp decline in the real estate sector, Chemtrade suspended the sale-and-leaseback process of its North Vancouver, British Columbia chlor-alkali facility.

March

The Fund completed the bought deal offering of $110.0 million principal amount of 2023 debentures due June 30, 2028 (see page 64). The net proceeds of the offering were used to partially redeem the outstanding 2017 debentures in May 2023.

May

We redeemed $100.0 million aggregate principal amount of our 2017 debentures due May 31, 2024.

We announced our intention to close our SWC segment's Prince George, British Columbia production facility which manufactured merchant sulphuric acid, sulphur dioxide (SO_2), and alum, by the end of 2023 (PGA Closure).

June

The Fund completed the redemption of $101.1 million aggregate principal amount representing the remaining 2017 debentures due May 31, 2024.

Together with our joint venture partner Kanto Group, we made the decision to put our on Casa Grande, Arizona high purity sulphuric acid project on hold while revised commercial agreements are negotiated with customers to ensure that the project generates an acceptable level of return.

November

We successfully completed the sale of our phosphorus pentasulphide (P_2S_5) business to Trecora LLC, for gross proceeds of approximately US$43.0 million ($P_2S_5$ Sale). The net proceeds from the P_2S_5 Sale were used to reduce borrowings from our credit facilities.

2024

January

Our trustee Mr. David Mutombo resigned from the Board of Trustees effective January 5, 2024 due to personal reasons.

We increased our distribution rate by 10% to 5.5 cents per month. We suspended our distribution reinvestment program.

The board amended and restated our Declaration of Trust effective January 22, 2024. Minor changes were made to clarify board and committee quorum requirements.

February

Mr. Gary Merasty was appointed as a trustee effective February 20, 2024. Mr. Merasty is currently Chief Executive Officer of The Peter Ballantyne Group of Companies. He has more than 20 years' experience serving on both corporate and non-profit boards as well as think tanks and secondary institutions. In addition, he has extensive experience in politics and sustainability. Mr. Merasty will stand for election at the 2024 annual meeting.

We reported the highest annual level of Adjusted EBITDA ($502.6 million for 2023) ever earned by Chemtrade (see page 55 in our MD&A for the year ended December 31, 2023).

We announced that construction of the Cairo ultrapure acid expansion and upgrade project is generally on track and is expected to be completed and started-up in 2024, with commercial ramp-up the following year. We announced expected costs to be between US $60 million and US $65 million.

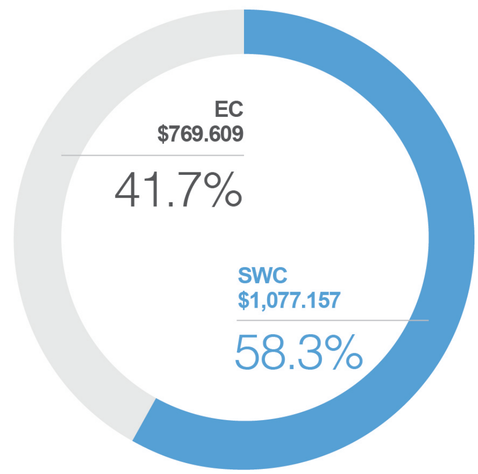
OVERVIEW OF THE BUSINESS

Chemtrade provides industrial chemicals and services to customers in North America and around the world.

During 2023, we operated in two business segments described below. Our businesses are strategic partners to many of our customers and suppliers, providing products and services that are critical to the semiconductor, gasoline, motor oil, fine paper, metals, water treatment industries, and to other major industrial and consumer markets.

Our corporate segment provides centralized services, including treasury, finance, information systems, human resources, legal and risk management, and environmental, health and safety support.

2023 REVENUE ($ millions)



<table>
<tr><th colspan="2">2023 Business Segments</th></tr>
<tr><th>Sulphur and Water Chemicals (SWC)</th><th>Electrochemicals (EC)</th></tr>
<tr><td>Manufactures and markets sulphur-based products and services to the North American market.
• One of North America's largest suppliers of industrial sulphuric acid and spent acid processing services
• A leading North American producer of ultrapure sulphuric acid to the electronics semiconductor manufacturing sector
• A regional supplier of products and services based on sulphur chemistry
• Prior to the P_2S_5 Sale (see page 6), a leading supplier of phosphorus pentasulphide (P_2S_5)
Manufactures and markets water treatment chemicals to the North American market.
• One of North America's largest suppliers of inorganic coagulants for water treatment
The only North American manufacturer of sodium nitrite.</td><td>Manufactures and markets sodium chlorate and chlor-alkali products to the North American and South American markets.
• One of North America's largest suppliers of sodium chlorate
• A leading regional supplier of chlor-alkali products
• Supplier of sodium chlorate and chlor-alkali products to one of Brazil's largest pulp mills</td></tr>
<tr><th colspan="2">Products & Services</th></tr>
<tr><td>Sulphur Chemicals & Services
• Sulphuric acid
• Ultrapure sulphuric acid
• Spent acid regeneration services
• Sulphur
• Sulphides - carbon disulphide (CS_2) and hydrogen sulphide (H_2S)
• Phosphorus pentasulphide (P_2S_5), prior to the sale of this business in November 2023
• Sodium nitrite
• Sodium hydrosulphite (SHS)
• Sodium bisulphite (SBS)
• Liquid sulphur dioxide (SO_2), prior to the PGA Closure (see page 6)
• Ammonium sulphate
Water Chemicals
• Aluminum sulphate (Alum)
• Aluminum chlorohydrate (ACH)
• Polyaluminum chloride (PACl)
• Ferric sulphate (Ferric)</td><td>Electrochemicals
• Sodium chlorate
• Chlor alkali:
  • Caustic Soda
  • Chlorine
  • Hydrochloric acid</td></tr>
</table>

Financial information

The tables below include our financial information for the past two years, including information by reportable business segments presented in thousands of Canadian dollars. You can find more information in our MD&A and financial statements for the year ended December 31, 2023, which are available on our website (www.chemtradelogistics.com) and on SEDAR+ (www.sedarplus.com).

2023	SWC	EC	Corp.	Total
Revenue	$ 1,077,157	769,609	$ —	1,846,766
Operating income	149,988	255,558	(90,166)	315,380
Unrealized foreign exchange gain	—	—	(11,126)	(11,126)
Depreciation and amortization	123,563	93,927	—	217,490
Net (gain) loss on disposal and write-down of Plant, property & equipment (PPE)	(1,972)	(30)	—	(2,002)
Gain on disposal of assets[1]	(24,337)	–	—	(24,337)
Change in environmental and decommissioning liability	5,929	1,303	—	7,232
Adjusted EBITDA[3]	253,171	350,758	(101,292)	502,637
Capital expenditures	120,859	43,889	1,647	166,395

2022	SWC	EC	Corp.	Total
Revenue	$ 1,074,732	$ 738,651	$ —	$ 1,813,383
Operating income	146,931	177,562	(105,341)	219,152
Unrealized foreign exchange loss	—	—	9,592	9,592
Depreciation and amortization	112,135	104,815	—	216,950
Net (gain) loss on disposal and write-down of Plant, property & equipment (PPE)	2,176	416	–	2,592
Gain on disposal of assets[2]	(17,418)	–	–	(17,418)
Adjusted EBITDA[3]	243,824	282,793	(95,749)	430,868
Capital expenditures	69,935	42,862	2,643	115,440

(1) This figure relates to the P_2S_5 Sale. For more details, see page 31 in our 2023 annual financial statements dated February 20, 2024, available on SEDAR+ at www.sedarplus.com and on the Fund's website (www.chemtradelogistics.com).

(2) This figure relates to the sale of an idled acid plant in Augusta, GA. For more details, see page 33 in our 2023 annual financial statements dated February 20, 2024, available on SEDAR+ at www.sedarplus.com and on the Fund's website (www.chemtradelogistics.com).

(3) Adjusted EBITDA is a total of segments measure. Non-IFRS and other financial measures are not standardized financial measures under IFRS and might not be comparable to similar financial measures disclosure by other issuers. Certain additional disclosures for these financial measures have been incorporated by reference and can be found starting on page 55 in the MD&A for the year ended December 31, 2023 dated February 20, 2024, available on SEDAR+ at www.sedarplus.com and on the Fund's website (www.chemtradelogistics.com).

Manufacturing and processing facilities

We operate more than 50 production facilities. The table below includes our principal manufacturing facilities as of December 31, 2023, arranged by business segment. Our corporate head office is in Toronto, Ontario, in leased premises.

Business Segment	Principal facilities	Products and services	Ownership
Sulphur & Water Chemicals (SWC)	Anacortes, Washington	Sulphuric acid Spent acid regeneration Hydrogen sulphide processing Sulphur recovery unit (SRU)	Owned
	Beaumont, Texas	Sulphuric acid Spent acid regeneration Sodium bisulphite	Owned
	Celina, Texas	Water Chemicals	Owned
	Fort McMurray, Alberta	Ammonium Sulphate	Owned
	Richmond, California	Sulphuric acid Spent acid regeneration	Owned
	Riverton, Wyoming	Sulphuric acid Spent acid regeneration Ultrapure sulphuric acid Sodium bisulphite	Owned
	Syracuse, New York	Sodium Nitrite	Owned
	Toledo, Ohio	Sulphuric acid Spent acid regeneration Hydrogen sulphide processing	Equipment is owned Land is leased
	Tulsa, Oklahoma	Sulphuric acid Ultrapure sulphuric acid Sodium bisulphite	Owned
Electrochemicals (EC)	Brandon, Manitoba	Sodium chlorate	Owned
	Espirito Santo, Brazil	Sodium chlorate Caustic soda Chlorine Hydrochloric acid Hypochlorite	Equipment is owned Land is leased
	North Vancouver, British Columbia	Caustic soda Chlorine Hydrochloric acid	Equipment is owned Land is partly owned and partly leased
	Prince George, British Columbia	Sodium chlorate	Equipment is owned Land is leased

Strategy

Chemtrade was formed in 2001 to operate and improve its chemical businesses and to create value for its unitholders. Since that time, we have successfully integrated seven material strategic acquisitions, added complementary products and services, diversified our earnings and end markets, extended our geographical reach, and improved the quality of our earnings.

Four strategic priorities shape our decision-making and our approach to risk management (see *Risks and risk management* on page 44 for more information).

1	2	3	4
Growth	**Business model**	**Operational excellence**	**Financial prudence**
Increase our size, scale, and diversity of earnings	Mitigate commodity risks to support reliable earnings	Ensure sustainable earnings by improving operations, assets, and the competencies of our people	Financial flexibility, balance sheet strength, and optimum allocation of capital

Growth

Increase our size, scale, and diversity of earnings

Our size and scale, the diversity of our earnings, and our ability to integrate new earnings sources are keys to our success. Size, scale, and diversity allow us to spread our fixed costs, giving us purchasing power and the ability to develop and leverage best practices, and the best human capital resources. Diversity of earnings allows us to spread the risks associated with earnings sources and increases the number of potential synergistic additional products.

Historically, our growth has mainly come through acquisitions. Our ability to successfully integrate new businesses has been fundamental to our success. Currently, we are focused on organic growth as we seek to improve the businesses we own by pursuing organic growth opportunities from: key new products, additional capacity for existing products, and driving increased productivity across the organization. Chemtrade will primarily invest in organic growth projects over the next several years, while also balancing and considering external measured growth opportunities.

Business model

Mitigate commodity risks to support reliable earnings

We seek to structure our businesses to deliver stable cash flows, or invest in growth projects and businesses that do so, to minimize the financial impact of the fluctuations that are common in industrial chemical businesses. Our planned organic growth is focused on projects that will deliver stable cash flows, namely, ultrapure sulphuric acid for the electronics semiconductor sector, green hydrogen from our electrochemical facilities in Canada, and growing our specialty products for water treatment.

A significant portion of our business is not fully exposed to these commodity fluctuations. In some cases, this is achieved contractually, by sharing the risk with customers or producers. We also generate some of our earnings under fee-based contracts with no commodity risk. Other products are sold into industries with stable pricing or margins due to industry structure.

The exception to this model is our North American chlor-alkali business, which is exposed to the benefits and risks of commodity fluctuations.

Operational excellence

Ensure sustainable earnings by improving operations, assets, and the competencies of our people

Our businesses today offer basic but essential chemicals to large industrial segments, such as gasoline refining, municipal water treatment, pulp and paper, and many others. We consider operational excellence to be a core competency. Over time, we have developed and continue to improve our processes, from safely obtaining and processing raw materials and delivering finished goods to our customers, to converting these processes into earnings for our employees and investors. We use lean manufacturing and six sigma processes along with competitive benchmarking to drive efficiencies every year throughout our processes. Operational excellence is a critical part of our culture.

Financial prudence

Financial flexibility, balance sheet strength, and optimum allocation of capital

Our objective is to maintain financial flexibility with a strong balance sheet. We achieve this with sound capital management. We actively manage our capital resources to ensure an appropriate allocation of capital, striving to achieve an optimal balance between efficiency and prudence.

We have typically financed our acquisitions with a combination of equity and debt. Our debt is a combination of senior, secured debt and subordinated convertible unsecured debentures. We stagger our debt maturities to make sure we can withstand capital market dislocations and to reduce refinancing risk. We maintain a healthy relationship with a wide syndicate of lenders, including all the major Canadian banks and a few international banks. See page 63 for more information about our capital structure.

ENVIRONMENTAL, SOCIAL, AND GOVERNANCE (ESG)

Sustainability and Responsible Care®

Investor interest in ESG topics has recently intensified, but at Chemtrade, we have always been focused on these areas; we simply called them other names, like “sustainability” and “Responsible Care”.

As a manufacturer and distributor of chemicals, our highest priorities include the environment, health and safety, security, and sustainability.

The nature of our business means we are governed by environmental, health, and safety regulations in the jurisdictions we operate in, and where our products are shipped and sold. Environmental, health, and safety regulations cover, among other things:

- people – health and safety of employees and people in our communities
- environment – air emissions, water discharges, and waste generation
- products – storage, handling, and distribution
- property – land use and zoning
- remediation – releases, presence of hazardous materials, and soil contamination.

As a member of the Chemistry Industry Association of Canada (CIAC) and the American Chemistry Council (ACC), we do more than just comply with regulations. We have been actively adhering to the CIAC’s Responsible Care ethic and its codes of practice and principles since we were formed in 2001. We use the RC14001 management system, which combines Responsible Care and ISO14001, to manage and continually improve our environmental performance, the safety of our employees, and our contribution to the community.

Responsible Care is a United Nations-recognized sustainability initiative that has helped Canadian chemical companies lead the journey towards safe, responsible, and sustainable chemical manufacturing. Founded in Canada in 1985, Responsible Care is now practiced in 73 countries and by 96 of the 100 largest chemical producers in the world.

We signed the Responsible Care Global Charter in August 2014 on the recommendation of the CIAC. It can be found on our website (www.chemtradelogistics.com). The charter is an agreement of the leading chemical companies and federations that make up the International Council of Chemical Associations, to create a common global vision for Responsible Care and to clarify roles, responsibilities, and accountabilities of global chemical companies in support of Responsible Care. Our compliance with the Responsible Care codes of practice is verified by a third party every three years. You can find a copy of the latest Chemtrade verification report on the CIAC website (www.canadianchemistry.ca/responsible-care/verification-reports; CIAC website information is not incorporated by reference into this AIF).

Approach

The table below describes how we oversee and manage ESG issues in our organization, and notes the areas we are focusing on for the future.

Oversight	Strategy	Risk management	Metrics
Board The board is responsible for overseeing strategy, governance, and risk. The audit committee oversees financial risks. The Responsible Care committee oversees environmental, health, safety, and security risks. The compensation and corporate governance committee oversees governance practices, business ethics, and compensation. **Management** Following the retirement of the Group Vice-President, Human Resources and Responsible Care at the end of 2023, the Senior Director, Environmental Risk has overall ESG oversight responsibility, supported by the Group Vice-President, Manufacturing and Engineering, the Vice-President, Human Resources, and the General Counsel. The Responsible Care team works with all of our facilities to monitor, support, and report on our environmental, health, and safety performance.	The board has committed to doing business in a responsible way, guided by principles of environmental, societal, and economic sustainability. This helps shape our strategic planning and risk management processes and our management of day-to-day operations. We integrated our material environmental and social risks and opportunities, including those associated with climate change, into our strategic planning process. Key safety, environmental and social metrics are included in the executive compensation program.	We consider environmental, and social impacts, including safety and security issues across the lifecycle of our operations, and include them in our overall enterprise risk management process. We use the RC14001 management system to manage these risks, underpinned by environmental, health, and safety policies, systems, training, and tools that are applied across the organization. We are implementing RC14001 at facilities we have acquired, prioritized by risk, and we are building out our procedures, systems, training, and tools at newer facilities that are still in the implementation process.	We track, monitor, and report publicly on our material Sustainability Accounting Standards Board (SASB) environmental and social metrics, and have established targets for many of them. We also track and monitor health, safety, and environmental metrics that align with the Responsible Care ethic and our RC14001 corporate objectives. We track the Canadian Sustainability Standards Board (CSSB) and their recommendations to the Canadian Securities Administrators (CSAs). Management provides quarterly reports to the board committees on our progress against our ESG goals, including GHG emissions.

ESG oversight

Board

The board is responsible for overseeing strategy, governance, and risk. The charters of the board's committees include specific duties related to ESG oversight.

Audit committee	Compensation and corporate governance committee	Responsible Care committee
Oversees financial risks, the systems implemented to monitor them, and the strategies and controls in place to manage them.	Oversees our governance practices and compensation policies and programs, including plan design, incentive plan targets, and awards to ensure they do not motivate inappropriate risk-taking.	Oversees environmental, health, safety, and security risks and the policies to manage them and monitors our performance.

As of the date of this document, seven trustees sit on the Responsible Care committee. Six of them have chemical industry experience, five have strong manufacturing experience, and all seven have experience or knowledge of environmental, health, and safety issues. The Responsible Care committee meets at least four times every year to review and discuss reports on environmental, health, and safety issues, and periodically takes tours of manufacturing facilities to learn more about the business and meet site personnel.

See *Governance* on page 24 to learn more about the board and its committees. You can find the charter for the Responsible Care committee on our website (www.chemtradelogistics.com).

Chemtrade management

Chemtrade management is responsible for setting objectives, monitoring compliance, and reporting to the board.

Senior Director, Environmental Risk	Vice-President, Responsible Care	Local management
• Works with members of the senior leadership team to oversee ESG management and reporting • Presents quarterly reports to the Responsible Care and compensation and corporate governance committees	• Oversees the Responsible Care team, who work with management at each facility and head office to set objectives, implement policies, and monitor compliance and performance • Reports on a quarterly basis to the senior leadership team and to the Responsible Care committee	• Management at each facility oversees data collection and reporting of all ESG metrics • Reports important deviations or improvements related to compliance, policies, and environmental, health, and safety objectives

Code of conduct

Our code of conduct sets out the high business and personal standards we require of all our officers, employees, and trustees, in carrying out their duties and responsibilities. Our code of conduct reflects our Responsible Care philosophy, aiming to ensure that we "do the right thing and are seen to do the right thing" while performing our daily tasks. Everyone is expected to read and follow the code of conduct, including the guidelines, policies, and procedures for ethical conduct, avoiding conflicts of interest, sustainability practices, and complying with the applicable laws. It also provides a method (a compliance line or "hotline" operated by an independent third party) for reporting breaches of the code or law. All employees and board members are trained and tested biennially on the contents of the code of conduct and participation is tracked and followed up to ensure completion. The chief executive officer (CEO) oversees the code of conduct and monitors compliance under the board's oversight. The audit committee reviews the compliance line procedures every year and completed its last review in February 2024. The compensation and corporate governance committee, in consultation with the board, periodically reviews the code of conduct and the process for administering it. The code of conduct, as well as the training program and metrics were last reviewed in August 2023. You can find a copy on our website (www.chemtradelogistics.com).

Supplier code of conduct

In December 2023, we issued our supplier code of conduct which was introduced to all new and existing suppliers. A copy of the supplier code of conduct can be found on our website (www.chemtradelogistics.com), and its purpose is to outline our principles and expectations which all suppliers and service providers must comply with when conducting business with Chemtrade. Similar to our code of conduct, the supplier code of conduct provides a method (a compliance line or "hotline" operated by an independent third party) for reporting breaches of the code or law.

ESG management

Lifecycle approach

Environmental, health, and safety issues pose a significant risk for our operations and financial results. We consider these issues across the lifecycle of our operations and include them in our overall enterprise risk management process (see page 44).

During due diligence and acquisition	In our day-to-day operations	When we remediate and close or sell a site
We look at: • regulatory issues and environmental risk • remediation approach and costs • insurance and indemnities • opportunities for integration with existing systems and processes	*We track and manage:* • employees – health and safety • environmental – air emissions, water discharges, and waste generation • products – storage, handling, and distribution • legal and regulatory – changing requirements • remediation – site closure management and costs	*We confirm:* • condition of property, including soil contamination • waste disposal • remediation approach and costs • timelines • site re-use • security and safety • long-term monitoring

Management framework

We have management systems, including audit, assessment, and reporting, to ensure we comply with environmental, health, and safety internal and external requirements.

RC14001 management system

We have adopted the RC14001 management system, which combines Responsible Care and ISO14001. RC14001 supports our continuous improvement process in several key areas: community awareness and emergency response, security, distribution, employee health and safety, pollution prevention, environmental footprint, and process and product safety.

We use this framework to:

- set objectives annually based on continuous improvement, and regularly measure and report on our performance
- establish consistent procedures and assess their effectiveness
- maintain a database of corrective actions and track and verify their implementation
- provide early warning of potential problems
- identify opportunities for efficiency and cost-savings.

Policies and training

Policies, standards, and procedures define how our environmental, health, and safety management system functions and how we measure performance. Employees receive training on our environmental, health, and safety management systems, and on issues specific to their position and their responsibilities in support of the system.

We have site procedures and employee training programs to promote a safe, healthy, and secure workplace. Our facilities have received awards from our rail carriers for safe handling and transportation of our chemical products. In October 2023, we received the Association of American Railroads' Non-Accident Release Grand Slam Award for 2022, awarded because we had zero non-accident releases with BNSF, Canadian National, Canadian Pacific, CSX, and Kansas City Southern railways.

Product spills can occur at our facilities, during transportation, or at customers' facilities. We have standards and procedures designed to prevent and contain spills, including employee training and emergency response plans for each manufacturing facility. We supplement our trainings and procedures by having contracts in place with emergency service providers, and we regularly upgrade our facilities and equipment.

Responsible Care policy

Forms the basis of our approach to societal, economic, and environmental sustainability.

It focuses on continuous improvement in environmental management, safety and health protection, safe transportation, process safety management and security of our processes, products, services, and activities.

Quality policy

Sets out the quality expectations we have of our employees: a commitment to customer satisfaction, safe, cost effective and environmentally responsible operations, safe transportation, teamwork and open communication, personal growth and development, diligent records management, and performance monitoring.

Sustainable excellence program

Combines Responsible Care principles with operational excellence practices to encourage employee engagement by focusing on lean manufacturing, quality, and community involvement.

We have implemented numerous global safety standards throughout our operations and use our DOCTRAC system to track and audit progress in complying with the standards. We continue to introduce new global standards across the organization. In 2023, we updated our personal protective equipment standard, streamlined our crisis management and communications plan, and issued several engineering guidance documents for our reliability program. We also updated our drug and alcohol policies to reflect changes to the regulatory landscape and to further streamline and improve our testing methods.

Site audits

We conduct extensive environmental, health, and safety audits of our manufacturing facilities and distribution terminals to ensure compliance with environmental, health, and safety requirements. We completed seven (7) audits in 2023. Audits are carried out by our own staff and external independent resources, when required. These audits are planned for all our facilities, on a risk-ranked schedule.

If needed, based on historical environmental issues, incidents, or findings, we obtain third party legal and technical evaluations of a site's environmental performance and systems – to address current and anticipated environmental requirements.

Certification

The RC14001 management system is audited annually by a third-party auditor. DNV (Det Norske Veritas) has been engaged as our auditor for these purposes since 2010. We currently have RC14001 certification of our environmental, health, safety, and security programs at 19 of our North American sites. Our Espirito Santo, Brazil facility is certified to the Brazilian equivalent of RC14001 by the Brazilian Chemical Industry Association. We believe, based on internal and third-party due diligence reviews, that our activities are and will continue to be in compliance with environmental, health, and safety requirements.

Metrics, Reporting and Targets

We monitor the health, safety, and environmental performance of our sites by internal metrics as well as those required by environmental, health, and safety regulations, the CIAC, and ACC. Objectives for each of our facilities are set annually and tracked. We report this information directly to regulators, as required, and in some cases publicly through the CIAC and ACC websites. Each quarter, management also prepares an extensive report that is presented to the Responsible Care committee at their meetings.

We also monitor progress of the environmental and social factors that we deemed most likely to affect our financial and operating performance based on a five-factor test developed by the Sustainability Accounting Standards Board (SASB). The ESG metrics, including emissions, reported in this AIF are calculated and reported based on SASB standards. SASB standard calculations may result in reported figures that differ from the same or similar metrics we report to regulators in accordance with each regulator's specific requirements.

We also track the ESG developments published by the CSSB and CSA.

The estimated Chemtrade GHG emissions described in this AIF are derived from a combination of measured and estimated data using the best reasonably available information to us as of December 31, 2023. We use industry standards and practices for estimating GHG emissions, including guidance from the GHG Protocol, SASB, and the United States Environmental Protection Agency (EPA). The uncertainty associated with Chemtrade's emissions estimates depends on variations in our processes and operations, the availability of sufficient representative data, the quality of available data, and the methodologies used for measurement and estimation. Accordingly, we will update our emissions estimates in accordance with the GHG Protocol or other applicable standards, in the event of significant changes, as additional data becomes available, we complete our physical inventory of emissions-generating equipment, estimation methodologies are refined, or to reflect significant changes to Chemtrade's assets, operations or emissions boundaries. Chemtrade estimates direct GHG emissions from our operations (Scope 1) and indirect emissions associated with the generation by others of electricity, steam or heat that we purchase for use in our operations (Scope 2).

Since 2021, we have monitored, tracked and reported on the following ESG metrics across the organization.

ESG METRICS		
Environmental	**Social**	**Governance**
• Greenhouse Gas (GHG) and other air emissions, including: ◦ nitrogen oxides (NOx) ◦ sulphur oxides (SOx) ◦ hazardous air pollutants (HAPs) ◦ particulate matter • industrial and hazardous waste • energy management • track reportable and non-reportable spills	• workforce health and safety, including: ◦ incidents resulting in serious injuries or fatalities (SIF) ◦ employee and contractor occupational injury/illness rates (OIR) ◦ potential exposures to serious injuries or fatalities, recognized after the incident (close call PSIF) and proactively before the incident (proactive PSIF) ◦ employee and contractor injuries requiring first aid treatment • operational safety, emergency preparedness and response • employee engagement and diversity and inclusion	• corporate governance and business ethics • management of legal and regulatory environment • governance of environmental and social issues

The following is a summary of the targets we have set for ourselves with respect to some of the ESG metrics that we track and monitor. The details of each target and our baseline ESG metrics set in 2021 (baseline ESG targets) and progress against these targets are expanded on below starting on page 16. For some of our targets, we compare ourselves to the chemical industry average, by which we mean that we compare ourselves against certain data provided by the CIAC.

ESG TARGETS		
Environmental	**GHG and other air emissions**	• Reduce, offset, or displace 2021 baseline direct GHG emissions emitted from sources we own or control (Scope 1 emissions) by 50% by 2025 • Including all future acquisitions, maintain GHG intensity (kg GHG/kg product) below the chemical industry average
	Industrial and Hazardous Waste	• Reduce high clay alumina (HCA) landfill disposal by an additional 20% of 2021 baseline by 2025
	Energy Management	• Ensure a minimum of 85% of our electricity usage is from hydroelectric or other renewable sources and maintain this target when making acquisitions
Social	**Workforce Health and Safety**	• Achieve employee occupational injury/illness rates (OIR) of 0.7 by 2025 • Avoid all serious injuries or fatalities (SIFs) for employees and contractors in 2022 and beyond
	Operational Safety, Emergency Preparedness and Response	• Reduce Level 1 spills or releases by 50% of 2021 baseline by 2025 • Reduce the number of transportation incidents by 50% of our revised 2022 baseline by 2025
	Employee Engagement and Diversity	• Achieve industry benchmark employee engagement survey results by 2025 • Across the organization, fill 40% of vacancies with black, Indigenous and people of colour (BIPOC) and/or gender diverse candidates by 2024 • Achieve 50% BIPOC and/or gender diverse representation in all management positions by the end of 2025
Governance	**Corporate Governance and Business Ethics**	• Demonstrate leadership on ESG by reporting material SASB factors in alignment with Task Force on Climate-Related Financial Disclosure model (Governance, Strategy, Risk Management, Metrics and Targets) • Incorporate ESG related targets into short-term and long-term incentive plans of executives starting in 2022

Environmental

Based on our SASB materiality assessment, our material environmental matters are GHG and other air emissions, industrial and hazardous waste, and energy management. Our internal environmental tracking system is used as a central repository for tracking these material environmental factors. In 2022, Chemtrade began tracking Scope 2 GHG emissions, which are indirect GHG emissions from the generation of purchased electricity and other utilities we consume.

GHG and other air emissions

We recognize that GHG and other air emissions impact climate change, public health, and susceptible ecosystems. We also recognize that our stakeholders expect us to minimize air emissions and reduce our environmental footprint. We do this by improving the efficiency of our manufacturing and transportation processes, maintaining the reliability of our production facilities, and utilizing emissions control equipment.

The majority of our GHG emissions are generated through natural gas combustion in support of our production processes. In addition, smaller quantities of GHG emissions are generated through diesel combustion in our private fleet of trucks, through our production processes in Leeds, South Carolina, Richmond, California, and Syracuse, New York and through the combustion of other fuels in support of our production processes. The intensity of the emissions depends on the efficiencies of the combustion equipment and fleet vehicles, as well as fuel compositions.

Our strategies to reduce, offset, or displace GHG emissions include the following:

- maximizing the use of hydrogen gas (which is a by-product at our electrochemical sites in our EC segment) in boilers and combustion equipment, thereby reducing our demand for natural gas
- capturing hydrogen that is currently vented to the atmosphere at our electrochemical sites in our EC segment and selling it to third parties who will use it to displace GHG-intensive fuels like diesel and natural gas
- improving efficiency of our private fleet vehicles
- improving the efficiency of our processes and equipment
- purchasing offsets when necessary to bridge the gap between actual GHG emissions and targets as we progress towards our targets.

The sale of green hydrogen has been identified as a strategic organic growth opportunity. Hydrogen gas produced at our electrochemical sites in our EC segment is considered "green" as it is created from an electrolysis process powered by renewable electricity.

Capital and operating budgets include investments to expand our private fleet with more efficient vehicles. The Chemtrade fleet grew by 2.5% in 2023, which will increase Scope 1 GHG emissions, but overall GHG emissions (Scope 3) will decrease, as we decrease our reliance upon third party carriers.

During a regular internal audit of GHG data, a potentially more accurate method of calculating GHG process emissions was discovered for our five plants that regenerate spent acid. These five sites process spent sulphuric acid and regenerate it into a fresh sulphuric acid that can be reused. This process emits carbon dioxide equivalent (CO_2e) from the organic content within the spent acid. There may be a more accurate method to quantify the amount of CO_2e emitted. The method and the GHG baseline will be fully evaluated in 2024.

We considered climate change risks, including those associated with shifts in demand for oil and gas (impacting our spent acid regeneration services and hydrochloric acid businesses), and extreme weather events in our 10-year strategic plan and enterprise risk management process. This risk is more fully described in *Climate Change Risks and Opportunities* on page 26.

<table>
<tr>
<td><u>Progress against 2021 Baseline</u>

GHG and other air emissions</td>
<td>In our 2021 baseline year, our Scope 1 GHG emissions were 154,000 tonnes of carbon dioxide equivalent (CO_2e)*. In 2023, our Scope 1 GHG emissions was 166,210** tonnes of CO_2e. Our target is to:
• reduce, offset, or displace 2021 baseline direct GHG emissions emitted from sources we own or control (Scope 1 emissions) by 50% by 2025
▪ including all future acquisitions, maintain GHG intensity (kg GHG/kg product) below the chemical industry average

Approximately 11% of our Scope 1 GHG emissions were either reduced, offset, or displaced compared to our 2021 baseline. This was achieved, in part, by capturing and selling hydrogen from our Brazil site. Additionally, our North Vancouver, British Columbia and Brandon, Manitoba sites use hydrogen in place of natural gas to operate boilers and other equipment, reducing GHG emissions at these sites. Finally, GHG reductions were realized by using more efficient fleet vehicles or by improving process efficiencies. We intend to purchase offsets to achieve our 2025 target.

Our GHG intensity of 0.055 (Scope 1 kg GHG/kg product produced) is 58% lower than the 2022 chemical industry average of 0.13. We expect to maintain a GHG intensity that is well below the chemical industry average.</td>
</tr>
</table>

*CO_2e is a unit of measure for a "carbon dioxide equivalent". A CO_2e is a unit used to compare the emissions from various sources of GHG, like methane or nitrous oxide, on the basis of their global warming potential. This is done by converting a quantity of other gases to the equivalent quantity of carbon dioxide with the same global warming potential.

**GHG emissions increased in 2023 primarily due to an increase in natural gas use at a number of our sulphuric acid plants. A change in composition of raw material received from customers required more natural gas to be utilized.

Scope 1 GHG	**Baseline 2021 (tonnes)**	**2023 (tonnes)**
CO_2e from natural gas usage	121,600	130,180
CO_2e from private fleet	4,700	6,010
CO_2e from process	27,700	30,020
Total	154,000	166,210
GHG Intensity	0.047 (kg GHG per kg of product)	0.055 (kg GHG per kg of product)

Scope 1 CO_2e Composition*	**2023 (tonnes)**
Carbon dioxide (CO_2) from natural gas usage	130,043
Methane (CH_4) from natural gas usage	2.45
Nitrous Oxide (N_2O) from natural gas usage	0.24

*Other greenhouse gasses were below 0.1 tonnes and not determined to be material for this report.

Projects to achieve our Scope 1 GHG emission target by 2025 have been delayed and, as a result, we intend to purchase offsets to enable us to achieve our target until such time as we are able to achieve our targets through our projects and other efforts. We do not anticipate the cost of such offsets to be material.

In 2022, we began tracking Scope 2 GHG emissions, which are indirect GHG emissions from the generation of purchased electricity and other utilities we consume.

Scope 2 GHG Emissions*	2022 (tonnes)	2023 (tonnes)
CO_2	63,442	63,598
CH_4	7.60	7.60
N_2O	1.5	1.4

*Other greenhouse gasses were below 0.1 tonnes and not determined to be material for this report.

Our operations also generate nitrogen oxide emissions (NOx), sulphur oxide emissions (SOx), hazardous air pollutant emissions (HAPs), and particulate matter. NOx are generated through the combustion of natural gas and at our Syracuse, New York facility in the production of sodium nitrite. SOx are generated at our sulphuric acid and water chemical facilities through the use or production of sulphuric acid. HAPs, including hydrochloric acid and chlorine are generated during the manufacturing process at our water and electrochemical sites in our SWC and EC segments. Particulate matter is generated at most of our operating sites during the production process and handling of dry bulk materials.

Chemtrade is currently pursuing a green hydrogen strategy and our EC segment facilities offer further opportunities to use hydrogen gas.

Other Air Emissions details	Baseline 2021 (tonnes)	2023 (tonnes)
NOx emissions	218	220
SOx emissions	698	765
HAPs emissions	4.6	4.7
Particulate matter emissions	230	234

Total emissions in 2023 were very similar to those in the 2021 baseline. The variation in emissions from natural gas usage, private fleet and process emissions reflect changes in relative levels of production across our business segments. Comprehensive emission control strategies are in place to minimize impact to the environment from these air emissions. Air emissions abatement systems, such as scrubbers, precipitators, and filtration equipment, are used in conjunction with operating procedures to reduce emissions.

Industrial and hazardous waste management

We recognize the impact that industrial waste disposal, including hazardous materials, has on the environment and in our local communities.

The largest share of our industrial waste is comprised of high clay alumina (HCA), which is a non-hazardous by-product of many of our water chemical sites. Our strategy to reduce HCA waste includes finding opportunities to repurpose or beneficially reuse it. In 2023, we reduced or diverted from landfill approximately 8,900 tonnes of HCA through repurposing efforts, and process efficiencies. This constitutes 49% of our 2021 HCA generation baseline. Repurposed HCA is primarily used as an ingredient in cement. There was an increase in the amount of non-hazardous industrial waste generated in 2023 that is not HCA, as some facilities like our East St Louis, Illinois facility performed non-routine, episodic disposals.

Our processes generate a limited amount of hazardous waste. The single largest generator of hazardous waste in 2023 was the Lawrence, Kansas facility, which produced approximately 620 tonnes during the period in which we owned the facility (January through November). Prior to the P_2S_5 Sale, Chemtrade implemented a project at this facility that reduced the generation of hazardous waste by over 60%.

Many of our larger sites also generate hazardous waste during periodic turnarounds or other episodic events. This waste includes spent catalyst and filter waste. In addition, some sulphuric acid production processes generate filter cake waste and our sodium chlorate plants generate hexavalent chromium in filtered brine sludge. We limit the quantity of hazardous materials produced through careful production and maintenance planning, and we follow all regulatory requirements for labeling, tracking, and managing hazardous waste and materials. Protocols are in place to ensure we use only licensed, reputable disposal vendors for hazardous material removal and audit these vendors for appropriate certifications. Our facilities generated 1,290 tonnes of hazardous waste in 2023, including our Lawrence, Kansas facility (during the period of ownership), which is a 35% decrease from 2022. This reduction is largely due to the project mentioned above at our former Lawrence, Kansas facility to reduce hazardous waste generation. Excluding waste from the Lawrence facility, we generated 670 tonnes of hazardous waste in 2023.

Progress against 2021 baseline Industrial waste	In our 2021 baseline year, we generated 18,000 tonnes of HCA and diverted 4,900 (27%) away from landfills. Our target is to: • reduce HCA landfill disposal by an additional 20% (3,600 tonnes) of our 2021 baseline (for a total of 8,500 tonnes diverted) by 2025, through reuse and process efficiencies. In 2023, we diverted 8,900 tonnes (49%) of HCA away from landfills.

Waste Management details	**Baseline 2021 (tonnes)**	**2023 (tonnes)**
Hazardous waste generated	1,980	1,290
Non-hazardous industrial waste generated (includes HCA and other wastes)	21,000	35,070
Total waste generated	22,980	36,360

High Clay Alumina (HCA) Reduction				
2021			2023	
Produced	Diverted	%	Diverted	%
18,000	4,900	27%	8,900	49%

Energy management

Our primary sources of energy are electricity and natural gas. Our biggest consumers of electricity are our electrochemical sites in our EC segment, which primarily consume renewable hydroelectricity. We strive to reduce our energy consumption by operating as efficiently as possible and using renewable and self-generated fuel sources wherever feasible.

A portion of the energy used at our sulphuric acid sites is self-generated from organics from spent acid, and sulphur that is produced as a by-product in our processes. In 2023, our facilities consumed 8,881,000 gigajoules (GJ) of electricity. The percentage of our electricity generated from renewable sources fluctuates based on where our electricity providers source their energy.

The percentage of energy consumed that is renewable is projected annually and is verified from our various electricity supplier grid reports, which can occur up to two years following usage, depending upon the jurisdiction. If we discover a material change in the makeup of renewable energy in the grid than what was reported, it will be disclosed in next year's annual information form.

Progress against 2021 baseline Energy Management	In our 2021 baseline year, 89% of our electricity usage was generated from renewable hydroelectric sources. In 2023, 88% of our electricity usage was still generated from renewable hydroelectric sources. Our target is to: • ensure a minimum of 85% of our electricity usage is from hydroelectric or other renewable sources, and maintain this target when making future acquisitions.

Energy Management details	**Baseline 2021**	**2023**
Electricity usage	9,979,000 GJ	8,881,000 GJ
Percentage of electricity usage from renewable sources	89%	88%
Target	minimum of 85% - Achieved	minimum of 85% - Achieved

Social

Based on our SASB materiality assessment, our material social topics are workforce health and safety; operational safety; emergency preparedness and response; and, employee engagement and diversity and inclusion. Our programs, plans and metrics for each are described below.

Workforce health and safety

Our philosophy is that working in an injury free environment is by choice, not by chance.

Specifically:

- we believe all injuries are preventable, and creating an injury free work environment requires the right mindset and behaviours from all employees and contractors
- leaders must create a culture aligned to these beliefs, in which all employees are absolutely committed to working safely, and can freely express their ideas and concerns so that issues are addressed immediately and improvements are made continuously
- all employees must have the knowledge, skills, training, tools, and equipment to work safely, and feel accountable for their personal safety, as well as that of their coworkers and contractors. This accountability requires immediate intervention to remediate unsafe conditions, along with immediate reporting of incidents and sharing concerns with leadership and environmental, health, and safety resources

We have comprehensive health and safety programs to protect the safety of our employees and contractors in every area of our operations. Our occupational health and safety programs focus on the safe execution of all work at all locations. They include leadership and employee training, identification and management of hazards, work-permitting processes, compliance monitoring, supervisory oversight, and contractor management.

Safety incidents and corrective actions are tracked and reported to our senior leadership team.

We monitor the following key performance indicators on a monthly, quarterly, and annual basis:

- incidents that resulted in serious injuries or fatalities (SIF)
- occupational injury/illness rate (OIR) for *both* employees and contractors
- incidents that had the potential to result in serious injuries or fatalities that were recognized *after* an incident occurred (close-call PSIF)
- incidents that had the potential to result in serious injuries or fatalities that were proactively recognized *before* an incident occurred (pro-active PSIF)
- injuries requiring first aid treatment for *both* employees and contractors.

We strive to minimize all these key performance indicators, with the exception of pro-active PSIFs, which we encourage employees to report in an effort to identify and correct hazardous situations before they result in injury or harm.

For comparison purposes, the table below reports rates based on the number of incidents that occurred per 100 full-time employees. Over the past three years, our performance in these areas is indicated below:

Metric	2021	2022	2023
Employee OIR	1.26*	1.00*	0.45*
Contractor OIR	2.51*	3.17*	1.22***
SIF Rate	0.07**	0.07**	0.06***
Close call PSIF rate	2.98	3.47	3.93
Proactive PSIF rate	12.89	12.34	13.33
Employee First Aid Treatment rate	4.23	3.67	3.54
Contractor First Aid Treatment rate	9.19	9.87	6.68

* The employee and contractor OIR for 2021, 2022 and 2023 excludes COVID-19 related recordable injuries to allow for historical comparisons.
** All incidents in 2021 and 2022 were serious injuries, not fatalities.
*** It is with sadness that we report that the 2023 Contractor OIR and SIF rate includes a contractor fatality that occurred in June 2023 at our Fort McMurray Facility.

Progress against 2021 baseline Workforce Health and Safety	In our 2021 baseline year, we had an employee OIR of 1.26 and SIF rate of 0.07. In 2023, we had an employee OIR of 0.45 and SIF rate of 0.06. Our targets are to: • achieve an employee OIR of 0.7 by 2025 • avoid all SIFs for employees and contractors in 2022 and beyond. In 2023, we did not achieve this target.

On May 5, 2023, the World Health Organization officially announced that COVID-19 is now an established and ongoing health issue that no longer constitutes a public health emergency of international concern. In response, we initiated our post-pandemic operations in accordance with our Pandemic Response Guideline during May 2023. Our pandemic steering team undertook a review of our existing COVID-19 protocols, procedures, and practices that were put in place to operate during the pandemic, and decided to repeal a number of these documents that are no longer beneficial for daily operations. However, we recognize that COVID-19 is still a recordable illness pursuant to the U.S. Occupational Health and Safety Administration (OSHA), and as such will keep in force protocols for individuals who test positive for COVID-19 to maintain the safety of our employees.

Operational safety, emergency preparedness and response

> Process safety and risk management are important components to us as a manufacturer and distributor of chemicals. They are part of our commitment to our employees and the communities in which we work. Process safety is both a regulatory requirement and a mandate of our CIAC membership. But more than that, it is the right way to approach our business and an important part of our culture.

We have a multifaceted approach to process safety that has been implemented across all our facilities. This approach is critical to the management of hazardous materials. Our multifaceted approach to process safety helps ensure the necessary operational controls and safeguards are in place to maintain a healthy workplace and avoid unwanted releases into the environment. Effective process safety management provides safety and sustainability benefits, enhanced product quality, production efficiency, and reduced downtime.

The security of our data and other information is a critical operational risk, overseen by our board. Sitting on our board are four members knowledgeable in assessing and mitigating cybersecurity risks, and the board plays a pivotal role in guiding our security strategies. We regularly participate in U.S. Department of Homeland Security audits, which assess security risks at key U.S. plants, as well as in other third-party audits of IT controls. These rigorous evaluations ensure continual enhancement of our security protocols across all operations. In 2016, we strengthened our leadership team by appointing Tejinder Kaushik as Vice-President, Information Technology, who is accredited as a Certified Information Security Manager (CISM). His expertise in information security management complements and supports our ongoing efforts to maintain and improve Chemtrade's cybersecurity posture. He provides annual updates to the board on our cybersecurity strategy, progress, and challenges, reflecting our commitment to continuous improvement.

For the safety of the communities in which we work, our facilities have robust emergency preparedness measures in place. Comprehensive procedures, trained emergency response teams (on-site and off-site), and 24-hour readiness allow us to respond quickly should we encounter an emergency related to our products or facilities. We also maintain strong relationships with community first responders who are ready to assist in an emergency and we share our plans, learning, and experience through active community advisory panels (CAPs) at many of our locations.

Emergency response teams and third-party resources are available to handle emergencies 24-hours a day. Facility-based teams are made up of employees from various departments including safety, production, maintenance, supply chain, engineering, and logistics. These teams participate in training sessions at the facilities and in coordinated exercises with other emergency responders (hazmat, fire, and police) and with customers and carriers within the facility's region. Technical support personnel and emergency response vehicles equipped for chemical emergencies are strategically stationed.

We participate in a CIAC and ACC initiative called TRANSCAER® – Transportation Community Awareness and Emergency Response. This is a voluntary outreach effort to assist communities that have major transportation routes within their jurisdictions. TRANSCAER details the policies and procedures we use to prevent transportation accidents by setting high standards for employee training, the use of proper equipment, and the selection of responsible carriers. TRANSCAER also involves transportation emergency response plans in the event of a product spill or leakage during the transportation cycle and provides for our participation in related community awareness programs.

We also participate in the Chlorine Emergency Plan (CHLOREP), an industry-wide program designed to ensure a quick and effective response in the event of a chlorine emergency in Canada and the U.S.

In 2023, a comprehensive drill was planned to test our North Vancouver, British Columbia site emergency response plan, the emergency response assistance plan (ERAP) and our crisis management team. We simulated a chlorine release to test our response capabilities in this area. This exercise allowed us to implement our revised crisis management and communication plan that was rolled out during 2023, and to make further updates to our site emergency response standard. We will continue to test our plans going forward in an effort to continually improve our responses.

We monitor key performance indicators for process safety on a monthly, quarterly, and annual basis. All spills and releases that occur on-site are reported and investigated to develop corrective actions to prevent recurrence. The severity of the spill or release is categorized using an internally developed definition matrix. In general:

- Level 1 spills or releases: spills or releases that result in contamination or pollution leaving the facility boundary, requiring clean-up, or exceeding quantity thresholds that require reporting to federal regulators.
- Level 2 spills or releases: spills or releases that remain within the facility boundary, yet require clean-up, and do not exceed quantity thresholds that require reporting to regulators.

These incidents and corrective actions are tracked and reported to our senior leadership team.

We also track the number of transportation related incidents that occur during the shipment, transport, and delivery of our products after they leave our facilities on a monthly, quarterly, and annual basis. In 2022, our metric was revised to meet the SASB requirements. This better aligns with SASB standards, eliminates bias due to increased shipping volumes, and allows more direct comparison with other chemical companies. Going forward, we will track transportation incidents with an incident rate per 1 million miles (1.6 million kilometers). Recordable incidents are those that require a U.S. Department of Transportation Form 5800 submission (or equivalent) which includes, but is not limited to the following:

- As a direct result of a hazardous material:
  - a person is killed
  - a person receives an injury requiring admittance to a hospital
  - the general public is evacuated for one hour or more
  - a major transportation artery or facility is closed or shut down for one hour or more
- A release of a marine pollutant occurs in a quantity exceeding 450 L (119 gallons) for a liquid or 400 kg (882 pounds) for a solid
- An unintentional release of a hazardous material or the discharge of any quantity of hazardous waste
- A specification cargo tank with a capacity of 1,000 gallons or greater containing any hazardous material suffers structural damage to the lading retention system or damage that requires repair to a system intended to protect the lading retention system, even if there is no release of hazardous material
- An undeclared hazardous material is discovered.

Over the past three years, our annual performance in these areas is shown below:

Metric	2021	2022	2023
Level 1 spills or releases	3	6	4
Level 2 spills or releases	25	53	41
Transportation incident rate / 1 million miles	0.63*	1.17*	0.55*

*based on our revised criteria for transportation incidents

Progress against 2021 baseline

Operational Safety, Emergency Preparedness and Response

In our 2021 baseline year, we recorded three Level 1 spills or releases and two transportation incidents (based on our revised criteria for transportation incidents).

Our updated targets are to:

- reduce Level 1 spills or releases by 50% of 2021 baseline by 2025.
- reduce the number of transportation incidents by 50% of new 2022 baseline (see below) by 2025.

In 2022, we recorded six Level 1 spills or releases and four transportation incidents, under our old definitions. Under our new SASB-aligned definitions of incidents, we had four total incidents, which resulted in a rate of 1.17 incidents per 1 million miles (1.6 million kilometers).

In 2023, we recorded four Level 1 spills or releases and a transportation incident rate of 0.55 incidents per 1 million miles (1.6 million kilometers), which is a 53% decrease from the previous year.

Employee engagement and diversity and inclusion

Employee engagement

Our employees are our most valued asset, and we recognize that they are fundamental to our success. High employee engagement leads to improved employee retention, customer satisfaction, productivity, and ultimately profitability. Engagement is driven by strong leadership and a culture that fosters empowerment, growth and development, and diversity and inclusion.

Our employee development processes are comprehensive and robust. We conduct talent reviews and succession planning workshops annually, from which individual development plans (IDPs) are created by and for employees to develop their skills and position them for future growth opportunities. Employee assessments and IDPs are structured around our core competencies. These core competencies were revised in 2023 and are as follows:

- problem solving and strategic mindset
- teamwork and collaboration
- leading change and initiative
- development mindset
- customer mindset
- effective communication

Our leadership development programs are also structured to grow these core competencies and are designed to address the unique needs of directors, managers, and first-time supervisors.

Our online employee training system, Chemtrade University, provides training and development resources for all employees. In addition to supporting development of our core competencies, it is used to document the understanding and track the completion of environmental and safety training, and corporate compliance training. Additional self-led training in line with employees' interests is also available.

In 2023, we conducted our third annual employee engagement survey, which allowed employees to score and comment on key drivers of engagement. 85% of employees participated in the survey, an increase from 80% in 2022. Our 2023 overall engagement score was 71% (which is an increase in 2 points from 2022) compared to our external benchmark of 74%. Survey results indicated that our employees continue to feel safe in the workplace, believe that they have the resources to do their jobs well, and have a good understanding of how their work contributes to the success of the company. In addition, our employees expressed that we must take meaningful actions as a result of the survey, improve our communication quality and frequency, and clarify their understanding of the Chemtrade values.

Metric	2022	2023
Employee Participation	80%	85%
Overall Engagement Score	69%	71%
Industry Benchmark	76%	74%

In response to the survey, we conducted focus groups to get a better sense of how we could improve communication and develop an action plan. In addition, functions and teams across the organization have established new practices to improve communications, including manufacturing leaders spending more time in production areas to solicit feedback, corporate functions meeting more frequently to discuss business strategies and results, and commercial teams introducing "listening sessions" to solicit input into plans and decisions. Leaders across the organization continue to incorporate *"Vision, Values and Culture moments"* into their meetings to reinforce the connection to our culture. These statements are available on our website.

Progress and 2021 baseline Employee Engagement	In our 2021 baseline year, our first annual employee engagement survey resulted in an overall engagement rating of 69% as compared to our external benchmark of 76%. In 2023, our annual employee engagement survey resulted in an overall engagement rating of 71% as compared to our external benchmark of 74%. Our target was to achieve the external benchmark by 2023. However, we fell short of this benchmark by 3 points. Our next company wide survey will be conducted in 2025. We are now targeting to achieve industry benchmark for our employee engagement score by 2025.

Diversity and inclusion

Our board and management are committed to ensuring we have a diverse and inclusive workplace. We believe that engaging employees with different skills, backgrounds, and perspectives will lead to better outcomes operationally and financially. Our compensation practices support pay equity for comparable work.

Diversity Across the Organization

Our diversity and inclusion strategy and plan were informed by our employee engagement surveys. Our approach includes four strategic pillars:

- Leaders – Visible champions advancing diversity and inclusion
- People – High performance workforce reflective of the diverse communities in which we operate
- Workplace – Fostering a culture of respect and belonging with aligned policies, procedures, and programs
- Community and Customers – Supporting, promoting, and recognizing diverse partners

Members of our extended leadership team participated in training workshops to enable them to recognize unconscious biases and help create an inclusive workplace. This training was cascaded to managers and employees throughout the organization. In addition, diversity and inclusion are now prominent in our Vision, Values and Culture statements, to reflect our leaders' commitment to them.

Our corporate Diversity and Inclusion Policy addresses recruitment, selection and promotion, remuneration, career development and performance, talent reviews and succession planning, training, gender and racial diversity, inclusion, employee consultation, and supplier diversity. This policy can be found on our website (www.chemtradelogistics.com).

In 2022 we introduced a process for all employees to voluntarily disclose their race and ethnicity upon hire. In 2023, approximately 92% chose to do so. Of those new hires who chose to disclose, approximately 56% identify as black, Indigenous or people of color (BIPOC) and/or gender diverse (women or non-binary). To improve our reach to diverse job candidates, we partner with external recruiters and use job boards that reach BIPOC and gender diverse candidates. We also review our talent acquisition process to identify and address any systemic issues and provide unconscious bias training to hiring managers.

At the end of 2023, of those managers who chose to disclose their race and ethnicity, 39% identify as BIPOC and/or gender diverse (Approximately 4% of managers have not disclosed whether or not they identify as BIPOC). We will continue efforts to increase voluntary disclosure of new hires and employees.

Progress against 2021 baseline Diversity and Inclusion	In our 2021 baseline year, 18.5% of our new hires in the United States identified as BIPOC and 15% of new hires in North America identified as gender diverse. Our management survey data indicated that 29% of our managers identified as BIPOC and/or gender diverse. In 2023, of those who disclosed, 56% of our new hires identified as BIPOC and/or gender diverse. At the end of 2023, of those who disclosed, 39% of managers identified as BIPOC and/or gender diverse. Our targets are to: • across the organization, fill 40% of vacancies with those who identify as BIPOC and/or gender diverse by 2024 - Achieved in 2022 and 2023 • achieve 50% individuals who identify as BIPOC and/or gender diverse in all management positions by the end of 2025

We also adopted a new written diversity policy effective January 2022 that recognizes the importance of diversity on the board and in executive management, including diversity of age, gender, visible minorities, Indigenous peoples, persons with disabilities, sexual orientation, and other personal characteristics. Our policy requires the identification and consideration of gender diverse candidates, as well as candidates who are visible minorities, Indigenous peoples, or persons with disabilities. Our diversity statistics and targets for both board and management levels are contained in our most recent management information circular (MIC) available on our website (www.chemtradelogistics.com) and on SEDAR+ (www.sedarplus.com).

Governance

Based on our SASB materiality assessment, our material governance topics are corporate governance and business ethics, management of the legal and regulatory environment, and governance of environmental and social issues. Our programs, plans and metrics are described below.

Corporate governance and business ethics

At Chemtrade, governance starts at the top with our board of trustees and three board committees providing oversight of our corporate strategy, risk management (see *Risks and risk management* starting at page 44) and environmental and social practices. Our currently available MIC contains an additional discussion of various corporate governance topics, including the following:

Structure	Integrity	Board quality	Compensation	Commitments/ Expectations of Board Members
• Size and Composition • Independence • Diversity	• Code of conduct • Supplier code of conduct • Clawback policy • Insider trading policy • Disclosure policy	• Skills matrix • Orientation • Continuing education • Board assessment	• Fee schedule • About deferred units	• Risk oversight • Succession planning • Serving on other boards • Equity ownership • Attendance • Tenure and renewal • Majority voting

As discussed in our MIC, our employees are trained on our code of conduct biennially and training completion is tracked on our learning management system. The current training includes anti-corruption training, and in 2024, Chemtrade also intends to implement a standalone anti-corruption policy with training based on this new policy. Both the code and policy and related training are managed by our General Counsel with oversight provided by the board's compensation and corporate governance committee.

Management of legal and regulatory environment

We are members of both the CIAC and the ACC. Through these associations, we seek to positively influence government regulations and propose policies that address environmental, transportation, and social factors affecting the chemical industry. The CIAC promotes government policies that enable the chemistry industry to deliver innovations for a healthy environment and contribute to the low-carbon economy. One of the ACC's guiding principles is to cooperate with governments at all levels and organizations in the development of effective and efficient safety, health, environmental, and security laws, regulations, and standards.

In addition, we act through other trade associations including the Chlorine and Sulfur Institute to provide input on governmental and regulatory issues.

We also use RegScan compliance specialists as our primary, but not only, source for identifying proposed and final environmental, safety and health regulations.

Governance of environmental and social issues

The board of trustees is responsible for overseeing strategy, governance, and risk, as well as the overall approach to ESG. The audit committee oversees financial risks, the systems implemented to monitor them, and the strategies and controls in place to manage them. The Responsible Care committee oversees our environmental, health, safety, and security philosophy and policies, and monitors our performance in those areas. The compensation and corporate governance committee oversees our governance practices, our business ethics policies, and our compensation policies, plans and programs to ensure they do not motivate inappropriate risk-taking. Through our mandates, charters, policies, and related documents, we have developed a robust, strategic approach to our ESG commitments. This extends to our relationships with valued partners including employees, customers, suppliers, and investors. Each of the board committees is responsible for ESG topics in its area of responsibility, with the board having overall oversight. At the managerial level, the Senior Director, Environmental Risk, has overall responsibility for ESG. The Vice-President, Responsible Care has responsibility for management of environmental, health and safety aspects with the oversight of the Group Vice-President, Manufacturing and Engineering. The social aspects are the responsibility of the Vice-President, Human Resources and the governance aspects are managed by the General Counsel.

The board adopted an investor engagement policy in 2016. A copy of the policy is available on our website (www.chemtradelogistics.com). Our CEO and chief financial officer (CFO) routinely meet with equity research analysts, as well as current and prospective investors to discuss ESG topics. Chemtrade's ESG initiatives and targets are part of Chemtrade's investor presentation materials and are generally covered at such meetings.

Executive compensation is directly impacted by ESG performance. Incentive compensation is determined by the extent to which financial (65%), organizational (15%) and personal (20%) goals and objectives are achieved. All executives have safety and environmental performance goals. In addition, there are ESG elements built into personal goals related to strategic direction, operations and commercial excellence, organizational development, culture, and employee engagement.

In 2022, we formalized ESG goals in our executive's short-term and long-term incentive plans. Our short-term incentive plan includes objectives related to employee and contractor safety, environmental performance, and advancement towards our employee engagement and diversity targets. Our long-term incentive plan includes five ESG targets that align with our long-term targets.

Climate-Related Risks and Opportunities

Climate change creates strategic risks and opportunities for us that could potentially impact our financial performance, impacting investors, lenders, suppliers, and customers. Please see section *Risks and risk management* on page 44 for more about the risks associated with all aspects of our business.

We analyzed climate-related risks and opportunities using the Task Force on Climate-Related Financial Disclosure model. This involved reviewing the following:

This analysis was considered in our business strategies and risk management plans, including consideration of financial and other implications for our company.

Physical Risks

Our production facilities, customers and supply chains are broadly distributed across North America and Brazil, and our suppliers are located around the world. As a result, there is a greater probability that we could be impacted by event-driven physical risks from extreme weather than if our assets were concentrated in one place. However, our decentralized structure lowers the risk to our overall business results from extreme weather incidents as a small number of facilities may be impacted by one specific extreme weather event.

Many of our facilities are in areas that are at risk of extreme weather events, including hurricanes, tornadoes, tropical storms, floods, drought, wildfires, extreme cold, winter storms, or other severe weather conditions or seismic events. Further, the effects of climate change, such as more extreme temperatures, drought, flooding and extreme weather events, pose a risk to the operation of our facilities. There is also a risk that our customers, industrial producers, suppliers, and transportation networks could also be impacted by these factors.

In general, we have insurance that covers impacts to sites but not supply chains other than utilities (e.g., electrical and energy and water). In addition, a majority of our contracts with customers have force majeure clauses that can limit the financial impacts of not being able to operate due to extreme weather.

Wildfires in Western Canada pose the greatest risk to our electrochemical facilities in our EC segment. Our North Vancouver, British Columbia facility, which produces caustic soda, hydrochloric acid and chlorine, is primarily at risk from potential disruptions in supply chains, including rail, truck, and in some cases barge in and to British Columbia. We mitigate these risks by working with customers to proactively increase their inventories of our products. In addition, we work with railway companies to prioritize our products for delivery and to seek rerouting opportunities when required. The financial impact of a disruption at our North Vancouver, British Columbia facility depends on the prices of caustic soda, hydrochloric acid and chlorine at the time, and could be significant. An interruption at our Prince George, British Columbia site, which produces sodium chlorate, would be significant if the outage were to last for several months. We would mitigate the risk by purchasing sodium chlorate from our competitors to sell to our customers, if there is spare capacity in the market. Finally, some of our customers have pulp mills in areas susceptible to wildfires. Outages at pulp mills would impact demand for sodium chlorate.

In addition to the above impacts on our EC sites, other Chemtrade production facilities at risk due to wildfires are our sulphuric acid site in Richmond, California, water chemical sites in Burnaby, British Columbia, Edmonton, Alberta, and Bay Point, California, our ammonium sulphate site in Fort McMurray, Alberta, and our two sites in Fort Saskatchewan, Alberta. Disruptions at these facilities are expected to be less financially significant than our electrochemical facilities in our EC segment.

The Chemtrade manufacturing facilities most at risk due to hurricanes are those situated along the Gulf of Mexico and the east coast of the United States and Canada, including Odem, Beaumont, Terrell and Celina in Texas; Cedar Springs, Savannah, Macon and Augusta in Georgia; Tampa and Jacksonville in Florida; Leeds and Catawba in South Carolina; Hopewell and Covington in Virginia; Linden, New Jersey; and Dalhousie, New Brunswick. All these sites, with the exception of Beaumont, Texas and Leeds, South Carolina, produce water chemicals. We have the ability to supply water chemical customers from various sites if one of them is impacted, thereby mitigating our financial risks. The exception is our Savannah, Georgia site, which supplies 12 other Chemtrade manufacturing sites with ground bauxite for the production of alum. If our Savannah, Georgia site's production was impacted, alum production at other sites would be impacted. We produce sulphuric acid and provide spent acid regeneration services at Beaumont, Texas. If our Beaumont, Texas facility's production was impacted, we could not process our customer's spent acid, but we could supply customers with sulphuric acid from our other facilities. We produce liquid sodium hydrosulphite and zinc oxide at our Leeds, South Carolina facility. If we were to have an outage at this facility, we have contingency plans in place to continue operations in order to maintain supply to our customers; however, an extended outage would not likely significantly impact financial results.

Ice and severe winter storms could impact all of our North American sites. We have protocols in place to proactively shut down facilities when they are at risk, and short-term outages would not likely have a significant impact on financial results.

Risk of financial losses resulting from damage from high winds and tornadoes at our Tulsa, Oklahoma site is mitigated through insurance.

We have several facilities on the west coast of North America (two facilities in California, two in Washington, and four in British Columbia), which is susceptible to earthquakes. Our Richmond, California facility conducts seismic surveys of the entire site every five years.

Our procurement and supply chain and logistics teams have contingencies in place to ensure we can continue production if our key suppliers experience disruptions due to extreme weather. Wherever possible, we have multiple suppliers in different locations for critical raw materials. In 2023, Chemtrade established a raw material risk analysis process to identify those raw materials, particularly those which are sole sourced (including salt to our North Vancouver, BC facility), that present the greatest risk to the company based on potential financial impact. In 2024, we are working to develop contingency and risk mitigation plans for those raw materials identified through the risk analysis and to identify potential alternate suppliers. In addition, we have storage tanks at our most critical sites to stock additional materials and supplies. See also *Raw Materials - Cost and Access* at page 48.

We have some suppliers located overseas in areas prone to monsoons. Our suppliers of bauxite for water chemical production are located in Guyana. To ensure we have this raw material available, we carry three to four months of inventory at our Savannah, Georgia site. During 2023 and until the P_2S_5 Sale, approximately 20% of our phosphorus was sourced from a company in Vietnam, which was an alternate supply to our domestic supplier.

We address weather-related emergencies through our crisis management plan that includes securing the facility, shelter in-place provisions, proper notification to authorities, accounting for all employees, and customer notifications.

While we have insurance that covers certain extreme weather events, there can be no assurance that it will compensate us for losses related to severe weather conditions or seismic events, including but not limited to the above events. The occurrence of any of these events could have a material adverse effect on our business, financial condition, and/or results of operations.

Transitional Risks and Opportunities

Transition to a low carbon economy creates both risks and opportunities for our businesses. We examined risks in the areas of policy and legal, technology, markets and reputation, as well as opportunities in the areas of resource efficiency, energy sources, products/services, markets and resilience. Based on our assessment, we determined that the following areas represent the greatest opportunities and/or risks to the company.

Electric Vehicles (EVs)

Increased demand for EVs is driven by a number of factors, including tighter regulations on CO_2 emissions, government incentives, and regulatory policies. In addition, consumers are more open to EVs as they are able to drive increasingly long distances before needing to be charged, which is the result of advancements in semiconductor chemistry that allows batteries to function at higher voltages. Finally, government mandates, including those in California and New York requiring that all new vehicles purchased beginning in 2035 be zero-emission, will also increase demand.

This increased demand for EVs creates the following opportunities for our businesses:

- Increased demand for our ultrapure sulphuric acid: Ultrapure sulphuric acid is used in the production of semiconductors. We are investing in increased capacity at our Cairo, Ohio facility and through our KPCT Advanced Chemicals LLC joint venture (which is currently on hold) to meet this demand.
- Increased demand for merchant sulphuric acid: Nickel is a key component in lithium-ion batteries and in nickel-metal hydride batteries used in hybrid electric vehicles (HEVs). Increased demand for nickel will result in increased demand for merchant sulphuric acid.

- Increased demand and prices for caustic soda: Caustic soda is required in the production and recycling of lithium-ion batteries used in EVs and plug-in hybrid electric vehicles (PHEVs). If there is limited demand for the chlorine molecule products (hydrochloric acid and chlorine), production of co-product caustic soda will be limited, which will increase the price.

The demand for EVs creates the following risks to our businesses:

- Reduced demand for spent acid regeneration services: Demand for our spent acid regeneration services from gasoline refineries will decline as EV sales continue to grow. However, the current refining outlook is very strong for the next three years, driven by US exports. As EV sales grow and US oil and gas exports decline, this could negatively impact prices and ultimately result in the closure of one or more of our spent acid regeneration facilities. A 2% decline in gasoline consumption from 2022 levels in the United States would result in margin losses of approximately $3.0 million.
- Reduced sulphur supply and therefore potentially increased cost*:* Sulphur is a byproduct of oil production and is one of our main raw materials. As oil production decreases, supply of sulphur will also decrease, driving up the price.
- Reduced demand for hydrochloric acid*:* Demand for our hydrochloric acid could decline due to reduced fracking activity and improved technology that requires less hydrochloric acid per tonne of product. This could limit our production of caustic soda if demand for chlorine does not increase to offset the reduced hydrochloric acid demand.

Other Markets

In addition to stabilizing demand in personal electronics, as well as resilient growth in automotive, the biggest driver of demand in semiconductors is the explosion of artificial intelligent (AI) and high-performance computers (HPC), both of which are seen by the United States government as critical to national security and targets of onshoring. After the longer than expected delays in the disposition of funds set aside in the *CHIPS and Science Act* enacted by the United States Congress in 2022, the first awards were granted in December 2023, followed by more in January 2024, causing renewed excitement for growth in the United States market. These trends and the expected growth will help drive demand for our ultrapure sulphuric acid.

As the energy efficiency of buildings is improved through the use of foam insulation, demand for hydrochloric acid, used to produce the raw materials for foam insulation, will increase. This will increase the price of hydrochloric acid and potentially reduce the price of caustic soda as production of this co-product also increases.

As a result of sanctions against Russian energy stemming from the conflict in Ukraine, LNG shipments to Europe have increased. This has increased fracking activities, which has increased demand for hydrochloric acid. If this continues, this will increase the price of hydrochloric acid and could potentially reduce the price of caustic soda as production of this co-product also increases.

Use of Lower-Emission Sources of Energy

The demand for lower-emission sources of energy (like hydrogen and renewables) is driven by tighter regulations on CO_2 emissions, government incentives and carbon pricing.

We currently maximize the use of hydrogen gas (which is a by-product of our electrochemical sites in our EC segment), in boilers and combustion equipment, thereby reducing our demand for natural gas. In addition, we have identified a strategic growth opportunity to capture hydrogen currently vented to the atmosphere at our electrochemical sites and sell it to third parties who will use it to displace GHG-intensive fuels like diesel and natural gas. Hydrogen gas produced at our electrochemical sites in our EC segment is considered "green" as it is created from an electrolysis process powered by renewable electricity.

Carbon Pricing

Canada's *Greenhouse Gas Pollution Pricing Act* established minimum standards for carbon pricing in Canada. As a result, in 2023 we paid $1,460,000 in pollution pricing for fossil fuels used at our facilities in British Columbia, Manitoba, Alberta and Québec. The growth of our private fleet in Québec, Alberta, and Ontario and a higher tax rate resulted in a private fleet carbon tax of $122,000.

In 2023, we avoided additional pollution pricing charges of $814,425 at North Vancouver by utilizing hydrogen supplied to us from a neighboring manufacturer, and $2,274,180 of charges at Brandon, Manitoba by utilizing hydrogen produced there.

Insurance

In general, the insurance industry is trying to negotiate higher deductibles and more restrictive limits in insurance contracts as a result of weather events related to climate change. We have seen material changes in our insurance premiums in the recent past along with general tightening of terms & conditions as well as capacity for weather related events. There is no guarantee that these coverages and capacity will be offered in the future. We mitigate this through negotiations, building long-term relationships with insurers, and continuing engagement with advisors to obtain the most favorable terms and conditions at a competitive price.

Capital Requirements

Reducing emissions requires scrubbers and other emission control devices that require capital expenditures, which can be significant.

Reputation

Although investors and employees could view serving the oil and gas sector as a negative, we believe that in general our reputation with respect to climate change is positive because:

- we have a very low GHG intensity (0.055 lbs GHG/lbs product in 2023) compared to the chemical industry average (0.13 lbs GHG/lbs product in 2022 (Scope 1). In other words, we are 58% below the industry average; and
- 88% of our electricity was from hydro or other renewable energy sources in 2023 (Scope 2).

Resilience

As described above, to adapt to climate change we are improving our ability to manage risks by pursuing opportunities to capture and sell hydrogen, and by maximizing our use of renewable energy. In addition, we are pursing opportunities in growing markets including EVs by investing in new ultrapure sulphuric acid production capacity, and improving the reliability of these assets and the storage of these products.

Environmental and decommissioning liabilities

Environmental liabilities, or remediation obligations, represent our estimated cost to remediate sites as required by environmental regulations. The majority of these remediation obligations relate to inactive ponds located at several of our alum manufacturing sites. These inactive ponds contain alum process residue from the manufacturing process. These ponds are in various stages of closure or planned closure. We close a pond by removing the residue for reuse or disposal, or by leaving the residue in place and covering the pond with an engineered cap. The closure method is determined on a site-by-site basis and depends on several factors including the nature of the contaminants that are found in the residue, the local hydrology and hydrogeology, and regulatory approvals. It can take several years to close a pond, depending on its size, the method of closure used, and permit requirements. We have developed a priority list and estimated timetables for closing the ponds. The priority list takes into account any required federal, state or provincial environmental agency timelines, as well as environmental risk, and can change as one or more of these factors changes. Chemtrade records a provision for environmental liabilities based on current interpretations of environmental laws and regulations when it is probable that a liability has been incurred and the amount can be reasonably estimated.

Decommissioning liabilities include the cost of cleaning up the sites, removing or demolishing manufacturing equipment (for example, storage tanks that are above ground and below ground), buildings, and other infrastructure. We estimate the fair value of these obligations and record them as a liability in our financial statements. Our estimates use a present value method and are based on existing laws, contracts or other policies, and current technology and conditions. This involves making assumptions about, among other things, the cost of abandonment and reclamation, inflation rates, credit adjusted risk-free rates, and timing of retirement of assets.

There are significant uncertainties related to decommissioning liabilities. The eventual timing of and costs for these obligations could be different from what we have estimated, and could have a material impact on our consolidated financial statements. The main factors that can cause expected cash flows to change are:

- changes to laws and regulations
- construction of new facilities
- changes in the reserve estimate and the resulting amendments to the life of the plant
- changes in technology.

In general, estimates of decommissioning liabilities for plants that are at the beginning of their lives are more subjective than plants near the end of their lives, when expected cash flows are more reliable. Changes in the estimated or actual costs for plant closure and for removal and/or demolition of manufacturing equipment, buildings and other infrastructure could have a material adverse effect on our business, financial condition, and/or results of operations.

We do not reserve cash or assets specifically for the purpose of settling decommissioning liabilities. Closure and restoration of the sites may require a significant cash outlay that could affect our ability to satisfy debt and other contractual obligations. If we cannot make our decommissioning liability payments, regulatory authorities could take corrective action, including issuing clean-up orders and laying charges.

The Fund reported $142.4 million in environmental and decommissioning liabilities in its December 31, 2023 financial statements. Significant judgment is required in estimating these liabilities. The eventual timing of and costs for these liabilities could be different from what we have estimated, and could have a material impact on our consolidated financial statements.

Insurance and indemnities

We maintain insurance that includes coverage for liabilities and costs associated with remediation obligations or property damage that arise from present or future operations, or that arise in the handling, transportation, or distribution of our products. The previous owners of some of our facilities have also agreed to undertake certain remediation actions or have provided indemnification for possible environmental issues.

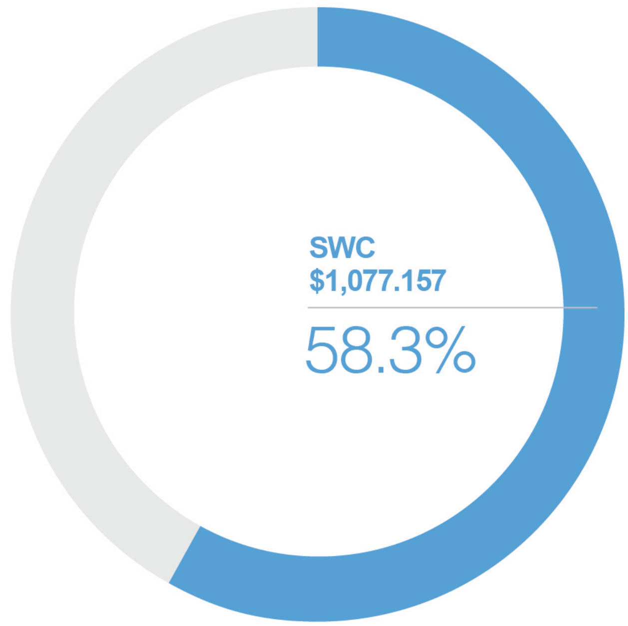
Legal proceedings and regulatory matters

You'll find a complete list of material legal proceedings and regulatory matters related to sustainability issues starting on page 67.

Sulphur & Water Chemicals (SWC)

Business	Sulphur-based products and services and Water treatment chemicals
Market	North America
End uses	Sulphur-based products • Pulp and paper, refineries (alkylate production), semiconductor production, chemicals manufacturing, automotive, textiles, kaolin clay, water treatment, and mining. Water treatment chemicals • Treatment of municipal drinking water, treatment of municipal and industrial wastewater, as a paper sizing and retention/drainage aid and in the production of aluminum chemicals, fire extinguishers compounds, soil additives and fertilizers and soaps and greases.
Distribution	Sulphur-based products are delivered mainly by rail. Some customers are connected to our facilities by pipeline, and some products are delivered by truck. Water treatment chemicals are delivered mainly by truck using our own fleet or third-party carriers.
Facilities	Sulphur-based products • Canada: 4 • United States: 13 Water treatment chemicals • More than 35 facilities in the US and Canada

2023 SWC REVENUE ($ millions)



Environmental, safety and regulatory issues

See *Environmental, social, and governance (ESG)* on page 11 for information about our approach to ESG issues, and *Risks and risk management* on page 44 for more about the risks associated with the SWC business.

Products and services - Sulphur-based

We manufacture, market, or process the following sulphur-based products and provide spent acid regeneration services:

- sulphuric acid

- ultrapure sulphuric acid
- sulphur
- sulphides - carbon disulphide (CS_2) and hydrogen sulphide (H_2S)
- phosphorus pentasulphide (P_2S_5), prior to the P_2S_5 Sale (see page 6)
- sodium nitrite
- sodium hydrosulphite (SHS)
- sodium bisulphite (SBS)
- liquid sulphur dioxide (SO_2), prior to the PGA Closure (see page 6)
- ammonium sulphate.

Each has its own uses, market and competitors, as described in the table below.

Sulphuric acid *Main raw materials* • sulphur	Sulphuric acid is one of the most widely used chemicals in industrial applications. The sulphuric acid we sell is used in: • the production of wood pulp • the production of industrial chemicals • the production of automobile batteries • steel production • water treatment (our water treatment business is a significant consumer of sulphuric acid) • mining, in the production of base metals from ore. We manufacture approximately half of the sulphuric acid we sell, and source the rest through marketing agreements with companies that produce it as a by-product. Base metal smelters Vale Canada Limited (Vale) and Sherritt International Corporation (Sherritt) are both important sources of sulphuric acid for Chemtrade. We have long-term supply contracts with both Vale and Sherritt. Our agreements with these and other producers are structured to mitigate our exposure to volume, sales price, and transportation cost changes by including terms that share these risks with the producers. For example, our payments are adjusted by a percentage of movements in the price we realize on the sale, and our transportation costs. The length of these agreements varies. See *Risks and risk management* on page 44 for more information.	*Market* Based on our knowledge of industry capacity, we believe we are one of North America's top three marketers of sulphuric acid. Most of our agreements with sulphuric acid customers are annual contracts or purchase orders. Pricing in contracts for sulphuric acid generally varies based on regional market conditions.	*Main competitors* • Glencore • International Raw Materials • Veolia North America • Ecovyst • Southern States Chemical Company • Rio Tinto Kennecott • Cornerstone Chemical Company • Nouryon Chemicals
Ultrapure sulphuric acid *Main raw materials* • sulphur or sulphur trioxide (SO_3)	Ultrapure sulphuric acid has very low chemical or metal contaminants (measured in parts per trillion). It is used mainly in the production of semiconductors, to etch and clean silicon wafers. It is also used in specialty batteries and lab chemistry. We produce ultrapure sulphuric acid by burning sulphur, and by taking a slip stream of sulphur trioxide (SO_3) from oleum produced in these sulphuric acid plants. It is shipped in specialty containers and requires rigorous quality control.	*Market* We are North America's leading producer of ultrapure sulphuric acid, based on our knowledge of industry capacity. Demand for ultrapure sulphuric acid is increasing, mainly because of growth in the semiconductor industry, where most of the demand is generated. Ultrapure sulphuric acid customers do not frequently change suppliers because of the rigorous process involved in qualifying product for use in their applications. This market space requires a continuous improvement mindset to stay apace with quality demands and rapid growth.	*Main competitors* • PVS Chemical Solutions Inc. • imports from overseas

Spent acid regeneration services *Main raw materials and utilities* • spent sulphuric acid • sulphur • hydrogen sulphide • natural gas	At our spent acid regeneration facilities, we process or regenerate *spent* sulphuric acid by decomposing it at high temperature with sulphur to create fresh sulphuric acid. Oil refineries and chemical plants send us the sulphuric acid they generate from their processes. For example, spent sulphuric acid from a refinery is sulphuric acid contaminated mainly by water and hydrocarbons after it has been used as a liquid chemical catalyst in the alkylate manufacturing process. We typically return the fresh (regenerated or *regen*) sulphuric acid to the refinery/manufacturer, but may also sell it into the merchant market. Our supply of spent sulphuric acid relies on demand for alkylates, which are used to adjust gasoline octane levels to achieve fuel efficiency targets. We convert hydrogen sulphide gas into sulphuric acid at our Toledo, Ohio and Anacortes, Washington facilities. We also operate a sulphur recovery unit owned by Marathon Petroleum Corp. (Marathon) in our Anacortes, Washington facility. The facility processes hydrogen sulphide gas into sulphuric acid and molten sulphur (see below). Our agreement with Marathon for this service is part of an agreement that includes providing regen acid services.	*Market* Customers typically favour spent acid processors that are close by. Our largest spent acid processing facilities are closely connected to our customers: • customers are connected by pipeline at our Anacortes, Washington, Richmond, California, Beaumont, Texas and Toledo, Ohio facilities • customers are within close proximity to our facilities in Ohio, Texas, Washington and Wyoming. There is typically little customer turnover in the spent acid regeneration business. Contracts are longer term, and typically pass on the cost of key inputs (sulphur, natural gas, oxygen, caustic, and freight) to the customer through indexed pricing formulas.	*Main competitors* • Ecovyst • Veolia North America • PVS Chemical Solutions Inc. • oil refineries
Sulphur	Sulphur is a key ingredient in the production of sulphuric acid. Our sulphur business is primarily in the industrial chemicals segment. We: • buy molten sulphur to supply the needs of our own facilities and contracted suppliers • process molten sulphur into solid prills (called *sulphur prilling)* at our Mount Vernon, Washington facility, for refineries in the area. We receive a tolling fee for this service • provide molten sulphur marketing and logistics services to small and medium sized refineries • process hydrogen sulphide gas into molten sulphur in the sulphur recovery unit owned by Marathon. We buy all of our molten sulphur from industrial producers – petroleum refineries and natural gas processors – who produce it as a by-product.	*Market* Our need to buy sulphur for our own plants gives us an advantageous platform for securing resale positions for our sulphur resale business, which is a market niche. Pricing in contracts for sulphur generally varies based on regional market conditions and the Tampa "Green Markets" posting, a frequently used industry pricing index. Most of our agreements feature netback, "back-to-back", and other risk mitigation provisions to protect our cash flow.	*Main competitors* • traders • large customers with railcar fleets • petroleum refineries and natural gas processors
Sulphides • carbon disulphide (CS_2) • hydrogen sulphide (H_2S) *Main raw materials* • sulphur • natural gas	Carbon disulphide is used in mining, oil and gas, and the insecticide industry. Hydrogen sulphide is used in nickel refining, specialized chemical manufacturing, and a number of niche applications, like the manufacture of photo-voltaic cells. We produce carbon disulphide and hydrogen sulphide as co-products.	*Market* We are North America's only producer of merchant hydrogen sulphide. Pricing varies based on the supply-demand balance, and generally varies in response to changes in the price of sulphur and natural gas.	*Main competitors* • Nouryon • Arkema

Phosphorus pentasulphide (P_2S_5) *Main raw materials* • elemental phosphorus • sulphur **(P_2S_5 Sale completed in November 2023; see page 5)**	Primarily used as a key ingredient in the lubricating oil and grease additive markets for automotive motor oil. Customers combine P_2S_5 with zinc oxide and other ingredients to form zinc dialkyldithiophosphate (ZDDP), which is effective at inhibiting both engine wear and corrosion.	*Market* We were one of only two North American producers of P_2S_5 and had approximately a 40% share of the North American market. Our sales agreements typically ranged from one to three years. Product pricing is closely linked to the price of raw materials. We sourced elemental phosphorus directly from Bayer (formerly, Monsanto), a U.S. company, as well as from various overseas sources. Sulphur is sourced from many different suppliers. See *Risks and risk management* on page 44 for more information.	*Main competitor* • Perimeter
Sodium nitrite *Main raw materials* • soda ash • anhydrous ammonia	Used in a wide range of industrial processes, including food preservation, metal finishing, manufacture of inks, dyes, paints coating and pigments, water treatment corrosion inhibitors, and oil and gas in upstream applications to control souring and corrosion and improve production and production quality.	*Market* We are the only North American manufacturer of sodium nitrite as a primary product. We benefit from U.S. trade protection that puts anti-dumping and countervailing duties on sodium nitrite suppliers from Germany, China, India and Russia. See *Risks and risk management* on page 44 for more information.	*Main competitors* • SABIC (Saudi Basic Industries Corporation) • Deepak Nitrite Limited • UralChem
Sodium hydrosulphide (SHS) *Main raw materials* • sulphur dioxide • zinc powder • caustic soda	SHS is used primarily to: • whiten pulp that has a high percentage of wood fibre, and decolourize recycled pulp used in newsprint production • refine kaolin clays, which are used heavily in high-gloss magazines • bleach and decolourize dyed fibres in the textile industry, and to remove unfixed dyes from certain forms of dyed polyester. SHS comes in both powder and liquid form. We produce liquid SHS using zinc powder, caustic soda and liquid SO_2 , or by dissolving powder SHS. We import powder SHS from overseas. Zinc oxide, a by-product of our liquid SHS production, is used in the rubber, chemicals, paints, agriculture, ceramics, and glass industries.	*Market* We market SHS across North America. We typically sell liquid SHS directly to end-use customers. It has a short shelf life and relatively high shipping costs, so proximity to customers is a key competitive advantage. We typically sell powder SHS directly to end-use customers, although we may sell it through distributors. It can be shipped longer distances because of its longer shelf life. Pricing in contracts for liquid and powder SHS generally varies based on regional market conditions.	*Main competitors* • Silox • Ascensus Specialties • Vertellus Specialties Inc.
Sodium bisulphite (SBS) *Main raw materials* • sulphur dioxide • alkali (caustic soda or soda ash)	SBS is primarily used as an input to the whitening process in the pulp and paper industry, and can also be used as a de-chlorination agent in municipal and industrial water treatment. It is also used in mining and general industrial applications. We produce SBS by reacting caustic soda or soda ash with SO_2.	*Market* We sell most of our SBS through distribution contracts with third parties. Pricing in contracts for SBS generally varies based on regional market conditions, or in response to changes in the costs of sulphur or alkali.	*Main competitors* • PVS Chemical Solutions Inc. • Hydrite Chemical Company • Univar USA Inc. • Brenntag North America • Thatcher Company

Liquid sulphur dioxide (SO_2) *Main raw materials* • sulphur **(No longer manufactured due to PGA Closure; see page 5)**	Liquid SO_2 is used primarily: • in pulp and paper production • in the production of sodium bisulphite (SBS) (see above) • in water treatment • in the production of our SHS product (see above). We produced liquid SO_2 by burning sulphur.	*Market* Pricing for liquid SO_2 generally varied based on regional supply options and transportation costs from a relatively small number of production facilities.	*Main competitors* • INEOS Calabrian Corporation • PVS Chemical Solutions Inc.
Ammonium sulphate	Our Fort McMurray, Alberta facility is located in Syncrude Canada Ltd.'s (Syncrude) Mildred Lake bitumen extraction plant and upgrading facility. We process slurry produced by Syncrude's ammonia scrubber into commercially saleable ammonium sulphate fertilizer and sell it on behalf of Syncrude. We receive a fee for this service, which protects us from variances in product price and volume.		

Products - Water treatment

We manufacture and market a wide variety of water treatment chemicals by leveraging the largest manufacturing footprint of inorganic coagulant water treatment chemicals in North America. We also offer chemicals that disinfect and modify pH. This variety allows us to create customized water treatment solutions to meet the needs of each customer, usually driven by water characteristics like temperature or turbidity.

Water contaminants (originating from sources like bacteria, microbes, suspensions, colloids, and dissolved compounds) can cause human illness, corrosion and fouling, and be harmful to industry and agriculture.

Water treatment chemicals help purify, recycle, and dispose of water impurities using a process called *coagulation*. Coagulant chemicals neutralize the charge of suspended impurities in water. Once neutralized, the particles coagulate to form larger particles that will settle. These are removed through sedimentation and then filtration, cleansing the water of suspended impurities. Chemicals other than coagulants can also be added at different phases of the process to modify pH and disinfect.

Products we manufacture

- Aluminum sulphate (Alum)
- Aluminum chlorohydrate (ACH)
- Polyaluminum chloride (PACl)
- Ferric sulphate (Ferric)

Main uses

- removing suspended impurities in drinking water and wastewater
- removing phosphorus
- controlling pitch deposits and resin precipitation in paper manufacturing
- other industrial uses
- treating poultry litter

Main raw materials

- sulphuric acid
- aluminum (ore or metal)
- iron ore
- hydrochloric acid

We source sulphuric acid from our own facilities, or from third parties when it is more economical to do so (because of transportation costs or other reasons).

Markets

Municipal market

The municipal market is our largest end market for water treatment chemicals, particularly for the treatment of drinking water. The municipal market is stable, and predominantly driven by population size rather than broader economic cycles.

The water treatment market generally tracks gross domestic product and population growth. Growth may be faster than the growth in population if the number of regulations that require cleaner water increases, there is more industrial activity, or declining sources of clean water.

The water treatment chemicals market is regional. Some water treatment chemicals are shipped as a water-based solution, so freight costs become prohibitively high as delivery distance increases. Proximity to our customers therefore plays a key role in our competitiveness. Our over 35 water treatment chemicals manufacturing facilities across North America allow us to efficiently supply the vast majority of the North American market.

Contracts for municipal accounts are generally fixed price and awarded through an annual competitive sealed bid process. Pricing changes over time tend to move with input costs. Because the market is regional, usually only two or three competitors will submit a bid during a bid process, and the freight advantaged supplier will typically win the business.

Industrial market

The pulp and paper industry is the second largest market for water treatment chemicals. Agricultural and general industrial end users, including metals, mining, and chemical production companies, make up the balance. The main use is for wastewater treatment.

Industrial contracts are typically awarded through a competitive bid process, and the competitive dynamics tend to be different for each customer. Many of the larger industrial contracts are multi-year and have pricing adjustments tied to raw material costs.

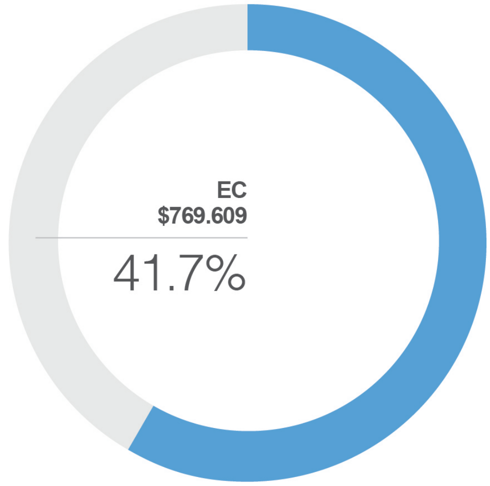
Products

Aluminum sulphate (Alum) *Main raw materials* • sulphuric acid • aluminum trihydrate or bauxite	The most widely used inorganic coagulant for water treatment and our highest volume water treatment product. Produced in dry and liquid forms.	*Main competitors* • USALCO • Southern Ionics Incorporated • Affinity Chemical LLC • C&S Chemicals, Inc. • Kemira Water Solutions, Inc. • Thatcher Company • Chameleon Specialty Chemicals • Holland Company, Inc. • Ecovyst • GAC Chemical Corporation • Border Chemicals Company Ltd.
Aluminum chlorohydrate (ACH) *Main raw materials* • aluminum metal • hydrochloric acid	A subset of the polyaluminum chloride class of aluminum-based coagulants. Highly charged polymers offer enhanced performance characteristics.	*Main competitors* • Summit Chemicals, Inc. • USALCO • Kemira Water Solutions, Inc. • Thatcher Company • Phyltec Inc.
Polyaluminum chloride (PACl) *Main raw materials* • aluminum ore • hydrochloric acid	A class of polymeric coagulants that are effective in cold and low-turbidity water.	*Main competitors* • USALCO • Kemira Water Solutions, Inc. • Holland Company, Inc. • Summit Chemicals, Inc.
Ferric sulphate (Ferric) *Main raw materials* • sulphuric acid • iron ore	An inorganic coagulant used in certain regions for water treatment.	*Main competitors* • Kemira Water Solutions, Inc. • Pencco, Inc. • Thatcher Company • PVS Chemicals, Inc. • USALCO

Electrochemicals (EC)

Business	Sodium chlorate and chlor-alkali products
Market	North America and South America
End uses	Pulp and paper, oil and gas and water treatment
Distribution	North American products are delivered mainly by rail. Brazil products are delivered by pipeline or truck
Facilities (see below)	Total: 4 • 3 in Canada • 1 in Brazil

2023 EC REVENUE ($ millions)



Located 60 kilometres north of Vitória in the state of Espirito Santo, Brazil. The site is immediately adjacent to a eucalyptus pulp mill complex owned by our largest customer in Brazil, Suzano Papel e Celulose S.A. (Suzano), the largest eucalyptus pulp producer in the world.

Environmental, safety and regulatory issues

See Environmental, social, and governance (ESG) on page 11 for information about our approach to ESG issues, and Risks and risk management on page 44 for more about the risks associated with the EC business.

Raw materials

Electricity is our highest cost, accounting for between two-thirds and three-quarters of total variable production costs.

All of our North American facilities are located in regions supplied by stable, regulated, relatively low-cost hydroelectric power. Our Brandon, Manitoba facility – our largest sodium chlorate production facility – is located in one of North America's lower cost power regions.

Salt is the second highest cost, accounting for almost a quarter of total variable production costs. Our Brandon, Manitoba and North Vancouver and Prince George, British Columbia facilities secure their salt supply through multi-year commitments with strategic vendors.

Sodium chlorate

We manufacture sodium chlorate through the electrolysis of brine. Caustic soda and either chlorine or hydrochloric acid are used for brine treatment and pH control.

Our Brandon, Manitoba and Prince George, British Columbia facilities source caustic soda from our North Vancouver, British Columbia facility, which ships it by rail. Our Prince George facility also has a long-term services agreement with Canfor Pulp Ltd. (Canfor) for effluent treatment, steam supply, and water supply.

Used:

- mainly to produce chlorine dioxide, an environmentally preferred bleaching agent used by the pulp and paper industry for bleaching pulp
- also in the production of agricultural herbicides and defoliants, perchlorates, and in water treatment applications.

Market – North America

Approximately 95% of North America production is sold to the pulp and paper industry.

Contracts with pulp and paper mills are typically one to three years. Contracts generally provide for pricing and volume revisions as market fundamentals and competitive situations dictate.

Market – Brazil

Most production is sold to Suzano under a long-term contract. Delivered by pipeline.

The rest is sold to the merchant market. Shipped to regional customers by truck.

Main competitors – North America

- ERCO Worldwide
- Eka, a division of Nouryon
- Kemira Water Solutions Inc.

Main competitors – South America

- Nouryon

Chlor-alkali

We produce caustic soda and chlorine as co-products from the electrolysis of brine (each metric tonne of chlorine produced results in the production of 1.128 dry metric tonnes of caustic soda). We use some of the chlorine we manufacture to produce hydrochloric acid.

All three products are used in applications where they are either essential, or where potential alternatives are economically unattractive. Security of supply is therefore important to buyers, and contracts are generally multi-year.

Demand is cyclical, and determined by global and regional factors, including economic cycles. Pricing is primarily driven by demand, supply, and the cost of electricity and natural gas.

In South America, most caustic soda production is sold to Suzano under a long-term contract that expires in December 2026 with the ability to extend the existing contract for up to five one-year terms as terms and conditions for a new contract are negotiated, and most chlorine products are sold to the merchant market.

Energy costs have a significant impact on profitability, and the electrochemical technology that a facility uses has an impact on its overall energy consumption. Both of our chlor-alkali facilities use membrane cell technology, which is considered the newer and more efficient technology.

Main competitors – North America

- Univar
- ERCO Worldwide
- Westlake Chemical Corporation
- Olin Corporation
- US Magnesium LLC
- K2 Pure Solutions
- Occidental Chemical Corporation
- Shintech Inc.
- Formosa Plastics Corporation

Main competitors – South America

- The primary competitor in the merchant market is Unipar Carbocloro
- Katrium
- Chlorum Solutions

Products

Caustic soda	Used in many industries and markets, including pulp and paper, soaps and detergents, aluminum, oil and gas exploration and refining, as well as for a variety of chemical processes.	*Market – North America* Approximately 70% of the caustic soda we produce is consumed by pulp mills in Western Canada and the Pacific Northwest. The rest is sold to various markets for general industrial uses, including in the oil and gas industry. We also use the caustic soda we manufacture in the production of: • sodium chlorate at our Brandon, Manitoba and Prince George, British Columbia facilities • crude tall oil at our Prince George, British Columbia facility. *Market – South America* The majority of our production is sold to Suzano under a long-term contract.
Chlorine	Used: • to treat drinking water and wastewater, either directly, or indirectly in the form of sodium hypochlorite, as a disinfectant against a broad range of pathogenic micro-organisms • in a variety of chemical processes, mainly in the production of polyvinyl chloride, or PVC • in the production of urethanes, fluorocarbons, agricultural chemicals, titanium dioxide and epoxy resins, and others.	*Market – North America* About one third of the chlorine we manufacture is used to produce hydrochloric acid at our own facilities (see below). This amount fluctuates annually depending on the hydrochloric acid markets. The rest is sold regionally into various markets, including the water treatment and chlorine derivatives markets. *Market – South America* Sold to the merchant market. Shipped to regional customers by truck.
Hydrochloric acid	A value-added upgrade from chlorine, produced using the chlorine we manufacture (see above). Required in many applications, including pH adjustment in water treatment, oil and gas drilling in British Columbia, Alberta and the Pacific Northwest, and steel manufacturing.	*Market – North America* Sold regionally into various markets, including the water treatment industry and oil and gas drilling. *Market – South America* Sold to the merchant market. Shipped to regional customers by truck.

GOVERNANCE

The Fund is committed to high standards of corporate governance. This section includes information about the Fund's board of trustees, board committees, trustees, and management. You can read more about our corporate governance principles and practices in our 2023 management information circular, which is available on our website (www.chemtradelogistics.com) and SEDAR+ (www.sedarplus.com).

As of December 31, 2023, the Fund's trustees and executive officers of Chemtrade, as a group, beneficially owned, or exercised control or direction over, directly or indirectly, 357,549 units, or about 0.3% of the outstanding units of the Fund.

Board

The Fund's board of trustees assumes the overall stewardship of the Fund and Chemtrade.

The board of trustees:

- supervises the activities and manages the investments and affairs of the Fund
- has overall stewardship responsibility for the Fund and Chemtrade
- declares Fund distributions to unitholders and reports to unitholders

You can find a copy of the board's mandate on our website (www.chemtradelogistics.com).

Each subsidiary of the Fund has its own board of directors. Our CEO, CFO and Corporate Secretary are members of the board of each Canadian subsidiary. The CEO and one member of U.S. management (beginning November 30, 2023, two members of U.S. management) sit on the boards of each U.S. subsidiary.

Board committees

Three standing committees help the board carry out its responsibilities. The table below is an overview of the membership and responsibilities of each committee as of the date of this AIF. Copies of the committee charters are available on our website (www.chemtradelogistics.com).

Audit committee

100% independent

100% financially literate

Members:

- Daniella Dimitrov (chair)
- Lucio Di Clemente, CPA, CA
- Luc Doyon
- Gary Merasty
- Emily Moore
- Douglas Muzyka
- Katherine Rethy

Primarily responsible for overseeing:

- the quality and integrity of financial statements and the financial reporting process including financial reporting, accounting systems and internal controls
- the qualifications, performance and independence of the external auditors
- compliance with legal and regulatory requirements relating to the integrity of the Fund's financial statements
- the identification, assessment and management of financial risks

Compensation and corporate governance committee

100% independent

Members:

- Lucio Di Clemente (chair)
- Daniella Dimitrov
- Luc Doyon
- Gary Merasty
- Emily Moore
- Douglas Muzyka
- Katherine Rethy

Primarily responsible for:

- retaining key senior management employees, including the CEO
- reviewing executive and trustee compensation programs
- developing, recommending and implementing effective corporate governance principles
- overseeing and assessing the functioning of the board and its committees
- recommending changes to board composition and identifying candidates for the board
- reviewing executive compensation and corporate governance disclosure

Responsible Care committee

100% independent

Members:

- Emily Moore (chair)
- Lucio Di Clemente
- Daniella Dimitrov
- Luc Doyon
- Gary Merasty
- Douglas Muzyka
- Katherine Rethy

Primarily responsible for:

- overseeing our environmental, health, safety and security philosophy
- monitoring environmental, health, safety and security policies to ensure they are appropriate to mitigate risk and ensure statutory compliance
- monitoring our environmental, health, safety and security performance to ensure compliance with our policies and to promote the safety of Chemtrade employees and strive for continuous improvement
- reviewing ESG metrics and related disclosure

Disclosure committee

The Fund also has a disclosure committee made up entirely of members of management. The disclosure committee is responsible for the public disclosure of all material information about the Fund, including the Fund's interim and annual financial statements.

The disclosure committee reviews all information before it is publicly disclosed, ensuring it:

- is accurate and complete
- fairly represents in all material respects the Fund's financial condition, results of operations, and cash flows
- is balanced, timely, and in line with all legal and regulatory requirements that apply.

It has a charter that governs its actions, and a system of internal controls that make sure its members are apprised of significant litigation, operational, and financial matters.

Members as of the date of this AIF:

- Scott Rook, President and Chief Executive Officer
- Rohit Bhardwaj, Chief Financial Officer
- Tony Hupman, Vice-President, Corporate Finance
- Nick Elliott, Corporate Controller
- Susan Paré, General Counsel.

Trustees

As of the date of this AIF, there were eight trustees on the board.

Trustees are elected each year at the annual meeting of unitholders to serve until the next year's annual meeting.

	Board committees	Principal occupation in the past five years
Douglas Muzyka, Chair Philadelphia, Pennsylvania, USA • trustee since November 13, 2020	• Audit • Compensation and corporate governance • Responsible Care	Corporate director
Lucio Di Clemente Toronto, Ontario, Canada • trustee since July 7, 2009	• Audit • Compensation and corporate governance (chair) • Responsible Care	Executive mentor, corporate financial advisor, and corporate director
Daniella Dimitrov Toronto, Ontario, Canada • trustee since May 15, 2020	• Audit (chair) • Compensation and corporate governance • Responsible Care	Corporate director Chief Financial Officer, President and Interim CEO, IAMGOLD (January to May 2022) Chief Financial Officer, IAMGOLD (March 2021 to September 2022) Partner, Sprott Capital Partners (October 2017 to March 2021)
Luc Doyon Montréal, Québec, Canada • trustee since May 10, 2022	• Audit • Compensation and corporate governance • Responsible Care	Corporate director
Gary Merasty Saskatoon, Saskatchewan, Canada • trustee since February 20, 2024	• Audit • Compensation and corporate governance • Responsible Care	Chief Executive Officer of The Peter Ballantyne Group of Companies, an investment and management services company (August 2021 to present) Chief Development Officer and President NWC Ventures of The North West Company (April 2018 to July 2021)
Emily Moore Mississauga, Ontario, Canada • trustee since July 1, 2019	• Audit • Compensation and corporate governance • Responsible Care (chair)	Director, Troost Institute for Leadership Education in Engineering, University of Toronto, an institute focused on engineering leadership, research and training (October 2018 to present) Managing Director, Innovation, Hatch Ltd. (2017 to 2018)
Katherine Rethy Huntsville, Ontario, Canada • trustee since July 1, 2015	• Audit • Compensation and corporate governance • Responsible Care	Corporate director
Scott Rook Conroe, Texas, USA • trustee since March 1, 2021		President and Chief Executive Officer, Chemtrade Logistics Income Fund and Chemtrade, a chemical company (March 2021 to present) Chief Operating Officer, Chemtrade (September 2019 to February 2021) Senior Vice President, Commercial Operations, Ascend Performance Materials (April 2010 to September 2019)

Notes:

Lucio Di Clemente was a director of Beyond the Rack Enterprises Inc. (now called 7098961 Canada Inc.) when it filed for protection under the *Companies' Creditors Arrangement Act* (Canada) on March 24, 2016.

Douglas Muzyka was a director of Chemtrade Holdco US Inc. from January 2018 until November 12, 2020. Mr. Muzyka also attended board and committee meetings in an advisory capacity during this period.

Officers

The table below lists Chemtrade's executive officers as of the date of this AIF and their principal occupation in the past five years. Scott Rook, Rohit Bhardwaj, and Susan Paré are all officers of the Fund.

	Principal occupation in the past five years
Scott Rook Conroe, Texas, USA	• President and Chief Executive Officer, Chemtrade Logistics Income Fund (March 2021 – present) • President and Chief Executive Officer (March 2021 – present) • Chief Operating Officer (September 2019 – February 2021) • Senior Vice President, Commercial Operations, Ascend Performance Materials (April 2010 to September 2019)
Rohit Bhardwaj Vandorf, Ontario, Canada	• Chief Financial Officer, Chemtrade Logistics Income Fund (March 2021 – present) • Vice President, Finance and Chief Financial Officer, Chemtrade Logistics Income Fund (January 2006 – February 2021) • Chief Financial Officer (January 2006 – present)
Tim Montgomery Sellesburg, Indiana, USA	• Group Vice-President, Manufacturing and Engineering (October 2020 – present) • Executive Vice President, Engagement Partner, Maine Pointe (July 2019 – October 2020) • Procurement Team Lead, Maine Pointe (February 2016 – July 2019)
Alan Robinson Marietta, Georgia, USA	• Group Vice-President, Commercial (May 2022 – present) • Commercial Vice President, Dow Chemical (October 2019 – May 2022) • Global Business Director, Dow Chemical (July 2017 – October 2019)
Bramora Rebello Toronto, Ontario, Canada	• Vice-President, Human Resources (September 2023 – present) • Vice-President, Total Rewards and Corporate HR Services (March 2023 – August 2023) • Director, Total Rewards and Corporate HR Services (October 2019 – February 2023) • Director, Total Rewards and HR Analytics (October 2016 – September 2019)
Susan Paré Oakville, Ontario, Canada	• Corporate Secretary, Chemtrade Logistics Income Fund (October 2007 – present) • Corporate Secretary (October 2007 – present) • General Counsel (February 2008 – present)

About the audit committee

Audit committee charter

See page 72 for a copy of the audit committee charter.

Composition of the audit committee

All members of the audit committee are independent and financially literate as defined by NI 52-110.

Daniella Dimitrov (Chair) Financial/accounting knowledge and experience Audit committee experience	Ms. Dimitrov has experience as a corporate and securities lawyer and as a corporate executive having acted as President and CEO, CFO, COO and in a number of corporate development roles of public companies. Ms. Dimitrov has chaired or been a member of eight audit committees of companies in the natural resources, energy, and chemicals sectors. Ms. Dimitrov was the Chief Financial Officer and President of a multi-mine gold producer (NYSE and TSX listed) and prior to this was an investment banking partner at Sprott Capital Partners, a mining investment bank and advisory firm. She regularly reviewed the financial statements and other financial and operational disclosures of natural resource issuers. Ms. Dimitrov is National Association of Corporate Directors (NACD) Directorship Certified, has completed the Audit Committees in a New Era of Governance Course at Harvard Business School, has completed the 2021 CFO Leadership Program at Harvard Business School, has a Global Executive MBA from Kellogg School of Management and Schulich School of Business, and a LL.B. from Windsor University.
Lucio Di Clemente CPA, CA Financial/accounting knowledge and experience Audit committee experience	Mr. Di Clemente is a CPA, CA and holds an MBA degree from the University of Toronto. He has many years' experience acting as an auditor and chief financial officer for different organizations. At two private companies, in his role as President and President & CEO respectively, he has had the Chief Financial Officer as a direct report. Mr. Di Clemente has also served as the chair of the audit committee and as the chair of the board for a TSX-listed trust company and as a board member, audit committee member and chair of the special committee of another TSX-listed company. He currently serves as chair of the board and MRC chair of Corby Spirit and Wine Limited. Mr. Di Clemente holds an ICD.D designation as a professional corporate director and has taught the audit committee effectiveness program offered by the Institute of Corporate Directors (ICD).

Luc Doyon Financial/accounting knowledge and experience	Mr. Doyon spent his career with the French industrial group Air Liquide, where he worked from 1983 to 2017. Mr. Doyon served as Vice-President, Merchant Gases at Air Liquide America in Houston, and President and Chief Executive Officer of Air Liquide Canada in Montréal. In 2012, he was appointed President and Chief Executive Officer of the welding division of Groupe Air Liquide in Paris, and as the CEO had the Chief Financial Officer as a direct report and regularly reviewed financial statements. Mr. Doyon holds a B. Eng in Mechanical Engineering from Ecole Polytechnique Montréal; he also completed the Executive Education program at INSEAD (Institut européen d'administration des affaires) [European Institute of Business Administration] in Fontainebleau, France. He serves on the Boards of Lassonde Industries Inc. and Hydro Québec.
Gary Merasty Financial/accounting knowledge and experience Audit committee experience	Gary Merasty is the Chief Executive Officer of The Peter Ballantyne Group of Companies, and as the CEO has the Chief Financial Officer as a direct report and regularly reviews financial statements, mergers and acquisitions and various other joint venture financials, operational excellence, safety and other reports. In his various roles in executive positions, Gary has been a change management champion, innovator and executive leader. He has led diverse and cross functional teams toward operational excellence and strong sustainability initiatives, driving a safety culture while ensuring a strong balance sheet. Gary has more than 20 years' experience serving on both corporate and non-profit boards as well as think tanks and secondary institutions, and has served as a board member and audit committee member in these roles.
Emily Moore Financial/accounting knowledge and experience Audit committee experience	Dr. Moore is Director of Troost Institute for Leadership Education in Engineering at the University of Toronto where she leads teaching, research and programming to help develop the next generation of engineering leaders. She spent 10 years at Hatch Ltd., leading global initiatives to serve mining, energy and infrastructure sector clients, including responsibility for P&L, and leading two business acquisitions and one divestiture. Dr. Moore previously spent over 10 years at Xerox, leading teams on developing new chemical processes and bringing them to manufacturing scale. Dr. Moore serves on the audit, finance & risk management committee of the Metrolinx board and is the chair of the Capital Oversight Committee. She was past chair of the finance committee at the Haltech Regional Innovation Centre. Dr. Moore is a licensed professional engineer, a subject matter expert in water and mining and a Rhodes Scholar. She has also completed the Directors Education Program offered by the Institute of Corporate Directors.
Douglas Muzyka Financial/accounting knowledge and experience	Mr. Muzyka was Senior Vice President and Chief Science and Technology Officer of E.I. DuPont de Nemours (DuPont), an international manufacturer of chemical products, specialty materials, and consumer and industrial products. His previous roles at DuPont included key management roles in Canada, the U.S.A., China, Hong Kong, Mexico, as well as roles in the Nutrition and Health division and research roles. In several of these roles Mr. Muzyka had the Chief Financial Officer as a direct report. Through the course of his career, he presided over many complex financial transactions related to the formation of joint ventures in Asia and the privatization of Dupont Canada. Mr. Muzyka holds bachelor's, master's and doctorate degrees in chemical engineering from the University of Western Ontario. He serves on the board, corporate social responsibility committee and is chair of the human resources and compensation committee of CCL Industries Inc. He is also chair of the environmental, health and safety committee and member of the corporate governance committee of Stella-Jones Inc.
Katherine Rethy Financial/accounting knowledge and experience Audit committee experience	Ms. Rethy has over 22 years operational experience in industrial companies and was previously Senior Vice President, Global Services at Falconbridge Ltd. Prior to joining Falconbridge, she was an executive with DuPont Canada Inc. She serves as a Director of Toromont Industries Ltd. and is past Director of SBM Offshore NV (Netherlands), Equitable Bank, TransForce Inc., as well as Muskoka Airport and several not-for-profit organizations, including serving as past chair of Katimavik. She has chaired compensation, nomination, and governance committees and has served on audit, risk and various special committees. She is a graduate of the ICD's professional corporate director course, has a J.D. from the University of Windsor, a B.Sc. from the University of Toronto, an MBA from York University, and an M.A. from Lancaster University in the U.K.

Interest of experts

The Fund's auditors are KPMG LLP, independent chartered professional accountants who have audited the Fund's 2023 financial statements. KPMG LLP is independent with respect to the Fund within the meaning of the rules and related interpretation prescribed by the relevant professional bodies in Canada.

The table below shows the fees incurred by the external auditors for services for the years ended December 31, 2023 and 2022.

	2023	2022
Audit fees	$1,460,550	$1,506,774
Audit-related fees For French translation of our MD&A and financial statements	$99,938	$82,925
Tax fees For tax compliance and general advisory services	$487,296	$750,538
All other fees For audits of certain contracts	$24,610	$22,400
Total	**$2,072,394**	**$2,362,637**

Note: Fees in each category include disbursements and administrative fees.

Approving services

The audit committee's policies and procedures for pre-approving other services the auditors provide are listed in the audit committee charter (see page 72).

RISKS AND RISK MANAGEMENT

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

This section describes how we oversee, identify, and manage risk. It also 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. There is no assurance that the systems we have in place to manage these risks will be successful in preventing them from occurring.

This section contains statements that are considered forward-looking information or forward-looking statements under securities laws. Please see *Caution about forward-looking information* on page 70 for more information.

Risk oversight

The board is responsible for ensuring that management identifies, understands, and evaluates the principal risks of our business and implements appropriate systems to mitigate or manage them.

The charters of the board's committees include specific duties related to risk oversight:

- **audit committee**: oversees financial risks, the systems implemented to monitor them and the strategies and controls in place to manage them
- **compensation and corporate governance committee**: oversees our governance practices and compensation policies and programs, including plan design, incentive plan targets and awards to make sure they do not motivate inappropriate risk-taking
- **Responsible Care committee**: oversees environmental, health, safety and security risks and the policies to manage them, and monitors our performance.

Turn to page 40 for more about the committees and their charters. You can read more about environmental, health, safety and security in *Environmental, social, and governance (ESG)* on page 11.

Risk identification and management

We identify and manage risk using the following process:

Management conducts an annual survey of all potential risks in each business and functional area	>	Management reviews each risk by severity, probability of occurrence and mitigation, ranks them by residual risk based on impact	>	Board committees receive regular updates on the risks relevant to their mandates	>	The board conducts a formal review of our enterprise risks and mitigation strategies each year

Risk factors

This section describes the risks that are most material to our business, ranked by strategic impact (from highest to lowest). This is not a complete list of the potential risks we face – there may others we are not aware of, or risks we feel are not material today that could become material in the future.

Execution of growth strategy

Our strategy involves growing our size and scale and expanding our diversity of earnings. To do this, we seek to improve the businesses we own by pursuing organic growth opportunities from: key new products, additional capacity for existing products, and driving increased productivity across the organization. When it makes economic and strategic sense, we also grow by acquiring new businesses.

There are several risks inherent in this growth strategy. There can be no assurance that the organic growth projects we choose to pursue will result in increased earnings, or that we will be successful in realizing the full potential of organic growth opportunities we pursue. The decision to pursue certain projects relies on projected capital expenditures. Actual capital expenditures may be higher than anticipated, projects may be delayed due to lack of or delays in materials, lack of skilled personnel, weather, or other reasons. There is also a risk that the capital could be used ineffectively in the execution of these capital projects. The anticipated market for a growth opportunity may not materialize or competition may be greater than expected. Some of our organic growth projects rely on us or our partners obtaining government funding or some form of subsidy, credit or offset. There can be no assurance that such funding, subsidy, credit or offset will be obtained or continued. The proposed project for our joint venture KPCT Advanced Chemicals LLC (KPCT) to build an ultrapure sulphuric acid facility in Arizona is an example of an organic growth project subject to such risks. The failure to achieve the anticipated potential of any growth opportunity could have a material adverse effect on our business, financial condition, and/or results of operations.

Similarly, there can be no assurance that we will identify attractive acquisition candidates, that acquisitions will improve earnings to the extent expected, or that we will be successful in integrating an acquired business. There may also be liabilities that are not or cannot be discovered in our due diligence before closing an acquisition. In particular, to the extent that previous owners of businesses failed to comply with or otherwise violated environmental, anti-trust or any other laws, we, as a successor owner, may be financially responsible for these violations. The discovery of any material liabilities or the occurrence of any of the aforementioned concerns related to acquisitions could have a material adverse effect on our business, financial condition, and/or results of operations.

Principal Manufacturing Facilities

Our EC segment relies on the following key facilities for a significant amount of its production:

- Brandon, Manitoba: for a large majority of our North American sodium chlorate capacity. Brandon is also our lowest cost source of production
- North Vancouver, British Columbia: for all of our North American chlor-alkali production
- Prince George, British Columbia: for the remainder of our North American sodium chlorate capacity
- Two plants at one site in Brazil: for all of our sodium chlorate and chlor-alkali production in South America.

The SWC segment's Anacortes, Washington, Beaumont, Texas, Celina, Texas, Fort McMurray, Alberta, Riverton, Wyoming, Richmond, California, Syracuse, New York, Toledo, Ohio and Tulsa, Oklahoma facilities are also key facilities.

Significant unscheduled downtime at any of our key facilities could have a material adverse effect on our business, financial condition, and/or results of operations. Many things can result in unanticipated downtime, including equipment breakdowns, interruptions in the supply of raw materials or energy, power failures, sabotage, natural forces (including seismic activity), impacts of the COVID-19 pandemic, or other normal hazards associated with the production of chemicals. We cannot provide any assurance that a significant interruption in the operation of any of our key facilities would be covered by insurance or would not otherwise have a material adverse effect on our business, financial condition, and/or results of operations.

North Vancouver, British Columbia

A portion of the land that the EC segment's North Vancouver, British Columbia facility is situated on is leased from the Vancouver Fraser Port Authority (the Port). After June 30, 2030, the lease restricts us from using the leased premises to receive, manufacture, store, and distribute liquid chlorine. We are assessing alternatives to address this restriction, but not finding a viable alternative could have a material adverse effect on our business, financial condition, and/or results of operations.

The lease terminates on June 30, 2032. At that time, the Port has the right to exercise an option to purchase the part of the land we own. We have entered into discussions with the Port regarding a renewal of the lease, but not finding a satisfactory outcome could have a material adverse effect on our business, financial condition, and/or results of operations.

Competition

We operate in competitive markets, and some of our competitors have greater economic resources and are well established as suppliers to the markets we serve. These competitors may be better able to withstand volatility within industries and throughout the economy as a whole while retaining significantly greater operating and financial flexibility.

Reduced demand for products, the stabilization of European energy prices, and increased competition in the North American chlorate market are all factors that could materially impact the financial condition, operations and strategy of our existing chlorate business.

Some of our water treatment products in the SWC segment are sold in regional markets with competitors that may have lower costs, including less of a commitment to environmental, health and safety compliance, and operating excellence. There can be no assurance that competition will not continue or increase, and this may have a material adverse effect on our business, financial condition, and/or results of operations.

Several of our niche water treatment products and services in the SWC segment are sold in select markets. There can be no assurance that these markets will not attract additional competitors that could have greater financial, technological, manufacturing, and/or marketing resources.

Market for chlor-alkali

The global market for the EC segment's chlor-alkali products is cyclical, and particularly sensitive to general economic trends, and to trends in the construction, pulp and paper, and oil and gas industries. A disruption or downturn in the general economy or in any of these industries, or additional chlor-alkali production capacity, could have a material adverse effect on our business, financial condition, and/or results of operations.

The selling prices of chlor-alkali products have been cyclical, depending on the price for imported caustic soda and the level of activity in the fracking industry. A downturn in chlor-alkali pricing could have a material adverse effect on our business, financial condition, and/or results of operations.

Risks of Joint Venture

In order to build and operate an ultrapure sulphuric acid facility in Casa Grande, Arizona, Chemtrade has formed a joint venture entity, KPCT, with a joint venture partner, KPPC Advanced Chemicals Inc. (KPPC) (see page 5). KPPC owns a 51% interest and Chemtrade owns a 49% interest. While the arrangements are structured to provide Chemtrade a vote on certain key decisions, Chemtrade's minority interest position nevertheless carries the risk of its partner making decisions for KPCT which are contrary to Chemtrade's interests. KPPC's ultimate ownership includes parties based in Taiwan, which makes KPCT subject to possible complications in the event of geopolitical disruptions in Taiwan (see *Geopolitical Risk and Trade Disputes* on page 49).

In addition, as with any partnership, it is possible that disagreements will arise between Chemtrade and KPPC which may cause KPPC or Chemtrade to exit the joint venture and there is no guarantee that there would be a buyer for the seller's interest, nor a buyer willing to pay the amount at which the seller values its interest. Our joint venture agreement includes well defined responsibilities for the governance of the joint venture and we have implemented additional collaborative frameworks to promote communication between the partners. These mechanisms enhance our ability to facilitate project execution and enhance our positive relationship with our joint venture partner and allow the partners to address matters of potential disagreement early and in a collaborative manner. There is no guarantee that the business for which the joint venture has been formed, namely to build and operate an ultrapure sulphuric acid facility, will proceed, or in the event it does proceed, that it will succeed in earning an adequate return on investment, whether due to construction project cost overruns or delays, difficulties in obtaining building or operating permits, lack of demand, market conditions, labour shortages or disruptions, or other reasons. Any of these concerns related to the joint venture could have a material adverse effect on our business, financial condition, and/or results of operations.

Foreign exchange

Most of our costs are in Canadian dollars, but a significant proportion of our revenues are in U.S. dollars and the majority of our sales in Brazil are under a U.S. dollar based fixed margin contract. Merchant market sales in Brazil may also be subject to fluctuations in the Brazilian Real.

There have been significant fluctuations in the exchange rates between the Brazilian Real and other currencies, including the U.S. dollar and the Canadian dollar. There is no guarantee that the exchange rate between the Brazilian Real and other currencies, including the U.S. and Canadian dollar, will stabilize at current levels or that the exchange rate between the Canadian dollar and the U.S. dollar will not fluctuate unfavourably for us. A large fluctuation in exchange rates could have a material adverse effect on our financial condition.

Reliance on specific industries

Current global economic conditions have been characterized by increased volatility and uncertainty, making demand forecasts for our products uncertain. Many of the products we sell significantly depend on the pulp, paper, petroleum refineries, semiconductor, and base metals industries. For example, the EC segment is particularly reliant on the pulp industry, on both a regional and global scale and a decline in the pulp industry would result in decreased demand for sodium chlorate and caustic soda. Further, our ultrapure sulphuric acid, including organic growth projects related to this product, rely on the semiconductor industry. A significant reduction in demand or throughput in any of these industries could have a material adverse effect on our business, financial condition, and/or results of operations.

Physical risks from extreme weather and climate change

Many of our facilities are in areas that are at risk of extreme weather events, including hurricanes, tornadoes, tropical storms, floods, drought, wildfires, extreme cold, winter storms, or other severe weather conditions or seismic events. Further, the effects of climate change, such as more extreme temperatures, drought, flooding and extreme weather events, pose a risk to the operation of our facilities. There is also a risk that our customers, industrial producers, suppliers, and transportation networks could also be impacted by these factors.

Specifically, several of our facilities and customers are in the Gulf Region of the southern U.S., which is susceptible to hurricanes and other extreme weather events. Our Tulsa, Oklahoma facility is located in a tornado-prone area. Our sites have experienced hurricanes on the east and west coasts of the United States, flooding in British Columbia affecting rail transportation and wild fires affecting our Fort McMurray, Alberta site and more generally, the east and west coasts of Canada and the U.S. We have several facilities on the west coast of North America (two facilities in California and four in British Columbia), which is susceptible to earthquakes. The Richmond, California facility conducts seismic surveys of the entire site every five years.

Investors are increasingly concerned about climate risk and may determine that our business' exposure to climate change is greater than that of other businesses, or that management is not reacting to climate change risks with sufficient timeliness or effectiveness and choose to divest of their Chemtrade holdings.

While we have insurance that covers certain extreme weather events, there can be no assurance that it will compensate for losses related to severe weather conditions or seismic events, including but not limited to the above events. The occurrence of any of these events could have a material adverse effect on our business, financial condition, and/or results of operations. For additional information on our *Climate Change Risks and Opportunities* see page 26.

Cybersecurity

We rely on management information and computer control systems to run our business and operate our facilities. With our increasing dependence on these systems, the risks associated with cybersecurity also escalate. The advent of Artificial Intelligence (AI) offers substantial benefits for enhancing our business operations. However, it also introduces new complexities in our cybersecurity defenses. We are actively integrating advanced security measures and governance controls to address these challenges, demonstrating our commitment to both technological advancement and robust cybersecurity. More detail about our cybersecurity and information security risk identification and management practices can be found in our most recent management information circular, which is available on our website (www.chemtradelogistics.com) and SEDAR+ (www.sedarplus.com). These measures and technologies may not adequately prevent security breaches, including ransomware attacks. Business, transportation and supply chain disruptions, plant and utility outages and information technology system interruptions, compromises to our information and control systems, and network disruptions resulting from cyber-attacks could have a material adverse effect on our business, financial condition, results of operations, and/or reputation.

Significant customers and special relationships

Several facilities are connected to suppliers or customers by pipeline, and some share services or facilities with an adjacent facility. These include:

SWC segment

- Anacortes, Washington
- Beaumont, Texas
- Fort McMurray, Alberta
- Fort Saskatchewan, Alberta
- Lawrence, Kansas (sold in November 2023)
- Richmond, California
- Toledo, Ohio (sulphuric acid)

EC segment

- Espirito Santo, Brazil
- Prince George, British Columbia (sodium chlorate)

There can be no assurance that we will maintain our relationship with an adjacent facility or continue to obtain supply from, or serve, a customer or supplier at current levels. In addition, there is no assurance that any new agreement we enter into to supply, purchase, or share services or facilities will have terms as favourable as those contained in current arrangements.

Currently, 15 of our customers represent a significant portion (approximately a quarter) of our revenue and operate in the pulp and paper and oil refining industries. A loss of one or more of these customers could have a material adverse effect on our business, financial condition, and/or results of operations. Many of our customer contracts are multi-year agreements, but there can be no assurance that notice of termination will not be given or that these contracts will be renewed at the end of the term.

Less favourable contract terms and conditions under any customer contract or contract for supply, purchase, or shared services or facilities, could have a material adverse effect on our business, financial condition, and/or results of operations.

Raw Materials - Cost and Access

Having an adequate supply of raw materials at reasonable prices and on acceptable terms is critical to our success. In particular:

- our EC segment requires electrical power for our operations. Electricity accounts for between two-thirds and three-quarters of the EC segment's total variable production costs.
- our EC segment requires significant quantities of salt brine for chlor-alkali and sodium chlorate production. Salt accounts for almost a quarter of the EC segment's total variable production costs.
- our SWC segment relies on an alumina source it uses as a raw material for the production of water treatment chemicals and zinc dust supply for the production of SHS
- some of our plants have access to only one rail carrier for the delivery of raw materials (see page 50)
- some of our raw materials are shipped from overseas, including Asian markets (see *Foreign operations* at page 53).

We try to mitigate the effect and unpredictability of the cost of power by locating facilities in regions that have relatively low-cost, regulated, hydroelectric power markets. We are, however, susceptible to changes in power prices in any of the markets we operate in. While this risk is greater in deregulated electricity markets like that in which we purchase electricity in Brazil, there is always a risk of regulatory or governmental changes in jurisdictions that are regulated. Electricity prices are generally influenced by regional or domestic factors, so we may pay more for electricity than competitors in other regions of North America or in other parts of the world, which could make us less competitive and reduce our financial performance. Failure to obtain electricity at reasonable prices and on acceptable terms could have a material adverse effect on our business, financial condition, and/or results of operations.

All of our salt is supplied by third parties and prices are subject to change for many reasons beyond our control. Management can give no assurances that we can secure adequate supplies of salt at competitive prices. If one of our suppliers fails to perform or ceases production of salt, its availability could be limited. Failure to obtain salt at reasonable prices and on acceptable terms could have a material adverse effect on our business, financial condition, and/or results of operations.
Industrial chemicals that we sell, and those we buy as raw materials, are both subject to market price fluctuations beyond our control. There can be no assurance that the price of the raw materials will not increase in the future, or that we will be able to pass an increase on to our customers. There is generally a lag time before we can pass increases and decreases in the price of raw materials on to our customers. If one of our suppliers fails to perform or ceases production of one of our raw materials, their availability could be limited. Some of our raw materials come from overseas, which bears supply chain risk. A disruption in the

supply of any of our raw materials, or not being able to acquire raw materials at a reasonable price on acceptable terms, could have a material adverse effect on our business, financial condition, and/or results of operations.

Our SWC segment generally enters into contracts where we share or eliminate the risk of changes in the selling price of products we obtain as by-products from industrial producers. There can be no assurance, however, that we will be able to enter into these contracts, and do not have them for all of the products we sell. Whether or not we have entered into these contracts, fluctuations in the market price of any of our by-product supply could have a material adverse effect on our business, financial condition, and/or results of operations.

Operating and regulatory risks and product hazards

Our revenue depends on the continued operation of our manufacturing facilities, our major producers and suppliers, and our customers.

The operation of manufacturing plants involves many risks, including the failure or substandard performance of equipment, natural disasters, suspension of operations and increased costs or requirements stemming from new government statutes, regulations, guidelines, and policies.

We need environmental and operational registrations, licences, permits, inspections, and other approvals to operate, and to bid on municipal and industrial tenders. Our Fort Saskatchewan, Alberta hydrogen sulphides facility holds a pipeline license which is going through an amendment process, as well as court and regulatory processes to clarify certain aspects of the Alberta Energy Regulator (AER) setback requirements. The loss or delay in receiving a significant permit or licence or the inability to renew it could have a material adverse effect on our business, financial condition, and/or results of operations.

There are also hazards associated with the production, use, handling, processing, storage and transportation of hazardous materials, including in particular chlorine, hydrogen sulphide, liquid SO_2, hydrochloric acid, SHS powder, sodium chlorate, hydrofluoric acid, sulphuric acid, caustic soda, oleum, carbon disulphide, and anhydrous ammonia. These materials can cause fatal personal injury, severe damage to and destruction of property and equipment, and environmental damage.

If there is a successful class action or series of claims related to product liability or exposure from a product release that exceeds our insurance coverage, it could have a material adverse effect on our business, financial condition, and/or results of operations. A successful class action or series of claims related to product liability or exposure from a product could have a material adverse effect on our reputation even in the event such successful class action or series of claims does not exceed our insurance coverage. There can be no assurance that there will not be claims of injury by employees or members of the public due to exposure, or alleged exposure, to these materials from our past, present, or future operations. We, and our producers, suppliers, and customers, are also exposed to present and future claims related to workplace exposure, workers' compensation, and other matters. In addition, some of the products we produce or have produced may have adverse health consequences, or are used in human or animal foods, and may be subject to strict liability regimes. There can be no assurance of the amount or timing of any of these liabilities.

Material operational problems, including but not limited to the events listed above, could have a material adverse effect on our business, financial condition, results of operations, and/or reputation.

General Economic Conditions and Recession

Our business, financial condition and results from operations are affected by the general economic conditions prevailing in Canada, the United States and other jurisdictions in which we conduct business. In the past few years, global economies continued to recover from the effects of the COVID-19 pandemic. Across North America, growth is slowing due to aggressive monetary tightening, weaker global demand, rising interest rates, supply constraints, labour shortages and high inflation rates.The recovery faces headwinds generated by, among other issues, ongoing disruptions to global supply chains, the conflicts in Ukraine and the Middle-East, volatile oil and natural gas prices, price and wage inflation and labour market challenges. Rising geopolitical tensions are expected to contribute to a decline in growth rates in North American economies through the coming year. Refer to the *Geopolitical Risk and Trade Disputes* risk factor found on page 49 for further discussion of these risks. Any one or more of these conditions could have a material adverse effect on our business, financial condition, and/or results of operations.

Geopolitical Risk and Potential Trade Restrictions and Disputes

In 2023, geopolitical tensions continued with the ongoing conflict in Ukraine, recent escalations in the Middle East, and increasing US-China tensions, all having significant global effects, including high energy prices and the erosion of business confidence. In 2022 and 2023, increased energy prices in Europe are benefiting our EC segment, but this effect may reverse at any time. Sanctions imposed on Russia by Ukraine's allies have also aggravated supply shortages, particularly energy, across the global economy. Other conflicts, such as in the Middle East and Africa, could also have negative effects on supply chains and North American prices**.** Trade tensions between China and the United States remain elevated, as the competition for technology dominance intensifies and both the United States and China seek to lessen economic dependence on each other. This could adversely affect business investment. It is difficult to predict and mitigate the potential economic and financial effects of trade-related events on the Canadian and U.S. economies. We actively monitor global and North American trends and continually assess our business in the context of these trends. We also depend on the free flow of goods across the Canada-U.S. border and have significant exposure to disruptions in Canadian-U.S. trade relations. Trade restrictions, including tariffs, quotas, embargoes, safeguards, and customs restrictions, could increase the cost or reduce the supply of products available to us and our customers, or could require us to modify our current business practices. Any of these concerns related to Geopolitical

Risk and Potential Trade Restriction and Disputes could have a material adverse effect on our business, financial condition, and/or results of operations.

Reliance on human resources, recruiting, and retention

Our operations depend on the abilities, experience, and efforts of our human resources. The rapidly evolving and highly competitive labour market in North America and changing workforce demographics, as well as the relative competitiveness of our offered compensation and effectiveness of internal training, development, and succession programs, may impact our ability to attract, develop, and retain human resources with the skills required to meet the changing needs of our customers and our businesses. Increased mental health challenges faced by team members (and their families) due to daily pressures or life events or challenges may result in the loss of key team members through short-term and long-term disability. A shift in personal values and expectations may also lead to elevated voluntary turnover. In addition, our senior management team is integral to creating and implementing our strategic vision. We seek to continually improve our employee experience (see *Employee engagement* on page 22) and we have entered into employment arrangements with all members of senior management. A loss of a significant number of employees or an inability to fill key roles could have a material adverse effect on our business, financial condition, and/or results of operations.

Transportation

We rely heavily on rail and truck transportation to ship raw materials to our manufacturing facilities and to deliver finished products to our customers. This exposes us to a number of risks, including the risk of loss of life or property caused by product release during an accident, higher costs due in part to changes in regulations, and service slowdowns, delay, and/or interruptions that can affect our operations.

Contracts and insurance

We enter into contracts with truck carriers that require appropriate safety standards and levels of insurance. Rail carriers require us to provide additional insurance and accept certain mandated or contractual liabilities. We have insurance in place to cover certain transportation-related risks, like accidental spills or releases during transit. There can be no assurance, however, that the coverage will respond or be adequate to compensate for a catastrophic loss, which could have a material adverse effect on our business, financial condition, and/or results of operations.

Transportation costs

The cost of rail and truck transportation has been increasing for a number of years for several reasons:

- there has been a shortage of truck drivers across North America for a number of years which is expected to continue or increase
- railroads have either chosen to or have been required to make changes in their operations that have increased their costs, and they have passed these costs through to shippers
- TIH (Toxic Inhalation Hazard) and HHM (Highly Hazardous Materials) transportation regulations result in higher costs for Chemtrade, reduced service and potential restrictions. These shipments requires special consideration and higher levels of security, which may result in constraints in transportation and higher costs to Chemtrade. Chemtrade’s products that are classified as TIHs are chlorine, and hydrogen sulfide (H_2S) and our raw materials classified as TIHs is liquid SO_2
- our insurance costs have also increased, both directly and indirectly (i) as railway companies shift liability (including third party liability) to us for shipping TIHs under both tariffs and contracts, and (ii) as truck carriers pass on their own increased insurance costs.

These costs could have a material adverse effect on our business, financial condition, and/or results of operations.

Regulations

There is a continued and increasing regulatory focus on the shipment of hazardous products by rail. A large majority of Chemtrade’s products are classified as hazardous products. In conjunction with many shipper organizations (ACC & CIAC), we continue to lobby and educate the Canadian and American governments regarding the criticality of a reliable, efficient, and cost effective transportation network across North America. We cannot predict the additional requirements and costs that may result from increasing regulation. These costs could have a material adverse effect on our business, financial condition, and/or results of operations.

Accessibility of Facilities

To maintain ongoing operations, it is imperative to have free flow of inbound raw material and outbound finished goods at our manufacturing sites. We make extensive use of the railway system to transport our products and raw materials within North America. A majority of our locations are serviced by a single rail carrier, which means a disruption in service could have a significant negative impact on our business, financial condition, and/or results of operations. Inbound raw material to our North Vancouver, British Columbia site arrives by ship. These ships must meet strict draft requirements in order to navigate the Burrard Inlet to reach our site berth. Our Valleyfield, Quebec site is located on an island with only one rail and road connection to the facility which, if damaged, would impact access.

Environmental laws and regulations

We are subject to many environmental laws and regulations (see *Environmental, social, and governance (ESG)* on page 11 for more information).

We need environmental registrations, licences, permits, inspections, and other approvals to operate. The loss or delay in receiving a significant permit or license could have a material adverse effect on our business, financial condition, and/or results of operations.

Our facilities may be involved in administrative and judicial proceedings and inquiries relating to environmental, health, and safety requirements from time to time. Future proceedings or inquiries could have a material adverse effect on our business, financial condition, and/or results of operations.

Changes to existing environmental, health, and safety requirements or the adoption of new environmental, health, and safety requirements, changes to the enforcement of environmental, health, and safety requirements, and the discovery of additional or unknown conditions at facilities owned, operated or used by Chemtrade, to the extent not covered by indemnity, insurance, or a covenant not to sue, could have a material adverse effect on our business, financial condition, and/or results of operations.

In particular, we operate in jurisdictions where legislative initiatives relating to greenhouse gas (GHG) and other emissions are being considered or adopted. There has been no material effect on any of our facilities to date, and we continue to follow developments closely. Although it is difficult to know what final regulations may be passed in the jurisdictions where our manufacturing facilities are located, we could face increased capital and operating costs to comply with emissions regulations and these costs could be material.

The potential impact of current and proposed environmental laws and regulations is uncertain. We cannot predict the nature of these requirements and the impact on our business, but proposed regulations or failure to comply with current and proposed regulations could have a material adverse impact on our business, financial condition, and/or results of operations by substantially increasing capital expenditures and compliance costs, affecting our ability to meet our financial obligations, including debt payments, and the payment of dividends or distributions. It may also lead to the modification or cancellation of operating licences and permits, penalties, and other corrective actions.

Environmental and decommissioning liabilities

The Fund reported a provision of $142.4 million for environmental and decommissioning obligations in its December 31, 2023 financial statements. The environmental provision is largely related to the closure of inactive ponds at water chemical sites (see page 29 for details). We record environmental liabilities when it is considered likely that a liability has been incurred at the date of the financial statements and the amount of the liability can be reasonably estimated.

Determining the amount of this provision requires significant judgment. The nature of our business means we meet environmental, health and safety regulations in the jurisdictions we operate in, and where our products are shipped and sold. We constantly monitor our sites to ensure compliance with environmental, health, and safety requirements, and to assess the liability arising from the need to adapt to changing legal and regulatory demands.

We recognize liabilities for environmental remediation based on the latest assessment of the environmental situation at the individual site and the most recent legislative requirements. The eventual timing and costs for these liabilities could differ from current estimates, which could have a material adverse effect on our business, financial condition, and/or results of operations.

We may also be subject to remedial environmental and litigation costs related to unknown and unforeseen environmental impacts that arise from our operations and from former operations at our sites. These costs could have a material adverse effect on our business, financial condition, and/or results of operations.

The decommissioning provision is related to the closure of facilities (see page 29 for details). We record decommissioning liabilities when identified and a reasonable estimate can be made for statutory, contractual, constructive or legal obligations associated with decommissioning of our facilities.

There are significant uncertainties related to decommissioning liabilities. The eventual timing of and costs for these obligations could be different from what we have estimated, and could have a material impact on our consolidated financial statements.

In general, estimates of decommissioning liabilities for plants that are at the beginning of their lives are more subjective than plants near the end of their lives, when expected cash flows are more reliable. Changes in the estimated or actual costs for reclamation and plant closure and for removal and/or demolition of manufacturing equipment, buildings and other infrastructure could have a material adverse effect on our business, financial condition, and/or results of operations.

We do not reserve cash or assets specifically for the purpose of settling decommissioning liabilities. Closure and restoration of the sites may require a significant cash outlay that could affect our ability to satisfy debt and other contractual obligations. If we cannot make our decommissioning liability payments, regulatory authorities could take corrective action, including issuing clean-up order and laying charges.

Reputation

As part of our commitment to Responsible Care, we have introduced community outreach programs to develop partnerships with the communities where our facilities are located. Our manufacturing facilities have Emergency Response Plans in place with and coordinate with local emergency services, providing information to the community about plant operations and hazards. An actual or perceived violation of environmental laws and regulations, or spills, leaks, or accidents could, however, adversely affect our reputation, potentially reducing demand from our customers for our products. This could have a material adverse effect on our business, financial condition, and/or results of operations.

Contracts with producers, customers, and vendors

Our contracts with industrial producers, customers, certain vendors and joint venture partner typically have terms of up to seven years. Although some of these contracts are renewable or renew automatically unless notice of termination is given, there can be no assurance that they will be renewed or that notice of termination will not be given. If we cannot renew these contracts or these contracts are terminated, there could be a material adverse effect on our business, financial condition, and/or results of operations. In particular, we have agreed to make capital expenditures in connection with certain contracts, including our joint venture agreement with KPPC. If the producer or customer fails to renew its contract, we may have surplus facilities. If a contract is terminated with certain vendors, including construction service providers, or our joint venture partner, we may be unable or delayed in obtaining the full benefits expected of our announced organic growth projects.

Legal and regulatory proceedings

Legal and regulatory claims, investigations, and proceedings may be initiated against us in the ordinary course of business. The outcomes and the amounts of any damages awarded or fines or penalties assessed, cannot be predicted, and could have a material adverse effect on our business, financial condition, results of operations, and/or reputation.

We may be the subject of litigation by customers, suppliers, and other third parties or we may initiate litigation against others and become subject to counterclaims. A significant judgment against us, the loss of a significant permit, licence or other approval, or a significant fine, penalty or contractual dispute could have a material adverse effect on our business, financial condition, and/or results of operations.

Some of the products we produce may cause adverse health consequences, which exposes us to product liability claims (see *Operating and regulatory risks and product hazards*). If there is a successful class action or series of claims related to product liability or exposure from a product release that exceeds our insurance coverage, it could have a material adverse effect on our business, financial condition, and/or results of operations. A class action or series of claims related to product liability or exposure from a product could have a material adverse effect on our reputation even in the event such class action or series of claims is not successful or does not exceed our insurance coverage.

Litigation is expensive, time consuming, and may divert management's attention away from the operation of the business. Not resolving litigation and disputes favourably could have a material adverse effect on our business, financial condition, and/or results of operations.

We are subject to an administrative proceeding in Brazil, a counterclaim (which is under appeal) in an action in which we are the plaintiff, as well as a contribution claim related to hazardous substances in the Passaic River. See *Legal proceedings* on page 67 and *Regulatory matters* on page 68 for more information.

The outcome of litigation and regulatory matters can never be predicted with certainty and an adverse outcome in any of these matters could have a material adverse effect on our business, financial condition, results of operations, and/or reputation.

Anti-dumping protection

Our SWC segment benefits from U.S. anti-dumping and countervailing duty orders that impose special additional duties (costs) on sodium nitrite imported into the U.S. from India, Russia, China and Germany. The orders are subject to renewal every five years. The U.S. Department of Commerce and the U.S. International Trade Commission last extended the orders in July 2019 against China and Germany for a five-year period that ends in July 2024. The U.S. Department of Commerce and the U.S. International Trade Commission added an additional order applying to Russia in October 2022 and India in February 2023 for a five-year period that ends October 2027 and February 2028, respectively. An Indian sodium nitrite producer has requested the U.S. Department of Commerce conduct an administrative review of the relevant anti-dumping duty order for the period from August 2022 to January 2024. There can be no assurance that any of the orders will be extended in the future. If they are extended, there can be no assurance that the amount of the duties will remain the same.

Capital expenditure estimates

Management projects the expected amount of capital spending at our manufacturing operations. Actual capital expenditures and timing may be different than projected, whether due to inflation, inaccurate projections, supply chain delays, or other reasons. There is also a risk that the capital could be used ineffectively in the execution of these capital projects. We have announced our plans to expand our Cairo, Ohio ultrapure facility and this project is underway. We may spend capital on our other ultrapure sulphuric acid facilities and/or the KPCT joint venture proposed plant. If capital expenditures exceed planned expenditures or the projects are delayed, it could have a material adverse impact on our business, financial condition, and/or results of operations.

Reliance on significant producers

Our SWC segment depends on significant industrial producers: refineries and chemical companies for spent acid, Vale, Sherritt, and others for sulphuric acid, and refineries for sulphur. There can be no assurance that we will maintain our relationship with these industrial producers or continue to provide services to them at current levels. The loss of one of these producers, or a reduction in services we provide to them, could have an adverse short-term effect on our business until we make alternate supply arrangements. New supply agreements may not have terms as favourable as those in our current supply arrangements, which could have a material adverse effect on our business, financial condition, and/or results of operations.

In addition to the above, certain significant events affecting the operations of our major industrial producers could adversely affect our operations, which would have a material adverse effect on our business, financial condition, and/or results of operations.

Uncertainty regarding tax treatment or legislative changes

Chemtrade is subject to challenges from various tax authorities on an ongoing basis. As a result, from time to time, tax authorities may disagree with the positions and conclusions taken by Chemtrade or its predecessors in its or their tax filings. In addition, we develop our tax filing positions based upon the anticipated nature and structure of our business and the tax laws, administrative practices and judicial decisions currently in effect in the jurisdictions in which we have assets or conduct business, all of which are subject to change or differing interpretations, possibly with retroactive effect. Unexpected changes in tax legislation or positions taken by tax authorities could lead to assessments of additional amounts of tax, interest and possibly penalties. An unfavourable resolution to a tax authority challenge or an unfavourable change in tax legislation could have a material adverse effect on the amount of cash the Fund has available for distributions to unitholders. See also *Canadian taxes* and *US taxes* sections on pages 56 and 57 for discussion on relevant tax legislation.

Pensions and post-retirement benefits

We sponsor defined benefit pension plans, which we assumed through acquisitions, for qualifying employees in Canada and in the United States. All plans are closed to new members.

Our accounting estimates about the amount and timing of future funding obligations for defined benefit pension plans are based upon various assumptions, including the discount rate, compensation increase rates, mortality rates, retirement patterns, and turnover rates.

The actual cash funding obligations for the defined benefit pension plans are determined by valuations prepared by the plans' actuaries, and can be influenced by funding requirements that are established by governing legislation (for example, in the U.S. by the Employee Retirement Income and Security Act of 1974, the Pension Protection Act, and Congressional Acts, and in Canada by provincial pension standards legislation), or by requirements of government bodies that regulate the pension plans. Any additional cash contributions that we are required to make could have a material adverse effect on our business, financial condition, results of operations and/or liquidity. Under pension law in the United States, if the sponsor of the defined benefit pension plans does not fulfill its contribution obligations, those obligations may ultimately become obligations of the Fund.

We provide post-retirement benefits for qualifying retirees in Canada and the U.S. Estimates of the amount and timing of future obligations for post-retirement benefits are based upon various assumptions, including mortality rates and the rate of increase for health-care costs. If future trends differ from assumptions used, the amounts we are obligated to contribute may increase. The post-retirement benefit plans are unfunded, and any future cash contributions needed to satisfy the benefit obligations under the plans may adversely affect our business, financial condition, results of operation, and/or liquidity.

Uninsured and underinsured losses

The Fund maintains insurance coverage for its potential liabilities and the accidental loss of value of its assets from risks. The trustees review which insurance companies we use, the amount of insurance and terms of coverage, taking into account all relevant factors including the practices of owners of similar assets and operations. We believe we have the insurance amounts and coverage necessary to repair or replace any assets physically damaged or destroyed, including coverage for losses or expenses related to business interruption, and to cover claims for bodily injury or property damage arising out of assets or operations, including from the handling and distribution of hazardous chemicals. Not all risk factors are covered by insurance, however, and no assurance can be given that insurance will be consistently available, will be consistently available on an economically feasible basis, or that the amount of insurance will be sufficient to cover every loss or claim involving our assets or operations. Insufficient insurance coverage for a material loss or claim or an aggregate of losses or claims could have a material adverse effect on our business, financial condition, and/or results of operations.

Credit risk

Credit risk arises when a counterparty to a financial contract does not meet its obligations. We manage credit risk for trade and other receivables through established credit monitoring activities. The primary counterparties to the Fund's foreign exchange forward contracts and interest rate swaps carry investment grade ratings. While the Fund does not have a significant concentration of credit risk with any single counterparty or group of counterparties, the non-performance of a counterparty could have a material adverse effect on the Fund and on our business, financial condition, and/or results of operations. The Fund's maximum exposure to credit risk at any point in time is the carrying value of its receivables and derivative assets.

Foreign operations

We generate significant earnings from our facilities in the U.S. and Brazil. We also buy raw materials and products from other countries.

Our EC segment operates two plants at one facility in Espirito Santo, Brazil. This makes us subject to the political, economic, social, and geographic risks of doing business in an emerging market, which include, among other things:

- high rates of inflation
- changes in monetary and exchange policies
- changes in interest rates
- energy shortages
- military repression
- war

- social and labour unrest
- organized crime
- hostage taking
- terrorism
- violent crime
- extreme fluctuations in currency exchange rates
- expropriation and nationalization
- renegotiation or nullification of existing permits and contracts
- changes in tax policies
- restrictions on foreign exchange and repatriation
- changing political norms.

Uncertainty about whether the Brazilian government will implement changes in policy or regulation also contributes to economic uncertainty in Brazil.

The SWC segment also depends on an alumina source from outside North America for the production of water treatment chemicals (see *Raw Materials - Cost and Access* at page 48).

These factors and uncertainties cannot be accurately predicted and could have a material adverse effect on our business, financial condition, and/or results of operations.

Leverage and indebtedness

Most of the Fund's subsidiaries have entered into senior credit facilities with our principal lenders (see *Credit facilities* on page 66).

Our degree of leverage could have an impact on unitholders and restrict our flexibility and discretion when operating our business. For example, it could:

- limit our ability to obtain additional financing for working capital, capital expenditures, product development or future acquisitions and general corporate or other purposes
- require us to dedicate a substantial portion of cash flows to the payment of principal and interest on our existing indebtedness, instead of using them in our operations, for capital expenditures and future business opportunities and other uses
- expose us to higher interest expense on borrowings at variable rates
- limit the Fund's ability to declare distributions
- prevent us from making capital expenditures that are important to our growth and strategy
- limit our ability to adjust to changing market conditions
- put us at a competitive disadvantage to companies with less debt and more operating and financing flexibility
- make us more vulnerable to a general economic downturn.

Our ability to make scheduled payments of principal or interest on our indebtedness, or to refinance, depends on our operating performance and cash flow, which are subject to prevailing economic conditions, interest rates, and financial, competitive, business, and other factors, many of which are beyond our control.

The credit facilities place significant restrictions on, among other things, our ability to:

- take on additional debt
- create liens or other encumbrances
- pay dividends or make certain other payments, investments, loans, and guarantees
- sell or otherwise dispose of assets and merge or consolidate with another entity
- in certain circumstances, to pay cash distributions to unitholders.

The credit facilities also require us to meet certain financial ratios and financial condition tests. Failing to meet these requirements could put us in default and require us to immediately repay the debt. There can be no assurance that our assets would be enough to repay the debt in full.

If we have to refinance our available credit facilities or other debt, there can be no assurance that we will be able to do so, or be able to do so on terms as favourable as those currently in place. This could have a material adverse effect on our financial position, and lead to a reduction or suspension of the Fund's cash distributions to unitholders.

Work stoppages

Approximately 35 percent of our workforce is represented by collective agreements with 30 bargaining units/unions, which puts us at risk of work stoppages. In our 22-year history, only one plant has experienced work stoppage consisting of a lockout lasting less than 24 hours and a legal strike lasting five days. We generally have good relations with our employees but there can be no assurance that we will be successful at entering into new collective agreements without work interruptions. Many of our producers, suppliers, service providers, and customers also have employees represented by collective agreements, which could result in work stoppages. A lengthy work interruption could have a material adverse impact on our business, financial condition, and/or results of operations.

Industry over-capacity

Industry over-capacity of any of the products we market could affect our pricing, revenue, net profit, and margins. This could have a material adverse effect on our business, financial condition, and/or results of operations.

Reduced use of chemical products

If new products are introduced into the market that are lower in cost, have enhanced performance characteristics, or are considered preferable for environmental or other reasons, demand for some of our products could be reduced or eliminated.

In our EC segment, environmental activists and lobby groups are often opposed to the use of chlorine in industrial products. Although elemental chlorine-free pulp bleaching technology, which uses sodium chlorate as its primary raw material, is currently the preferred method of pulp bleaching, alternative products could reduce demand for sodium chlorate for bleaching pulp.

Pulp and paper producers are also using chlorine dioxide more efficiently in the pulp bleaching process. More efficient use of chlorine dioxide could incrementally reduce the demand for sodium chlorate and reduce our sodium chlorate sales.

Depending on conditions, there can also be substitute products for alum, a product in our SWC segment. While we produce several kinds of water treatment chemicals, alum is our primary product. There is a risk that customers may substitute other water treatment chemicals that we cannot supply, or cannot supply economically, which would have a negative impact on our SWC segment.

Demand for spent acid regeneration services used in alkylate production in gasoline in our SWC segment could be affected by the adoption of electric vehicles.

Replacement of one or more of our products in significant volumes could have a material adverse effect on our business, financial condition, and/or results of operations.

ESG Targets and Reporting

Investor interest in companies being able to improve their performance in the areas covered by ESG topics and manage material ESG-related risks has been recently intensifying. Chemtrade has disclosed certain ESG metrics that it is tracking and certain ESG goals and timelines to achieve these goals. Several of the ESG factors, including those related to climate change, are difficult to assess and quantify and are subject to uncertainty. This uncertainty is amplified due to the long timeline set for achieving such goals. If we are unable to meet our stated ESG goals, or unable to meet them within the timelines we set out, it could have a material adverse effect on our business, financial condition, results of operations, and/or reputation. The ESG metrics reported in this AIF are calculated and reported based on SASB standards. SASB standard calculations may result in reported figures that differ from the same or similar ESG metrics we report to regulators in accordance with each regulator's specific requirements. Voluntary or mandatory ESG metric reporting and disclosure rely on estimates and assumptions that involve inherent uncertainty, which could expose Chemtrade to liability, including from private parties and regulators, which could have a material adverse effect on our business, financial condition, results of operations, and/or reputation.

Risk of pandemic

A local, regional, national, or international outbreak of a contagious disease, including COVID-19 and its variants or any other similar illness, could:

- impact the health and safety of our employees, causing potential shortages of employees to staff our facilities, or the facilities of our customers or suppliers;
- worsen economic conditions, resulting in generally lower levels of industrial activity which could result in reduced demand for some or all of our products such as sulphuric acid, which is a very widely used chemical;
- lead to prolonged restrictions on non-essential travel and people working from home, which would negatively affect demand for our spent acid regeneration services and for sodium chlorate;
- impact our customers' production volume levels, including as a result of prolonged unscheduled facility shutdowns;
- impact our ability to perform maintenance turnarounds at our manufacturing sites resulting in unscheduled downtime;
- impact our production levels, including as a result of full or partial shutdowns of our manufacturing facilities;
- result in governmental regulation adversely impacting our business or the businesses of our customers or suppliers;
- impact the Fund's ability to raise capital; and/or
- impact our ability to deliver our products and receive raw materials as a result of a supply chain disruption or orders restricting movement across borders (between or within countries)

all of which could have a material adverse effect on our business, financial condition, and/or results of operations, which could be rapid and unexpected. To the extent a pandemic or contagious disease adversely affects our business and financial results, it may also have the effect of heightening many of the other risks described in this AIF. The extent to which any pandemic (such as COVID-19) or contagious disease or illness may impact our business will depend on their particular evolution and development, which are highly uncertain and cannot be predicted with confidence, such as the ultimate geographic spread and concentration of such pandemic, disease or illness, their duration, travel restrictions and social or physical distancing in Canada, the U.S. and other countries, business closures or business disruptions and the effectiveness of actions taken in Canada, the U.S. and other countries to contain and treat any such pandemic, disease or illness.

Reliance on the Fund's subsidiaries

The Fund is a limited purpose trust. Its income depends entirely on its ownership of the participating equity and unsecured subordinated notes of the Fund's subsidiaries.

Cash distributions to unitholders depend on the ability of the Fund's subsidiaries to pay interest obligations under the unsecured subordinated notes and to declare and pay dividends or make other distributions on the shares of the subsidiaries to the Fund. The ability of the subsidiaries to pay dividends or make other payments or advances to the Fund is subject to applicable laws and any contractual restrictions in the instruments that govern indebtedness.

Cash distributions

Although the Fund intends to continue to distribute the interest and dividend income it earns, less expenses and amounts paid for redeemed units, there can be no assurance of the amount of income Chemtrade will generate and pay to the Fund. The actual amount of distributions to unitholders will depend upon many factors, including Chemtrade's profitability, fluctuations in working capital, the sustainability of margins, and capital expenditures.

Nature of units

Units have the attributes of equity securities and debt instruments.

Units represent a fractional interest in the Fund – they are not a direct investment in Chemtrade, and are not securities in Chemtrade. The Fund's primary assets are the participating equity and unsecured subordinated notes of its subsidiaries. The price per unit is based on the Fund's anticipated distributable income.

Units do not give unitholders the statutory rights normally associated with ownership of securities of a corporation, but the Fund's Declaration of Trust provides for rights that are similar, including the right to bring oppression remedy or derivative actions (see *Unitholder rights* on page 61).

Unitholder liability

The Declaration of Trust provides that unitholders are not responsible for any of the Fund's liabilities in connection with their holding of units. Despite this, there is a risk in jurisdictions outside of Ontario, Quebec, and Alberta, that a unitholder could be held personally liable for the Fund's obligations, to the extent that claims are not satisfied out of the Fund's assets. The Fund considers this risk to be remote in the circumstances, and conducts its affairs to seek to minimize this risk wherever possible.

Distribution of Chemtrade securities

When units are redeemed or the Fund is terminated, the trustees, with regulatory approval, can distribute the participating equity and unsecured subordinated notes of the Fund's subsidiaries directly to unitholders. There is currently no market for the participating equity and unsecured subordinated notes, they are not freely tradable and are not listed on a stock exchange. They may not be qualified investments for trusts governed by registered retirement savings plans, registered retirement income funds, deferred profit sharing plans, and registered education savings plans, depending on circumstances at the time.

Dilution

The Fund can issue an unlimited number of units at a price and with terms and conditions determined by the trustees. The Fund can also issue units on the conversion, redemption or repayment of debentures, and to satisfy some or all of its interest obligations to debenture holders (see *Long-term debt* on page 63 for information about debentures). Issuing units would dilute the interests of existing unitholders.

Restrictions on future growth

If we have to pay out a large part of our operating cash flow, we will have to rely on future cash flow or additional financing to make necessary capital and operating expenditures. Lack of these funds could limit our future growth and our cash flow.

Canadian taxes

The Fund is a mutual fund trust and a specified investment flow-through trust (SIFT) for income tax purposes.
It is subject to current income taxes on:

- taxable income that is not distributed to unitholders
- taxable income earned from Canadian corporate and flow-through subsidiaries that is distributed to unitholders (other than dividends and certain other investment income) (SIFT tax).

The SIFT tax does not apply to certain income the Fund earns directly from certain Canadian subsidiaries and non-Canadian subsidiaries. The Fund can therefore distribute Canadian dividends (and certain other investment income) and direct foreign source income to unitholders without being subject to the SIFT tax.

Chemtrade can only deduct reasonable expenses for tax purposes. There can be no assurance that tax authorities will not seek to challenge the reasonableness of certain expenses. A successful challenge could materially and adversely affect the amount of cash the Fund has available for distribution to unitholders. Management of the Fund believes that the expenses inherent in the structure of the Fund are supportable and reasonable in the circumstances.

The Fund distributes sufficient taxable income to unitholders every year to ensure it does not have any liability for income tax other than the SIFT tax, if any. Based on the current organization of Chemtrade, the Fund also expects that its income distributed to unitholders will not be subject to SIFT tax. The Fund can issue additional units to unitholders instead of cash if some, or all, of the interest payments on the unsecured subordinated notes are due but not paid, or distributions to unitholders are otherwise less than the Fund's taxable income. This could make a unitholder's taxable income related to the units higher than the amount received as cash distributions.

The Fund filed an election with the U.S. Internal Revenue Service (IRS) to be treated as an association taxable as a corporation for U.S. federal income tax purposes. As a result, the Fund is treated as a regarded entity under the tax laws of both Canada and the U.S., and investors may therefore be entitled to a reduced rate of Canadian withholding tax on Fund distributions under the Canada-United States Tax Convention (the Canada-U.S. treaty), as long as certain requirements are met.

The Fund currently intends to remain a trust. Based on existing tax laws and the current structure of the Fund's investments in its subsidiaries, the Fund expects that its earnings will not be subject to Canadian taxes, because substantially all of its earnings will be from non-Canadian sources, will be received in the form of dividends from Canadian companies, or will not otherwise be subject to the SIFT tax.

On November 28, 2023, the Department of Finance Canada (Finance) tabled a Notice of Ways and Means Motion to implement the Fall Economic Statement Implementation Act, 2023, which subsequently received first reading in Parliament on November 30, 2023 as Bill C-59. Included in Bill C-59 are various Canadian income tax and related measures, including the excessive interest and financing expense rules (EIFEL Rules) that may limit the amount of interest that certain taxpayers may be able to deduct for tax purposes. The EIFEL Rules are intended to limit the deductible interest and financing expenses (IFE) of a taxpayer to 30% of the taxpayer's adjusted taxable income before interest, tax, depreciation, and amortization expenses and would apply to Chemtrade's taxation years beginning on or after January 1, 2024. Management has reviewed the EIFEL Rules contained within Bill C-59 to assess the impact on Chemtrade, and does not believe that the EIFEL Rules should impact Chemtrade to any significant degree at current levels of IFE and adjusted taxable income.

Also contained within Bill C-59 is the share buyback tax (SBT), which is a proposed 2% tax on equity repurchases by public corporations and other covered entities, which includes SIFT trusts. To the extent the Fund repurchases units of the trust in the future, the SBT may be applicable.

On August 4, 2023, Finance released the draft Global Minimum Tax Act (GMTA) to implement key measures of the OECD's Pillar Two global minimum tax (GMT) in Canada. The draft legislative proposals include, among others, charging provisions for the income inclusion rule (IIR) and the qualified domestic minimum top-up tax (QDMTT), as defined in the GloBE Model Rules. Although the proposed GMTA is still in draft form, it is expected to apply to Chemtrade for taxation years beginning January 1, 2024. While we currently do not expect any impact of significance from the GMT based on our operational footprint, there remains uncertainty regarding how the GMTA will interact with the Income Tax Act (Canada), including with respect to the Canadian foreign affiliate regime. We will continue to monitor the global developments surrounding GMT, and will assess additional impacts of GMT, if any, once greater clarity exists.

There can be no assurance that the Canadian or global income tax laws, regulations or administrative policies described in this document, will not change, including changes that could apply retroactively, in a way that adversely affects unitholders.

U.S. taxes

The Fund has elected to be treated as an association taxable as a corporation for U.S. federal income tax purposes (see *Canadian taxes* above).

The Fund receives interest directly and indirectly from U.S. sources under various notes issued by the Fund and some of its U.S. subsidiaries (the U.S. notes). The Fund and these U.S. subsidiaries treat the U.S. notes as debt for U.S. federal income tax purposes.

There is a risk that the IRS could challenge the characterization of the U.S. notes as debt under certain U.S. tax principals that apply to debt issued between related parties. Final regulations issued under Section 385 of the Internal Revenue Code could potentially re-characterize certain related party debt issued after April 4, 2016 as equity.

If any or all of the U.S. notes are treated as equity rather than debt, interest on the U.S. notes may be treated as non-deductible dividends, which would be subject to U.S. federal withholding tax at a rate of 30% (subject to possible reduction under the Canada-U.S. treaty).

The rest of this discussion is based on the U.S. notes continuing to be treated as debt for U.S. federal income tax purposes.

The Fund receives interest directly and indirectly from U.S. sources under the U.S. notes. For interest paid on the U.S. notes, the Fund and its subsidiaries are treated as the beneficial owner of the interest income for U.S. federal income tax purposes.

Under the Canada-U.S. Treaty (the Treaty) the withholding tax rate on interest may be reduced to zero percent for residents who are "qualified persons" under the Treaty. Whether the Fund and its subsidiaries qualify for this exemption from withholding tax depends on, among other things, whether they are considered "qualified persons" as defined by the Treaty, at the time the U.S. subsidiary makes the interest payments.

The U.S. tax act introduced new rules that may limit the ability of the U.S. subsidiaries to deduct for tax purposes all or a portion of the interest expense attributable to the U.S. notes in addition to any interest expense attributable to loans with third parties. These new rules, referred to as the "earnings stripping" rules, limit the annual deduction of business interest expense, including interest expense attributable to the U.S. notes, to 30% (from 50%) of the "adjusted taxable income" of the U.S. group. In general, adjusted taxable income means taxable income excluding income not allocable to a trade or business and increased by interest and net operating loss deductions (beginning in 2022, the calculation of adjusted taxable income no longer includes an increase in taxable income for depreciation and amortization). This additional restriction on the ability of the U.S. subsidiaries to claim deductions for interest payments on the U.S. notes could increase the U.S. tax liability of the U.S. subsidiaries, which may reduce the amount available by the U.S. subsidiaries to distribute to the Fund and could have an adverse effect on the amount of cash the Fund has available for distributions to unitholders.

The U.S. tax act also introduced the Base Erosion and Anti-Abuse Tax (BEAT) which is a minimum tax imposed on certain large multi-national groups that pay or accrue certain deductible “base erosion payments”, including interest, royalties, and service fees, to related non-U.S. persons. The BEAT would apply if the tax calculated under the BEAT rules for a particular tax year exceeds a corporation’s regular tax liability determined after the application of certain tax credits allowed against the regular tax. The BEAT tax rate is 10% for tax years 2019 to 2025 and 12.5% thereafter. The BEAT tax rate is applied to “modified taxable income” (i.e. taxable income after the use of net operating losses and after adding back “base erosion payments” including related party interest expense, management fees paid to related parties, and tax related depreciation and amortization. The Fund’s U.S. subsidiaries were subject to the BEAT in 2022 but are likely not be subject to the BEAT in 2023 given it is likely that the regular corporate income tax liability of the U.S. subsidiaries will exceed the tentative BEAT liability. Effective for tax year 2023, a new 15% corporate alternative minimum tax (CAMT) applies on the adjusted financial statement income of certain large corporations. Based on current levels of financial statement income, the Fund’s U.S. subsidiaries are not expected to be subject to CAMT. The BEAT (to the extent it applies), CAMT (to the extent it applies) and regular corporate income tax liability would increase cash taxes in the year imposed and could have a material adverse effect on the amount of cash the Fund has available for distributions to unitholders.

There can be no assurance that the U.S. federal income tax laws described in this document, and IRS regulations and administrative policies related to them, will not change, including changes that could apply retroactively, in a way that adversely affects unitholders.

ABOUT THE FUND

Chemtrade Logistics Income Fund is a limited purpose trust established under the laws of the Province of Ontario on July 11, 2001.

The Fund operates under a Declaration of Trust that describes the protections, rights and remedies provided to unitholders of the Fund. This is different than corporations, which are governed by statute (for example, the Canada Business Corporations Act (the CBCA)). While the protections, rights and remedies of unitholders described under the Declaration of Trust are substantially the same as those provided to shareholders under the CBCA, there is no certainty as to how a court may treat these protections, rights or remedies in a non-corporate context.

See Corporate structure on page 3 for more information about the structure of the Fund.
You will find the full text of the Declaration of Trust on SEDAR+ (www.sedarplus.com).

This section of the AIF is a summary of important sections of the Declaration of Trust, including a brief description of Fund units and how they work.

Activities of the Fund

The Declaration of Trust limits the Fund's activities to, among other things, investing in securities, issuing units (and securities that can be converted into or exchanged for units), temporarily holding cash to, among other things, make distributions to unitholders, or taking actions, including investing in securities, as approved by the trustees from time to time. The Fund cannot take any action that would result in the Fund no longer being considered a mutual fund trust, or the units being foreign property under the Income Tax Act (Canada) (the tax act).

Fund trustees

The Declaration of Trust says the board of trustees must be made up of between three and 10 trustees.

The Fund has eight trustees who are responsible for supervising the activities and managing the affairs of the Fund. In this role, trustees can exercise the rights, powers and privileges of a legal and beneficial owner of the trust assets.

You can read about the trustees and how they oversee the Fund in *Governance* on page 40.

The trustees are responsible for, among other things:

- acting for, voting on behalf of and representing the Fund as a shareholder and noteholder of the Fund's subsidiaries
- maintaining records and providing reports to unitholders
- supervising the activities of the Fund
- overseeing cash distributions to unitholders
- voting in favour of the Fund's nominees to serve as directors of the Fund's subsidiaries.

The trustees can also approve the adoption of a unitholder rights plan if they feel it is appropriate. The plan must be approved by unitholders, or it will terminate six months from the date of adoption.

Trustees are required to act honestly and in good faith with a view to the best interests of the Fund, and exercise the degree of care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. The Declaration of Trust provides that trustees are entitled to indemnification from the Fund in connection with properly carrying out their duties, consistent with the provision of indemnities to directors of corporations.

Making changes to the Declaration of Trust

The trustees can, subject to certain restrictions, make changes to the Declaration of Trust without the approval of unitholders when the change is necessary to:

- comply with laws, regulations, requirements, or policies of any governmental authority governing the trustees or the Fund
- provide additional protection (in the opinion of the Fund's counsel) for unitholders
- remove any conflicts or inconsistencies in the Declaration of Trust or to make minor corrections that are necessary or desirable and not prejudicial to the unitholders
- respond to changes in Canadian tax laws.

Most other changes need the approval of unitholders at the next meeting of unitholders, as described in the Declaration of Trust.

Information for unitholders

About Fund units

Units of the Fund:

- are of the same class, and have the same rights and privileges as all other units
- are transferable
- entitle the holder to one vote for each whole unit held at all meetings of unitholders
- represent an equal undivided beneficial interest in:
  - any distributions of net income, net realized capital gains or other amounts
  - the net assets of the Fund if it is terminated or wound up
- are not subject to future calls or assessments.

See page 63 for more information about units of the Fund.

Issuing and redeeming units

The Fund can issue an unlimited number of units. The trustees determine when and to whom the Fund can issue units or rights to acquire units, and establish the unit price and terms and conditions.

You can find details about redeeming units in the Declaration of Trust.

Units can be redeemed at any time. When you redeem your units, you surrender all of your rights in exchange for one of the following (whichever is less):

- the closing unit price on the TSX on the day you redeem them (the *redemption date*)
- 90% of the volume weighted average unit price on the TSX on the 10 trading days immediately after the redemption date.

Limitation on non-resident ownership

To maintain its status as a mutual fund trust under the tax act, the Fund cannot be established or maintained for the benefit of non-residents of Canada. That means non-residents of Canada are not allowed to own a majority of outstanding Fund units. The Fund periodically asks the transfer agent for information about the residence status of the Fund's unitholders. If the trustees become aware that 49% of the units are beneficially held by non-residents of Canada, the transfer agent will only transfer units to proven residents of Canada. If non-residents beneficially hold more than 50% of the units, non-resident unitholders may be required to sell their units, as determined by the trustees, and will be given at least 60 days to sell the units. The trustees are not liable if the Fund does not meet the non-resident ownership requirement.

Distributions

The Fund does not pay dividends, but it does pay distributions on its units. Distributions are discretionary. The trustees determine the amount of distributions per unit, and may declare any part of the Fund's cash flow payable in distributions, taking into consideration the Fund's costs and income tax liabilities. Cash flow for this purpose means all amounts received by the Fund, and includes, without limitation, interest, dividends, proceeds from the sale of securities, returns of capital and repayments of indebtedness, less administrative expenses and other obligations, cash paid for redeemed units, and interest expenses.

When there are distributions, they are paid on the last day of the month to unitholders of record on the last day of the preceding month (or, if the distribution date is not a business day, on the following business day or on any other date determined by the trustees). The Fund can also make other distributions during the year, as it sees fit, in its sole discretion, including distributions out of any principal repaid on the unsecured subordinated notes.

Distributions are generally paid in cash. If, however, income has been used to pay for redeemed units, or is otherwise not available to make cash distributions, distributions will be in units issued according to exemptions under securities laws, discretionary exemptions granted by securities regulatory authorities or a prospectus or similar filing. See also *Distribution Reinvestment Plan (DRIP)* at page 63.

Reporting

The Fund provides the following reports to unitholders:

- quarterly and annual consolidated financial statements and MD&A
- annual tax forms
- notice of each meeting of unitholders, and other meeting materials required by law and the Declaration of Trust
- management information circular
- annual information form
- other reports as required by law.

To make sure the Fund can meet its continuous disclosure requirements to securities regulators, the Fund's subsidiaries each provide the Fund with the following documents:

- reports of any material changes in its affairs, in the same way the reports would be filed with regulatory authorities if the subsidiary were a reporting issuer
- financial statements the subsidiaries would be required to file if they were reporting issuers.

Meetings of unitholders

The Fund holds an annual meeting of unitholders, to elect the trustees, appoint the Fund's auditors and vote on resolutions.

> You can read about unitholder meetings and voting in our most recent management information circular.

Unitholders can vote on the following:

- electing or removing trustees (or increasing the number of unitholder votes required to remove a trustee)
- appointing or removing the Fund's auditors
- appointing an inspector to investigate how the trustees are performing in carrying out their responsibilities and duties
- approving certain changes to the Declaration of Trust (see *Making changes to the Fund and the Declaration of Trust*, above)
- terminating the Fund
- selling all or substantially all of the Fund's assets
- items that require a special resolution (for example, selling all of the Fund's assets, amalgamations or mergers of subsidiaries (except in connection with an internal reorganization), certain material amendments to the note indenture of subsidiaries, material amendments of the subsidiaries' articles or authorized share capital)
- dissolving the Fund before the end of its term
- other matters the Declaration of Trust specifies require the approval of unitholders
- any other matters the trustees decide to present to unitholders for their approval or ratification, despite no express requirement to do so.

Unitholder proposals and nominating trustees

The Declaration of Trust describes how to submit a unitholder proposal to the Fund, and how to nominate trustees. This includes information about who is entitled to submit proposals and nominations, and the advance notice requirements for each.

Take-over bids

If a take-over bid is made for 90% or more of the units outstanding (not including units held by or on behalf of the potential buyer or an associate or affiliate of the buyer), which are taken up and paid for, the buyer will have the right to acquire units even if the unitholder did not accept the take-over bid on the terms offered.

Unitholder rights

Oppression remedy

Unitholders or other specified eligible complainants can apply to the court if they believe Chemtrade, the Fund or its trustees have acted in a way that is oppressive, unfairly prejudicial to, or that unfairly disregards the interests of any unitholder, securityholder, creditor, trustee or officer, whether this has resulted from action or inaction, the operation of Chemtrade or the Fund's business or affairs, or the trustees' use of their power.

The court will decide what is appropriate, but it can issue an order to, among other things:

- restrain the conduct in question
- appoint a receiver or receiver-manager
- regulate Chemtrade's or the Fund's affairs by amending the Declaration of Trust or the constating documents of any Chemtrade entity
- direct an issue or exchange of securities
- replace the trustees or the directors of any Chemtrade entity or appoint additional trustees or directors
- direct the Fund or any other person to buy a unitholder's securities
- vary or set aside a transaction or contract the Fund or any Chemtrade entity is a party to, and compensate any party to the transaction or contract
- require the Fund or any Chemtrade entity to provide financial information
- wind up the Fund or liquidate or dissolve any Chemtrade entity.

Dissent and appraisal

Unitholders have certain rights if the Fund proposes to make any of the following changes:

- sell or dispose of its Chemtrade securities, or sell, lease or dispose of all or substantially all of its assets or the assets of the Fund or Chemtrade, taken as a whole, if it requires the approval of more than two-thirds of unitholders according to the Declaration of Trust
- go private, if units will be terminated without unitholder consent or without the substitution of an interest of equivalent value
- resolve to make any of the following changes to the Declaration of Trust:
  - add, change or remove a provision restricting or constraining the issue, transfer or ownership of units
  - add, change or remove a restriction on the business of the Fund
  - add, change or remove the rights, privileges, restrictions or conditions attached to units
  - increase the rights or privileges of any class of units that has rights or privileges equal or superior to the class of units held by the unitholder
  - make a class of units with inferior rights or privileges superior to the class of units held by the unitholder
  - create a new class of units with rights that are equal to or superior to the class of units held by the unitholder
  - exchange or create a right of exchange of all or part of a class of units into the class of units held by the unitholder.

Unitholders should send a written objection to the resolution before the meeting of unitholders when the resolution is to be voted on, following the instructions in the Declaration of Trust.

Unitholders will receive a written offer for the fair value of the units, along with a statement showing how fair value was determined. Fair value is determined by the trustees as of the close of business on the day before the day the resolution comes into effect.

Payment will be sent no later than 10 days after the acceptance is received. The offer will lapse if the acceptance is not received within 30 days of the date the offer is made. Unitholders who do not receive an offer, or do not accept the offer they have received, can apply to a court to fix the fair value of the units.

Derivative action

Unitholders have the right to apply to the court for permission to:

- bring an action in the name of and on behalf of the trustees on behalf of the Fund, or any Chemtrade entity
- intervene in an action that the Fund or any Chemtrade entity is a party to, for the purposes of prosecuting, defending or discontinuing the action on behalf of the trustees on behalf of the Fund, or the Chemtrade entity.

The following conditions must be met:

- unitholders must give the trustees at least 14 days' notice of their intention to apply to the court
- they must be acting in good faith, and
- bringing, prosecuting, defending or discontinuing the action must appear to be in the interests of the Fund or Chemtrade.

The court will decide what is appropriate, but it can issue an order to, among other things:

- authorize the unitholder or others to control the conduct of the action
- give directions for the conduct of the action
- direct that the amount payable by the defendant be paid, in whole or in part, directly to former and present securityholders of the Fund or Chemtrade, instead of to the Fund or Chemtrade
- require the Fund or Chemtrade to pay the reasonable legal fees of the unitholders.

OUR CAPITAL STRUCTURE

Our capital structure includes:

- unitholders' equity
- long-term debt.

Unitholders' equity

The Fund can issue an unlimited number of units. There were 117,048,304 units outstanding as of December 31, 2023.

All units are of the same class with equal rights and privileges. If you hold units, you can:

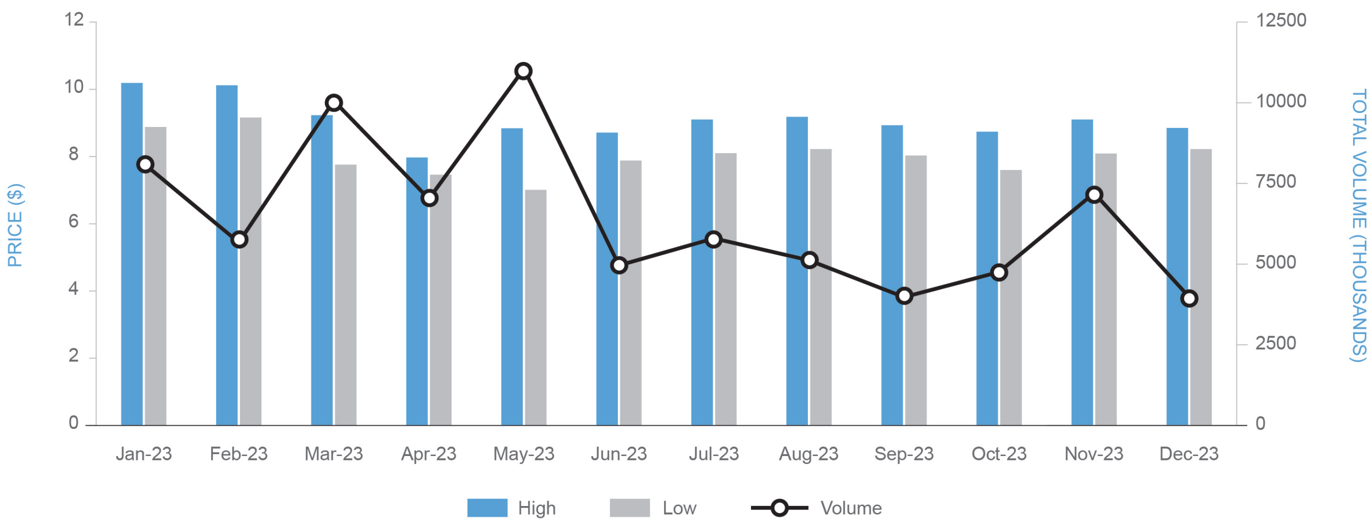
- receive any cash distributions that are declared by the board of trustees
- vote at all meetings of unitholders – each unit entitles you to one vote
- redeem your units at any time.

The Fund declared and paid monthly cash distributions of $0.10 per unit (annual cash distributions of $1.20 per unit) from January 2007 to February 2020 and of $0.05 per unit (annual cash distributions of $0.60 per unit) from March 2020 until December 2023. Starting in January 2024, the Fund has declared and paid monthly cash distributions of $0.055 (annual cash distributions of $0.66 per unit).

Market for units

The units trade on the TSX under the symbol CHE. UN. The graph below shows the price range and volume of units traded on the TSX in 2023.

CHE.UN - PRICE RANGE AND VOLUME 2023



Distribution Reinvestment Plan (DRIP)

The Fund suspended its Distribution Reinvestment Plan (DRIP) in January 2024. The Fund had offered a DRIP from July 2020 until January 2024. The DRIP allowed eligible unitholders to choose to reinvest some or all of their regular monthly distributions in additional trust units (additional units) of the Fund.

Long-term debt

Our long-term debt includes:

- debentures
- credit facilities.

Debentures

The Fund can issue an unlimited number of debentures. Debentures are issued under a December 20, 2002 trust indenture between the Fund and BNY Trust Company of Canada (formerly, CIBC Mellon Trust Company), as trustee. There was $425.6 million principal amount of debentures outstanding as of December 31, 2023. On March 8, 2023, the Fund completed the bought deal offering of $100 million principal amount of of 2023 debentures due June 30, 2028. On March 20, 2023, the Fund completed the issue and sale of an additional $10 million aggregate principal amount of 2023 debentures due June 30, 2028, pursuant to a partial exercise of an over-allotment option granted to the underwriters. On May 4, 2023, Chemtrade redeemed $100 million aggregate principal amount of its 2017 debentures, and on June 30, 2023, Chemtrade completed the redemption of the remaining $101.12 million principal amount of its 2017 debentures.

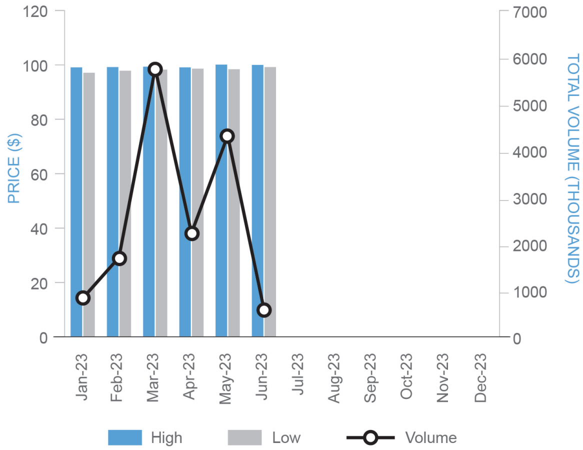
Our outstanding debentures as of December 31, 2023 are described in the table below:

					Conversion rights	Redemption rights	
	Date of issue	Amount Outstanding at $1,000 per debenture	Interest rate	Maturity date	Can be converted into units any time before the maturity date or the redemption date (whichever is earlier) at the conversion price below	Can be redeemed on the dates below if the volume weighted average trading price of units for the 20 consecutive trading days ending five trading days before the date of the notice of redemption is not less than 125% of the conversion price	Can be redeemed on the dates below at par plus accrued and unpaid interest
2019 debentures (CHE.DB.E)	October 1, 2019	$100.00 million	6.50% paid semi-annually in October and April, starting on April 30, 2020	October 31, 2026	$15.80	October 31, 2022 to October 30, 2024	October 31, 2024 to October 30, 2026
2020 debentures (CHE.DB.F)	August 26, 2020	$85.55 million	8.50% paid semi-annually in March and September, starting on March 31,2021	September 30, 2025	$7.35	September 30, 2023 to September 29, 2024	September 30, 2024 to September 29, 2025
2021 debentures (CHE.DB.G)	December 15, 2021	$130.00 million	6.25% paid semi-annually in February and August starting on August 31, 2021	August 31, 2027	$10.00	August 31, 2025 to August 30, 2026	August 31, 2026 to August 30, 2027
2023 debentures (CHE.DB.H)	March 8, 2023	$110.00 million	7.00% paid semi-annually in June and December starting June 30, 2023	June 30, 2028	$12.85	June 30, 2026 to June 30, 2027	June 30, 2027 to June 29, 2028

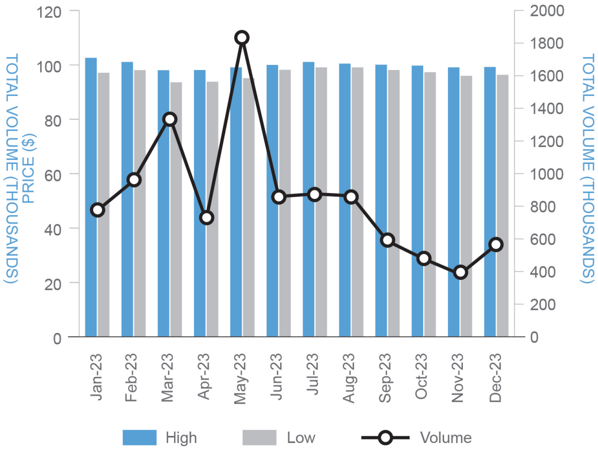
Market for debentures

During 2023, the debentures traded on the TSX under the symbols, CHE.DB.D (2017 debentures), CHE.DB.E (2019 debentures), CHE.DB.F (2020 debentures), CHE.DB.G (2021 debentures), and CHE.DB.H (2023 debentures). The graphs below show the price range and volume traded on the TSX in 2023. On June 30, 2023, the Fund completed the redemption of all of its 2017 debentures. Holders of the 2017 debentures received approximately $1,012 on a weighted average basis of the two redemptions for each $1,000 principal amount of 2017 debentures, being equal to $1,000, plus all accrued and unpaid interest at the time of each redemption. The 2017 debentures have been de-listed from the TSX.

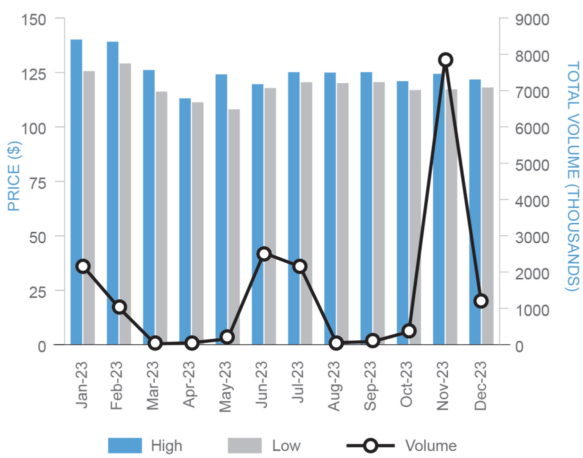
CHE.DB.D - PRICE RANGE AND VOLUME 2023



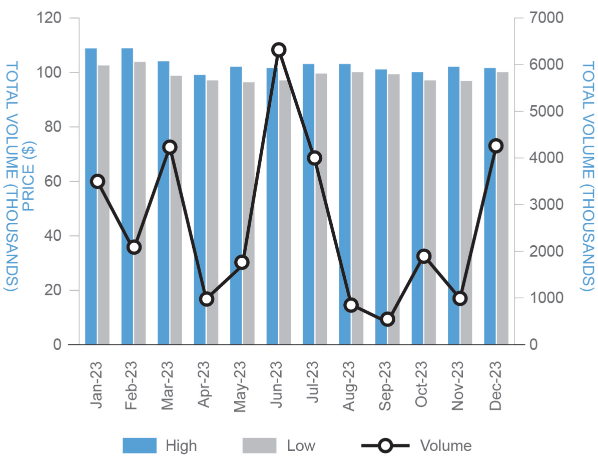
CHE.DB.E - PRICE RANGE AND VOLUME 2023



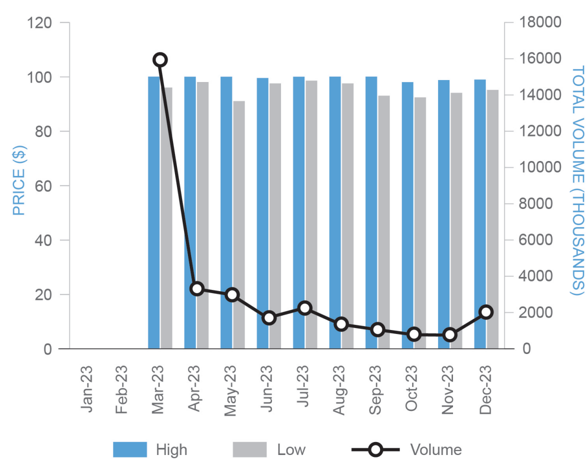
CHE.DB.F - PRICE RANGE AND VOLUME 2023



CHE.DB.G - PRICE RANGE AND VOLUME 2023



CHE.DB.H - PRICE RANGE AND VOLUME 2023



Credit facilities

Chemtrade currently maintains credit facilities with its lenders (as described immediately below) consisting of a US$650 million revolving credit facility with a US$400 million optional accordion feature. A description of the recent history of our credit facilities is described below.

History - Credit facilities

On February 7, 2017, Chemtrade Logistics Inc. and some of the Fund's other subsidiaries entered into a secured credit agreement (credit agreement) with Bank of Montreal as administrative agent, The Bank of Nova Scotia as syndication agent, and the institutions named in the agreement as lenders.

The credit agreement provided for two senior credit facilities:

- a US$325 million, five-year term loan credit facility, used to refinance the term facility under the previous credit facilities
- a US$725 million revolving credit facility (with US$200 million optional accordion) to refinance the revolving credit facility under the previous credit facilities, to partially fund the acquisition of Canexus, to pay fees, expenses and other transaction costs associated with the Canexus acquisition, and for general corporate purposes.

The credit agreement has since been amended as follows:

- on September 22, 2017, the revolving credit facility was reduced to US$525 million and the accordion increased to US$400 million
- on March 29, 2018, the maturity date was extended to March 10, 2023
- on December 14, 2018, the maturity date was extended to December 14, 2023
- on October 24, 2019, the maturity date was extended to October 24, 2024
- on May 12, 2020, covenant package on the credit facility amended to provide additional covenant room over the next two years
- on September 30, 2020, added provisions permitting an accounts receivable facility
- on May 7, 2021, covenant package on the credit facility amended to provide additional covenant room over the next two years
- on December 24, 2021, the maturity date was extended to December 24, 2026, the covenant package and pricing was amended back to pre-pandemic levels, the entire facility was converted into a revolving credit facility, and the facility size was reduced by US$200 million
- on June 25, 2022, the terms of our credit facility were modified to allow for the investment in the KPCT joint venture and to recognize any cash distributions from this joint venture in the calculation of EBITDA for debt covenant purposes.
- on September 22, 2022, we amended certain terms of our credit facilities to replace US LIBOR with Secured Overnight Financing Rate (SOFR).

The credit agreement and all amendments are available on SEDAR+ (www.sedarplus.com).

The credit facilities:

- rank senior to all other indebtedness of the Fund and its subsidiaries (including any subordinated intercompany notes)
- are subject to customary terms, conditions, covenants, events of default, and other provisions, including, among other things, restrictions on the Fund's ability to make distributions
- are guaranteed by the Fund and certain of its subsidiaries. The guarantees are secured by security interests in substantially all of the assets of the Fund and its subsidiaries
- include customary representations and warranties and restrictive covenants, including:
  - compliance with certain financial ratios, including a net debt to EBITDA ratio and an interest coverage ratio (both as set out in the credit agreement)
  - restrictions on further borrowing, acquisitions, and dispositions
  - restrictions on granting liens
  - other customary restrictions.

Borrowings under the credit facilities can be in Canadian or U.S. dollars, by way of Canadian dollar prime rate, U.S. dollar base rate, U.S. dollar prime rate, SOFR or bankers' acceptance advances, plus, in each case, an applicable margin. The interest rate that applies to each type of advance will vary depending on the Fund's ratio of net debt to EBITDA (as defined in the credit agreement).

LEGAL AND OTHER INFORMATION

Transfer agent and registrar

The transfer agent and registrar for the units is Computershare Trust Company of Canada at its office in Toronto, Canada.

Interests of management and others in material transactions

The board is not aware of any material interest of any trustee or executive officer of the Fund, or any director or executive officer of Chemtrade, or any unitholder who beneficially owns, or controls or directs, more than 10% of the units, or any known associate or affiliate of these persons, in any transaction since January 1, 2020, that has materially affected or is reasonably expected to materially affect the Fund and its subsidiaries.

Material contracts

Material contracts related to the debentures

- Trust Indenture dated December 20, 2002 between Chemtrade Logistics Income Fund and CIBC Mellon Trust Company
- Fifth Supplemental Indenture dated May 2, 2017 between Chemtrade Logistics Income Fund and CIBC Mellon Trust Company
- Sixth Supplemental Indenture dated October 1, 2019 between Chemtrade Logistics Income Fund and CIBC Mellon Trust Company
- Seventh Supplemental Indenture dated August 26, 2020 between Chemtrade Logistics Income Fund and BNY Trust Company of Canada
- Eighth Supplemental Indenture dated December 15, 2021 between Chemtrade Logistics Income Fund and BNY Trust Company of Canada
- Ninth Supplemental Indenture dated March 8, 2023 between Chemtrade Logistics Income Fund and BNY Trust Company of Canada
- Resignation and Appointment Agreement dated June 19, 2020 between Chemtrade Logistics Income Fund, CIBC Mellon Trust Company and BNY Trust Company of Canada.
- CIBC Mellon Trust Company resigned as indenture trustee, paying agent and registrar under the Trust Indenture, and BNY Trust Company of Canada was appointed in these roles.

See *Debentures* section at page 64 for further detail.

Declaration of Trust

- Amended and Restated Declaration of Trust dated January 22, 2024 for Chemtrade Logistics Income Fund. Turn to page 59 more information about the Declaration of Trust.

Credit agreement

On February 7, 2017, Chemtrade Logistics Inc. and Chemtrade Luxembourg Holding Inc., as Initial Canadian Borrowers, and Chemtrade Logistics (US), Inc., Chemtrade Performance Chemicals US, LLC, Chemtrade Sulphur US Holdings LLC and Chemtrade Holdco US Inc., as Initial U.S. Borrowers, entered into a secured credit agreement with Bank of Montreal as administrative agent, The Bank of Nova Scotia as syndication agent, and the institutions named in the agreement as lenders. The credit agreement was amended on September 22, 2017, March 29, 2018, December 14, 2018, October 24, 2019, May 12, 2020, September 30, 2020, May 7, 2021, December 24, 2021, June 24, 2022, and September 22, 2022. See page 66 for more information about the credit agreement.

Legal proceedings

As of the date of this AIF, management was not aware of any material litigation outstanding, threatened contemplated or pending, by or against the Fund or any of its subsidiaries, other than the following.

Superior Plus Corporation reverse termination fee lawsuit

We are currently involved in litigation to recover a $25 million reverse termination fee from Superior Plus Corporation (SPC). This is related to the terminated SPC Arrangement Agreement, under which SPC had agreed to acquire the shares of Canexus (now Chemtrade Electrochem Inc.) (*Chemtrade Electrochem Inc. v. Superior Plus Corp.,* Court of Queen's Bench of Alberta, filed July 5, 2016). SPC has filed a counterclaim to recover the $25 million termination fee from Chemtrade. Trial in the SPC lawsuit took place between October 18, 2021 and November 3, 2021. On December 21, 2022, Madame Justice Price of the Court of King's Bench of Alberta ruled in favour of Chemtrade. The decision entitled Chemtrade to judgment in the amount of $25 million, plus judgment interest, and costs. On January 19, 2023, Superior Plus Corporation filed a Notice of Appeal with the Alberta Court of Appeal with respect to the original judgment, and Chemtrade filed our responding factum on October 31, 2023. The appeal is scheduled to be heard on May 16, 2024. We are also involved in two lawsuits against the law firms that represented Canexus in negotiating the SPC Arrangement Agreement (*Chemtrade Electrochem Inc.* vs. *Jones Day*, et al. Circuit Court of Cook County, Illinois, County Department, Law Division, filed January 16, 2020; *Chemtrade Electrochem Inc. v. Stikeman Elliott* et al., Court of Queen's Bench of Alberta, filed June 13, 2018). The two related lawsuits are in the preliminary stages. The outcome of litigation cannot be predicted with certainty and an adverse decision in these proceedings could have a material adverse effect on our business, financial condition and/or results of operations.

Passaic River litigation

In June, 2018, Occidental Chemical Corporation (Occidental) commenced a lawsuit against Chemtrade Chemicals Corporation (as an alleged successor to Essex Industrial Chemicals Inc.), and over 100 other defendants in the United States District Court for the District of New Jersey (*Occidental Chemical Corporation, Pltf. vs. 21st Century Fox America, Inc., et al., Dfts.,* New Jersey District Court – U.S. District Court – Newark Vicinage, NJ, filed July 2, 2018). Occidental alleges that the defendants are responsible for hazardous substances that were discharged into the Passaic River. It seeks to recover costs that it has incurred or will incur to address these hazardous substances. Occidental has not identified the total amount it is claiming against all defendants nor against Chemtrade as an individual defendant. The lawsuit is in the fact discovery phase. In March, 2023, the lawsuit was stayed to allow the United States of America, on behalf of the Administrator of the EPA, to work out a proposed settlement, through a Consent Decree, with certain parties (not including Chemtrade) in the aggregate amount of US$150 million to support river clean-up. The stay was recently extended in order for the court to evaluate the fairness of the Consent Decree. It is not possible to determine the likelihood or amount of any possible future EPA settlement nor any adverse outcome to the Occidental lawsuit; however an onerous settlement or an adverse outcome could have a material adverse effect on our business, financial condition and/or results of operations.

Regulatory matters

As of the date of this AIF, management was not aware of any material penalties or sanctions imposed by a court or regulatory body, other than the following.

Chemtrade Brasil Ltda - PAR

On June 23, 2023, a *Processo Administrativo de Responsabilizaçao* (PAR) or sanctioning administrative procedure was issued by the Brazilian Ministry of Development, Industry and Foreign Trade (MDIC) to investigate a potential violation of the Brazilian Anticorruption Act (Federal Law 12,846/2013) (the Act). MDIC investigated the purchase from November 2015 to April 2017 by Chemtrade Brasil Ltda (CBL) of 16 monthly import reports from a vendor containing information which the vendor had allegedly obtained by making improper payments to government officials. CBL did purchase these reports but was unaware that there was any improper information contained in them or any illegal acts associated with them. Owing to the Act's strict liability regime, which assigned liability to all parties who had purchased import reports from this vendor. The Office of the Comptroller General has offered to settle the matter for BRL 2,033,513.50 (approximately $550,000) and CBL has accepted the offer.

Richmond, California

Between January 2021 and May 2022, the Bay Area Air Quality Management District (District) issued 7 notices of violation to Chemtrade West US LLC (West LLC), the violations primarily involved West LLC's continuous emissions monitoring system (CEMS), at our regen sulphuric acid facility located in Richmond, CA. West LLC disputed these violations. In May 2022, the District issued an abatement order that required Chemtrade to address certain aspects of its CEMS. Chemtrade promptly addressed the District concerns. In July 2023, following further negotiations with the District, West LLC settled all outstanding violations for U.S.$1.15 million. In March 2024, the District notified us that it is requiring the installation of a different CEMS and the District reserved the right to pursue other regulatory actions. An onerous penalty could have a material adverse effect on our business, financial condition and/or results of operations.

Duck and Otter Creeks, Lucas County, Ohio

In October 2021, we received a notice from the U.S. Department of the Interior, Fish and Wildlife Service (FWS) that we had been named a potentially responsible party for an unspecified amount of natural resource damages under CERCLA at the Duck and Otter Creek site located in Lucas County, Ohio. Other property owners near the site were also named as potentially responsible parties. No evidence of releases from our facility causing any natural resource damages at the creek site was presented by the FWS. To resolve the claims in an efficient and timely manner, we agreed to pay US$100,000 as part of a larger Consent Decree settlement involving other potentially responsible parties. On March 4, 2024, the Consent Decree was filed with the U.S. District Court for the Northern District of Ohio for approval, and Chemtrade intends to pay the settlement amount.

Berkeley Heights, New Jersey

Our purchase of General Chemical Holding Company (General Chemical) in 2014 (the General Chemical acquisition) triggered the requirements of the New Jersey Industrial Site Recovery Act (ISRA) at our Berkeley Heights, New Jersey facility.

As required under ISRA, Chemtrade submitted a General Information Notice to the New Jersey Department of Environmental Protection (NJDEP) and a Remediation Certification for the General Chemical acquisition in December 2013. The site has a US$250,000 letter of credit for future ISRA investigation and remediation obligations (the surrogate cost estimate established by NJDEP guidance for sites with groundwater contamination). In September 2021, Chemtrade entered into an Asset Purchase Agreement to sell its business operations at the Berkeley Heights facility, which was an additional trigger of ISRA requirements. The sale of the business closed in November 2021, with Chemtrade remaining responsible for satisfying ISRA requirements. A General Information Notice was submitted to NJDEP in September 2021. A Remediation Certification was submitted to NJDEP the following month and an additional letter of credit in the amount of US$20,000 was established. A Preliminary Assessment Report and Site Investigation Report submitted to NJDEP identified a former settling pond and site-wide groundwater as areas of concern that needed further evaluation and, if warranted, remediation. Groundwater in the vicinity of the former settling pond has historically exceeded New Jersey groundwater standards. Chemtrade has evaluated available options to address the former settling pond solids, and in December 2022 submitted a Remedial Action Workplan to NJDEP proposing a remedy of monitored natural attenuation in combination with institutional and engineering controls. The workplan is currently under review by the agency. If the authorities require Chemtrade to implement a costly remedy, for example, off-site disposal, it could have a material adverse effect on its business, financial condition and/or results of operations.

East St. Louis, Illinois

In June 2011, General Chemical LLC (now Chemtrade Solutions LLC) received a notice of violation from the Illinois Environmental Protection Agency (IEPA) related to its East St. Louis, Illinois site. The notice alleged that certain contaminants in groundwater underlying the site are in excess of State groundwater standards. The IEPA referred the matter to the Office of the Attorney General, which agreed to a civil penalty of US$70,000 and other stipulated conditions to settle the matter.

In October 2014, to satisfy certain conditions for settlement, we submitted a groundwater management zone work plan to IEPA, which included work to augment the groundwater monitoring system at the site and to close ponds containing alum process residue and gypsum on a negotiated timeline. The work plan was approved by IEPA. We entered into a Consent Order with IEPA to memorialize the settlement conditions, and in July 2016, the Consent Order was entered by the Circuit Court for the Twentieth Judicial Circuit St. Clair County, Illinois. In November 2016, we submitted a Corrective Action Plan to IEPA as required by the Consent Decree. The plan included a final cover design and timeline for the pond closures and a description of the groundwater monitoring program that will be used to assess the effectiveness of the final pond cover system and overall site groundwater conditions. IEPA subsequently requested an addendum to the Corrective Action Plan, which we expect to submit shortly. We are required to begin work at the site within one year of receiving IEPA's approval of the proposed Corrective Action Plan. Failure to comply with the Consent Decree can result in exposure to daily stipulated penalties, which could have a material adverse effect on our business, financial condition and/or results of operations.

Delaware Valley, Delaware

Our inactive site in Claymont, Delaware (also known as Delaware Valley) is subject to RCRA corrective action obligations under a Unilateral Administrative Order issued by the EPA in 2000. The Order requires Chemtrade Chemicals Corporation to assess and remediate soil and groundwater contamination as a result of historical industrial operations on both parts of the site (north plant and south plant).

We sold the south plant to Drawbridge Claymont, LLC (Drawbridge) in two parcels (the south parcel closed in September 2016 and the north parcel closed in December 2019). In September 2016, Chemtrade, Drawbridge and EPA entered into a Consent Decree which sets out remediation obligations for the south plant.

Under historical agreements, Honeywell is responsible for remediating groundwater at both the north and south parcels of the south plant. Drawbridge is primarily responsible for remediating on-site soil contamination at the south plant, is progressing with implementation of its remedial measures (engineered cap permitting and construction activities) at the south parcel and is beginning its required investigative measures at the north parcel under EPA oversight. EPA has agreed to pursue Chemtrade only in the event of Drawbridge's non-compliance.

A stormwater conveyance (sluiceway) received process wastewater from historic operations at the site that discharges to the Delaware River. The historic operations were associated with chemical production by both Chemtrade's predecessors and Honeywell. Chemtrade and Honeywell conducted a joint interim remedial measure to remediate sediments in the upper sluiceway in 2012 and 2013, with EPA approval. Chemtrade and Honeywell completed the remediation of the lower sluiceway in 2022.

At EPA's request, Chemtrade and Honeywell assessed the condition of the sediments in the Delaware River along the Drawbridge and Honeywell shoreline, and results showed that sediments in some near shore areas of the river exhibited arsenic, lead, and pesticides at levels above EPA screening values. Honeywell and Chemtrade are sharing the costs equally to investigate and implement an interim measure to cap the impacted sediments in near proximity to the Drawbridge and Honeywell shoreline, and in August 2016, submitted a 30% Remedial Design Document to EPA for sediment capping. This was approved by EPA in September of 2016 but further progress on the near shore remedy has been postponed because EPA is assessing sediments in the river immediately upstream from the Chemtrade and Honeywell facilities. In late 2018, EPA sampled sediments next to the now inactive gasoline refinery owned and operated by Sunoco and/or its affiliates, but has not advised us whether it will require Sunoco to be involved in further investigations or river sediment cleanup. In the meantime, Chemtrade and Honeywell agreed with EPA to undertake several preliminary actions on the upland portion of the near shore remedy. If the authorities require us to implement a costly remedy, it could have a material adverse effect on our business, financial condition and/or results of operations.

Bay Point, California

The Bay Point, California site was originally subjected to corrective action obligations contained in a Hazardous Waste Management Permit issued to the site and pursuant to the U.S. federal Resource Conservation and Recovery Act (RCRA). Chemtrade West US LLC (formerly General Chemical West LLC) (Chemtrade West) has been investigating the nature and extent of historic contamination and performing interim remediation steps related to this contamination at the site for over two decades. In January 2016, the California Department of Toxic Substances Control (DTSC) and Chemtrade West signed a Corrective Action Consent Agreement for the site that memorializes the remaining requirements for the site to complete RCRA corrective action, replacing previous RCRA permit corrective action conditions.

As part of our site-wide remediation obligations under the Corrective Action Consent Agreement, in December 2018, we submitted a Final Corrective Measures Report and response to agency comments to the DTSC. In February 2019, DTSC reviewed that report, found that all comments had been addressed to its satisfaction, and approved it.

In February, 2020, DTSC issued a Statement of Basis under the Corrective Action Consent Agreement identifying the final site remedies that will be implemented by Chemtrade West. The site was also subject to a related but separate review procedure required by the California Environmental Quality Act (CEQA). DTSC concluded that a Mitigated Negative Declaration would meet the requirements of CEQA. In November 2021, Chemtrade West submitted to DTSC an Addendum to Revised Final Pre-Design Investigation Work Plan in which it proposed, among other things, to implement a refined design in cooperation with Honeywell.

Superfund off-site liabilities

We have been named a potentially responsible party at several of our U.S. sites, under CERCLA and certain state counterpart statutes that address historic hazardous substance site cleanups.

We or our predecessors - along with many (often hundreds) of other potentially responsible parties at each site - are alleged to have sent hazardous substances from one or more of our operations to the sites. Under the Superfund program, potentially responsible parties are jointly and severally liable for site cleanup costs, including any costs incurred by regulatory agencies that are statutorily authorized to oversee the cleanups and to conduct the cleanups themselves if the potentially responsible parties refuse to do so. Every potentially responsible party is also subject to potential contribution and cost recovery claims from other potentially responsible parties who spend more than their fair share of costs to investigate and clean up these sites.

We have been considered a very small player at these sites and, as such, do not expect any of the sites to create a material liability based on the available information. However, since historic information often is found over long periods of time, it is possible that new information could change our status at any of these sites or that new sites could be found. We will be required to pay to protect ourselves in negotiations with agencies and other potentially responsible parties, and to potentially defend suits or claims seeking an allocation of an unfair share of such costs.

Caution about forward-looking information

This AIF includes statements and information about our expectations for the future. When we talk about strategy, risks, plan 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, including the S*ecurities Act* (Ontario).

Key things to understand about the forward-looking information in this AIF:

- it typically includes words about the future, such as anticipate, continue, estimate, expect, expected, intend, may, will, project, plan, should, believe and others (see examples below)
- it represents our current views, and can change significantly
- it is based on a number of material assumptions, including those we have listed below, which may prove to be incorrect
- actual results and events may be significantly different from what we expect, due to the risks associated with our business. We recommend you review other parts of this document, including *Risks and Uncertainties*, which starts on page 38 in our 2023 MD&A dated February 20, 2024, which includes a discussion of material risks that could cause actual results to differ significantly from our current expectations. You can download a copy of the MD&A from our website (www.chemtradelogistics.com).

Forward-looking information is designed to help you understand management's current views of our near and longer-term prospects, and it may not be appropriate for other purposes. We will not necessarily update this information unless we are required to by securities laws.

Examples of forward looking information in this AIF

This AIF contains statements about our future expectations for:

- our ability to proceed with the Casa Grande, Arizona ultrapure sulphuric acid plant, the timing thereof, and our ability to achieve an acceptable rate of return
- the expected cost, timing of start-up and commercial ramp-up of the Cairo ultrapure expansion project
- our intention to primarily invest in organic growth projects over the next several years
- our belief that our activities will continue to be in compliance with environmental, health, and safety requirements
- our ability to meet the ESG targets we have set for ourselves and to do so with the timelines we have set for ourselves. Among others, this specifically includes our intention:
    - to reduce, offset, or displace our 2021 baseline direct Scope 1 GHG emissions by 50% by 2025
    - to maintain GHG intensity below the chemical industry average, including all future acquisitions
    - to reduce HCA landfill disposal by an additional 20% of the 2021 baseline by 2025
    - to ensure a minimum of 85% of our electricity usage is from hydroelectric or other renewable sources and maintain this target when making future acquisitions
    - to achieve an employee OIR of 0.7 by 2025 and to avoid all employee and contractor SIFs starting in 2022

- to reduce Level 1 spills or release by 50% of 2021 baseline by 2025
    - to reduce the number of transportation incidents by 50% of 2022 baseline by 2025
    - to achieve industry benchmark employee engagement survey results by 2025
    - across the organization, to fill 40% of vacancies with BIPOC and/or gender diverse candidates by 2024
    - to achieve 50% BIPOC and/or gender diverse representation in all management positions by the end of 2025
    - to demonstrate ESG leadership by reporting material SASB factors in alignment with the Task Force on Climate-Related Financial Disclosure model
    - to incorporate ESG related targets into short-term and long-term incentive plans of executives starting in 2022
- our intention to purchase offsets to achieve our 2025 GHG Scope 1 target and their anticipated cost
- our ability to implement certain hydrogen opportunities and to achieve the associated CO_2e and financial targets and the timing of these items
- our ability to take advantage of climate change related opportunities and the extent of impact of risks impacting our business, operations and financial conditions as a result of climate change related risk
- the risks set out in the Risk factors section of this AIF
- our ability to maintain or obtain an extension of the sodium nitrite anti-dumping and countervailing duty orders
- the nature and timing of, and ability to implement certain remedial and corrective actions relating to environmental or regulatory issues
- our intention to settle the Brazil PAR proceeding and to pay the settlement amount relating to the Duck and Otter Creek consent decree, and the timing thereof
- our ability to access tax losses and tax attributes
- available tax deductions and the application of certain taxes
- our ability to continue to conduct site audits and maintain all certifications, including RC14001
- our ability to successfully implement new policies and procedures, including training, and the timing thereof.

Material assumptions

The forward-looking information contained in this AIF includes the following material assumptions, among others:

- no significant disruptions affect the operations of Chemtrade, whether they arise from labour disruptions, supply disruptions, power disruptions, transportation disruptions, damage to equipment, or otherwise
- that we are able to sell products at prices consistent with current levels or in line with Chemtrade's expectations
- we are able to obtain products, raw materials, equipment, transportation, services and supplies in a timely manner to carry out our activities, and at prices consistent with current levels or in line with our expectations
- required regulatory approvals are received in a timely fashion
- the cost of regulatory and environmental compliance is consistent with current levels or in line with our expectations
- we are able to access tax losses and tax attributes
- we are able to obtain financing on acceptable terms
- currency, exchange and interest rates are consistent with current levels or in line with our expectations
- the global economy performs as expected.

APPENDIX

Chemtrade Logistics Income Fund – Audit Committee Charter

I GENERAL MANDATE

1. The Audit Committee (the "Committee") is a standing committee of the Board of Trustees (the "Board" or the "Trustees") of Chemtrade Logistics Income Fund (the "Fund").
2. The Committee shall provide assistance to the Board in fulfilling its oversight responsibilities to unitholders, regulators and the investment community relating to:
   a. the quality and integrity of the Fund's financial statements and financial reporting process.
   b. the qualifications, performance and independence of the external auditor (the "Auditor").
   c. the Fund's compliance with legal and regulatory requirements to the extent that such requirements are relevant to the integrity of the Fund's financial statements.
   d. the identification, assessment and management of risks.
3. The Committee shall maintain free and open means of communication between the Trustees, the Auditor and the financial management of the Fund.
4. In carrying out its responsibilities, the Committee shall endeavour to maintain flexible policies and procedures in order to be able to react to changing conditions and to ensure the Board and unitholders that the corporate accounting and financial reporting practices of the Fund are in accordance with all statutory requirements and of the highest quality.

II COMPOSITION, ORGANIZATION AND PROCEDURES

1. *Composition* - The Committee shall consist of at least three Trustees.
2. *Independence* – Each of the Committee members shall be "independent" (as such term is defined from time to time under the requirements or guidelines for audit committee service under applicable securities laws and the rules of any stock exchange on which the Fund's securities are listed for trading) and none of the members shall have participated in the preparation of financial statements of the Fund or any of the Fund's current subsidiaries at any time over the past three years.
3. *Financial Literacy* – Each member of the Committee shall be financially literate or must become financially literate within a reasonable period of time after his or her appointment to the Committee. "Financially literate" means the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Fund's financial statements. Each member of the Committee must meet any other standards required by applicable securities laws or stock exchange rules.
4. *Quorum* - A quorum shall consist of a majority of the members.
5. *Delegation* - The Committee may form and delegate authority to subcommittees if deemed appropriate by the Committee.
6. *Meetings* - In accordance with the Declaration of Trust, proper notice of meetings shall be given and meetings may be held by telephone or other communication facilities that permit all persons participating in the meeting to speak and hear each other. The Chair of the Committee will determine both the agenda for the meeting and the material to be circulated by management to the Committee.
7. *Separate Executive Meetings* – The Committee, or a representative thereof, shall meet periodically (at least annually) with the Chief Financial Officer ("CFO") and the Auditor in separate executive sessions. Items to be discussed include the Auditor's evaluation of financial and accounting personnel, the extent of cooperation that the Auditor received during the course of the audit, as well as any matters the Committee or each of these groups believes should be discussed privately and such persons shall have access to the Committee to bring forward matters requiring its attention. The Committee shall also meet periodically without management present.
8. *Frequency of Meetings* – The Committee shall meet at least four times per year in order to review the quarterly and annual financial statements.
9. *Reporting to the Board* – The Committee shall report through the Committee Chair to the Board following meetings of the Committee in respect of matters considered by the Committee, its activities and compliance with this Charter.
10. *Professional Assistance* - The Committee may engage such legal, accounting, financial, or other consultants as the Committee may deem appropriate, in its sole discretion, at the Fund's expense and may set and pay the compensation for any consultants employed by the Committee. The Committee shall not be required to obtain the approval of the Trustees in order to retain or compensate such consultants or advisors. The Committee may require the Auditor to perform such supplemental reviews or audits as the Committee may deem desirable.

III RESPONSIBILITIES

The specific responsibilities of the Committee are set out below.

A Financial Statement Integrity

1. *Financial Statement Review* - The Committee shall review and discuss with management and the Auditor the Fund's unaudited interim and audited annual financial statements and related Management's Discussion and Analysis ("MD&A"), together with (in the case of audited annual financial statements) the report of the Auditor thereon and, if appropriate, recommend to the Board that it approve such statements and related MD&A prior to their release to the public.
2. *Meeting with Auditor & Management* - As part of each meeting at which the Committee recommends that the Trustees approve the annual audited financial statements or the quarterly financial statements, the Committee shall meet separately with the Auditor and with management.

3. *Other Material Financial Disclosure* - The Committee shall discuss with management and the Auditor any other material financial disclosure that may be released by the Fund, including:

   a. The types of information to be disclosed and the type of presentation to be made in connection with earnings news releases; and

   b. News releases containing financial information especially in respect of any use of information which is not expressed as required by the accounting standards adopted by the Fund (non-GAAP or non-IFRS).

   The Committee shall, if appropriate, recommend to the Board that it approve any such financial disclosure prior to its release to the public.

   The Committee must be satisfied that adequate procedures are in place for the review of the Fund's public disclosure of financial information, including financial information that is extracted or derived from the Fund's financial statements and shall periodically assess the adequacy of those procedures.

4. The Committee shall review and discuss with management and the Auditor:

   a. *Accounting Presentation* - Major issues regarding accounting principles and financial statement presentation, including any significant changes in the Fund's selection or application of accounting principles and major issues as to the adequacy of the internal controls of the Fund and its subsidiaries (the "Organization") and any special audit steps adopted in light of material control deficiencies;

   b. *Analyses* - Analyses prepared by management and/or the Auditor setting forth significant financial reporting issues and judgments made in connection with the preparation of the financial statements, including analyses of the effects of accounting policy choices on the financial statements;

   c. *Off-Balance Sheet Structures* - The effect of regulatory and accounting initiatives, as well as off-balance sheet structures (Special Purpose Entities) on the Fund's financial statements; and

   d. *Certification* - Management certification of the financial statements as required by applicable securities laws in Canada or otherwise.

B Auditor Appointment, Qualifications, Independence and Performance

1. *Oversight of Auditor* - The Committee shall be responsible for the appointment, compensation and oversight of the work of the Auditor engaged for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Fund.
2. In the discharge of this responsibility, the Committee shall:

   a. *Choice of Audit Firm* - Have sole responsibility for recommending to the Board (i) the audit firm to be proposed to the Fund's unitholders for appointment as Auditor at the Annual General Meeting; and (ii) that the Trustees should recommend to the Fund's unitholders that the incumbent Auditor be removed from office at any time;

   b. *Auditor's Engagement* - On an annual basis, review the terms of the Auditor's engagement, including the function generally, the objectives, staffing, reliance upon management and general audit approach and scope of proposed audits of the financial statements of the Fund and its subsidiaries, the overall audit plans, the responsibilities of management and of the Auditor, the audit procedures to be used and the timing and estimated budgets of the audits;

   c. *Auditor's Fees* - Discuss the audit fees with the Auditor and be solely responsible for approving such fees;

   d. *Auditor Accountable to Trustees* - Require the Auditor to confirm in its engagement letter each year that the Auditor is accountable to the Trustees and Committee as representatives of unitholders; and

   e. *Assessment of Auditors* – As part of its external auditor oversight responsibilities, together with management, conduct an annual assessment of the auditors and every five (5) years, a comprehensive assessment of the auditors, as recommended by the Canadian Public Accountability Board ("CPAB").

3. *Auditor Independence* - The Committee shall satisfy itself as to the independence of the Auditor. In the discharge of this responsibility the Committee shall:

   a. Assure the regular rotation of the engagement audit partner as required by law and consider whether, in order to ensure continuing independence of the Auditor, the audit firm that serves as Auditor should be rotated periodically;

   b. The Committee shall ensure that any non-audit services performed by the Auditor for the Organization are not of such a quantity or quality as to impact the objectivity and independence of the Auditor;

   c. Follow a policy that the Organization shall not hire partners or employees or former partners or employees of the Fund's current or former Auditor who have worked on matters for the Organization until such time as a period of two years has passed since the partner or employee last worked on matters for the Organization, unless a waiver is granted by the Committee after obtaining appropriate evidence that the Auditor's independence is unlikely to be compromised in the circumstances; and

   d. Follow a policy that the Organization shall obtain confirmation of the Auditor's independence when hiring any current or former partner, employee or consultant of the Auditor.

4. *Conduct of Audit*- The Committee shall review any problems experienced by the Auditor in conducting the audit, including any restrictions on the scope of the Auditor's activities or access to requested information. It shall review any significant disagreements with management and, to the extent possible, resolve any disagreements between management and the Auditor.

4. *Material Audit Issues* - The Committee shall review with the Auditor any accounting adjustments that were proposed by the Auditor, but were not made by management; and communications between the audit team and the audit firms' national office respecting material auditing or accounting issues presented by the engagement; and any management or internal control letter issued, or proposed to be issued by the Auditor to the Fund.

5. *Non-Audit Services* - The Committee shall either pre-approve any non-audit services provided by the Auditor to the Organization, or adopt specific policies and procedures for the engagement of non-audit services, provided that such pre-approved services and procedures are detailed as to the particular service, the Committee is informed of each non-audit service and the procedures do not include delegation of the Committee's responsibilities to management.

6. *Delegation re Non-Audit Services* - The Committee may delegate to one or more members of the Committee the authority to pre-approve non-audit services in satisfaction of the requirement in the previous section, provided that such member or members must present any non-audit services to the full Committee at its first scheduled meeting following such pre-approval.

7. *Non-Recognition* - The Committee shall instruct management to promptly bring to its attention any services provided by the Auditor which were not recognized by the Organization at the time of the engagement as being non-audit services.
8. *Evaluation of Auditor* - On an annual basis, the Committee shall evaluate the performance of the Auditor, and present its conclusions to the Board. In connection with the evaluation, the Committee shall review and evaluate the performance of the engagement partner of the Auditor and obtain the opinions of management with respect to the performance of the Auditor. The Committee may also obtain and review a report by the Auditor describing:
   a. The Auditor's internal quality-control procedures;
   b. All relationships between the Auditor and the Organization (for the purposes of assessing the Auditor's independence); and
   c. In accordance with the protocol established by CPAB, if CPAB has inspected the auditor's file during the year, the auditor will provide the Committee with a copy of the significant inspection findings information as prepared by CPAB, including the audit firm response to such findings.
9. *Management Interaction with Auditor* –The Committee shall review management's evaluation of the Auditor's audit performance on an annual basis; and shall review as necessary management's response to and subsequent follow-up on any weaknesses identified by the Auditor and management's response to significant internal control recommendations of the Auditor.

C Compliance with Legal and Regulatory Requirements

1. *Financial Reporting* - The Committee shall confirm with the Auditor that financial reporting is in compliance with all current regulatory reporting requirements.
2. *Related Party Transactions* - The Committee shall review all related party transactions in which the Organization is involved or which the Organization proposes to enter into and shall make such recommendations as may be appropriate. The Committee shall review financial statement disclosure with respect to any related party transactions.
3. *Complaints and Hotline* - The Committee shall establish procedures for the receipt, retention and treatment of (a) complaints received by the Board or the Organization regarding accounting, internal accounting controls or auditing matters; and (b) confidential, anonymous submissions by employees of the Organization of concerns regarding questionable accounting or auditing matters, and shall review such procedures annually.
4. *Public Disclosure* - On an annual basis, the Committee shall review all disclosure relating to the Committee in the Fund's public disclosure documents.

D Identification, Assessment and Management of Risk

The Committee shall review the identification, assessment and procedures outlined by management to manage risk as follows:

1. *Management Risk Identification* – On an annual basis, management will present to the Committee a list of major operations and financial risks, and outline the possible consequences of each risk as well as the process or routine in place to share, reject or mitigate each risk.
2. *Committee Review* - The Committee shall receive regular reports from management and receive comments from the Auditor on the Organization's principal financial risks (including financial guarantees and commitments), the systems implemented to monitor those risks and the strategies (including internal control systems and hedging strategies) in place to manage those risks. The Committee shall recommend to the Board whether any new material strategies presented by management should be considered appropriate and approved.
3. *Insurance* – On an annual basis, the Committee shall review the Organization's insurance program, with specific reference to the levels of deductibles and retentions. The Committee will review the financial stability of the insurance companies that are underwriting the Organization's insurance program.
4. *Trustee Protection* – On an annual basis, the Committee shall review the directors' and officers' insurance policy of the Fund and make recommendations for its renewal or amendment or the replacement of the insurer.
5. *Trustee Indemnification* - Subject to applicable laws and the Fund's Declaration of Trust, the Committee is responsible for administering all policies and practices of the Fund with respect to the indemnification of Trustees by the Fund and for approving all payments made pursuant to such policies and practices.
6. *Litigation* – On an annual basis or more frequently as required, the Committee shall review any outstanding litigation.
7. *Pension Plans* – On an annual basis, the Committee shall receive a report with respect to management's oversight and the financial status of any defined benefit pension plans and management's oversight of any defined contribution pension plans.

E Additional Matters

1. *Finance Matters* – The Committee shall receive and review reports on various finance matters, including:
   a. periodic reports on compliance with requirements regarding statutory deductions and remittances;
   b. material policies and practices of the Fund respecting cash management and material financing strategies or policies or proposed financing arrangements and objectives of the Fund; and
   c. material tax policies and tax planning initiatives, tax payments and reporting and any pending tax audits or assessments.
2. *CFO Appointment* – The Committee shall review and recommend to the Board for approval the CFO candidate prior to his or her appointment.
3. *Delegated Matters* - The Committee shall review and approve, as appropriate, any other matter specifically delegated to the Committee by the Board and undertake on behalf of the Board such other activities as may be necessary or desirable to assist the Board in fulfilling its oversight responsibilities with respect to financial reporting and contribute to the success of the Organization and enhance unitholder value.

F Committee and Charter Assessment

1. *Performance Assessment* - On an annual basis, the Committee shall follow the process established by the Trustees and overseen by the Corporate Governance and Compensation Committee for assessing the performance of the Committee.
2. The Committee shall review and assess the adequacy of the Committee Charter annually and recommend to the Board any changes it deems appropriate.

CHEMTRADE

Chemtrade Logistics Income Fund
155 Gordon Baker Road
Suite 300
Toronto, Ontario M2H 3N5

www.chemtradelogistics.com

Responsible Care®
Good Chemistry at Work