SHAWCOR

**SHAWCOR LTD.**

**ANNUAL INFORMATION FORM**

For the Year Ended December 31, 2022

March 10, 2023

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**Item 1** **NOTICE REGARDING FORWARD-LOOKING INFORMATION**

This document includes certain statements that reflect management's expectations and objectives for the Company's future performance, opportunities and growth, which statements constitute "forward-looking information" and "forward-looking statements" (collectively "forward-looking information") under applicable securities laws. Such statements, other than statements of historical fact, are predictive in nature or depend on future events or conditions. Forward-looking information involves estimates, assumptions, judgements and uncertainties. These statements may be identified by the use of forward-looking terminology such as "may", "will", "should", "anticipate", "expect", "believe", "predict", "estimate", "continue", "intend", "plan" and variations of these words or other similar expressions. Specifically, this document includes forward-looking information in the Trends Section and elsewhere in respect of, among other things: the evolution of the Company's portfolio of products and services beyond the energy sector; the optimization of the Company's portfolio by means of selective acquisitions and divestitures of non-core businesses; the level of the Company's anticipated overall financial performance in 2023; the level of competition in the Company's markets; the Company's continued ability to execute on its portfolio optimization strategy; the Company's ability to execute projects under contract; the Company's intent to rename the Company from Shawcor to Mattr; the Company's ability to execute on its business plan and strategies, including the pursuit, execution and integration of potential organic and inorganic growth opportunities, as applicable; the impact from the potential upcycle in commodity prices and related activities on the Company's oil and gas focused offerings; the increase in opportunities for the Company's composite pipe products and tubular management services; the Company's research and development programs; the Company's aspirations in respect of environmental, social and governance ("**ESG**") matters, as well as the transition to a ESG report based upon the TCFD (as defined herein) framework; environmental requirements, including their effect on the earnings and competitive position of the Company; the impact and duration of the conflict in Ukraine and the related sanctions on Russia, including geopolitical and other risks impacting the European Union and global market economies, the related impacts on the Company's and the Company's customers' operations, including exposure to additional liabilities and risks, and on the global supply and demand for energy and raw materials; the completion of cost savings initiatives including the reduction of the Company's international operations footprint; the future outlook for capital expenditures and the Company's approach to capital allocation; the level of oil and gas sector onshore and offshore activity; the level of financial performance throughout 2023; the expected upcycle in pipe coating activity in the second half of 2023; the continuance of certain raw material shortages and supply chain disruptions in 2023, and the demand for the segment's products in industrial markets, COVID-19 related lockdowns and other public health and precautionary measures (including the potential institution or re-institution of lockdowns and other public health restrictions) in China or other geographic locations where the Company carries on a part of its business, natural gas availability in Western Europe and other supply chain disruptions on automobile manufacturers and the impact thereof on the Automobile and Industrial segment; the demand for the Company's products in each of the Composite Systems, the Automotive and Industrial and Pipeline and Pipe Services segments of the

Company's business; the results of the Company's strategic review process, including with respect to its decision to divest its Pipeline Performance Group operating unit; the growth in and the successful execution of the Company's order backlog during 2023 and the increased execution of work secured in the backlog; the opportunity to obtain greater market share in the Composite Systems segment, the growth in premium, hybrid and full electric vehicle markets and the impact thereof on the Company's financial performance; the seasonal impact to, and increased demand in, the Company's composite pipe business; the increase in order backlog and contracts over the coming 12-month window; the impact of increased infrastructure spending, including in the areas of water management, communication networks and nuclear refurbishment, on the Company's financial performance; the Company's management of raw material costs; the impact of global economic activity on the demand for the Company's products; the impact of continuing demand for oil and gas; the impact of global oil and gas commodity prices; the increase in final investment decisions for previously delayed pipeline projects; the growth in the carbon capture utilization and storage application market; the impact of changing energy demand, supply and prices and the impact and likelihood of changes in competitive conditions in the markets in which the Company participates; the execution of definitive contracts on outstanding bids for and the timing to complete certain pipe coating projects; the likelihood that international and offshore projects will be sanctioned in the future and the impact thereof on the Company's business; the ability of the Company to fund its operating and capital requirements; the ability of the Company to comply with its debt covenants; the ability of the Company to renew labour union contracts; the adequacy of the Company's existing accruals in respect of environmental compliance and in respect of litigation and tax matters and other claims generally; and the requirement for and the ability to finance increases in working capital.

Forward-looking information involves known and unknown risks and uncertainties that could cause actual results to differ materially from those predicted by the forward-looking information. Readers are cautioned not to place undue reliance on forward-looking information as a number of factors could cause actual events, results and prospects to differ materially from those expressed in or implied by the forward-looking information. Significant risks facing the Company include, but are not limited to the risks and uncertainties described herein under "Risk Factors" and in the Company's annual Management's Discussion and Analysis under "Risks and Uncertainties".

These statements of forward-looking information are based on assumptions, estimates and analysis made by management in light of its experience and perception of trends, current conditions and expected developments as well as other factors believed to be reasonable and relevant in the circumstances. These assumptions include those in respect of: the reduction and/or continued easing of certain COVID-19 related restrictions (including that governmental and public health authorities will not be required to institute or re-institute lockdowns or other public health restrictions) and the impact thereof on global economic activity, the Company's ability to manage supply chain disruptions caused by COVID-19 or other pandemics, other health crises or by natural disasters; the Company's ability to manage supply chain disruptions and other business impacts caused by, among other things, geopolitical events or conflicts, such as the conflict in Ukraine and related sanctions on Russia; global oil and gas prices stabilizing at current levels; improving pipe-coating activity throughout 2023; the impact of the Russia and Ukraine conflict on the Company's demand for products and the strength of its and its customers supply chains; the impact of raw material shortages on the Company; the costs of raw materials and labour, including as a result of labour shortages and capacity constraints; sustained strong demand for the Company's fiberglass reinforced plastic ("FRP") tanks, including for retail fuel storage and water treatment and storage; increased demand for composite pipe; increased demand for the Company's products within the automotive and industrial markets; heightened demand for electric and hybrid vehicles and for electronic content within those vehicles; the growth in demand for water and storm-water storage and treatment systems; heightened infrastructure spending in Canada, including in respect of commercial and municipal water projects, nuclear plant refurbishment and upgraded communication and transportation networks; the likelihood of projects tied to securing long-term domestic energy supply or drilling rights being sanctioned, the recommencement of increased capital expenditures in the global offshore oil and gas pipeline segment to replace, maintain and rehabilitate existing infrastructure, replace production due to reservoir depletion and to address geopolitical challenges impacting several producing regions; the continued recovery of the global economy; a gradual recovery of oil and gas markets in North America; the Company's ability to execute projects under contract; the Company's continuing ability to provide new and enhanced product offerings to its customers that the Company will continue to be able to optimize its portfolio and identify and successfully execute on opportunities for acquisitions and dispositions in alignment with its strategic plan; the higher level of investment in working capital by the Company; the easing of supply chain shortages and the continued supply of and stable pricing or the ability to pass on higher prices to its customers for commodities used by the Company; the availability of personnel resources sufficient for the Company to operate its businesses; the maintenance of operations by the Company in major oil and gas producing regions; the adequacy of the Company's existing accruals in respect of environmental compliance and in respect of litigation and tax matters and other claims generally; the increase in order backlog and contracts; the adequacy of the impairment charges taken, and the ability of the Company to satisfy all covenants under its Credit Facility (as defined herein) and other debt obligations and having sufficient liquidity to fund its obligations and planned initiatives; the ability to develop, access or implement some or all of the technology necessary to efficiently and effectively achieve the Company's ESG goals and ambitions, including its greenhouse gas emissions targets; the availability, commercial viability and scalability of the Company's greenhouse gas emission reduction strategies and related technology and products; and the anticipated costs and impacts on the Company's operations and financial results of adopting these technologies or strategies. The Company believes that the expectations reflected in the forward-looking information are based on reasonable assumptions in light of currently available information. However, should one or more risks materialize, or should any assumptions prove incorrect, then actual results could vary materially from those expressed or implied in the forward-looking information included in this document and the Company can give no assurance that such expectations will be achieved.

When considering the forward-looking information in making decisions with respect to the Company, readers should carefully consider the foregoing factors and other uncertainties and potential events. The Company does not assume the obligation to revise or update forward-looking information after the date of this document or to revise it to reflect the occurrence of future unanticipated events, except as may be required under applicable securities laws.

To the extent any forward-looking information in this document constitutes future oriented financial information or financial outlooks, within the meaning of securities laws, such information is being provided to demonstrate the potential of the Company and readers are cautioned that this information may not be appropriate for any other purpose. Future oriented financial information and financial outlooks, as with forward-looking information generally, are based on the assumptions and subject to the risks noted above and below.

**CURRENCY**

All references in this document to "$" are to Canadian dollars unless noted otherwise.

## Item 2 CORPORATE STRUCTURE

### 2.1 Name, Address and Incorporation

Shawcor Ltd. **("Shawcor" or the "Company")** was originally incorporated under the laws of Canada in 1968 as Shaw Pipe Industries Ltd. and was continued under the *Canada Business Corporations Act* in 1980 at which time it adopted the name Shaw Industries Ltd. Two subsidiaries, Shaw Pipe Protection Limited, which was originally incorporated in 1954, and ShawFlex Inc., which was originally incorporated in 1960, were amalgamated with the Company under the *Canada Business Corporations Act* effective January 1, 1991 and January 1, 1994, respectively. Effective May 4, 2001, the Company adopted its present name.

Additional amendments made to the articles of the Company since its amalgamation on January 1, 1994 include a subdivision of the Company's outstanding shares on a three for one basis, effected in 1998; an amendment empowering the Board of Directors to appoint additional directors, effected in 2002; and the imposition of certain restrictions on the issuance of additional Class B Multiple Voting Shares, effected in 2004.

On March 20, 2013, the Company and Seaborn Acquisition Inc. amalgamated pursuant to a Plan of Arrangement. Pursuant to this Plan of Arrangement, the Company's dual class share structure, which had consisted of Class A Subordinate Voting Shares (having one vote per share) and Class B Multiple Voting Shares (having ten votes per share), was eliminated and its authorized and issued capital now consists solely of common shares. Additional information concerning the Plan of Arrangement and the elimination of the Company's dual class share structure is included in the Company's management proxy circular dated February 11, 2013 which is filed on SEDAR at www.sedar.com. Effective January 1, 2015, the Company amalgamated with its subsidiary, 9098658 Canada Inc., and immediately thereafter, the resultant company amalgamated with two subsidiaries, Flexpipe Systems Inc. and Shaw Pipe Protection Limited, in each case under the *Canada Business Corporations Act*. Effective April 2, 2019, the Company amalgamated with its subsidiary, ZCL Composites Inc., under the Canada Business Corporations Act.

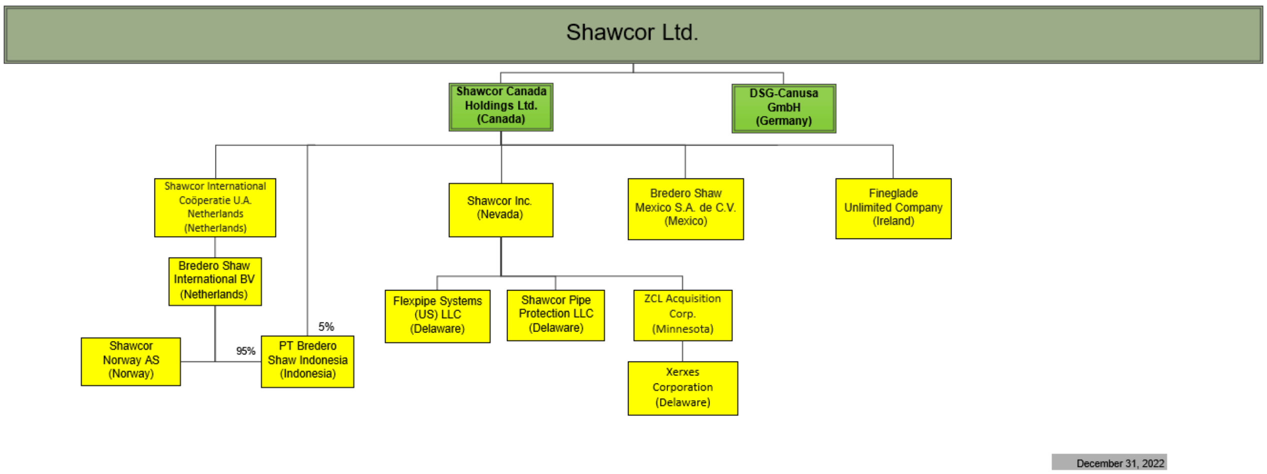
The address of the Company's head and registered office is 25 Bethridge Road, Toronto, Ontario, Canada, M9W 1M7.

Unless the context requires otherwise, the term "Company" herein refers to Shawcor and its subsidiaries.

### 2.2 Intercorporate Relationships

**PRINCIPAL SUBSIDIARIES AND AFFILIATES**

The following chart illustrates the ownership structure of Shawcor and its principal subsidiaries and affiliates as at December 31, 2022:




## Item 3 GENERAL DEVELOPMENT OF THE BUSINESS

### 3.1 Overview – Three Year History

During the years 2020 to 2022, the Company continued its pursuit of portfolio optimization and targeted segment growth strategy within its three segments primarily in the markets of Infrastructure, Energy and Transportation. This strategy included focusing on products and services that offered the greatest opportunities for differentiation, higher margins and growth.

As part of its strategy, the Company expanded its business outside of energy markets during the 2020 – 2022 period through organic and inorganic investments to expand capacity in its Composite Systems segment and Automotive and Industrial segment, including the acquisition of Kanata Electronic Services Limited. The Company still has a significant portion of its business tied to the oil and gas industry and has experienced demand that has been volatile. Prior to the increased onshore and offshore activity observed in 2022 driven by the increase in commodity prices and energy security challenges around the world, demand in the Company's oil and gas business had been at a historical low. Limited sanctioning of international and offshore pipe coating projects, negative oil and gas supply dynamics and the impact of the COVID-19 pandemic negatively impacted the Company's 2020 results. During 2021, oil and gas supply dynamics began to improve; however, sanctioning of international and offshore pipeline projects continued to lag. In 2022, a rise in new offshore pipeline sanctioning drove a heightened demand for the Company's market-leading offshore pipe coating capabilities late in the year. Additionally, robust activity levels in Western Canada generated consistent demand for small diameter coating solutions. While the Company delivered positive operating income in 2022, operating income had been negative during the prior two-year period due to significant impairment charges in its oil and gas businesses, restructuring costs to reduce its operating cost base and lower demand in the oil and gas markets. This was partially offset by gains on sale of assets in 2020, strong order activity for composite pipe products, increased demand for FRP tanks for liquid fuel applications and water management systems and increased capacity and demand in the Automotive and Industrial segment.

During the years 2020 to 2022, Shawcor completed several actions to optimize the portfolio of products and services it offers and to reduce its overall fixed operating cost base. During this period, the Company continued its focus on the highest value, most differentiated industrial businesses and divested or shutdown non-core businesses, which included the sale of its Pipeline Performance Products business (the "Products Business") in 2020, the sale of the Shawcor Inspection Services (the "SIS Business") and Guardian Mexico businesses and the shutdown of CSI Services business in 2021, and the sale of Lake Superior Consulting (the "LSC Business"), Oilfield Asset Management (the "OAM Business"), Global Poly and the Socotherm Americas subsidiary in Argentina in 2022. The LSC Business offered engineering, consulting and field inspection services to the US onshore pipeline and broader energy infrastructure markets. The OAM Business provided downhole tubular inspection, repair and inventory management services to the Western Canadian energy market. The Socotherm Americas subsidiary in Argentina delivered external and internal anti-corrosion coating and thermal insulation coating to the Argentine and regional pipeline and oilfield tubular markets from its base in Escobar, just outside Buenos Aires. The Company's cost optimization efforts included the controlled shutdown or sale of several girth weld inspection branches and 10 fixed pipe coating facilities. In 2022, the Company acquired Kanata Electronic Services Limited, a privately owned manufacturer and supplier of specialty cable assemblies and wire harnesses for the nuclear and aerospace industries. Kanata Electronic Services Limited serves customers around the globe from a single, Toronto area site and is being integrated into the Company's Shawflex wire and cable business. These actions serve to narrow the Company's focus to those businesses that are best positioned to benefit from favourable long-term macro trends while maintaining an efficient operating cost base. Further details of these actions are set forth under section 3.2 "Specific Highlights for 2020 through 2022".

During the three-year period, the Company has continued to focus on implementing industry leading operational systems and processes and the development of new product innovations. The Company continued to expand its spoolable composite pipe product offerings with development of higher temperature, larger diameter, corrosion resistant FlexPipe products. The Company's 5" and 6" spoolable pipe were commercialized and customer adoption is ongoing and growing. The Company also increased its offerings related to water management, moving from discrete products for water storage to offering complete treatment, filtration, infiltration and storage systems, such as the Hydrochain™ product line which was launched in 2021. Within the Automotive and Industrial segment, the Company continued to innovate on its equipment offerings. In 2021, its DERAY®-WorkMan 2.0 including the Vision System was introduced, the latest generation used to process heat shrink with the highest standards such as OPC interfaces, automatic calibration and smart camera-based monitoring to ensure correct material use and accurate positioning before initiating the shrinking process, eliminating operator driven manipulation. The DERAY®-WorkMan 2.0 was used on a 48V electrical terminal connection for a hybrid Maserati. In 2022, the Shuttle 2.0, a highly efficient shrink fit machine for terminal sealing applications, equipped by the highest standards such as OPC interfaces for traceability and integration with the customer's manufacturing execution systems, was enhanced by the integration of a new camera system as well as RFID-based process control to ensure a zero-defect rate in the process application. The first project to be recognized for use of this technology was the Volvo FH Electric Truck, an all-electric long-haul truck that successfully completed the Green Truck Award route with zero emissions. The Company also expanded its iLINE™ digital solutions platform to include iLINE Weld Advisor, which allows inspectors to review and capture data on installations remotely. This technology presents a number of ESG benefits such as emissions reductions from the elimination of travel requirements, reductions in paper usage from digitized records and lowered health and safety risk from fewer onsite personnel. iLINE Weld Advisor was released in 2020, and since its inception the technology has been utilized to complete more than 85,000 weld inspections. The Company further leveraged its iLINE™ Asset Manager, which provides detailed inventory levels, access to material manifests, pipe tracking, historical transactions and service data, at its Canadian and Indonesian operating sites. In 2019, the Company completed the first industrialized project with LotusFlo™, a diamondlike coating technology designed to improve flow and reduce build-up of scale, asphaltene and wax. In 2020 the Company was awarded contracts for the application of this technology in the Gulf of Mexico and Norway and in 2022, was awarded an additional multi-year commitment in Brazil. In 2022, the Company completed development of its ULTRA™ Low Density (LD) technology, a proprietary styrene alloy-based subsea insulation system designed for shallow water and demanding heat transfer coefficients. The Company has since been awarded a contract for the application of this technology in the North Sea.

In 2022, the Company continued its focus on improving ESG performance, including in the form of enhanced sustainability disclosures, practices and policies. The Company published its 2021 ESG Report in accordance with the Sustainability and Accounting Standards Board (SASB) framework and referencing the Global Reporting Initiative (GRI) framework and United Nations Sustainable Development Goals. In this report, the Company provided an update on the progress it has made towards achieving the 2030 ESG ambitions and consistent ambition it established in its 2020 ESG Report, including:

| **2030 ESG Ambition** | **2021 Progress** |
|---|---|
| Reduce Scope 1&2 GHG Emissions by 50% from 2019 baseline | 32% reduction of Scope 1&2 GHG Emissions from 2019 baseline |
| Increase diverse representation within senior management team by 20 percentage points from 2019 baseline | 15 percentage points increase in diverse representation within senior management from 2019 baseline |
| **Consistent Ambition** | **2021 Progress** |
| Incident and Injury Free workplace | 4.3 Total Recordable Case Frequency for 2021 |

The 2021 ESG Report is available at https://www.shawcor.com/about/sustainability. New sustainable products and technologies were added to the Company’s portfolio which offer benefits such as reduced emissions and improved water management. New programs were implemented throughout the organization to support and promote diversity and inclusion, mental health and employee engagement. ESG metrics were further integrated into executive compensation considerations for 2022.

The Company has been publishing its ESG Reports in accordance with the SASB framework, with reference to the GRI framework, and continues to evolve its disclosures and reporting practices to align with best practices. The Company recognizes that the reporting framework offered by the Task Force on Climate Related Financial Disclosures ("TCFD") is emerging as the pre-eminent global standard for such reporting. Specifically, TCFD is being used as the backbone for various global regulatory bodies like the U.S. Securities and Exchange Commission (the "SEC"), the International Sustainability Standards Board and the Canadian Standards Association. Moreover, the Canadian Securities Administrators has announced plans to introduce specific disclosure requirements regarding climate-related matters for most public companies in Canada in proposed National Instrument 51-107 – *Disclosure of Climate-related Matters* ("NI 51-107"), such disclosure requirements being based on the TCFD framework. Accordingly, the Company is taking steps to follow the framework developed by the TCFD, as well as the proposed version of NI 51-107 published by the Canadian Securities Administrators premised on the framework, for future ESG Reports. The Company expects to file its 2022 ESG Report in the third quarter of 2023.

The Company maintains a comprehensive health, safety and environmental ("HSE") management system and aspires to be an IIF workplace with no damage to the environment. For the years ended December 31, 2022 and December 31, 2021, the Company had a total recordable case frequency per million person hours worked of 5.0 and 4.3, respectively. During 2022, the Company completed 11 HSE audits at manufacturing and service locations across all of its operating units and developed action plans to correct any deficiencies identified in the audits. Furthermore, the Company's added focus on 'Risk Identification and Reduction' in 2022 generated 11,299 Hazard Id's and 19,312 Advanced Safety Audits ("ASA"), these proactive safety management tools are designed to identify and address risk, thereby decreasing the likelihood of an incident, while shaping safety behaviors company-wide, ultimately improving the TRCF.

In 2023, the Company intends to execute on its previously announced intention to divest of its Pipeline & Pipe Services segment and also to seek shareholder and regulatory approval to execute on its previously announced intention to rebrand to Mattr.

## 3.2 Specific Highlights

Specific highlights in the development of the Company's business over the 2020 - 2022 period include:

### 2020

- In February 2020, the Company's pipe coating division entered into a contract with Europipe valued at approximately $67 million to provide concrete weight coating services for the Baltic Pipe project, intended to transport Norwegian gas to Poland. The contract, which was executed from the Company's Leith, Scotland facility, commenced in the second quarter of 2020 and was completed in the second quarter of 2021.

- In February 2020, the Company's pipe coating division entered a contract with Subsea 7 valued at approximately $36 million to provide thermal insulation coating services for the Woodside Sangomar Offshore Project in Senegal. The contract, which was executed from the Company's Orkanger, Norway facility, commenced in the first quarter of 2021 and was completed in the fourth quarter of 2021.

- In February 2020, the Company entered into an amending agreement with the then existing syndicate of lenders under the Credit Facility, with the principal amendment being an increase in the Company's permitted Net Debt to Adjusted EBITDA covenant for the twelve months trailing ending March 31, June 30 and September 30, 2020. Net Debt to Adjusted EBITDA is a supplementary financial measure. See "*Item 14 – Reconciliation of Non-GAAP and Other Financial Measures*".

- In March 2020, as a result of a global market downturn caused by the COVID-19 pandemic and changes in oil and gas supply and demand, and with uncertainty about the extent and depth of the market contraction, the Company took immediate and significant measures to reduce costs and preserve cash to protect its balance sheet and targeted $60 million in sustainable annualized SG&A savings and $40 million in incremental cash generation. In 2020, the Company exceeded these targets substantially by completing several initiatives that included reducing CEO, executive and Board compensation, reducing the salaried workforce levels by 22%, optimizing its footprint with the closure of six pipe coating facilities and several girth weld inspection branch offices and making significant cuts to other operating costs and capital expenditure budgets. During the year ended December 31, 2020, the Company also delivered significant positive cash flow, reflecting $27.1 million from reduced working capital, excluding the impact of increased restructuring liabilities, and $129.8 million in proceeds from the sale of the Products Business and other assets.

- In July 2020, the Company further amended the Credit Facility to provide covenant relief through December 31, 2021, including revised leverage and interest coverage ratios. Pursuant to the amendment, the lenders also waived compliance with leverage and interest coverage ratios under the Credit Facility for the fiscal quarter ending June 30, 2020 and September 30, 2020. The Company provided a first priority security interest in favour of the lenders under the Credit Facility against a majority of the personal property of the borrowers and guarantors under the Credit Facility. Interest rates, standby and other fees under the Credit Facility were increased.

- In October 2020, the Company's pipe coating division entered into a contract with Saipem, valued at approximately $55-$65 million, to provide thermal insulation and anticorrosion coating services for the Payara development project located in the Stabroek block offshore Guyana. The contract commenced in the fourth quarter of 2020 and was substantially completed in the fourth quarter of 2021.

- In December 2020, the Company completed the sale of its Products Business, for a purchase price of US $91.5 million, subject to working capital adjustments. During the fourth quarter of 2020, the Company recorded a gain on sale of $52.1 million.

**2021**

- In March 2021 the Company appointed Michael Reeves as President.

- In March 2021, the Company's pipe coating division entered into a firm contract valued at approximately C$40-$45 million, pending project sanction, to provide a wet insulation coating system utilizing its proprietary ULTRA™ technology for a Development Project located in the North Sea. The conditional award was secured following a technology development program to extend the Company's ULTRA™ platform. Final investment decision was taken in the third quarter of 2021. The contract, which was executed from the Company's Okanger, Norway facility, commenced in the third quarter of 2022 and will be complete in the first quarter of 2023.

- In June 2021, Stephen Orr retired from his role as Chief Executive Officer and director of the Company. In addition to his role as President, Michael Reeves succeeded Stephen Orr as Chief Executive Officer and was appointed a director of the Company.

- In October 2021, the Company announced the resignation of Gaston Tano from his role as Chief Financial Officer, effective May 31, 2022. The Company also announced that Thomas Holloway would join the Company as Vice President & Chief Accounting Officer, commencing in December 2021, with the expectation that he would succeed Mr. Tano as the Senior Vice President Finance & Chief Financial Officer.

- In November 2021, the Company's pipe coating division entered into a contract, valued at approximately C$25 million, to provide thermal insulation coating services for a Development Project in the Gulf of Mexico. The contract, which was executed from the Company's Channelview, Texas facility, commenced in the fourth quarter of 2021 and was completed in the fourth quarter of 2022.

- In December 2021, the Company closed a private placement offering (the "Offering") through a syndicate of underwriters led by National Bank Financial and TD Securities, of $150 million aggregate principal amount of 9.00% senior unsecured notes due 2026 (the "Notes"). The Notes were issued at a price of C$1,000 per C$1,000 principal amount of Notes and net proceeds of the Offering were used to repay amounts outstanding under its Credit Facility. Concurrently with issuance of the Notes, the Company amended the Credit Facility to reduce the availability from US$500 million to US$300 million.

- In December 2021, the Company's pipe coating division received a formal notice to proceed from SAIPEM Australia Pty Ltd. for the Scarborough Project, located offshore in Australia's north-west. The Company had, in February 2020, signed a contract with SAIPEM Australia Pty Ltd, conditional on a final investment decision by the Scarborough Joint Venture, which was taken on November 22, 2021. The contract award has a complete scope valued in excess of C$100 million that includes provision of internal, anticorrosion, and concrete weight coating services to be executed from the Company's Kabil, Indonesia facility. This work commenced in the fourth quarter of 2022, with delivery continuing into 2024.

- In December 2021, the Company closed the sale of its SIS Business for $11.2 million. In the fourth quarter of 2021, the Company recorded a gain on sale of $3.2 million.

**2022**

- In January 2022, the Company amended its Credit Facility to among other things, extend the maturity date until January 13, 2026 and establish. revised covenants that provide increased flexibility.
- In May 2022, the Company closed the sale of its Global Poly business for C$5.8 million, after working capital adjustments. In the second quarter of 2022, the Company recorded a gain on sale of $3.8 million.
- In May 2022 Gaston Tano resigned from his role as the Company's Chief Financial Officer and the Company appointed Thomas Holloway as Chief Financial Officer.
- In June 2022, the Company closed the sale and lease-back of its Rexdale Facility to Prologis, L.P. for net proceeds of approximately $49 million. The sale and lease-back of its Rexdale Facility provides for a multi-year leaseback arrangement for the Rexdale property to facilitate operational continuity while ultimately moving to a modernized location. In the second quarter of 2022, the Company recorded a gain on sale of $39.2 million.
- In August 2022, the Company's pipe coating division entered into a contract with Saipem, valued at approximately $40-$50 million, to provide thermal insulation and anticorrosion coating services for the Yellowtail development project located in the Stabroek block offshore Guyana. The contract, which will be executed out of the Company's Veracruz, Mexico facility, commenced in the first quarter of 2023.
- In August 2022, the Company's pipe coating division entered into a contract with a Mexican subsidiary of TC Energy Corporation, valued at approximately $500 million, to provide concrete weight coating services for the Southeast Gateway Pipeline ("SGP") project located in Mexico. The contract, which will be executed out of the Company's Altamira, Mexico facility, commenced mobilization in the third quarter of 2022.
- In August 2022, the Company released its third annual Environmental, Social, Governance Report. This report included an update on progress towards meeting its ambitions for substantial performance improvement related to climate; diversity, equity& inclusion; and health & safety.
- In August 2022, the Company closed the sale of its Lake Superior Consulting business for approximately $6 million, plus approximately $1.9 million of trade and other receivables. In the third quarter of 2022, the Company recorded a loss on sale of $5.9 million.
- In September 2022, the Company's pipe coating division entered into a contract with Allseas, valued at approximately $35 million, to provide anti-corrosion, internal flow enhancement coating and concrete weight coating services for the Darwin Pipeline Duplication project located offshore Northern Australia. The contract, which will be executed out of the Company's Kabil, Indonesia facility, commenced in the first half of 2023.
- In September 2022, the Company announced the commencement of a strategic review process for the entirety of the Pipeline and Pipe Services segment as well as the intent to rename the Company from Shawcor to Mattr, subject to necessary regulatory and shareholder approvals.

- In September 2022, the Company launched a normal course issuer bid (“NCIB”), which was approved by the Board of Directors and accepted by the Toronto Stock Exchange (“TSX”). The NCIB provides for the purchase and cancellation on the open market (or as otherwise permitted), at its discretion, of up to 5,685,630 common shares of the Company between September 26, 2022 and September 25, 2023, subject to an aggregate of $25 million in repurchases being reached prior to such date. As at December 31, 2022, the Company has purchased for cancellation 514,300 common shares of the Company under the NCIB at a weighted average price of $10.04 per common share. See “*Normal Course Issuer Bid*” for additional details.

- In November 2022, the Company closed the sale of substantially all of its Oilfield Asset Management business for total proceeds of $20.0 million, after working capital adjustments. In the fourth quarter of 2022, the Company recorded a gain on sale of $1.7 million.

- In December 2022, the Company closed the acquisition of all of the issued and outstanding shares of Kanata Electronic Services Limited for approximately $6.5 million.

- In December 2022, the Company’s pipe coating division received several project commitments to provide a variety of pipe coating services on offshore projects in South America, in aggregate, valued at over $200 million. Formal contracts are expected to be received for these projects in the first half of 2023.

- In December 2022, the Company closed the sale of its Socotherm Americas (Argentina) subsidiary for approximately $6.6 million net of working capital adjustments. In the fourth quarter of 2022, the Company recorded an accounting loss on sale of $84.1 million largely attributed to a non-cash cumulative translation adjustment related to the fluctuation of the Argentinian Peso in its hyperinflationary economy.

## Item 4 DESCRIPTION OF THE BUSINESS

### 4.1 Overview

Shawcor is a growth-oriented, global material sciences company serving the Infrastructure, Energy, and Transportation markets. The Company operates through a network of fixed and mobile manufacturing and service facilities. Its three business segments, Composite Systems, Automotive & Industrial and Pipeline & Pipe Services enable responsible renewal and enhancement of critical infrastructure while lowering risk and environmental impact. The Company operates through a global network of fixed and mobile manufacturing and service facilities located around the world.

As at December 31, 2022, the Company’s business included four operating units that were reported through the three operating segments.

The Company's operating units operate within three principal market segments described below.

## 4.2 Business Segments

### Composite Systems

#### Composite Production Systems

The Composite Systems segment accounted for 42% of consolidated revenue for 2022. This segment is comprised of Composite Production Systems and Oilfield Asset Management (until the sale of this business in November 2022).

Composite Production Systems (formerly Flexpipe Systems) manufactures proprietary, flexible, corrosion resistant pipeline products under the "Flexpipe" brand, which are marketed primarily to oil and natural gas producers in Canada, the United States, Latin America, the Asia Pacific Region, the Middle East and North Africa. The division serves its customers through its manufacturing and distribution centre in Calgary, Alberta, and its sales offices and service depots in Alberta, Saskatchewan, Texas, Colorado, Utah, California and North Dakota. Flexible composite pipe offers customers a corrosion resistant, cost-effective replacement for conventional steel pipe with reduced installation, lifecycle and land costs. These products are marketed and sold internationally through direct sales and a global network of agents and distributors.

In April 2019, Composite Production Systems added manufacturing and technology capability for fiberglass reinforced plastic tanks and 3D glass fabrics through the acquisition of ZCL. ZCL was one of North American's largest manufacturers of corrosion free composite fuel, water and oil and gas storage tanks. With six tank manufacturing facilities across North America (Quebec, Alberta, Iowa, Maryland, Texas and California), Composite Production Systems now has logistical reach across North America for the fuel, water and oil & gas markets. In addition, the 3D glass fabric weaving manufacturing location in the Netherlands serves the global composite structure market.

#### Oilfield Asset Management

Oilfield Asset Management ("OAM") is an oilfield asset and tubular management and services company to the upstream oil and gas industry in Canada. OAM's core business revolves around drill pipe, drill collars, drill tools, sucker rods, casing and production tubing, lined tubular installation and coating services. OAM's services include in-plant and mobile inspection, repair, machining, manufacturing, recertification, pressure testing and web-based inventory management systems. OAM has a diversified customer base which includes drilling contractors, exploration and production operators, equipment manufacturers and distributors, and rental companies.

This business was sold in November 2022. The Company's 2022 results include the financial performance of this business up to the date of the sale.

### Automotive and Industrial

The Automotive and Industrial segment, which consists of the Connection Systems operating unit, accounted for 25% of consolidated revenue for 2022.

### Connection Systems

Connection Systems' DSG-Canusa group is a global manufacturer of heat shrinkable and cold shrinkable products for mechanical and electrical insulation solutions. The division also manufactures application equipment and provides integrated systems of equipment and heat shrink products for automotive and industrial manufacturing. Each product meets or exceeds relevant automotive, defense, telecommunications, electrical utility, industrial or original equipment manufacturers' specifications for performance and safety. These products are sold direct to end-users or through distributors and agents throughout North America, Europe and Asia. The division supports its customers for these products through four manufacturing and distribution facilities located in Canada, the United States, Germany and China.

Connection Systems' ShawFlex group is a manufacturer of control, instrumentation and low voltage power cables for use primarily in industrial applications and its manufacturing facility is located in Toronto, Ontario. The division is a market leader in Canada with custom engineered and specialty products sold direct to end-users or through distributors and agents throughout North America. Its electrical products meet or exceed industry standards for performance and safety, such as those issued by the Canadian Standards Association and Underwriters Laboratories and include proprietary products for numerous highly engineered applications. These products are used primarily in the North American nuclear and hydro power generation, mass transportation, telecommunications and automation industries.

Connection Systems' Kanata Electronics group is a manufacturer and supplier of specialty cable assemblies and wire harnesses for the nuclear and aerospace industries and its manufacturing facility is located in Toronto, Ontario. The division was incorporated in 1971 and has a long history of acting as a trusted advisor, particularly to the global nuclear industry, with a broad portfolio of products that are both environmentally qualified and seismically qualified for use in CANDU nuclear power plants. The division provides assembly solutions direct to end-users or through distributors and agents throughout North America, South America, Europe and Asia.

## Pipeline and Pipe Services

The Pipeline and Pipe Services segment accounted for 33% of consolidated revenue for 2022. This segment included products and services for the Pipeline Performance Group, Shaw Pipeline Services and Lake Superior Consulting (until its sale in August 2022) operating units. In 2023, the Company intends to divest of its Pipeline Performance Group and Shaw Pipeline Services business units.

### Pipeline Performance Group

The Pipeline Performance Group ("PPG"), with 12 permanent plants, operates in most major energy producing markets and, in addition to these permanent facilities, employs its engineering expertise to install temporary, project-specific plants anywhere in the world. PPG's customers include major private and government-owned oil and gas producers, pipe mills, pipeline owners and pipeline construction contractors. Between 2020 and 2022, the Company completed the controlled shutdown or sale of eleven pipe coating facilities.

PPG's product offerings include specialized, proprietary internal and external corrosion protection systems, thermal insulation coating systems and concrete weight coating systems for onshore and offshore pipelines. PPG also has custom coating and field joint coating solutions. These coatings can be applied from several permanent locations, in the field, in a spool base or on a pipe lay vessel. Through its many regional locations, PPG can respond to customers' coating requirements regardless of which pipe supplier a customer might select. In addition, PPG has logistics capabilities that assist customers in reducing freight costs by allowing them to efficiently source and move pipe around the world.

**Shaw Pipeline Services**

Shaw Pipeline Services provides ultrasonic, radiographic and real time radiographic pipeline girth weld inspection services to pipeline construction contractors, owners and operators worldwide for both onshore and offshore pipeline applications from locations in Texas, Oklahoma, California, West Virginia, England and Scotland.

Shaw Pipeline Services has developed inspection and process control systems that satisfy required inspection specifications, meet engineering critical assessment criteria for weld evaluation and defect sizing, and provide rapid feedback of defects to the welding contractor, resulting in reduced repair rates.

**Lake Superior Consulting**

Lake Superior Consulting provides engineering and integrity management services to major North American pipeline operators from facilities in Minnesota, Texas, Nebraska, Tennessee and Pennsylvania.

This business was sold in August 2022. The Company's 2022 results include the financial performance of this business up to the date of the sale.

## 4.3 Segmented Information

Revenues of each of the Company's operating segments expressed as a percentage of the Company's consolidated revenue for the years ended December 31, 2021 and 2022 are set out below:

| Operating Segment | % Revenue (1) | |
|---|---|---|
| | 2021 | 2022 |
| Composite Systems | 33% | 42% |
| Automotive and Industrial | 23% | 25% |
| Pipeline and Pipe Services | 44% | 33% |
| | 100% | 100% |

(1) Net of inter-segment transfers.

Reference is made to note 8 to the Company's consolidated financial statements for the years ended December 31, 2022 and 2021 for detailed financial information for each geographic segment. These financial statements are available on SEDAR at www.sedar.com.

## 4.4 Customers

Through its diversified businesses, the Company serves a broad spectrum of customers in the energy industry and other industrial markets. Refer to Item 4.2 for a description of the markets and customers served. Generally, the activities of the Company as a whole are not dependent on any single customer or group of related customers.

## 4.5 Components, Raw Materials and Supply Matters

The Company purchases a broad range of materials and components throughout the world in connection with its manufacturing activities. Major items include polyolefin and other polymeric resins, iron ore, cement, adhesives, sealants, copper, fibreglass and other ferrous and non-ferrous wire. The ability of suppliers to meet performance and quality specifications and delivery schedules is critical to the maintenance of customer satisfaction and the success of our business but the Company is not dependent on any single source of supply. While the materials required for the Company's manufacturing operations have generally been readily available, in the last twenty-four months the Company has experienced inflationary and cost increases in certain key raw materials. The Company's performance may be impacted by its ability to pass these cost increases on to customers and to effect improvements in productivity. In 2022, the Company has been successful in passing on the majority of material increases, in particular copper and resin, to its customers.

## 4.6 Intangible Properties

The Company utilizes patented and proprietary technology throughout its operations; however, the Company's activities are not dependent to a significant extent on any single or group of related patents, licences, franchises or concessions. The Company's activities are also not dependent on any single trademark, although some trademarks are identified with a number of the Company's products and services and are important in the sale and marketing of such products and services. It is the Company's policy to register or otherwise take the necessary steps to protect such intellectual property in all jurisdictions where it has significant operations, or where its major competitors have operations. The Company applied for 4 new patents in multiple jurisdictions in 2022 and currently holds 134 issued patents and 132 registered trademarks in respect of a number of its products and services in various jurisdictions where it carries on business. The Company's patents expire after a prescribed period has elapsed from the date of application or grant, generally 20 years in Canada and the United States, although the periods vary in other jurisdictions. Registered trademarks are generally renewed by the Company for as long as they remain in use. In most jurisdictions, the initial term for protection for registered trademarks is 10 years with an ability to renew for successive 10-year terms. In Canada, trademark registrations which issued, or were renewed, prior to June 17, 2019 are subject to a 15-year term and trademark registrations which issued or were renewed on or after June 17, 2019 are subject to a 10-year term.

## 4.7 Seasonality and Cyclicality

While the activities of some of the Company's individual businesses have seasonal fluctuations, total Company revenue is not significantly impacted by seasonal factors. The Composite Systems segment, representing 42% of the Company's consolidated revenue in 2022, is partially impacted by seasonality (composite tank and composite pipe sales) and partially impacted by cyclicity (composite pipe sales) which have a high correlation to land- based oil and gas drilling in North America and to commodity prices. The Automotive and Industrial segment, representing 25% of the Company's consolidated revenue in 2022, is mildly impacted by seasonality, particularly in the auto industry. Revenue from year to year is subject to substantial variation. The Company's operations in the Pipeline and Pipe Services segment, representing 33% of the Company's consolidated revenue in 2022, are largely project-based and the nature and timing of projects can result in variability in the Company's financial results.

Demand for the products of the Composite Systems segment and Automotive and Industrial segment businesses are dependent on a wide variety of factors including projected levels of infrastructure spending, the resiliency of demand for retail fuel, continued growth of demand in the water and waste-water markets, as well as the level of general economic activity in North America and Europe. The Automotive and Industrial segment is also dependent on the total number of new vehicles produced globally and their respective electronic content levels. Demand for the Company's products and services in the Pipeline and Pipe Services segment depends significantly upon the level of expenditures made by oil and gas companies to install new pipelines, which in turn are typically directly related to the supply and demand for, and therefore the prices or predicted prices of, oil and gas. The prices for oil and gas have fluctuated widely in recent years and may continue to be volatile in the future. Significant changes in any of these underlying factors, the impact of the ongoing Russia-Ukraine war, the ongoing COVID-19 global pandemic and the impact of future wars and public health crises, can lead results to be cyclical and volatile.

## 4.8 Competitive Conditions in Principal Markets

The Company actively competes with other suppliers of similar products and services in each of its markets. It is not anticipated that there will be any significant changes in the level of competition in any of the Company's markets in the near term. Each of the Company's major divisions holds a meaningful market position with all such divisions enjoying a significant share of the markets served.

## 4.9 Properties

As of December 31, 2022, the Company's businesses operated through the following manufacturing and service facilities:

| Location | Major Products or Services | Owned or Leased |
|---|---|---|
| Camrose, Alberta (2 sites) | Pipe Coating | Owned |
| Edmonton, Alberta | Pipe Coating | Owned |
| Channelview, Texas(1) | Pipe Coating | Owned/Leased |
| Baku, Azerbaijan Republic | Pipe Coating | Leased |

| | | |
|---|---|---|
| Vitoria, Brazil | Pipe Coating | Leased |
| Kabil, Indonesia | Pipe Coating | Leased |
| Pozzallo, Italy | Pipe Coating | Owned |
| Altamira, Mexico | Pipe Coating | Leased |
| Coatzacoalcos, Mexico | Pipe Coating | Leased |
| Veracruz, Mexico | Pipe Coating | Leased |
| Orkanger, Norway | Pipe Coating | Owned/Leased |
| Ellon, Scotland | Pipe Coating | Leased |
| Ras Al Khaimah, UAE | Pipe Coating | Leased |
| Toronto, Ontario (2 sites) | Automotive and Industrial | Leased |
| Cincinnati, Ohio | Automotive and Industrial | Leased |
| Suzhou, China | Automotive and Industrial | Leased |
| Rheinbach, Germany | Automotive and Industrial | Owned |
| Fresno, California | Integrity Management | Leased |
| Tulsa, Oklahoma | Integrity Management | Leased |
| Morgantown West Virginia | Integrity Management | Leased |
| Gt. Yarmouth, England | Integrity Management | Leased |
| Alness, Scotland | Integrity Management | Owned |
| Calgary, Alberta (5 sites) | Composite Systems | Leased |
| Grand Junction, Colorado | Composite Systems | Leased |
| Dickinson, North Dakota | Composite Systems | Owned |
| Big Wells, Texas | Composite Systems | Leased |
| Ennis, Texas | Composite Systems | Leased |
| Midland, Texas (2 sites) | Composite Systems | Owned/Leased |
| Myton, Utah | Composite Systems | Leased |
| Brisbane, Australia | Composite Systems | Leased |
| Edmonton, Alberta (4 sites) | Composite Systems | Owned/Leased |
| Drummondville, Québec | Composite Systems | Owned |
| Tipton, Iowa | Composite Systems | Owned |
| Anaheim, California (2 sites) | Composite Systems | Leased |
| Seguin, Texas | Composite Systems | Leased |
| Williamsport, Maryland | Composite Systems | Leased |
| Helmond, Netherlands | Composite Systems | Leased |
| Minneapolis, Minnesota | Composite Systems | Leased |
| Dimsdale, Alberta(2) | Tubular Inspection Services | Owned |
| Nisku, Alberta(2) | Tubular Inspection Services | Owned |
| Red Deer, Alberta | Tubular Inspection Services | Owned |
| Charlie Lake, British Columbia(2) | Tubular Inspection Services | Owned |
| Estevan, Saskatchewan(2) | Tubular Inspection Services | Owned |

(1) As part of the sale of the Products Business, the Company entered into a short-term lease with the purchaser for a portion of the Channelview property.

(2) As part of the sale of the Tubular Inspection Services (Guardian) business, the Company has entered into short-term leases with the purchaser for the Dimsdale, Alberta, Nisku, Alberta, Charlie Lake, British Columbia and Estevan, Saskatchewan owned properties.

None of the Company owned plants are subject to mortgages. The Company considers that these properties are in good condition, well maintained and generally suitable and adequate to carry on the Company's activities.

## 4.10 Research and Development

The Company conducts its own research activities and product development programs and provides product and process-oriented engineering services for its business units. The Company's divisions possess considerable in-house technical expertise that is utilized to develop new products which are introduced to customers through technology-based marketing programs backed by a commitment to field and technical support. The Company also collaborates/partners with third parties, such as universities and technical institutions and through equity-based investments in technology-based companies, to support and enhance our core product offering and long-term growth strategy. Approximately $9.1 million was spent on research and development during 2022, compared to $8.1 million in 2021, and the Company applied for 4 new patents in multiple jurisdictions in 2022. In addition, the Company routinely incurs costs in its production facilities to develop and prototype new products, which are not included in research and development expenses. In 2022, the Company completed development of a new series of heat shrink appliances with integrated camera vision systems that expand its market reach and a new cable for a nuclear application that has enhanced performance at elevated temperatures.

The Company will continue ongoing research and development programs directed towards new or enhanced products, services and processes.

## 4.11 Environmental Matters

The Company designs and operates its plants and processes in compliance with federal, provincial, state, local and applicable foreign requirements regulating the discharge of substances into the environment and relating to the protection of the environment and the Company monitors compliance with these environmental requirements through an on-going audit program.

The Company's total environmental remediation costs paid in 2022 were $2.6 million ($1.3 million in 2021) and, as at December 31, 2022, the provisions on the Company's financial statements related to environmental matters and included as decommissioning liabilities were $15.3 million ($17.8 million in 2021). The Company believes the provisions to be sufficient to satisfy its estimate of all liabilities related to known environmental matters.

The Company cannot predict the changes that may be made to environmental requirements in the future although it anticipates that such requirements generally will become more stringent. In this regard, the Company's capital and operating costs for environmental controls may increase in the future. In 2022, the impact of increasing environmental requirements did not have a material effect on the Company's capital and operating costs and, in the future, is not expected to have a material effect on the earnings or competitive position of the Company.

## 4.12 Employees

In total, the Company employed an average of 3,937 permanent and contract personnel during 2022. The Company's divisions had domestic and foreign labour union contracts which covered an estimated 683 employees during 2022. These contracts have various expiry dates ranging from 2022 to 2025. The labour union contract with a 2022 expiry date is in the process of being renegotiated. The Company believes that relations with its employees have been satisfactory and does not anticipate any unusual difficulties in renegotiating these contracts on reasonable terms.

## 4.13 Foreign Operations

The Company conducts its international operations through various operating subsidiaries in the locations described in Item 4.9 "Properties". Additional subsidiaries and joint ventures may be established from time to time when a corporate presence is needed to conduct business in other jurisdictions. International operations are necessarily subject to various risks, some of which are different from those found in Canada. For further information, refer to Item 4.16 "Risk Factors". The Company's production costs are affected by conditions prevailing in the countries in which its production facilities are located. The Company is exposed to currency exchange risks in the transfer of goods and services between countries. The Company's production costs, profit margins and competitive position may be affected by the strength of the currencies in the countries where it manufactures goods relative to the strength of the currencies in the countries where its goods are sold. Presently, the Company does not engage in any significant hedging of currencies.

Revenues from each of the geographic regions in which the Company operates, expressed as a percentage of the Company's consolidated revenue, for the years ended December 31, 2021 and 2022 are set out below:

| Geographic Segment | % Revenue | |
|---|---|---|
| | 2021 | 2022 |
| North America | 70% | 76% |
| Latin America | 7% | 5% |
| Europe, Middle East and Africa | 19% | 15% |
| Asia Pacific | 4% | 4% |
| | 100% | 100% |

Reference is made to notes 7 and 8 to the Company's consolidated financial statements for the years ended December 31, 2022 and 2021, respectively, for detailed financial information for each geographic segment. These financial statements are available at www.sedar.com.

Currency fluctuations also affect the Company's consolidated financial results due to the translation of the foreign operations' financial results into Canadian dollars. Refer to Section 2.2 "*Foreign Exchange Impact*" of the Company's Management's Discussion and Analysis for the year ended December 31, 2022, which is available at www.sedar.com, for a description of the impact of the translation of foreign operations' financial results into Canadian dollars during 2022.

The assets and liabilities of entities that have a functional currency different from the presentation currency are translated into Canadian dollars at year-end exchange rates. Income and expense items are translated at the average exchange rates prevailing for the year. Foreign exchange gains or losses resulting from these translations are credited or charged to the cumulative translation account on the consolidated balance sheet.

### 4.14 Trends

The Company expects Adjusted EBITDA in each of the first two quarters of 2023 to be similar to the fourth quarter of 2022 due to modest seasonal effects and the specific timing of certain pipe coating projects. This is expected to be followed by a substantial step up in the second half of the year driven by an upcycle in pipe coating activity including SGP and other projects and the resulting increase in margins in the pipeline and pipe services segment. In management's view, the underlying business trends for all of the Company's primary businesses remain favourable, as its infrastructure and industrial focused portfolio continues to experience consistent demand growth, while the Company's oil and gas focused offerings remain well-positioned as commodity prices and energy availability challenges drive a multiyear upcycle in both onshore and offshore activity. Entering 2023, the Company continues to experience raw material and labour cost pressures and, as a result, will continue to monitor its pricing and, if needed, roll out further price increases to help offset these costs. Adjusted EBITDA is a non-GAAP measure. Non-GAAP measures do not have a standardized meaning prescribed by GAAP and are not necessarily comparable to similar measures by other companies. See "*Item 14 – Reconciliation of Non-GAAP and Other Financial Measures*".

The strategic review process for the Pipeline and Pipe Services segment is ongoing and is progressing as expected. As material new developments occur, the Company will provide further information as necessary. The Company currently allocates a portion of its corporate costs (approximately $8 million per year) to the Pipeline and Pipe Services segment. In the event of a sale as part of the strategic review, these costs are expected to be absorbed by the remaining businesses for a period of time, driven in part by potential transitional service agreement obligations. Over time, these costs are expected to decrease.

The Company expects to make sizeable organic investments during 2023 and 2024 to expand capacity within its Composite Systems and Automotive and Industrial segments. Capital expenditures for 2023 are anticipated to be between $160 - $180 million for the year. Approximately 40-45% of these anticipated expenditures being related to the Pipeline and Pipe Services segment, primarily customer funded activities to re-establish equipment and facilities in Altamira, Mexico during the first half of 2023 in support of the SGP project. The remaining 55-60% of 2023 Capital expenditures are anticipated to be made in the Composite Systems and Automotive and Industrial segments, with such planned investments to be deployed into high-return growth opportunities, including the construction of new and modernization of existing production facilities in North America. In aggregate if completed these planned growth capital investments are expected to result in the Company creating at least $150 million per year of incremental revenue generating capacity with comparable margins to those realized in its Composite Systems and Automotive and Industrial segments, which the Company expects to realize over a 3 – 5 year period following the completion of these capital investments as such facilities reach efficient utilization levels on their currently expected timelines.

The Company continues to take an "all of the above" approach to capital allocation, skewed towards investment in organic opportunities viewed as having the highest risk adjusted return on investment potential. High return growth capital investments and recurring lease liabilities are expected to consume the vast majority of cash generated from operations during 2023, with SGP project mobilization and the commencement of the pipe coating activities in the first half of the year expected to consume a large portion of the cash collected from progress billings during the second half 2022.

Order backlog is expected to continue to grow through the first half of 2023 as pipe coating projects reach final investment decision and order intake for the Company's industrial and infrastructure offerings remains steady. Execution on work secured in the Company's order backlog is expected to pick up in the second half of 2023 as major project coating activity commences.

Further detail on the outlook for the Composite Systems, Automotive and Industrial and Pipeline and Pipe Services segments are set out below.

**Composite Systems Segment**

While the Company anticipates normal, modest seasonal impacts to its FRP tanks business during the first quarter, as North American ground conditions limit FRP tank installation activities, overall demand for underground FRP storage tanks is detached from the dynamics of oil and gas markets and is expected to remain robust throughout 2023 as liquid fuel station networks are expanded or upgraded and environmental regulations and insurance companies continue to mandate the replacement of the aging installed underground tanks in North America. Continued growth in demand for water and storm-water storage and treatment products is expected to be supported by increasing societal demands to conserve water resources and projected higher infrastructure spending and commercial and municipal water projects, as well as the continued industry-wide adoption of composite materials as a lower cost and higher quality solution for water storage and retention when compared to steel or concrete. The Company's ability to serve water-oriented markets is further enhanced by the product portfolio acquired from Triton Stormwater Solutions during the first quarter of 2023. Price increases have been implemented to manage raw material cost escalations. Additionally, labour shortages and capacity constraints are being managed to ensure adequate personnel and facilities are available to meet the robust demand in the market.

Market demand for the segment's composite pipe business is driven by North American drilling and completion activity and demand for international oil and gas gathering line applications. The segment benefits from a lower cost of ownership and ease of installation of composite systems versus steel and other materials. While the Company anticipates normal, modest seasonal impacts to its composite pipe business during the second quarter, as spring break-up conditions limit Canadian drilling and completions activity, the composite pipe business is expected to continue to benefit from elevated drilling and completion activity across its customer base. Overall growth in demand for the segment's core pipe products in North America is expected as activity levels in Western Canada and in the Permian Basin remain robust and as the commercial adoption of the

Company's larger diameter products continues. The segment also is expected to benefit from increased international demand for composite pipe. The Company believes that there are opportunities for market share gains as operators adopt composite technology for its overall cost profile and environmental advantages, and continued business development work on international energy and infrastructure projects which is expected to drive growth in future years.

**Automotive and Industrial Segment**

Demand for the Company's Automotive and Industrial businesses generally follows GDP activity; however, the segment continues to be well positioned to capture the growing trend of electronic content in automobiles with specified sealing, insulating and customized application equipment systems for Tier 1 assembly customers and the expected increased infrastructure spending. The Company will continue to invest in additional capacity to meet the demand within this segment.

Activity levels within the Automotive and Industrial segment are expected to rise in the first quarter of the year as customers restock inventories. While the Company anticipates that industrial markets will dominate demand for the segment's products, demand for the Company's heat shrink tubing products within the automotive sector is expected to continue to outpace overall automotive production as a result of electronic content growth in premium, hybrid and full electric vehicle markets, particularly in the Asia Pacific and EMEA regions. The Company continues to monitor recessionary concerns and broad supply chain impacts, including the energy supply shortages related to the Russia-Ukraine conflict and European gas supply, which have been limited but have the potential to create future challenges for automotive customers, particularly in Europe. The Company's full year outlook does not incorporate any expectation of meaningful growth in total global vehicle output.

Stable demand is also expected from industrial markets, which are less cyclical. The Company is expecting to benefit from continued infrastructure spending in 2023 and beyond as new and upgraded communication networks are constructed, nuclear refurbishments continue in Canada and federal stimulus packages are rolled out. The Company is well-positioned to capture project work associated with construction of new and upgraded communication and transportation networks, though the non-recurring nature of these projects will create some variability quarter over quarter. Additionally, the Company will continue to manage the volatility of copper raw material costs

**Pipeline and Pipe Services Segment**

The Company expects the timing of specific pipe coating projects to drive activity levels in its Pipeline and Pipe Services segment during the first two quarters of 2023 to be similar to, but slightly below, the fourth quarter of 2022, as it executes on work that has been secured in its order backlog and prepares for the SGP project. Coating for the SGP project is expected to commence late in the second quarter of 2023, thus the majority of the revenue and related Adjusted EBITDA contribution for the project is expected to be realized in the second half of 2023 and the first half of 2024. Consequently, the Company expects the segment to experience a substantial step up in Adjusted EBITDA generation during the second half of the year.

The Company continues to monitor international developments including sustained exploration success and additional project phases in Guyana and Brazil, and Middle Eastern offshore projects designed to meet domestic energy needs and global LNG demand. Increases in inbound subsea orders have been observed across the Company's customer base, particularly in Brazil. Mexico and Norway where the Company is well-positioned to secure and execute work. New offshore pipeline installations that range from small and mid-size to large in scope are expected to arise throughout 2023 and into subsequent years. Project sanctioning activity, bid, budgetary, and general interest from customers to install more pipelines, are all expected to drive elevated demand for the Company's market leading pipe coating technologies. Despite successfully executing substantial cost reduction activities within the Pipeline and Pipe Services segment in the last two years, the Company has maintained the resources needed to execute on projects currently in order backlog and those projects for which the Company is currently bidding.

Order backlog is a supplementary financial measure. See "*Item 14 – Reconciliation of Non-GAAP and Other Financial Measures*".

### 4.15 Social and Environmental Policies

The Company has implemented a HSE Policy which supports its vision of an Incident and Injury Free workplace, with no harm to people, while protecting the environment. The Company has also developed a robust system of safety procedures and practices, together with monitoring and auditing processes, which is used by its divisions to implement the HSE policy. In addition, the Board of Directors and its Governance and Sustainability Committee monitors the Company's HSE performance at each of its regularly scheduled meetings. Any failure to comply with the HSE Policy could result in a material adverse impact on the Company's business, operations and financial condition.

The Company has developed a Code of Conduct (the "Code") which states the underlying values and behaviours that must govern the behaviour of all directors, officers and employees of the Company. Third parties working on behalf of the Company are also expected to adhere to these same ethical standards. Beyond establishing standards of behaviours, the Code puts in place a program for reporting violations of Company policies. All salaried employees are required to sign a statement of compliance upon hiring, agreeing to comply with the Code and indicating whether or not they are aware of any violations of the Code. This acknowledgment is repeated annually by all salaried employees and the Company achieved a 100% acknowledgment rate for 2022.

Specific items addressed in the Code include provisions dealing with compliance, quality, health, safety and environmental policies, discrimination/harassment/violence in the work environment, behaviour or conduct contrary to accepted standards or morality of the Company, foreign corrupt practices, improper payments, altering Company data, conflicts of interest, abuse of drugs and alcohol, securities trading, anti-trust/competition law compliance, and economic sanctions, export controls and anti-boycott rules. A copy of the Company's Code of Conduct is filed on SEDAR and may be found at www.sedar.com. In 2022, the Company appointed a Chief Compliance Officer to oversee enforcement of the Code.

In addition to these policies, the Company has published statements related to Human Rights, Supplier Compliance, and Anti-Slavery and Human Trafficking. These statements can be found https://www.shawcor.com/about/sustainability.

### 4.16 Normal Course Issuer Bid

On September 16, 2022, the Company filed a notice of intention to commence an NCIB which was accepted by the TSX on September 21, 2022. The NCIB provided for the purchase and cancellation on the open market (or as otherwise permitted), at its discretion, of up to 5.685,630 common shares of the Company (representing approximately 10% of the public float) between September 26, 2022 and September 25, 2023, subject to an aggregate of $25 million in aggregate repurchases being reached prior to such date. All purchases under the NCIB will be made through the facilities of the TSX, or by such other permitted means, at prevailing market prices or as otherwise permitted. The NCIB will be funded using existing cash resources and any common shares repurchased by the Company under the NCIB will be canceled. As at December 31, 2022, the Company had purchased for cancellation 514,300 common shares of the Company at a weighted average price of $10.04 per common Share as at December 31, 2022.

The Company also entered into an automatic share purchase plan (the "**Plan**") with a designated broker in order to facilitate repurchases of its outstanding common shares by the broker under the NCIB at times when the Company would not ordinarily be permitted to purchase its common shares due to its regular self-imposed quarterly black-out periods. The Plan was approved by the TSX and was implemented effective as of September 21, 2022.

The actual number of common shares which may be purchased pursuant to the NCIB and the timing of any such purchases will be determined by the Company, subject to applicable law and the rules of the TSX and/or the rules of the other permitted exchanges, if eligible, to the extent made through such facilities. Shareholders may obtain a copy of the NCIB notice, without charge, by contacting the Company.

The Company continues to focus on prudent capital allocation to drive long-term shareholder value and believes that from time-to-time, the market price of its common shares may not fully reflect the underlying value of its business. Purchases of common shares for cancellation under the NCIB may provide an opportunity to enhance long-term total shareholder return.

### 4.17 Risk Factors

The Company faces a number of business risks and uncertainties that could materially and adversely affect the Company's projections, business, results of operations and financial condition. These risks and uncertainties are summarized below:

**Increases in the prices and/or shortages in the supply of raw materials used in the Company's manufacturing processes could adversely affect the competitiveness of the Company, its ability to serve its customers' needs and its financial performance.**

The Company purchases a broad range of materials and components throughout the world in connection with its manufacturing activities. Major items include polyolefin and other polymeric resins, iron ore, cement, adhesives, sealants, copper and other nonferrous materials. The ability of suppliers to meet performance and quality specifications and delivery schedules is important to the maintenance of customer satisfaction. While the materials required for the Company's manufacturing operations have generally been readily available, in the last twenty-four months the Company has experienced inflationary and cost increases in certain key raw materials. The Company's performance may be impacted on its ability to pass these cost increases on to customers in the price of its products and to effect improvements in productivity. The Company may not be able to fully offset the effects of raw material costs and through price increases, productivity improvements or cost-reduction programs. If the Company cannot obtain sufficient quantities of these items at competitive prices, of appropriate quality and on a timely basis, it may not be able to produce sufficient quantities of product to satisfy market demand, contract execution may be delayed, or its material or manufacturing costs may increase. Overall, any of these problems could result in the loss of customers and revenue, provide an opportunity for competitors to gain market acceptance and have a material adverse effect on the Company's business, financial condition and results of operations.

**A change in underlying economic factors could materially adversely affect demand for the Company's products and services and, consequently, its projections, business, results of operations and financial condition.**

Demand for the products of the Composite tank and Automotive and Industrial segment businesses are dependent on a wide variety of factors including projected levels of infrastructure spending, the resiliency of demand for retail fuel, continued growth of demand in the water and waste-water markets, as well as the level of general economic activity in North America and Europe. The Automotive and Industrial segment is also dependent on the continued growth of electric and hybrid vehicles. Significant changes in any of these underlying factors such as lower than anticipated spending on infrastructure programs, a softening of the retail fuel market, or significant technological shifts or developments that impact the Company's current suite of products and services or decreases in economic activity in the regions the Company serves could result in significant decreases in activity levels in these businesses.

The demand for the Company's products and services in the Pipe and Pipe Services segment depends significantly upon the level of expenditures made by oil and gas companies which in turn are typically directly related to the supply and demand for, and therefore the prices or predicted prices of, oil and gas. The prices for oil and gas have fluctuated widely in recent years and may continue to be volatile in the future. Demand for oil and natural gas is influenced by numerous factors, including the North American and worldwide economies as well as activities of the Organization of Petroleum Exporting Countries ("OPEC") and Russia, the impact and duration of the conflict in Ukraine and the related sanctions on Russia, including geopolitical and other risks impacting the European Union and global markets economies, the impact of the ongoing COVID-19 global pandemic (including a resurgence, mutation or variation of COVID-19 and the potential institution or re-institution of lockdowns and other public health restrictions), and the impact of future epidemics and pandemics. Economic declines impact demand for oil and natural gas and result in a softening of oil and gas prices and projected oil and gas drilling activity. If economic conditions or international markets decline to an extent or for a duration which is unexpected, the Company's projections, business, results of operations and financial condition could be materially adversely affected. In addition, if actions by OPEC, Russia and other oil producers to increase production of oil adversely affect world oil prices, additional declines in exploration and production operators'spend could result, and the Company's projections, business, results of operations and financial condition could be materially adversely affected.

Changes to the global economic landscape, such as the continual emergence of economies such as Brazil, Russia, India, China and South Africa can impact supply-chains and demand for the Company's products. The Company's business is materially dependent on the level of North American drilling and completion activity. A shift in the global economic landscape creating a more competitive environment between nations could have a material adverse effect on the Company's projections, business, result of operations and financial conditions. Conversely, the resumption of large pipe coating projects after years of slower activity could expose the Company to enhanced risks including, without limitation, risks to health, safety and environment, supply chain and personnel risks and additional geopolitical risks. Failure to execute these projects as anticipated may adversely affect results of operations and financial condition of the Company.

**A decline in the level of global pipeline construction could have a material adverse effect on the Company's projections, business, results of operations and financial condition.**

The Company's Pipeline and Pipe Services segment is dependent on the level of global pipeline construction activity which in turn relates to the growth in demand for oil and natural gas and the availability of new supplies to meet this increased demand. Reductions in capital spending by pipeline owners could decrease demand for the Company's products and services supplied in pipeline markets. The construction of new pipelines may also be inhibited, delayed or stopped by a variety of factors, including the inability to obtain regulatory or governmental approvals or public opposition.

Revenue generated by the Company's Pipeline and Pipe Services segment accounted for 33% of the Company's consolidated sales in 2022. Any significant declines in pipeline market activity or unexpected delays in the sanctioning of pipe coating projects could have a material adverse effect on the Company's projections, business, results of operations and financial condition.

**A decline in North American land drilling and completion activity would have a material adverse effect on the Company's projections, business, results of operations and financial condition.**

The Company's business is materially dependent on the level of North American land drilling and completion activity, which, in turn depends on a variety of factors including global oil and gas demand, prices, reserve levels, production depletion rates, access to capital, governmental regulation and support as well as the potential impact of a growing focus on ESG on investor sentiment. Lower land drilling and completion activity decreases demand for the Company's products and services, including small diameter pipe coating, composite pipe, gathering line weld inspection and tubular inspection and inventory management services. These business activities represented approximately 25% of the Company's 2022 revenues.

**Potential divestitures or acquisitions or investments in other companies may have a negative impact on the Company's business.**

The Company continually assesses the value and mix of its assets in light of its business plans and strategic direction. The Company may divest of assets to optimize its operations and financial performance. The Company may be unable to sell certain assets or may not receive the optimal or desired amount of proceeds from such asset sales or complete such sales within desired or anticipated timelines. The completion of any divestitures will depend on the Company's ability to identify potential buyers, negotiate financial and other contractual terms and obtain regulatory approvals. The terms of a transaction may require the Company to retain certain liabilities directly or through indemnities provided to buyers against known and unknown contingent liabilities and such could materially adversely affect the Company's financial condition. The Company may, thru divestitures, narrow the focus of its business or size of existing business lines, in line with its previously announced short-term strategic plan. In such cases, while the Company would have a more focused business, it may become less diversified and the Company may have an increased exposure to the business, customers and industry segments that it then operates which may magnify the impact of any future downcycle in such businesses.

The Company may seek to expand its business through acquisitions as it intends to consider and evaluate opportunities for growth through acquisitions when suitable acquisition targets present themselves; however, there can be no assurance that the Company will find attractive acquisition candidates in the future, or that the Company will be able to acquire such candidates on financial and other terms acceptable to it or to obtain requisite regulatory approvals. Acquisitions may require substantial capital and negotiations of potential acquisitions and the integration of acquired operations could disrupt the Company's business by diverting management, and employees' attention, away from day-to-day operations. The difficulties of integration may be increased by the necessity of coordinating geographically diverse organizations, integrating personnel with disparate backgrounds and combining different corporate cultures. Although the Company makes every effort to successfully integrate new operations, there can be no assurance that the Company will recognize the anticipated revenues, synergies or other intended benefits associated with any acquisitions that are completed.

At times, acquisition candidates may have liabilities or adverse operating issues that the Company fails to discover through due diligence prior to the acquisition, including the assumption of risks related to regulatory compliance, pricing, supply chain, environmental, litigation, labour relations, information technology, tax, pensions or warranties. While due diligence is intended to identify and mitigate such risks, these efforts may not always be sufficient in identifying and mitigating all risks and liabilities related to an acquisition. The Company may lack sufficient knowledge of the acquisition candidate's technology and market position to enable an effective evaluation of the acquisition economics or integration challenges. If the Company consummates any future acquisitions, the Company's business, capitalization, financial condition and results of operations may change significantly.

Acquisitions or investments may require the Company to expend significant amounts of cash, resulting in the Company's inability to use these funds for other business purposes. The potential impairment or complete write-off of goodwill and other tangible and intangible assets related to any such acquisition may reduce the Company's overall earnings and could negatively affect the

Company’s balance sheet. The occurrence of any of the foregoing could have a material adverse effect on the Company’s projections, business, and results of operations and/or financial condition.

**The Company’s international operations and sales may experience interruptions due to political, economic, health, global supply chain, or other risks, which could adversely affect the Company’s projections, business, results of operations and financial condition.**

During 2022, the Company derived over 10% of its total revenue from its facilities outside Canada, the U.S. and Western Europe. In addition, part of the Company’s sales from its locations in Canada and the U.S. were for use in other countries. The Company’s operations in certain international locations are subject to various political, economic, health and other conditions existing in those countries that could disrupt operations. These risks include:

- currency fluctuations and devaluations;
- inflation;
- currency restrictions and limitations on repatriation of profits;
- changes in governmental policies and regulatory requirements or the interpretation or application thereof;
- unanticipated global supply chain disruptions, including due to ongoing and potential conflicts and pandemics;
- challenges in respect of logistics, safety, security and communications;
- political and economic instability and civil unrest;
- hostile or terrorist activities;
- delays or refusals to sanction oil and gas projects;
- restrictions on foreign operations;
- exposure to epidemics, pandemics and other health crisis (including a resurgence, mutation or variation of COVID-19 and the potential institution or re-institution of lockdowns and other public health restrictions);
- failure to comply with applicable anti-corruption, anti-bribery, sanctions, and trade laws including, existing or future legislation or regulation targeted at the prohibition of forced labour;
- the adoption of new, or the expansion of existing, trade restrictions, or embargoes;
- difficulties, delays, and expenses that may be experienced or incurred in connection with the movement and clearance of personnel and goods through the customs and immigration authorities of multiple jurisdictions; and
- limitations on the Company’s ability to repatriate cash, funds, or capital invested or held in jurisdictions outside Canada.

In addition, the Company is specifically exposed to risks relating to economic or political developments in Mexico and other developing countries.

The Company’s foreign operations may suffer disruptions and may incur losses that would not be covered by insurance. In particular, civil unrest in politically unstable countries may increase the possibility that the Company’s operations could be interrupted or adversely affected. The impact of such disruptions could include the Company’s inability to ship products in a timely and cost-effective manner, its inability to place contractors and employees in various countries or regions or result in the need for evacuations or similar disruptions.

Any material currency fluctuations, devaluations or political unrest or activism may disrupt oil and gas exploration and production or the movement of funds and assets.

The Company's operations could be affected by regulatory approval processes that could delay or prevent the construction of new pipeline infrastructure.

Any of the foregoing factors, which are outside the Company's control, could materially adversely affect the Company's projections, business, results of operations and financial condition.

**The Company's business depends on its ability to successfully renew existing contracts, bid on new contracts and to successfully manage pricing risk.**

The Company's business depends on the ability to successfully bid on new contracts and renew existing contracts with private and public sector clients. Contract proposals and negotiations are complex and involve a competitive and lengthy bidding and selection process. The time between the award of a major contract and the commencement of production thereunder can be significant. Since pricing is typically determined at the time of the award, the Company is subject to pricing risk due to changes in input costs and quote assumptions between the time of the award and production completion. The inability to bid and quote effectively or the occurrence of a material change in input costs or other bid assumptions between the time of the award and production could have a material adverse effect on the Company's projections, business, results of operations and financial condition.

**The loss or failure to attract, train and retain key personnel could adversely affect the Company's projections, business, and results of operations and/or financial condition.**

The Company's success depends in large part on its ability to attract, train and retain key management, engineering, scientific, marketing, and operating personnel as well as skilled laborers for its manufacturing facilities. Recruiting personnel on a global basis in the industries it serves is a highly competitive and increasingly challenging amidst changing attitudes towards some of the industries in which the Company operates, particularly among younger workers. Added to these challenges are the dynamic and evolving changes resulting from the COVID-19 pandemic, including shortages in skilled laborers for manufacturing positions, increased competition for workers generally as well as the rising demand for remote work, evolving and non-uniform legal and regulatory developments in response as well as associated changes in employee attitudes towards traditional office culture. Depending on its ability to adapt and evolve in both the near and long term to these changes, the Company may not be able to continue to attract and retain qualified executive, managerial and technical personnel needed for its business. The failure to attract or retain qualified personnel could have a material adverse effect on the Company's projections, business, results of operations and financial condition.

**Inflationary pressures may adversely affect the Company's profitability.**

Over the past 12 months, rising commodity prices, supply chain pressures, labour shortages and strong global and domestic demand has driven persistent levels of inflation. These economic conditions, continuing supply chain shortages and disruptions, and competition for personnel and materials have and may continue to result in significant increases in the cost of obtaining such resources. Further, Russia's invasion of Ukraine has, and is expected to continue to, increase global inflationary pressure, resulting in significant increases in the costs of obtaining the materials, supplies and services used for the Company's operations or demand from the Company's customers in the affected geographic locations. While the Company seeks to pass certain cost increases on to its customers where possible and attempts to reduce these pressures through proactive human resource and procurement practices, should these efforts not be successful, the Company's profitability may be materially adversely affected.

**The ongoing conflict in Ukraine may adversely affect the Company's Automotive and Industrial segment related to customers and suppliers with activities related to Ukraine and/or Russia.**

In February 2022, Russian military forces commenced their invasion of Ukraine which, as of the date hereof, is still ongoing. In response, Ukrainian military personnel and civilians are actively resisting the invasion. Many countries throughout the world have provided aid to the Ukraine in the form of financial aid and in some cases military equipment and weapons to assist in their resistance to the Russian invasion. The North Atlantic Treaty Organization ("NATO") has also mobilized forces to NATO member countries that are close to the conflict as deterrence to further Russian aggression in the region. The outcome of the conflict is uncertain and is likely to have wide-ranging consequences on the peace and stability of the region and the world economy and may result in adverse effects on macroeconomic conditions, including volatility in financial markets, adverse changes in trade policies, inflation, supply chain disruptions, inflation, increased cybersecurity threats and fluctuations in foreign currencies.

Certain governments including Canada, the United States, the United Kingdom and the European Union, have imposed strict financial and trade sanctions against the Russian economy (such as the: imposition of sanctions targeting certain Russian leadership and other individuals; restrictions on certain sectors of the Russian economy; expulsion of some Russian banks from the SWIFT global banking payment system; and other measures, with further restrictions likely as the conflict continues), which sanctions may have far reaching effects on the global economy and macroeconomic conditions. As part of the sanctions package, the German government paused the certification process for the 1,200 km Nord Stream 2 natural gas pipeline that was built to carry natural gas from Russia to Germany. Partially in response to these measures, Russia has severely cut the supply of natural gas to Germany through the 1,200 km Nord Stream 1 natural gas pipeline, which was built to carry natural gas from Russia to Germany and which Nord Stream 2 was to be twinned to. Following a period of curtailed gas deliveries via Nord Stream 1 as well as maintenance activities, PJSC Gazprom announced the indefinite shutdown of the pipeline in early September 2022. In late September 2022, leaks were detected in the Nord Stream 1 and Nord Stream 2 pipelines, many observers attributing the leaks to an act of sabotage. Consequently, gas prices have remained at significantly high historical levels, including severe spikes in late August 2022, which coincided with a historic heat wave in Spain, triggering high energy demand and electricity prices. Russia is a major exporter of oil and natural gas and disruption of supplies of oil and natural gas from Russia could cause a significant worldwide supply shortage of oil and natural gas and have a significant impact on worldwide prices for oil and natural gas. A lack of supply and high prices of oil and natural gas could have a significant adverse impact on the world economy, as well as the Company's customers, suppliers and its own operations in Europe.

The Company has operations and customers in Europe, specifically in Germany, which could be materially affected by the range of sanctions imposed by the global community on the Russian Federation in response to the invasion of Ukraine, as well as countermeasures imposed by the Russian Federation. These operations may also be materially affected by the aforementioned recent developments related to Nord Stream 1 and Nord Stream 2 and supply disruptions and cost increases that are expected to continue to occur. In addition, a number of the Company's suppliers are located in Europe and it is quite possible that such measures could have material impacts on their operations and businesses. While the threat of such sanctions, import bans and other changes in trade patterns resulting from the geopolitical instability and war in Ukraine are expected to positively impact demand for North American oil and natural gas, which in turn is expected to increase customers demand for many of the Company's services, it may adversely impact demand for the Company's services, customers and suppliers in Europe and other markets as well as increasing regional trade and logistical barriers and supply chains, which could negatively impact the Company's operations and/or profitability. Further, Russia's invasion of Ukraine has, and is expected to continue to, increase global inflationary pressure, resulting in significant increases in the costs of obtaining the materials, supplies and services used for the Company's operations or demand from customers in the affected geographic locations. While the Company seeks to pass certain cost increases on to its customers where possible and attempts to reduce these pressures through proactive human resource and procurement practices, should these efforts not be successful, the Company's profitability may be materially adversely affected. The long-term impacts of the conflict and the sanctions imposed on Russia remain uncertain and could affect general economic factors including, but not limited to, foreign exchange rates, interest rates and inflation and could have a material adverse effect on the Company's business, financial condition and results of operations.

**A disruption of information technology services or a cyber-security breach may adversely affect the Company.**

The Company places significant reliance on its information technology ("IT") systems to operate its business and is dependent upon the availability, capacity, reliability, and security of its IT infrastructure and its ability to expand and continually update this infrastructure, to conduct daily operations. In the event that the Company is unable to secure its software and hardware, effectively upgrade systems and network infrastructure and take other steps to maintain or improve its systems, the operation of such systems could be interrupted or result in the loss, corruption or release of confidential data.

These IT systems are subject to a variety of security risks, which are growing in both complexity and frequency and could include potential breakdown, cyber phishing, invasion, virus, cyber-attack, cyber-fraud, security breach, and destruction or interruption of the Company's IT systems by third parties or insiders. Unauthorized access to these systems by employees or third parties could lead to corruption or exposure of confidential, fiduciary or proprietary information, and to interruption of the Company's operations and business activities. In addition, a successful attack on the Company's IT security could result in a loss or theft of its financial resources, critical data and information or could result in a disruption to or a loss of control of the Company's technological infrastructure or financial resources.

**The Company’s failure to successfully execute on its current and future planned facility expansion and capital commitments, including, among other things, successfully launching the operation of these facilities on time and on budget could harm its business and financial results and damage its customer relationships and reputation.**

The construction and modernization of such facilities will involve significant capital expenditures and require other resources, such as project management, vendor coordination, and manufacturing expertise as well as management and employee attention. The construction of such facilities may increase operating complexity in the short term and divert managements’ attention away from the Company’s normal course business activities. Failure by management and employees to balance new capital expenditures with existing operating needs could have a material adverse impact on the Company’s business, financial condition and results of operations. Additionally, the amount of capital expenditure incurred will directly affect the amount of cash available to the Company to explore additional business activities. There can be no assurances that the Company will be able to recover the higher capital costs through rate increases to the Company’s customers.

Due to the capital intensiveness and large scope of these projects, in the aggregate, the Company will require substantial resources and materials. The Company can offer no guarantee that these new projects will be completed on time or on budget. A wide variety of macro-economic factors may create inflationary pressure or otherwise impact the supply-chains relied on to source the necessary resources. The Company may experience cost increases, delays in delivery due to increased demand or financial hardship of a supplier or contractor, or some other unforeseen circumstances related to third parties. If the Company cannot obtain sufficient quantities of the required materials at competitive prices, of appropriate quality and on a timely basis, it may not be able to complete these projects on a timely basis or it may have to invest more capital than was originally budgeted. Delays in projects may impact the Company’s ability to honor contracts with existing customers and to termination of existing contracts. Overall, any of these problems could have a material adverse effect on the Company’s business, financial condition and results of operations. The Company has no guarantee that the proposed new customer contracts related to such projects will continue to exist or will be complied with following the completion of the projects. Although the Company makes every effort to successfully integrate new projects into existing operations, there can be no assurances that the Company will realize the anticipated revenues, synergies, or other benefits associated with the new projects.

If the Company is unable to complete the construction of these projects or otherwise increase production capacity, to meet any increased demand for its products, the Company may be unable to expand its business, satisfy customer requirements, maintain its competitive position and/or improve profitability. Failure to satisfy customer demand or perform new business contracts may result in a loss of market share and may damage the Company’s relationships with key customers. The launch of new projects, whether in an existing or new facility, is a complex process, the success of which depends on a wide range of factors, including the production readiness of the Company and its suppliers, as well as factors related to tooling, equipment, employees, initial product quality and other factors. Failure to successfully launch material projects could have a material adverse effect on the Company’s business, financial condition and results of operations. Due to the lead time required to procure or produce the machinery and equipment used in the Company’s manufacturing process, it can take months and even years to obtain new machines after they are ordered. Accordingly, the Company may be required to order production equipment well in advance of supplying components. The equipment used in the Company's manufacturing process requires large capital investments. Significant launch costs are typical for the completion of large capital expenditures and if the Company's planned projects are not completed on a timely basis or if anticipated customer orders do not materialize or are canceled, the Company may not be able to generate sufficient sales to offset launch costs, which could have a material adverse effect on the Company's business, financial condition and results of operations.

**The Company is subject to Health, Safety and Environmental laws and regulations that expose it to potential financial liability.**

The Company's operations are regulated under a number of federal, provincial, state, local and foreign environmental laws and regulations, which govern, among other things, the discharge of hazardous materials into the ground, air and water as well as the handling, storage and disposal of hazardous materials. Compliance with these environmental laws is a major consideration in the manufacturing of the Company's products, as the Company uses, generates, stores and disposes of hazardous substances and wastes in its operations. The Company may be subject to material financial liability for the investigation and clean-up of such hazardous materials and to criminal and civil penalties for violations. In addition, many of the Company's current and former properties are or have been used for industrial purposes. Accordingly, the Company also may be subject to financial liabilities relating to the investigation and remediation of hazardous materials resulting from the actions of previous owners or operators of industrial facilities on those sites. The Company has estimated the cost of remediation of various sites but changes in regulation, cost of remediation or facts could result in material discrepancies which could impact results. Liability in certain instances may be imposed on the Company regardless of the legality of the original actions relating to the hazardous or toxic substances or whether or not the Company knew of, or was responsible for, the presence of those substances. Remediation costs and other damages arising from environmental laws could be substantial and could have a material adverse effect on the Company's business, results of operations and financial condition.

The Company is also subject to various Canadian and U.S. federal, provincial, state and local laws and regulations as well as foreign laws and regulations relating to safety and health conditions in its manufacturing facilities. Those laws and regulations may also subject the Company to material financial penalties or liabilities for non-compliance, as well as potential business disruption if any of its facilities or a portion of any facility is required to be temporarily closed or required to materially change or amend its current operating procedure as a result of a violation of those laws and regulations or material amendment. Any such financial liability or business disruption could have a material adverse effect on the Company's projections, business, results of operations and financial condition.

**The Company operates in a number of markets where there are changing competitive dynamics that could adversely affect its market shares and operating margins.**

The Company faces competition from other suppliers in all markets in which it operates. Certain market segments that are material to the Company's financial performance have mature technology characteristics and face commoditization threats. Certain competitors may have financial, technical, manufacturing and marketing advantages and may be in a stronger competitive position than the Company as a result. Competitive actions taken by competitors such as price changes, new product and technology introductions and improvements in availability and delivery could affect the Company’s market share or competitive position. To be competitive, the Company must deliver value to our customers by developing new technologies and providing reliable products and services. The intense competition within the industries in which it operates could lead to a reduction in revenue or prevent the Company from successfully pursuing additional business opportunities, which could have an adverse effect on the Company's operating results and cash flows.

Historically, the Company derives a material proportion of its revenue from large offshore pipeline projects. Increasingly, the ability to maintain a direct relationship with the owner of the pipeline is impacted by the role of intermediaries such as engineering procurement and construction contractors who are contracted by the pipeline owner to procure the Company’s products and services as part of a larger integration scope of work. Loss of direct interface with pipeline owners could impair the Company’s ability to commercialize new products and differentiate its product offerings versus competitors.

**Customer’s inability to obtain credit/financing could lead to lower demand for our services.**

Many of our customers require reasonable access to credit facilities and debt and equity capital markets to finance their activity. If the availability of credit to our customers is reduced, they may reduce their expenditures, thereby decreasing demand for our products and services. Additionally, certain investors and lenders may discourage investments or lending into the hydrocarbon industry. A significant segment of the products and services the Company provides are related to the transmission and storage of hydrocarbons including oil and natural gas, whose ultimate consumption are major sources of greenhouse gas emissions or other chemicals To the extent that investors and institutions discourage investments or lending into the hydrocarbon industry, it could have an adverse effect on the cost of capital or availability of capital for our customers, which may result in reduced spending by our customers. A reduction in spending by our customers could have a material adverse effect on our business.

**The Company’s Credit Facility and other financing agreements contain financial and other covenants that, if breached by the Company, may require the Company to redeem, repay, repurchase or refinance its existing debt obligations prior to their scheduled maturity.**

The Company’s Credit Facility, Senior Notes and other financing agreements contain financial and other covenants, including in the case of the Credit Facility, leverage ratio and interest coverage covenants. If the Company was to breach the financial or other covenants contained in these agreements, the Company may be required to redeem, repay, repurchase or refinance its existing debt obligations in a short time frame and the Company’s ability to do so may be restricted or limited by the prevailing conditions in the capital markets, available liquidity and other factors. If the Company is unable to refinance its debt obligations in such circumstances, its ability to make capital expenditures and its financial condition and cash flows could be adversely impacted. If future debt financing is not available to the Company when required or is not available on acceptable terms, the Company may be unable to grow its business, take advantage of business opportunities, respond to competitive pressure or refinance maturing debt, any of which could have a material adverse effect on the Company’s operating results and financial condition.

**A downgrade of the Company’s credit rating could increase the Company’s cost of borrowing and reduce its access to debt.**

The credit ratings currently assigned to the Company by DBRS and S&P, or that may in the future be assigned by those or other rating agencies, are subject to amendment in accordance with each agency’s rating methodology and subjective modifiers driving the credit rating opinion. There is no assurance that any rating assigned to the Company will remain in effect for any given period of time or that any rating will not be revised or withdrawn entirely by a rating agency in the future. A downgrade in the credit rating assigned by one or more rating agencies could increase the Company’s cost of borrowing or impact the Company’s ability to renegotiate or access debt and may have a material adverse effect on the Company’s financial condition and profitability.

**Volatility of Market Price of Common Shares.**

The market price of the common shares of the Company may be volatile. This volatility may affect the ability of holders to sell the common shares at an advantageous price. Market price fluctuations in the common shares may be due to the Company’s operating results failing to meet the expectations of securities analysts or investors in any quarter, downward revision in securities analysts’ estimates, governmental regulatory action, adverse change in general market conditions or economic trends, acquisitions, dispositions or other material public announcements by the Company or our competitors, along with a variety of additional factors as outlined herein. In addition, the market price for securities on stock exchanges, including the TSX, may experience significant price and trading fluctuations, which are often unrelated or disproportionate to changes in operating performance. Further, the Company may on a go forward basis elect to buy-back shares or issue additional securities or debt, which in turn may impact the price of common shares. These broad market fluctuations and future share buybacks or issuances may affect the market prices of the common shares. Further, sufficient market liquidity for holders to sell common shares when desired cannot be assured. At times when the Company’s share price is relatively low by historic standards, the Company may be subject to takeover attempts by certain companies or institutions acting opportunistically.

**The Company may be adversely affected by public health crises and other events outside its control.**

As demonstrated over the last few years, public health crises, such as epidemics and pandemics, acts of terrorism, war or other conflicts and other events outside of the Company’s control, may adversely impact its business and operating results. In addition to the direct impact that such events could have on its facilities and workforce, these types of events could negatively impact capital expenditures and overall economic activity in the impacted regions or depending on the severity, globally, which could impact the demand for the Company’s products and services.

Since 2020, the Company’s operations and financial results have been adversely impacted by the global COVID-19 pandemic and given its unpredictable nature the Company may be exposed on a go forward basis to additional liabilities and risks created by a resurgence, mutation or variation of COVID-19 and the potential institution or re-institution of lockdowns and other public health restrictions resulting therefrom. The COVID-19 pandemic resulted in unprecedented governmental actions, including mobility restrictions, border closures, stay-at home orders, shutdown of non-essential business and new health and monitoring guidelines. Oil demand significantly declined in 2020 as a result of the COVID-19 pandemic and corresponding preventative measures taken around the world to mitigate the spread of the virus.

The global COVID-19 pandemic, and the resulting reduction in oil prices and in customers' capital spending, has directly negatively impacted the Company's business since 2020. The duration and impact of pandemics and public health crises (including a resurgence, mutation or variation of COVID-19) on the Company are difficult to determine and the potential long-term impact will depend on a number of factors, including the ultimate geographic spread of the pandemic, epidemic or public health emergency, the severity of the disease and the duration of the outbreak, directives of public health and governmental authorities, the extent and duration of governmental assistance for businesses and individuals adversely impacted, the extent to which suppliers and customers return to normalized levels of production and capital spending, the effectiveness and use of treatments and vaccines (including the effectiveness of boosters).

Public health crises (including a resurgence, mutation or variation of COVID-19) and other events outside the Company's control, could materially impact the financial results of the Company and may include, but are not limited to, the following risks:

- Customers may attempt to cancel or delay projects or may attempt to invoke force majeure clauses in certain contracts.
- Customers may seek to delay payments, may default on payment obligations and/or seek bankruptcy protection that could delay or prevent collections of certain accounts receivable and which may lead to increased allowance provisions.
- Disruption to the Company's domestic and global supply chains, including restrictions on importing and exporting products.
- Temporary or long-term operational disruptions and labour shortages due to decreased productivity resulting from the health and availability for work of our workforce and from government mandated stay-at-home orders or facility closures.
- Supply chain disruptions may adversely impact the Company and our suppliers and customers.
- Shortages of critical components, particularly for customers of the Company's Automotive and Industrial segment, may adversely impact demand for the Company's products.
- Higher costs associated with the rationalization of facilities and workforce.
- The Company's inability to access capital or liquidity at acceptable terms.
- Additional asset impairments if demand for the Company's services and products decreases.
- Political uncertainty and unrest in reaction to government regulation leading to unexpected economic and social consequences.

**The Company could be subject to substantial liability claims, which may not be covered by insurance and which could adversely affect its projections, business, results of operations and financial condition.**

Some of the Company's products are used in hazardous applications where an accident or a failure of a product could cause personal injury, loss of life, damage to property, equipment or the environment, as well as the suspension of the end-user's operations. If the Company's products were to be involved in any of these difficulties, the Company could face litigation and may be held liable for those losses, which could be substantial.

Extreme weather conditions, natural occurrences, and terrorist activity have strained insurance markets leading to substantial increases in insurance costs and limitations on coverage. Further, the Company may face litigation initiated by third parties relating to the Company's greenhouse gas emissions, its impact on the climate, and/or its disclosure relating to ESG matters. The Company carries prudent levels of insurance to protect the Company from these events, subject to appropriate deductibles and the availability of coverage. However, in light of the above, the Company's insurance coverage may not be adequate in risk coverage or policy limits to cover all losses or liabilities that it may incur. Moreover, the Company may not be able in the future to maintain insurance at levels of risk coverage or policy limits that management deems adequate on commercially reasonable terms. Any claims made under the Company's policies likely will cause its premiums to increase. Any future damages deemed to be caused by the Company's products or services that are not covered by insurance, or that are in excess of policy limits or subject to substantial deductibles, could have a material adverse effect on the Company's projections, business, results of operations and financial condition.

**The Company is subject to litigation and could be subject to future litigation and significant potential financial liability.**

From time to time, the Company is a party to litigation and legal proceedings that it considers to be a part of the ordinary course of business. Although none of the litigation or legal proceedings in which the Company is currently involved could reasonably be expected to have a material adverse effect on the Company's projections, business, results of operations or financial condition, the Company may, however, become involved in material legal proceedings in the future. Such proceedings may include, for example, product liability claims and claims relating to the existence or use of hazardous materials on the Company's property or in its operations, as well as intellectual property disputes and other material legal proceedings with competitors, customers, employees and governmental entities. These proceedings could arise from the Company's current or former actions and operations or the actions or operations of businesses and entities acquired by the Company prior to acquisition. The Company maintains insurance it believes to be commercially reasonable and customary; however, such coverage may be inadequate for or inapplicable to particular claims.

**The Company's ability to make scheduled payments or to refinance its debt obligations may be negatively impacted or restricted due to matters beyond the Company's control, including prevailing conditions in the capital markets, available liquidity and other factors.**

The ability of the Company to make scheduled payments on or to refinance its debt obligations depends on the Company's financial condition and operating performance, which are subject to a number of factors beyond the Company's control. The Company may be unable to maintain a level of cash flow from operating activities sufficient to permit the Company to pay the principal, premium, if any, and interest on its indebtedness. If the Company's cash flow and capital resources are insufficient to fund its debt service obligations, the Company could face substantial liquidity problems and could be forced to reduce or delay investments and capital expenditures or to dispose of material assets or operations, seek additional debt or equity capital or restructure or refinance its indebtedness. The Company may not be able to effect any such alternative measures on commercially reasonable terms or at all and, even if successful, those alternative actions may not allow the Company to meet its scheduled debt service obligations.

**Requirements related to ESG practices and disclosures are rapidly expanding, and failure to meet these requirements could adversely affect Company performance and/or its attractiveness to investors and other stakeholders.**

Increasingly, governments are requiring, and investors and other stakeholders are requesting further transparency and disclosure related to ESG topics and are requesting that companies develop and implement robust ESG policies and practices. Disclosure frameworks and evaluation criteria are not standardized and continue to evolve, therefore, certainty around compliance actions cannot be guaranteed.

Many governments have established targets related to material ESG topics, such as carbon, other greenhouse gas and chemical emissions. A number of the industry sectors in which the Company operates are facing additional scrutiny regarding regulations in the near term and the Company's ties to these sectors may subject it to the same. New or more stringent regulations could increase the Company's cost structure to meet compliance obligations or impact the ability to maximize production under existing air permits. Global reporting standards for climate change risks are not yet firmly established with varying regulatory bodies and differing reporting frameworks. However, the reporting framework offered by TCFD is emerging as the pre-eminent global standard for such reporting. TCFD is being used as the backbone for various global regulatory bodies like the SEC, the International Sustainability Standards Board and the Canadian Standards Association. Further, in 2022, the Canadian government outlined its plan to require federally regulated institutions, like the Company, to begin reporting on climate-related financial risks in accordance with the TCFD framework. The Company is taking steps to follow the framework developed by the TCFD as well as the proposed version of National Instrument 51-107 – *Disclosure of Climate-related Matters* published by the Canadian Securities Administrators premised on the framework.

In addition, practices and disclosures relating to ESG matters (including but not limited to climate change and emissions, diversity and inclusion, data security and privacy, ethical sourcing, and water, waste and ecological management) are attracting increasing scrutiny by stakeholders. Certain stakeholders are requesting that issuers develop and implement more robust ESG policies, and practices. Developing and implementing such policies and practices can involve significant costs and require a significant time commitment from the Board of Directors, Executive Management Team, and employees of the Company. Failing to implement the policies and practices, as requested or expected by stakeholders, may result in such investors reducing their investment in the Company, or not investing at all. The Company's response to addressing ESG matters and any negative perception thereof can also impact its reputation, business prospects, ability to hire and retain qualified employees, and vulnerability to activist shareholders. Such risks could adversely affect the Company's future business operations and profitability.

Moreover, the Company may not be able to develop, access, or implement some or all of the technology necessary to efficiently and effectively achieve our ESG goals and ambitions, including reductions in greenhouse gas emissions targets. Current technologies, or anticipated future technologies, may not be able to, may not become available as expected or may not be available on commercially reasonable terms to achieve the Company's ESG targets. Further, certain technology may not be commercially viable or scalable to effectively reduce greenhouse gas emissions. The failure of the Company to meet its ESG goals due to, among other things, insufficient access to technology, or any litigation that may arise from the Company's failure to achieve such ESG targets, could adversely affect its future business operations and profitability.

The Company has appointed a Chief Compliance Officer to oversee the Company's progress towards and achievement of its ESG goals and ambitions, among other things. The Chief Compliance Office is responsible for, among other things, the Company's, its directors', officers', employees', consultants', advisors' and third parties' compliance with the Company's ESG policies, procedures and legal requirements. There can be no assurances that the Company will be able to meet any of its ESG goals or ambitions, failure to meet any of its ESG targets could adversely affect its future business operations and profitability.

Canada is considering enacting the *Fighting Against Forced Labour and Child Labour in Supply Chain Act* ("Act") similar to legislation in other parts of the world in which the Company operates. If passed in its current form, the Act will require the Company to examine its supply chains and produce annual reports, to be published on the Company's website and submitted to the Minister of Public Safety and Emergency Preparedness, disclosing measures and steps it has taken to prevent and reduce the risk that forced labour or child labour is being used in its supply chains. Failure to comply with the Act could have a material adverse effect on the Company's reputation, business, results of operations and financial condition.

**The Company's indebtedness may limit its strategic, financial and operational flexibility.**

Although it repaid $79 million in 2022, the Company still has a significant level of indebtedness. The degree to which the Company is leveraged could have important consequences, including: (i) the Company's ability to obtain additional financing for working capital, capital expenditures, or acquisitions may be limited; (ii) all or part of the Company's cash flow from operations may be dedicated to the payment of the principal of and interest on the Company's indebtedness, thereby reducing funds available for operations; and (iii) certain of the Company's borrowings are at variable rates of interest, which exposes the Company to the risk of increased interest rates. These factors may adversely affect the Company's cash flow. In addition, the occurrence of an economic shock not contemplated in the Company's business plan, a rapid deterioration of conditions or a prolonged recession could result in the depletion of its cash resources, which could have a material adverse effect on its operations and financial condition.

The agreements governing the Company's indebtedness contain numerous restrictive covenants that limit the discretion of the Company with respect to certain business matters. These covenants place significant restrictions on, among other things, the ability of the Company to create liens or other encumbrances, to pay distributions or make certain other payments, investments, loans and guarantees, the ability to conduct share buybacks and repurchases, including the size thereof, if any, and to sell or otherwise dispose of assets.

**The Company could be negatively affected as a result of actions of activist shareholders and some institutional investors may be discouraged from investing in the Company due to its energy exposure.**

Activist shareholders could advocate for changes to the Company's corporate governance, operational practices and strategic direction, which could have an adverse effect on the Company's reputation, business and future operations. In recent years, publicly traded companies have been increasingly subject to demands from activist shareholders advocating for changes to corporate governance practices, such as executive compensation practices, social issues, or for certain corporate actions or reorganizations. There can be no assurances that activist shareholders will not publicly advocate for the Company to make certain corporate governance changes or engage in certain corporate actions. Responding to challenges from activist shareholders, such as proxy contests, media campaigns or other activities, could be costly and time consuming and could have an adverse effect on the Company's reputation and divert the attention and resources of management and the Company's Board of Directors, which could have an adverse effect on the Company's business and operational results. Additionally, shareholder activism could create uncertainty about future strategic direction, resulting in loss of future business opportunities, which could adversely affect the Company's business, future operations, profitability and ability to attract and retain qualified personnel.

In addition to risks associated with activist shareholders, some institutional investors are placing an increased emphasis on ESG factors when allocating their capital. These investors may be seeking enhanced ESG disclosures or may implement policies that discourage investment in the hydrocarbon industry. To the extent that certain institutions implement policies that discourage investments in our industry, it could have an adverse effect on the Company's financing costs and access to liquidity and capital. Additionally, if the Company's reputation is impacted as a result of the energy related industries in which it operates or services, it could result in increased operation or regulatory costs, lower shareholder confidence or loss of public support for the Company's business.

**Changes in climate conditions, and regulatory regimes could adversely affect the Company's projections, business, results of operations and financial condition.**

Many governments are moving to introduce climate change related rules at the international, national, state, provincial and local levels. Where legislation already exists, regulations relating to "greenhouse gases" and other emission levels and energy efficiency are becoming more stringent. Regulatory requirements, however, are not consistent across the regions in which the Company operates. In addition, concerns about climate change have resulted in environmental activists and members of the public increasingly opposing some elements of business in the industries and markets that the Company serves.

Compliance with requirements related to climate change may require significant capital outlays that may cause material changes, delays or disruptions in the Company’s intended activities. The direct or indirect costs of compliance may have a material adverse effect on the Company's costs of operations and ability to operate within the parameters of its existing permits. The Company's business could also be indirectly impacted by climate-change related laws and regulations, as well as changes in public sentiment affecting its customers and suppliers.

Climate change and, more generally, the transition to a low carbon economy entail physical, regulatory and reputational risks. Although the Company is not a large producer of greenhouse gases, a significant segment of the products and services it provides are related to the transmission and storage of hydrocarbons including oil and natural gas, whose ultimate consumption are major sources of greenhouse gas emissions or other chemicals. Changes in the regulations concerning the release of greenhouse gases or other chemicals into the atmosphere, including the introduction of “carbon taxes” or limitations over the emissions of greenhouse gases or other chemicals, may adversely impact the ability of the Company to maintain production levels within its existing permits, the demand for hydrocarbon related industries and ultimately, the demand for certain of the Company’s products and services, including retail fuel tanks, products for combustion engines and pipe coating. Similarly, technological advances and cost declines in alternative energy sources may reduce demand for hydrocarbons, which could lead to a lower demand for certain of the Company’s products and services including retail fuel tanks, products for combustion engines and pipe coating.

An increasing focus on reduction of greenhouse gas as well as chemical emissions and a potential shift to lower carbon intensive energy sources or a shift to a lower carbon economy may depress the overall level of activity in certain markets and industries, impacting the demand for certain of the Company’s products and services including retail fuel tanks, products for combustion engines and pipe coating. Certain investors may discourage investments into certain of the industries which the Company serves. To the extent that certain institutions implement policies that discourage investments in those industries, it could have an adverse effect on the financing costs and the access to liquidity and capital of certain of the Company’s customers, which in turn could lead to a lower demand for certain of the Company’s products and services as noted above.

**Unusual or unfavourable weather conditions relating to climate change may cause supply chain and operational disruptions as well as reduced sales.**

The physical impacts of increasingly volatile weather conditions, both acute (event driven) and chronic (long-term) may have an adverse effect on the operations of the Company. These include more frequent and extreme weather events, shifts in temperature ranges and precipitation, natural disasters, resource shortages, changing sea levels and changing temperatures, some or all of which could cause severe or in some instances, catastrophic impacts to the resources, materials, facilities, labour availability or operations of the Company as well as its customers and suppliers.

Climate change may have similar impacts on the Company's major customers, reducing demand for its products, and may also impact suppliers, which could result in shortages in certain consumables and other products required to maintain the Company's operations. While the Company undertakes ongoing climate change risk assessment and implementation of mitigation strategies to address, where possible, the risks associated with the impacts of extreme weather events, the frequency and severity of such events can vary widely and cannot be predicted. This uncertainty, in turn, could have a material adverse effect on the Company's ability to operate in certain jurisdictions, projections, business, results of operations and financial condition.

**The Company's projections, business, results of operations and financial condition could be adversely affected by actions under Canadian, U.S., European or other trade or tax laws.**

The Company is a Canadian-based company with significant operations in the United States. The Company also owns and operates international manufacturing operations that support its Canadian, U.S. and European operations. If actions under Canadian, U.S., European or other trade or tax laws were instituted that limited the Company's access to the materials or products necessary for such manufacturing operations, the Company's ability to meet its customers' specifications and delivery requirements would be reduced. Any such reduction in the Company's ability to meet its customers' specifications and delivery requirements could have a material adverse effect on the Company's projections, business, results of operations and financial condition.

The Company has various facilities that export products to the United States and other countries. Any changes to trade or tax laws that negatively impact the competitiveness of the Company's exports or products could have a material adverse effect on the Company's projections, business, results of operations and financial condition.

**The Company is subject to corruption, bribery and trade laws that expose it to potential financial and regulatory liability.**

The Company is required to comply with Canadian, U.S. and international laws and regulations regarding anti-corruption, anti-bribery and trade sanctions and compliance. While the Company mandates compliance with all such applicable laws and regulations and has developed policies and procedures to maintain compliance with such laws and regulations, it could be exposed to investigations, claims and other regulatory proceedings for alleged or actual violations related to its operations, particularly during the execution of large projects in countries with a higher risk profile such as Mexico. The governments of Canada, the United States and other agencies and similar agencies and authorities in other jurisdictions, have a broad range of civil and criminal penalties that they may seek to impose against corporations and individuals for such violations, including among other things, fines, penalties, disgorgement and injunctive relief. If any of these risks materialize, it could have a material adverse effect on the Company's reputation, business, results of operations and financial condition.

**Exchange rate fluctuations are beyond the Company's control and could adversely affect its projections, business, and results of operations and/or financial condition.**

The majority of the Company's business is transacted outside of Canada through subsidiaries operating in several countries. The net investments in these subsidiaries as well as their revenue, operating expenses and non-operating expenses are based in foreign currencies. As a result, the Company's consolidated revenue, expenses and financial position may be impacted by fluctuations in foreign exchange rates as these foreign currency items are translated into Canadian dollars.

The objective of the Company's foreign exchange risk management activities is to minimize transaction exposures associated with the Company's foreign currency-denominated cash streams and the resulting variability of the Company's earnings. The Company utilizes foreign exchange forward contracts to manage foreign exchange risk. Presently, the Company does not engage in any significant hedging of currencies.

**The Company is subject to interest rate risk.**

The Company's Credit Facility is subject to changes in market interest rates. Interest rates increased significantly from the start of 2022 to now, with the Bank of Canada having increased its overnight interest rate by 425 basis points since January 2022 in an attempt to bring rising inflation under control. Accordingly, the Company's cost of borrowing has increased along with such interest rate increases. The Company is managing this increased cost of borrowing by reducing its indebtedness, which in turn reduces pricing as well as exposure to such increased costs of borrowing. Continued changes in economic or market conditions due to, among other things, continued rising inflation, supply chain shortages and Russia's invasion of Ukraine, could result in additional interest rate increases in 2023 and beyond, thereby increasing the Company's interest expense which could have a material adverse effect on the Company's operating results and financial condition.

**Internal control systems for financial reporting cannot provide absolute assurance of the reliability of financial reporting.**

The Company prepares its financial reports in accordance with accounting policies and methods prescribed by IFRS. In the preparation of financial reports, management may need to make estimates, rely upon assumptions and use their best judgment in determining the financial condition of the Company. The Company's significant accounting policies are described in the notes to the Company's annual consolidated financial statements for the year ended December 31, 2022. In order to have a reasonable level of assurance that financial transactions are properly authorized, recorded and reported and that assets are safeguarded against unauthorized or improper use, the Company has in place internal control systems for financial reporting. Although the Company believes that its financial reporting and financial statements are prepared with reasonable safeguards to ensure reliability, the Company cannot provide absolute assurance in that regard.

**Forward-looking statements may prove to be inaccurate.**

Investors should be cautious and avoid placing undue reliance on forward-looking statements. By their nature, forward-looking statements involve several assumptions, known and unknown risks and uncertainties, of both a general and specific nature, that could cause actual results to differ materially from those suggested by the forward-looking statements or contribute to the possibility that predictions, forecasts or projections will prove to be materially inaccurate.

**Item 5 DIVIDENDS**

The declaration and payment of dividends are at the discretion of the Board of Directors. Management reviews the Company's financial results monthly and the Board of Directors reviews the financial results quarterly, or as requested by Management, and determines whether a dividend shall be declared and paid based on a number of factors including, but not limited to, the Company's earnings, financial condition and legal or contractual restrictions (such as those discussed below). There can be no assurance that the Company will be in a position to declare or pay quarterly dividends in the future.

For many years the Board of Directors maintained a stable dividend payment policy determined by reference to average net earnings over a period of years and the Company's overall financial standing. However, after careful review by the Board of Directors and in response to the uncertainty and expected market slow down caused by the COVID-19 pandemic and recent changes in oil and gas supply and demand that reduced capital investments by operators, the Company announced on March 16, 2020 that it would suspend its regular quarterly dividend until further notice, commencing in the second quarter of 2020. Any determination to pay dividends in the future will be at the discretion of the Board of Directors and will depend on many factors, including the Company's financial results, capital requirements, available cash flow, the need for funds to finance ongoing operations or other investment, organic growth and/or acquisition opportunities, contractual restrictions and covenants, solvency tests imposed by corporate law and other factors that the Board may deem relevant. At this time, the Company continues to focus on prudent capital allocation to drive long-term shareholder value and, accordingly, the Board of Directors may determine that there are strategic allocations of capital that are more preferable to the payment of a quarterly dividend and that will increase shareholder value.

The following table summarizes quarterly dividend per share during the previous three years:

| | **2022** | **2021** | **2020** |
|---|---|---|---|
| Common Shares | $0.00 | $0.00 | $0.15 |

The Company's Credit Facility requires that, prior to (and after giving effect to) the payment of dividends, the Company must comply with certain financial covenants. The Company is and has been in compliance with such financial covenants at all relevant times.

The Notes further restrict the Company's ability to pay dividends while they remain outstanding.

**Item 6 DESCRIPTION OF CAPITAL STRUCTURE**

The authorized capital of the Company consists of an unlimited number of common shares. Each common share entitles the holder thereof to one vote per share at meetings of Shareholders, to receive dividends if, as and when declared by the Board of Directors and to receive pro rata the remaining property and assets of the Company upon its dissolution or winding up.

**Ratings**

Credit ratings affect the Company's ability to obtain short-term and long-term financing and the cost of such financing. Additionally, the ability of the Company to engage in certain collateralized business activities on a cost-effective basis depends on the Company's credit ratings. A reduction in the current rating on the Company's debt by its rating agencies, particularly a downgrade below current ratings, or a negative change in the Company's ratings outlook could adversely affect the Company's cost of future financing and its access to sources of liquidity and capital. Credit Ratings received by the Company as at December 31, 2022 were as follows:

| | **DBRS Limited[1] ("DBRS")** | **S&P Global Ratings ("S&P")** |
|---|---|---|
| Issuer Rating | BB (low), Stable | BB-, Stable |
| Senior Unsecured Debt (High Yield) | B (high), Stable | B |
| Senior Secured Credit facility | | BB- |

(1) DBRS' long-term credit ratings provides opinions on the risk that an issuer will fail to satisfy the financial obligations in accordance with the terms under which the debt obligation has been issued. DBRS' credit rating scale ranges from 'AAA' (for the highest credit quality) to 'D' (the lowest ranking, where the issuer has filed under bankruptcy, insolvency or winding-up statutes or where there is a failure to satisfy obligations after the exhaustion of any grace periods). A rating of BB by DBRS is the fifth highest of ten categories and is assigned to debt securities viewed as speculative, non-investment grade credit quality where the capacity for the payment of financial obligations is considered acceptable, but the issuer may be vulnerable to future events. The assignment of a "(high)" or "(low)" modifier within certain rating categories indicates relative standing within such category. The absence of either a "(high)" or "(low)" designation indicates the rating is in the middle of the category.

(2) S&P's issuer and senior debt rating is a forward-looking opinion of the Company's overall credit worthiness. The opinion reflects S&P's view of the Company's capacity and willingness to meet its financial commitments when due. S&P's credit ratings are on a long-term debt rating scale that ranges from the highest 'AAA' (being an extremely strong capacity to meet its financial obligations) to the lowest 'D' (where a failure to pay one or more financial obligations when it became due. An issuer rating of BB by S&P is the fifth highest of ten major categories. According to the S&P rating system, an issuer with debt securities rated BB is viewed as less vulnerable in the near-term but facing major ongoing uncertainties to adverse business, financial and economic conditions. Its securities are considered speculative grade. According to the S&P rating system, an issuer with debt securities rated B is viewed as more vulnerable to adverse business, financial and economic conditions but currently has the capacity to meet financial commitments. The addition of a plus (+) or minus (-) designation after a rating indicates the relative standing within a particular rating category and the lack of such designation indicates a ranking that is in the middle of the category. S&P assigns "stable" outlooks to issuer ratings when S&P believes that a rating is not likely to change over the shorter term (generally up to one year).

The credit ratings assigned by the rating agencies are not recommendations to purchase, hold or sell the Company's securities nor do the ratings comment on market price or suitability for a particular investor. A rating may not remain in effect for any given period of time and may be revised or withdrawn entirely by a rating agency in the future if, in its judgment, circumstances so warrant. The Company has paid each of DBRS and S&P their customary fees in connection with the provision of the above ratings. The Company has not made any payments to DBRS or S&P in the past two years for services unrelated to the provision of such ratings.

## Item 7 MARKET FOR SECURITIES

The following are the monthly closing price ranges and volumes traded on the TSX for the Company's common shares for 2022:

| Month | Close | High | Low | Volume |
|---|---|---|---|---|
| January | $5.91 | $6.09 | $4.93 | 4,463,177 |
| February | $5.86 | $6.28 | $5.66 | 4,445,349 |
| March | $5.04 | $6.18 | $4.65 | 7,496,107 |
| April | $4.86 | $5.34 | $4.50 | 4,513,642 |
| May | $6.52 | $6.87 | $4.44 | 6,844,183 |
| June | $5.71 | $6.69 | $5.08 | 5,178,991 |
| July | $5.82 | $5.85 | $4.99 | 3,446,303 |
| August | $7.86 | $8.47 | $5.50 | 6,431,162 |
| September | $8.54 | $8.75 | $7.24 | 6,272,509 |
| October | $9.94 | $9.97 | $8.56 | 4,518,209 |
| November | $12.48 | $12.69 | $9.75 | 9,418,823 |
| December | $13.74 | $14.42 | $12.26 | 6,489,610 |

**Item 8**

## DIRECTORS AND OFFICERS

### 8.1 Name, Address, Occupation and Security Holdings as a Group

#### 8.1.1 Directors

The following table sets out for each Director, as of the date hereof, his or her name, municipality and country of residence, principal occupation, committee membership and period during which he or she has served as Director:

| Name and Municipality of Residence | Principal Occupation | Director Since |
|---|---|---|
| Derek Blackwood<br>Houston, Texas, U.S.A. | Corporate Director, Chair of the Board of Shawcor Ltd. | 2011 |
| Laura Cillis(1)(2)<br>Nelson, British Columbia, Canada | Corporate Director | 2019 |
| Kevin Forbes(1)(3)<br>West Sussex, England | Corporate Director | 2014 |
| Alan Hibben(1)(3)<br>Leeds, England | Corporate Director | 2020 |
| Kevin Nugent(1)(2)<br>Calgary, Alberta, Canada | Corporate Director | 2021 |
| Ramesh Ramachandran(2)(3)<br>Princeton, New Jersey, U.S.A. | Corporate Director | 2022 |
| Kathleen Hall(1)(2)<br>Chadds Ford, Pennsylvania, U.S.A. | Corporate Director | 2022 |
| Michael Reeves<br>Houston, Texas, U.S.A | President & Chief Executive Officer, Shawcor Ltd. | 2021 |

(1) Audit Committee
(2) Compensation and Organizational Development Committee
(3) Governance & Sustainability Committee

Directors are elected annually at each Annual Meeting of shareholders to hold office until the next Annual Meeting of shareholders or until their successors have been duly elected.

### 8.1.2 Officers

The following sets out for each executive Officer of the Company, his or her name, municipality of residence and position with the Company as of the date hereof:

| Name and Municipality of Residence | Offices with Shawcor Ltd. and Principal Occupation |
|---|---|
| Derek Blackwood<br>Houston, Texas, U.S.A. | Chair of the Board, Shawcor Ltd. |
| Michael Reeves<br>Houston, Texas, U.S.A | President & Chief Executive Officer |
| Tom Holloway<br>Houston, Texas, U.S.A. | Senior Vice President, Finance<br>Chief Financial Officer |
| Timothy Hutzul<br>Toronto, Ontario, Canada | Senior Vice President, General Counsel and Secretary |
| Geoff Smith<br>Toronto, Ontario, Canada | Senior Vice President and Chief People and HSE Officer |
| Shannon Glover<br>Calgary, Alberta, Canada | Vice President, Legal |

During the past five years, all of the Company's Directors and Officers have held their present principal occupations or other positions as noted opposite their respective names except:

Derek Blackwood became Chair of the Board of the Company in May 2020. He was the Chief Executive Officer of Vepica Group from September 2015 to June 2018.

Ramesh Ramachandran joined the Board in May 2022. Mr. Ramachandran has served as Chief Executive Officer of MEGVIN Advisors LLC since February 2021. Prior to that, he was the Chief Executive Officer of EQUATE Petrochemical Company from September 2016 to October 2020.

Kathleen Hall joined the Board in May 2022. Ms. Hall has also served as a director of industrial portfolio companies of Altamont Capital Partners since August 2021. Prior to that, she was the Chief Operating Officer of Faro Technologies from July 2013 to August 2019.

Michael Reeves became President of the Company on March 3, 2021. Prior to that, Mr. Reeves served as CEO & President of Rubicon Oilfield International, a privately held company, since

2016.

Tom Holloway became Senior Vice President, Finance and Chief Financial Officer of the Company on May 31, 2022 after joining the Company as Chief Accounting Officer in November 2021. Prior to that, Mr. Holloway served as Chief Financial Officer of Wellbore Integrity Solution from March 2021 to November 2021; as Chief Financial Officer for Rubicon Oilfield International from August 2018 to March 2021; and as Chief Accounting Officer for Spark Energy from September 2016 to August 2018.

Timothy Hutzul served as Vice President of Legal for Shawcor from November 2011until his appointment as Senior Vice President and General Counsel on November 1, 2018. On June 1, 2020 he was also appointed as Corporate Secretary of the Company.

Geoff Smith served as Senior Vice President HR, Health & Safety from February 2021 until his appointment as Senior Vice President and Chief People and HSE Officer on May 12, 2022. Prior to that, Mr. Smith was Senior Vice President, Human Resources from October 2019 to February 2021 and Vice President, Human Resources, Corporate from September 2016 to October 2019.

Shannon Glover became Vice President, Legal September 13, 2021 upon joining the Company. Prior to that, Ms. Glover was Legal Director and Corporate Secretary at Badger Infrastructure Solutions Ltd. from July 2020 to July 2021 and Associate General Counsel at MEG Energy Corp. from January 2009 to March 2020.

As at March 10, 2023, Directors and Officers of the Company as a group beneficially owned, directly or indirectly, or exercised control or direction over 184,211 of the issued and outstanding common shares of the Company, being 0,26% of the outstanding common shares.

## 8.2 Cease Trade Orders, Bankruptcies, Penalties or Sanctions

To the best of the Company’s knowledge, other than as noted below, no Director or Executive Officer,

(a) is, as at the date hereof or has been, within the 10 years before, a director, chief executive officer or chief financial officer of any company, that while that person was acting in that capacity,

  i. was the subject of a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation, for a period of more than 30 consecutive days, or

  ii. was subject to an event that resulted, after the Director or Executive Officer ceased to be a director, chief executive officer or chief financial officer, in the company being the subject of a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation for a period of more than 30 consecutive days;

(b) is, as at the date hereof or has been, within the 10 years before, a director or executive officer of any company, that while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or

(c) has, within the 10 years before the date hereof, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold the assets of the Director or Executive Officer.

To the best of the Company's knowledge, none of its Directors or Executive Officers has been subject to any penalties or sanctions imposed by a securities regulatory authority or by a court relating to securities legislation, has entered into a settlement agreement with a securities regulatory authority or has been subject to any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

## Item 9 LEGAL PROCEEDINGS AND REGULATORY ACTIONS

During the year ended December 31, 2022, there were no legal proceedings to which the Company is or was a party, or that any of the Company's property is or was the subject of, which is or was, or can be reasonably considered to be, material to the Company or any of its properties and the Company is not aware of any such legal proceedings that are contemplated. For the purposes of the foregoing, a legal proceeding is not considered to be "material" by the Company if it involves a claim for damages and the amount involved, exclusive of interest and costs, does not exceed 10% of the Company's current assets.

During the year ended December 31, 2022, there were no penalties or sanctions imposed against the Company by a court relating to securities legislation or by a securities regulatory authority, nor have there been any other penalties or sanctions imposed by a court or regulatory body against the Company that would likely be considered important to a reasonable investor in making an investment decision, and it has not entered into any settlement agreements before a court relating to securities legislation or with a securities regulatory authority.

## Item 10 AUDIT COMMITTEE

The Audit Committee is a standing committee appointed annually by the Board to assist the Board in fulfilling its oversight responsibilities with respect to financial reporting by Shawcor. The Committee consists of five members, Laura Cillis - Chair, Kevin Forbes, Kevin Nugent, Kathleen Hall and Alan Hibben, all of whom are independent directors. All members of the Audit Committee meet the financial literacy requirements of the Toronto Stock Exchange, provincial Securities Acts and the Canada Business Corporations Act and three of the five Audit Committee members meet the definition of a financial expert under section 407 of the Sarbanes Oxley Act

(2002). The relevant experience of each member of the Audit Committee is set forth below.

**Ms. Cillis** is chair of the Audit Committee. She is a Chartered Professional Accountant (CPA, CA) with over 25 years of financial leadership experience within the North American energy industry, most recently as Senior Vice President, Finance and Chief Financial Officer of Calfrac Well Services Ltd from 2008 until her retirement in 2013. Ms. Cillis currently serves as a corporate director and also chairs the audit committee of the board of another public company.

**Mr. Forbes**' 27 years of experience as a senior executive with a leading global energy services company and his subsequent experience as a consultant and partner in an oilfield technology investment company have provided him with an understanding of accounting principles and their application, experience in analyzing and evaluating financial statements of energy services companies and an understanding of internal controls and procedures for financial reporting.

**Mr. Nugent** is a chartered professional accountant (CPA, CA) and has held various senior financial positions with public companies. He has held the positions of Chief Executive Officer and Chief Financial Officer in public oil and gas service companies and has been the chair of Audit Committees for a number of other public companies.

**Mr. Hibben** is a chartered professional accountant (CPA, CA) and chartered financial analyst (CFA). Since December 2014, he has been the principal of Shakerhill Partners Ltd., an advisory and investment company which provides financial and strategic advice. Mr. Hibben has more than 40 years' experience in the investment and financial services industry, retiring in December 2014 as Managing Director in the Mergers and Acquisitions Group of RBC Capital Markets, after previous roles as Head, Strategy & Development at RBC Financial Group and Chief Executive Officer, RBC Capital Partners.

**Ms. Hall's** 35 years' experience as a senior operating executive leading global businesses within Fortune 500 companies has provided her with an understanding of accounting principles and their application, an ability to read and evaluate financial statements and an understanding of internal controls required to undertake financial reporting as well as to effectively manage SOX and FCPA-compliant business processes and growing businesses.

On March 10, 2022, Ernst & Young LLP resigned, at the request of the Company, as auditor of the Company and was replaced by KPMG LLP, following the completion of a request of proposal process initiated by the Company. The Company received proposals from a number of firms to which it sent the tender and, after a robust assessment, decided to appoint KPMG LLP as its auditor until the next annual meeting of the shareholders of the Company.

All non-audit services to be provided by the Company's auditors must be approved by the Audit Committee as outlined in the Audit Committee Charter, a complete copy of which is attached as Schedule 1. The following table discloses fees approved by the Audit Committee for the external auditors, Ernst & Young LLP and KPMG LLP, for 2021 and 2022:

| | KPMG LLP | Ernst & Young LLP | |
|---|---|---|---|
| **Category** | **2022($)** | **2021($)** | **2022($)** |
| **Audit Fees** | $1.796 | $1.940 | $0.000 |
| **Audit-Related Fees** | $0.000 | $0.556 | $0.088 |
| **Tax Fees** | $0.097 | $0.032 | $0.000 |
| **All Other Fees** | $0.000 | $0.000 | $0.000 |
| **Total Fees** | $1.893 | $2.528 | $0.088 |

A description of the services provided in connection with the "Audit-Related Fees" and "Tax Fees" is included in Appendix B to the Audit Committee Charter, attached as Schedule 1 to this AIF. The category of "All Other Fees" includes the aggregate fees billed for professional services other than those listed in the other three categories.

## Item 11 TRANSFER AGENT AND REGISTRAR

The Company's transfer agent and registrar is TSX Trust Company, located in Toronto, Ontario.

## Item 12 MATERIAL CONTRACTS

There were no contracts entered into by the Company since the beginning of 2022 or entered into prior to 2022 which remain in effect and which, in each case, are material and which were not entered into in the ordinary course of business, except for the following:

1. On December 10, 2021, the Company entered into a Note Indenture with TSX Trust Company as trustee for the holders of the Notes issued by the Company. The Note Indenture governs the rights of holders of the Notes.

2. On January 13, 2022, the Company entered into the Fifth Amended and Restated Credit Agreement which amended and restated its Credit Facility. with Toronto-Dominion Bank and National Bank Financial as co-lead arrangers and HSBC Bank Canada, JP Morgan Chase Bank and Export Development Bank as lenders (the "Credit Facility"). The Credit Facility provides for a US$300 million, four-year senior secured revolving facility with revised covenants.

## Item 13 INTERESTS OF EXPERTS

KPMG LLP is the Company's auditor and is independent of the Company within the meaning of the CPA Code of Professional Conduct of the Chartered Professional Accountants of Ontario.

## Item 14 RECONCILIATION OF NON-GAAP AND OTHER FINANCIAL MEASURES

The Company reports on certain non-GAAP measures that are used to evaluate its performance and segments, as well as to determine compliance with debt covenants and to manage its capital structure. These non-GAAP measures do not have standardized meanings under IFRS and are not necessarily comparable to similar measures provided by other companies. The Company discloses these measures because it believes that they provide further information and assist readers in understanding the results of the Company's operations and financial position. These measures should not be considered in isolation or used in substitution for other measures of performance prepared in accordance with GAAP. The following is a reconciliation of the non-GAAP measures reported by the Company.

### *EBITDA and Adjusted EBITDA*

EBITDA is a non-GAAP measure defined as earnings before interest, income taxes, depreciation and amortization. Adjusted EBITDA is also a non-GAAP measure defined as EBITDA adjusted for items which do not impact day to day operations. Adjusted EBITDA is calculated by adding back to EBITDA the sum of impairments, costs associated with repayment of long-term debt and credit facilities, gain on sale of land and other, gain on sale of investment in associates, gain on sale of operating units and subsidiaries, acquisition costs or recoveries, restructuring costs and other, net and hyperinflationary adjustments. The Company believes that EBITDA and Adjusted EBITDA are useful supplemental measures that provide a meaningful indication of the Company's results from principal business activities prior to the consideration of how these activities are financed or the tax impacts in various jurisdictions and for comparing its operating performance with the performance of other companies that have different financing, capital or tax structures. The Company presents Adjusted EBITDA as a measure of EBITDA that excludes the impact of transactions that are outside the Company's normal course of business or day to day operations. Adjusted EBITDA is used by many analysts as one of several important analytical tools to evaluate financial performance and is a key metric in business valuations. It is also considered important by lenders to the Company and is included in the financial covenants of the Company's Credit Facility.

### *Net debt-to-Adjusted EBITDA*

Net debt-to-Adjusted EBITDA is a non-GAAP measure defined as the sum of long-term debt, current lease liabilities and long-term lease liabilities, less cash and cash equivalents, divided by Adjusted EBITDA, as defined above, for the trailing twelve-month period. The Company believes Net debt-to-Adjusted EBITDA is a useful supplementary measure to assess the borrowing capacity of the Company. Net debt-to-Adjusted EBITDA is used by many analysts as one of several important analytical tools to evaluate how long a company would need to operate at its current level to pay of all its debt. It is also considered important by credit rating agencies to determine the probability of a company defaulting on its debt.

### *Order Backlog*

Order backlog is a supplementary financial measure commonly used in the industries in which the Company operates and represents the expected future revenue from existing unfulfilled customer contracts. The order backlog will fluctuate over time due to several factors including the duration of ongoing contracts, work progression and the timing of receipt of new contracts.

## Item 15 ADDITIONAL INFORMATION

Additional information, including Officers' and Directors' remuneration and indebtedness, principal holders of voting shares and securities authorized for issuance under equity compensation plans, is included in the Company's Management Proxy Circular which will be filed on SEDAR on or about April 19, 2023. Additional financial information is provided in the Company's audited financial statements and Management's Discussion and Analysis for the year ended December 31, 2022. These documents may be found on SEDAR at www.sedar.com.

Copies of these documents may be obtained upon request from the Senior Vice President, Finance and Chief Financial Officer, Shawcor Ltd., 25 Bethridge Road, Toronto, Ontario, Canada, M9W 1M7.

Additional information relating to the Company may also be found on SEDAR at www.sedar.com and on the Company's website at www.Shawcor.com.

**SCHEDULE 1**

Revised November 11, 2022

# SHAWCOR LTD. (the "Company")
# AUDIT COMMITTEE OF THE BOARD OF DIRECTORS
# CHARTER

## A. Authority

The Audit Committee of the Board of Directors (the "**Board**") operates under authority vested by the Board and reports to the Board. The Audit Committee assists the Board in fulfilling its duty to oversee the integrity of the Company's processes related to financial reporting, relations with the external and internal auditors, internal and disclosure controls, financial risk management and the creation of a culture of ethical business conduct. The Audit Committee will meet regularly with the Company's financial and accounting personnel and the Company's internal and external auditors to review these matters and to discuss internal controls over the financial reporting processes, disclosure controls, auditing matters and financial reporting issues. The Audit Committee Chair will report on the Committee's activities at every quarterly meeting of the Board. The Audit Committee will be provided with necessary resources to fulfill the duties and responsibilities assigned to it by the Board including the retention of such special legal, accounting, financial or other consultants as it may deem necessary. If determined necessary by the Audit Committee, it will also have the discretion to institute investigations of improprieties or suspected improprieties within the scope of its responsibilities.

The authority, organization and role of the Audit Committee reflect the requirements of the Canada Business Corporations Act, the Toronto Stock Exchange, as well as the provincial Securities Acts and any other pertinent legislation with which the Company must comply.

## B. Organization

**1**. **Number and Qualifications -** Members of the Audit Committee and the Chair are appointed annually by the Board. The Audit Committee consists of a minimum of three directors, all of whom must meet the independence and financial literacy requirements of the Toronto Stock Exchange, the provincial Securities Acts and the Canada Business Corporations Act (see definition in Appendix A). A director appointed to the Audit Committee will be a member of the Committee until replaced by the Board or until their resignation.

**2.** **Quorum and Invitees -** A majority of the members of the Audit Committee will form a quorum. Subject to invitation, meetings will usually include the CEO and the Senior Vice President, Finance and CFO. Attendees may also include other directors, the external and internal auditors or other representatives and employees of the Company, as determined by the Audit Committee.

**3**. **Meetings –** Committee meetings will be held as designated by the Audit Committee Chair or at the request of the Chair of the Board, the external auditor, the internal auditor, a senior officer of the Corporation or upon the request of a majority of Committee members. The Committee will meet a minimum of four times per year at such times and places as may be designated by the Chair. In the absence of the Chair, the members of the Audit Committee will choose one of the members present to chair the meeting. Audit Committee members may participate in meetings by means of such telephonic, electronic or other communication facilities as permits all persons participating in the meeting to hear and communicate with each other. The Audit Committee will have an "*in camera*" session without management at every quarterly meeting and at other meetings as deemed appropriate. Furthermore, the Audit Committee will meet "*in camera*" with the internal and with the external auditors, without management present at each Audit Committee meeting in which such auditors participate.

**C. Role**

Management is responsible for preparing the Company's consolidated financial statements and other financial information, for the fair presentation of the information set forth in the consolidated financial statements in accordance with GAAP, for establishing, documenting, maintaining and reviewing systems of internal and disclosure control and for maintaining the appropriate accounting and financial reporting principles and policies designed to assure compliance with accounting standards and applicable laws. The Audit Committee's role is one of oversight of the following matters:

**1. Financial Reporting and Disclosure**

a) Reviewing with management and the external auditor the annual and interim consolidated financial statements of the Company, including, without limitation, the judgement of the external auditors as to not only the acceptability but also the quality and appropriateness of the Company's accounting policies and practices as applied in its financial reporting, and reporting and recommending the consolidated financial statements to the Board for approval.

b) Reviewing the CFO Report summarizing substantive issues discussed by the Disclosure Committee as well as any material change to the Company's accounting policies and practices as recommended by senior management or the external or internal auditor or which may result from changes to applicable laws or to generally accepted accounting principles, including international financial reporting standards, where applicable.

c) Reviewing and recommending to the Board for approval all financial disclosure made by the Company within disclosure documents required by applicable securities regulators, including in the Company's Management Discussion and Analysis, annual and interim consolidated financial statements, prospectuses, information circulars and annual and interim earnings press releases, Annual Information Form and, whether or not such disclosure is required by applicable securities regulators, in the Company's Sustainability/ESG Report.

d) Reviewing the use of any "pro forma" or adjusted information not in accordance with applicable generally accepted accounting principles, where applicable.

e) Reviewing significant transactions and the manner in which these matters are treated in the Company's financial disclosure and consolidated financial statements.

f) Reviewing emerging accounting, financial reporting and disclosure issues.

g) Reviewing key estimates and judgments of management.

h) Reviewing material tax matters.

**2. Internal and Disclosure Controls**

a) Monitoring and reviewing the quality and effectiveness and integrity of internal and disclosure controls with senior management, the external auditors and the internal auditor including:

   i. reviewing minutes of Disclosure Committee meetings in connection with every quarterly Committee meeting;

   ii. establishing a Disclosure Committee Charter and, once established, periodically reviewing and assessing the adequacy of such Charter and approving any changes to it;

   iii. reviewing the external and internal auditors' recommendations on internal control matters, following-up on any identified weaknesses and management's response;

   iv. confirming that adequate procedures are in place for the review of the public disclosure of financial information extracted or derived from the consolidated financial statements of the Company and periodically assessing the adequacy of those procedures.

b) Discussing with the internal auditor any difficulties or disputes that arose with senior management during the course of the audits and the adequacy of senior management's responses in correcting audit-related deficiencies.

c) Reviewing the Company's processes for the CEO and CFO certifications required by applicable securities laws with respect to the Company's annual and interim filings.

d) Reviewing procedures for public disclosure of financial information and periodically assessing the adequacy of those procedures.

**3. Relations with External Auditors**

a) Reviewing External Auditor Report and confirming independence of the external auditor. Overseeing and evaluating the work of the external auditor, including the resolution of disagreements between management and the external auditor regarding financial reporting. The external auditor will report directly to the Audit Committee but is ultimately accountable to the Board, which has ultimate authority to select, evaluate and where appropriate, replace the external auditor.

b) Reviewing and approving in advance the terms of engagement and scope of the external audit and recommending to the Board the appointment and proposed audit fees of the external auditor.

c) Reviewing and discussing with the external auditor all significant relationships that the external auditor and its affiliates have with the Company and its affiliates in order to seek to determine the external auditor's independence, including:

   i. approving all non-audit assignments undertaken by the external auditor. Reviewing periodically the detailed policies and procedures dealing with pre-approved non-audit services. In addition, the Audit Committee at its discretion may delegate pre-approvals of other non-audit services to the Chair of the Committee, subject to ratification by the full Committee at the next scheduled meeting. Appendix B sets out the Audit Committee's current policy with respect to non-audit services for which the independent auditor may be engaged; and

   ii. approving any hiring of partners and employees and former partners and employees of the external auditor.

d) Reviewing the external auditor’s internal quality control procedures and any internal or external reviews of investigation of the auditor’s professional practices.

e) Requiring the external auditor to perform such supplemental reviews or audits as the Committee may deem desirable.

**4. Relations with Internal Auditor**

a) Approving the appointment and removal of the internal auditor. Reviewing and approving in advance the terms of engagement, including fees, the scope of the internal audit work plan and the resources necessary to carry out the plan, as well as confirming independence of the internal auditor. Overseeing and evaluating the work of the internal auditor, including management’s response to the internal auditor’s findings and recommendations as well the resolution of disagreements between management and the internal auditor regarding material weaknesses or significant deficiencies disclosed by the internal audit. The internal auditor will report directly to the Audit Committee.

b) Annually reviewing and assessing the adequacy of the Internal Audit Charter and approving any changes to it.

c) Monitoring and assessing the quality and effectiveness of internal audit and its role in the overall context of the Company’s risk management system.

## 5. Risk Management

a) Discussing with management and internal and external auditors their assessment of significant corporate and financial risks and exposures as well as reviewing the Company's risk management policies and processes together with the effectiveness and efficiency of the same.

b) Annually reviewing the Company's program to obtain insurance to mitigate risks where appropriate.

c) Reviewing contingent liabilities and the manner in which these are treated in the Company's financial disclosure and consolidated financial statements.

d) Reviewing IT strategy and the threat of cyber-attack and plans to mitigate such risks.

## 6. ESG-Related Disclosure

a) Overseeing the development and implementation of the Corporation's reporting standards related to ESG/Sustainability metrics, including internal controls and disclosure controls applied to the reporting of such metrics.

b) Periodically reviewing the effectiveness of internal controls and disclosure controls applied to sustainability information gathering and to reporting of ESG/Sustainability metrics to ensure accuracy and reliability of disclosures.

c) Reviewing and recommending to the Board for approval disclosure related to ESG/Sustainability metrics made by the Company within disclosure documents required by applicable securities regulators and in the Company's Sustainability/ESG Report.

## 7. Ethical Business Conduct

d) Monitoring and evaluating effectiveness of policies and procedures for dealing with questions and complaints regarding accounting, internal accounting controls, auditing and financial disclosure matters and the confidential anonymous submissions of concerns regarding such matters made through the Company's Whistleblower Hotline or otherwise.

e) Monitoring compliance with the Company's Code of Conduct and the confidential anonymous submissions of concerns regarding such matters made through the Company's Whistleblower Hotline or otherwise.

f) Reviewing related party transactions for which Board approval is required under applicable legislation and making recommendations to the Board related to such transactions.

## 8. Other Matters

a) Reviewing the appointment of and succession planning for the Senior Vice President, Finance and CFO. Discussing and making recommendations to the Board regarding the appointment or removal of the Senior Vice President, Finance and CFO, on the recommendation of the CEO. Periodically reviewing the budget, structure and performance of the Company's finance organization.

b) Conducting or authorizing investigations into any matter that the Committee believes is within the scope of its responsibilities.

c) Annually reviewing and assessing the adequacy of this Charter and the performance of the Audit Committee.

**SHAWCOR LTD.**
**AUDIT COMMITTEE CHARTER**

**APPENDIX A**
**DEFINITIONS**

**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 Company's financial statements.

**Independence**

An Audit Committee member is independent if the member has no direct or indirect material relationship with the Company or its subsidiaries and affiliates. A material relationship means a relationship which could, in the view of the Company's Board, be reasonably expected to interfere with the exercise of a member's independent judgment.

In addition to any determination which may be made by the Board, the following individuals will be considered to have a material relationship with the Company:

a) an individual who is, or was within the last three years, an executive officer or employee of the Company;

b) an individual whose immediate family member is, or was within the last three years, an executive officer of the Company;

c) an individual who is a partner or employee of the Company's external or internal or auditor;

d) an individual who was a partner or employee of the Company's external or internal auditor within the last three years and personally worked on the Company's audit during that period;

e) an individual whose spouse, minor child or stepchild, or child or stepchild who shares a home with the individual; is a partner of the Company's auditor, is an employee of the Company's auditor and participates in its audit, assurance or tax compliance practice or was, within the last three years, a partner or employee of the Company's auditor and personally worked on its audit within that time;

f) an individual who, or whose immediate family member, is or has been within the last three years, an executive officer of an entity if any of the Company's current executive officers serves or served at that same time on the entity's compensation committee;

g) an individual who received, or whose immediate family member who is an executive officer of the Company received, more than $75,000 in direct compensation from the Company during any 12-month period during the last three years, other than in their capacity as a Board member and other than fixed amounts of remuneration received under a retirement plan for prior service where such compensation is not contingent on continued service;

h) an individual who accepts, directly or indirectly, fees from the Company, other than in his or her capacity as a member of the Board or any Board committee, or part-time Chair or Vice Chair of the Board or any Board committee; and

i) an individual who is an “affiliated entity” of the Company within the meaning of National Instrument 52-110.

1) For purposes hereof, “the Company” includes Shawcor Ltd. and any subsidiary thereof;

and

2) For purposes of paragraph (h), indirect acceptance of a fee by an individual includes acceptance of a fee by (i) an individual’s spouse, minor child or stepchild or child or stepchild who shares the individual’s home, or (ii) an entity in which such individual is a partner, member, officer or other comparable position and which provides accounting, consulting, legal, investment banking or financial advisory services to the Company.

**SHAWCOR LTD.**
**AUDIT COMMITTEE CHARTER**

**APPENDIX B**
**AUDIT AND NON-AUDIT SERVICES**

**Audit services include:**

- The audit and/or review of annual and quarterly financial statements of the Company, its subsidiaries and affiliates

- Other procedures required to be performed by the independent auditor to be able to form an opinion on the Company's consolidated financial statements, including information systems and procedural reviews.

***Audit Related Services***

Audit related services are the professional attestation and related services that are reasonably related to the proper completion of the audit of the Company's financial statements. The Audit Committee has granted general pre-approval to the following audit related or other non-tax services performed by the external auditors provided in each case that the Audit Committee is informed periodically of all such services provided:

- Due diligence services pertaining to potential business acquisitions/dispositions
- Accounting consultations relating to accounting, financial reporting and disclosure issues
- Assistance with understanding and implementing new accounting and financial reporting standards and guidance
- Special audits on control procedures
- Prospectus and other regulatory audit and filing assistance

All other non-tax related services must be specifically approved by the Audit Committee.

***Tax Related Services***

The Audit Committee has granted general pre-approval to the following tax related services supplied by the external auditor provided in each case that the Audit Committee is informed periodically of all such services provided:

- Assistance with completion and filing of corporate tax returns
- Assistance with understanding and implementing new tax rules
- Tax consultations related to specific transactions
- Assistance and advice with respect to general corporate tax planning
- Discussions and negotiations with taxation authorities concerning the Company's tax affairs.

All other tax related services must be specifically approved by the Audit Committee.

**Non-Audit Services**

The Chair of the Audit Committee may pre-approve non-audit services to be provided by the external auditor providing all such assignments are reviewed with the full Audit Committee at the next scheduled meeting.

***Prohibited Services***

**The following services are not to be provided by the external auditor:**

- Bookkeeping or other services related to the accounting records or financial statements
- Appraisal, valuation or fairness opinions
- Actuarial services
- Internal audit
- Human resource assistance
- Legal advice
- Legal services
- Investment banking services
- Management functions