



SHAWCOR LTD.

ANNUAL INFORMATION FORM

For the Year Ended December 31, 2020

March 30, 2021

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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 impact and duration of the global COVID-19 pandemic and the related impacts on the Company's operations, the level of global economic activity and on the global supply of and demand for oil and gas and their impacts on the Company's business and level of financial performance in 2021 and beyond; the timing to undertake and complete certain pipe coating contracts; the completion of cost saving initiatives including the reduction of the Company's international operations footprint; the future outlook for capital expenditures in the offshore oil and gas sector and North American land drilling and completion activity; the effect of the Company's diversified portfolio of products on revenue and operating income; the demand for the Company's products in the Pipeline and Pipe Services, Composite Systems and the Automotive and Industrial segments of the Company's business; the successful execution of the Company's order backlog and the anticipated fluctuations in order backlog throughout 2021 including the rebuilding of the backlog in the second half of 2021 and the impact thereof on the Company's revenue and operating income; the impact of continuing demand for oil and gas; the impact of global oil and gas commodity prices; 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 likelihood that international and offshore projects will be sanctioned in the future and the impact thereof on the Company's business; the continuance and impact of the Company's research and development programs; the increasing stringency of requirements relating to the environment, including those related to greenhouse gas emissions and climate change; 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 ability of the Company to establish additional operating subsidiaries and joint ventures as required; the impact of currency fluctuations and the Company's hedging programs on production costs, profit margins and competitive position; the adequacy of the Company's existing accruals in respect of environmental compliance, litigation, tax and other claims and the level of payments generally under the Company's performance, bid and surety bonds.

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. We caution readers 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 duration and impact of the COVID-19 pandemic on the Company, its employees, customers, suppliers, energy and commodity markets and on the global economy; the impact on the Company of the continued heightened focus by North American oil and gas operators on capital discipline; the impact on the Company of reduced demand for its products and services, including the delay, suspension or cancellation of existing or anticipated contracts, as a result of lower investment in global oil and gas extraction, infrastructure and transportation activity following the previous declines in the global price of oil and gas; long term changes in global or regional economic activity and changes in energy supply and demand, which with other factors, impact on the level of global pipeline infrastructure construction; the duration of supply chain disruptions faced by the Company's automotive manufacturing customers; exposure to product and other liability claims; shortages of or significant increases in the prices of raw materials used by the Company; compliance with environmental, trade and other laws; political, economic and other risks arising from the Company's international operations; the impact of climate change on the demand for the Company's products and fluctuations in foreign exchange rates, as well as other 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 continuation or renewal of certain COVID 19 related restrictions on a more limited and targeted basis than the basis on which those restrictions were previously imposed and the impact thereof on global economic activity, the Company's ability to manage supply chain disruptions caused by the COVID-19 pandemic or by natural disasters, global oil and gas prices, the delay in the near term of certain projects and 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 segment, the commencement of recovery of the global economy, a gradual recovery of oil and gas markets in North America, continued recovery of demand in the automotive and industrial markets, particularly in North America and Europe and the heightened demand for hybrid and fully electric vehicles, tempered somewhat by automobile production delays arising from a global shortage of semi-conductors, sustained solid demand in the retail fuel market and stable demand in the industrial markets with storage tank demand supported by higher infrastructure spending and commercial and municipal water projects, the Company's ability to execute projects under contract, the Company's continuing ability to provide new and enhanced product offerings to its customers, the higher level of investment in working capital by the Company, the continued supply of and stable pricing for commodities used by the Company, the availability of personnel resources sufficient for the Company to operate its businesses, the maintenance of operations 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, and the level of payments under the Company's performance, bid and surety bonds and the ability

of the Company to satisfy all covenants under the Credit Facility and having sufficient liquidity to fund its obligations and planned initiatives. 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.

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

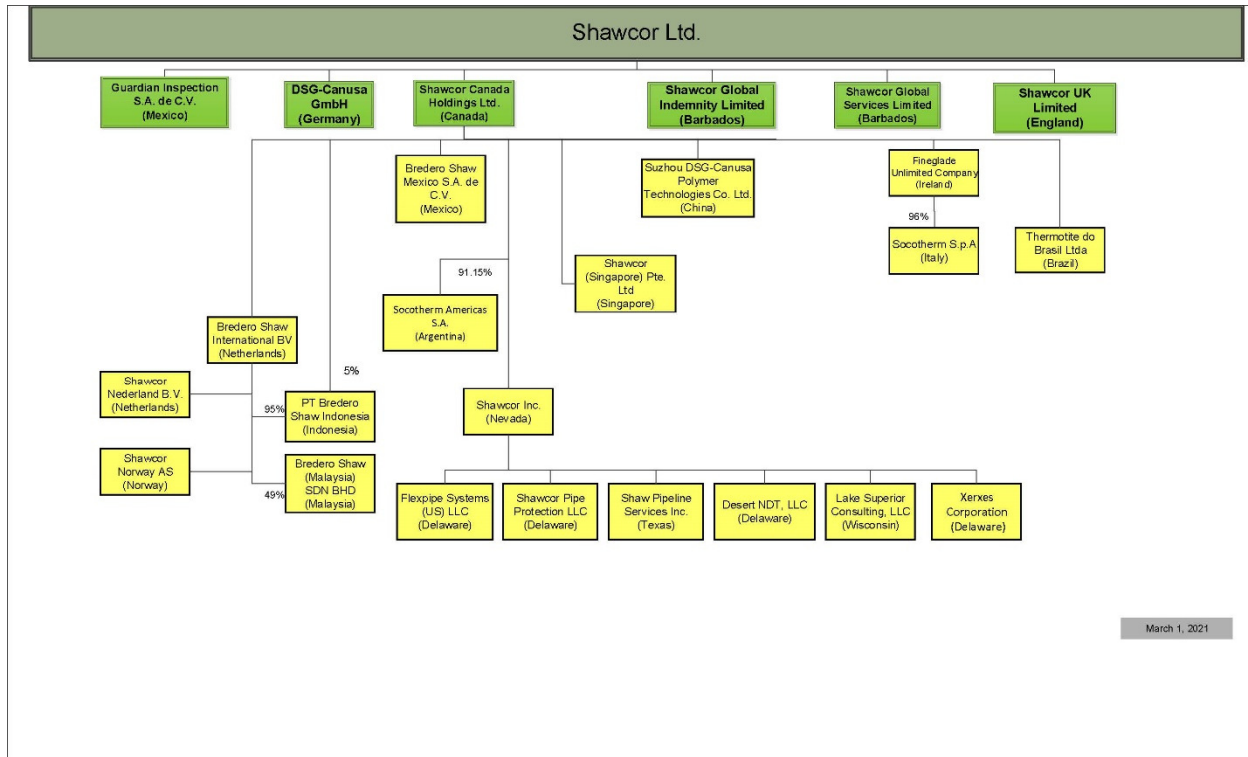
PRINCIPAL SUBSIDIARIES AND AFFILIATES

The following table lists the Company’s principal subsidiaries and affiliates (affiliates being

corporations in which Shawcor has a significant non-controlling equity interest) as at March 1, 2021 including the jurisdiction of incorporation and the percentage of voting securities held by Shawcor or its subsidiaries:

Name	Jurisdiction of Incorporation	Percentage Owned
Bredero Shaw (Malaysia) SDN BHD	Malaysia	49
Bredero Shaw International BV	The Netherlands	100
Bredero Shaw Mexico S.A. de C.V.	Mexico	100
Desert NDT, LLC	Delaware	100
DSG-Canusa GmbH	Germany	100
Fineglade Unlimited Company	Ireland	100
Flexpipe Systems (US) LLC	Delaware	100
Guardian Inspection S.A. de C.V.	Mexico	100
Lake Superior Consulting, LLC	Wisconsin	100
PT Bredero Shaw Indonesia	Indonesia	100
Shaw Pipeline Services Inc.	Texas	100
Shawcor Nederland B.V.	The Netherlands	100
Shawcor (Singapore) Pte. Ltd.	Singapore	100
Shawcor Canada Holdings Ltd.	Canada	100
Shawcor Global Indemnity Limited	Barbados	100
Shawcor Global Services Limited	Barbados	100
Shawcor Inc.	Nevada	100
Shawcor Norway AS	Norway	100
Shawcor Pipe Protection LLC	Delaware	100
Shawcor UK Limited	England	100
Socotherm Americas S.A.	Argentina	91
Socotherm S.p.A.	Italy	96
Suzhou DSG-Canusa Polymer Technologies Co. Ltd.	China	100
Thermotite do Brasil Ltda	Brazil	100
Xerxes Corporation	Delaware	100

The following chart illustrates the ownership structure of Shawcor and its principal subsidiaries and affiliates as at March 1, 2021:



Item 3 GENERAL DEVELOPMENT OF THE BUSINESS, 2018 - 2020

3.1 Overview

The Company is a growth oriented, global company operating within three segments, being Pipeline and Pipe Services, Composite Systems, and Automotive and Industrial, serving various sectors of the Infrastructure, Energy and Transportation markets. The Company operates through a global network of fixed and mobile manufacturing and service facilities and is valued for its integrity, technology, and proven capability to execute complex projects.

During the period 2018 - 2020, the Company pursued a diversification and targeted segment growth strategy with its three segments of Pipeline and Pipe Services, Composite Systems and Automotive and Industrial primarily in the markets of Infrastructure, Energy and Transportation. This strategy included focusing on products and services that offered the greatest opportunities for differentiation and higher margins.

As part of its diversification strategy, the Company has expanded its business outside of the energy markets during the 2018 – 2020 period through organic investments in its Automotive and Industrial segment and the acquisition of the ZCL Composites Inc. (“ZCL”) completed in April 2019. These investments, along with stable demand in the related markets, has allowed the Company to grow its non-oil and gas business to 33% of total revenue in 2020 from 14% in 2018. The Company still has a significant portion of its business tied to the oil and gas industry and the demand has been volatile and lower during the period of 2018 – 2020. This lower demand in the Company’s oil and gas business reflected very limited sanctioning of international and offshore projects during the three-year period and curtailed spending among U.S. land operators in 2019

and 2020. Demand in 2020 was further impacted by the COVID-19 pandemic and negative changes in oil and gas supply and demand dynamics. Despite this lower demand in the oil and gas markets, the Company was able to deliver positive results in 2018 and 2019 as result of a diversified portfolio of products and services related to North American drilling and completion activity and increased capacity in the Automotive and Industrial segment. The 2019 results were also bolstered by the acquisition of ZCL in April 2019 and its stable demand for composite tanks in the retail fuel market. Results in 2020 were negative, driven by the lower demand in the energy markets primarily due to the COVID-19 pandemic, partially offset by composite tanks and automotive and industrial businesses remaining resilient, in spite of the pandemic.

In 2020, Shawcor continued to focus its portfolio on products and services that offer the greatest opportunity for differentiation and higher margins. Actions included closure of several pipe coating facilities, thereby reducing the Company's footprint in lower margin anticorrosion offerings. In addition, in December 2020, the Company completed the sale of its Pipeline Performance Products business (the "Products business"), which included Canusa-CPS, which manufactured heat shrinkable sleeves, adhesives and liquid coatings for pipeline joint protection applications, and Dhatec, which designed and assembled engineered pipe logistics products and services. Further details of the sale of the Products business are set forth under section 3.2 "Specific Highlights – 2020".

In 2018, consolidated revenue decreased by \$157 million, or 10% from 2017, to \$1.41 billion. The decrease was due to a decrease of \$164 million in the Pipeline and Pipe Services segment, partially offset by increases of \$100 million in the Composite Systems segment and \$8 million in the Automotive and Industrial segment. In the Pipeline and Pipe Services segment, revenue decreased primarily due to lower pipe coating activity in Latin America and decreased activity levels in the Asia Pacific and Europe, Middle East, Africa and Russia ("EMAR") regions, partially offset by higher revenue levels in North America for pipe coating products and integrity management field services. In the Composite Systems segment, revenue increased primarily due to higher demand for composite pipe products in North America resulting from increased U.S. land drilling and completion activity. In the Automotive and Industrial segment, revenue increased due to higher heat shrink tubing product sales in EMAR and North America, particularly in the automotive sector, partially offset by lower activity levels for wire and cable products. Income from operations decreased to \$50.6 million in 2018 from \$128.0 million in 2017, primarily due to the \$151.4 million decrease in gross profit. The decrease in gross profit was due to the lower revenues and gross margins, primarily resulting from lower large project activity in Latin America. This was partially offset by lower SG&A expense and amortization of property, plant, equipment and intangible assets in 2018. Net income (attributable to shareholders of the Company) also decreased to \$25.9 million, or earnings per share of \$0.37 on a fully diluted basis, compared to \$71.2 million, or earnings per share of \$1.02 in 2017.

In 2019, consolidated revenue increased by \$81 million, or 6% from 2018, to \$1.49 billion. The increase was primarily due to a \$69.6 million or 20% increase in the Composite Systems segment which included the acquisition of ZCL in the second quarter of 2019. It also reflected increases of \$2.6 million in the Pipeline and Pipe Services segment and \$8.9 million in the Automotive and Industrial segment. In the Pipeline and Pipe Services segment, revenue increased primarily due to higher revenues in North America and EMAR, partially offset by lower revenue in Asia Pacific. In

the Composite Segment, the revenue increase reflects the ZCL acquisition, partially offset by decreased activity levels in North America for composite pipe. In the Automotive and Industrial segment, revenue increased primarily due to increased shipments of wire and cable products in North America, partially offset by lower revenue in heat shrink tubing products, particularly in the automotive sector. Income from operations was a loss of \$46.4 million in 2019, a decrease compared to the \$50.6 million income in 2018. Operating loss in the year included \$104.1 million of impairment charges, rework costs related to a quality issue at the Company's Channelview facility, a \$7.0 million decrease in gross profit, increases in amortization of intangible assets and Right of Use assets, and lower net foreign exchange gains. This was partially offset by a gain on the sale of land from the consolidation of the Company's footprint in Western Canada and a decrease in amortization of property, plant and equipment. Net loss (attributable to shareholders of the Company) in 2019 was \$33.3 million, or a loss per share of \$0.47 on a fully diluted basis, compared to net income of \$25.9 million, or earnings per share of \$0.37 in 2018.

In 2020, consolidated revenue decreased by \$311 million or 21% from 2019 to \$1.18 billion. The change in revenue reflects decreases of \$201.6 million in the Pipeline and Pipe Services segment, \$96.5 million in the Composite Systems segment and \$12.8 million in the Automotive and Industrial segment. In the Pipeline and Pipe Services segment, revenue decreased due to lower activity levels in North America, Latin America, and EMAR and was partially offset by higher pipe coating project activity in Asia Pacific. In the Composite Systems segment, revenue decreased primarily due to lower demand levels in the composite pipe products and lower service activity levels of tubular management in Canada. This was partially offset by increased revenue from the composite tank business due to continued strong demand in the retail fuel market. Also, the current year includes an additional quarter of revenues from the composite tank business which was acquired in April 2019. In the Automotive and Industrial segment, revenue decreased due to lower demand for heat shrink tubing products in the automotive sector in North America and EMAR, slightly offset by higher revenue in Asia Pacific. Income from operations was a loss of \$261.3 million and reflects a decrease of \$214.9 million from the loss of \$46.4 million in 2019. Operating loss in the year includes \$212.6 million in impairment, \$104.5 million decrease in gross profit, \$32.6 million in restructuring costs and higher foreign exchange losses. This was offset by decreases of \$65.6 million in SG&A and \$8.2 million in depreciation and amortization. Net loss (attributable to shareholders of the Company) in 2020 was \$234.2 million, or a loss per share of \$3.33 on a fully diluted basis compared to net loss of \$33.3 million, or loss per share of \$0.47 in 2019.

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. In 2018, the Company completed development of the High Definition Realtime Radiography scanners that expanded the range of pipe diameters and wall thicknesses that can be accommodated with this technology and the Company continued to develop higher pressure technology for its FlexFlow products. In 2019, the Company completed the development of a higher temperature and larger diameter FlexPipe Linepipe product that expands the operating window for the Company's spoolable products and continued to expand the capabilities of its Automated Ultrasonic Testers (AUT) for pipeline girth weld inspections. In 2020, the Company adapted its DERAY®-V25 technology to provide insulation for unprotected connections on wind turbines in western Europe. The heat-shrinkable tube was designed to withstand a dielectric strength of 16kV/mm, as well as support a broad, continuous operating temperature range of -75°C to 150°C.

Shawcor also expanded its iLINE™ 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.

The Company continued its progress in 2020 on its sustainability disclosures, practices and policies by publishing its inaugural sustainability report in accordance with the Sustainability and Accounting Standards Board (SASB) framework and Canadian Coalition for Good Governance (CCGC) practices. This report is available: <https://www.shawcor.com/about/sustainability> New sustainable products and technologies were added to its 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. Environmental, Social and Governance factors were also integrated into executive compensation considerations.

The Company maintains a comprehensive health, safety and environmental (“HSE”) management system and aspires to an Incident and Injury Free (“IIF”) workplace with no damage to the environment. Total recordable case frequency per million person hours worked declined from 6.0 in 2019 to 3.5 in 2020, and the Company’s injury rate is significantly better than industry standards.

3.2 Specific Highlights

Specific highlights in the development of the Company’s business over the 2018 - 2020 period include:

2018

- In February 2018, the Company was awarded a contract with a value in excess of C\$50 million from the EEW Group to provide anti-corrosion and concrete weight coatings in connection with the replacement and upgrading of an offshore pipeline located in Qatar. The contract was executed in Shawcor's coating facilities in Italy and was completed at the end of the first quarter of 2020.
- In May 2018, the Company’s Flexpipe Systems division entered into a majority ownership joint venture with a local pipe installation company with the intent to set up a manufacturing facility in the Middle East. The total value of the joint venture’s investment is expected to exceed US\$20 million and the facility is expected to primarily serve the Middle Eastern, North African and Asia-Pacific markets. This facility is expected to increase Flexpipe’s global production capacity of existing spoolable composite product by 30%, with flexibility to extend to a larger diameter range. Due to lower demand levels and the global pandemic in 2020, the construction of the facility has been delayed.
- In October 2018, the Company announced that it had been assigned work from Saipem valued at approximately \$110 million to provide thermal insulation and anti-corrosion coating services for the Liza I and Liza II deep water development projects located offshore Guyana. Coating

work commenced in March 2018 at Shawcor's Channelview, Texas facility and additional work was carried out at Shawcor's Veracruz, Mexico facility. Work on Liza 1 was completed in late 2018 and coating work under the larger Liza II project was executed at the Veracruz and Channelview facilities in 2020.

2019

- In March 2019, the Company entered into an amended credit facility with TD Bank and National Bank of Canada as co-lead arrangers and HSBC Bank Canada, JPMorgan Chase Bank, The Bank of Nova Scotia and Export Development Bank as lenders (the "Credit Facility"). The Credit Facility replaced Shawcor's prior credit facility and provided for a US\$500 million, four-year senior unsecured revolving facility. Shawcor also completed repayment on March 7, 2019 of its Senior Notes debt, including accrued interest and make whole payment, in the amount of US\$205 million. The Credit facility was subsequently amended in 2020 to provide covenant relief, to adjust leverage and interest coverage covenants and to include first priority security on personal property in favour of the lenders.
- In April 2019, Shawcor acquired all of the issued and outstanding shares of ZCL for \$10 per share in cash by way of a statutory plan of arrangement. The price per share implied an aggregate fully diluted equity value for ZCL of approximately \$30 million. ZCL is North American's largest manufacturer and supplier of environmentally friendly fiberglass reinforced plastic (or FRP) underground storage tanks. ZCL has two plants in Canada, four in the United States and one in the Netherlands. ZCL services the fuel, water and wastewater and oil and gas markets. The Company filed a Form 51-102F4 – Business Acquisition Report in respect of the ZCL acquisition on SEDAR (www.sedar.com) on May 13, 2019.
- In May 2019, the Company's pipe coating division was awarded a conditional contract with Sumitomo Corporation Europe Limited valued at approximately \$30 million to provide anti-corrosion and concrete weight coating services for the Greater BP Tortue Ahmeyim Phase 1A project development, located offshore Senegal and Mauritania, West Africa. Coating work was executed at the Kabil, Indonesia facility and was completed in the first quarter of 2021.
- In June 2019, the Company's pipe coating division entered into several contracts with an international EPC contractor to provide coating services for multiple offshore pipeline projects. Execution of these projects was commenced in 2020 within Shawcor's network of coating facilities, including Serra in Brazil, Orkanger in Norway and Channelview, and is expected to be completed in late 2021. Coating work under these contracts is valued at approximately \$65 million.
- In October 2019, the Company's pipe coating division entered into contracts with Subsea 7 to provide coating services for two offshore pipeline projects, the Johan Sverdrup Phase 2 project offshore Norway and a subsea tieback project offshore Australia. These projects were executed at Shawcor's Norwegian and Asia Pacific coating facilities in the fourth quarter of 2020 and were valued in the range of \$30-\$50 million.
- In November 2019, the Company's pipe coating division entered into a detailed letter of intent

with Saipem for the proposed Payara development project located in the Staebroek block offshore Guyana. The combined coating value of Liza phase 1 and phase 2 was approximated at \$110 million. Shawcor provided thermal insulation and anticorrosion coating services from its Veracruz, Mexico facility.

2020

- In January 2020, the Company announced that its pipe coating division had entered into a detailed letter of intent with Europipe valued at approximately \$67 million to provide concrete weight coating services for the Baltic Pipe project, which will transport Norwegian gas to Poland. The contract, which is being executed from Shawcor's Leith, Scotland facility, commenced in the second quarter of 2020 and is expected to continue to the second quarter of 2021.
- In February 2020, the Company announced that its pipe coating division had entered a contract with Subsea 7 to provide thermal insulation coating services for the Woodside Sangomar Offshore Project in Senegal. The value of the award is in the range of \$30-\$50 million. The work is scheduled to be executed from Shawcor's Orkanger, Norway facility commencing in the first quarter of 2021 and completed in the third quarter of 2021. Further to its announcement in January of a letter of intent for the Baltic Pipe Project, the Company announced that it had entered the definitive contract for such project.
- In February 2020, the Company entered into an amending agreement with its 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 (the "Net Leverage Ratio") for the twelve months trailing ending March 31, June 30 and September 30, 2020 .
- In March 2020, as a result of 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 has 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 well inspection branch offices and making significant cuts to other operating costs and capital expenditure budgets. During the year ended December 31, 2020, the Company had 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 from proceeds from sales 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 the covenants of 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. The Company was in full compliance with financial covenants as at December 31, 2020 and expects to remain in full compliance with the financial covenants under the Credit Facility.

- In October 2020, the Company announced that its pipe coating division had entered a definitive contract with Saipem to provide thermal insulation and anticorrosion coating services for the Payara development project located in the Stabroek block offshore Guyana. Saipem had previously awarded Shawcor coating contracts for the first two phases of the Liza development. The Payara phase of the Development project has been sanctioned by ExxonMobil subsidiary Esso Exploration and Production Guyana limited and its partners HESS Guyana Exploration Ltd and CNOOC Nexen Petroleum Guyana Ltd. Coating work under these contracts is valued at approximately \$55-\$65 million. Work commenced in the fourth quarter of 2020 and is expected to be completed in the first quarter of 2022.
- 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.

Item 4 DESCRIPTION OF THE BUSINESS

4.1 Overview

Shawcor is a growth oriented, global company with its three segments of Pipeline and Pipe Services, Composite Systems and Automotive and Industrial serving various sectors of the Infrastructure, Energy and Transportation markets. The Company operates through a global network of fixed and mobile manufacturing and service facilities and is valued for its integrity, technology and proven capability to execute complex projects.

During the year ended December 31, 2020, the Company's business included eight operating units that were reported through the three operating segments.

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

Pipeline and Pipe Services

The Pipeline and Pipe Services segment is the largest segment of the Company, accounting for 56% of consolidated revenue for 2020. This segment included products and services for the Pipeline Performance Group, Pipeline Performance Products (until its sale in December 2020), Shaw Pipeline Services, Shawcor Inspection Services and Lake Superior Consulting operating units. This segment carries on the following activities:

- Manufacture of specialized internal anti-corrosion and flow efficiency pipe coating systems, insulation coating systems, weight coating systems and custom coating and field joint application services for onshore and offshore pipelines.
- Manufacture of heat shrinkable sleeves, adhesives and liquid coatings for pipeline joint

protection applications; and the design and assembly of engineered pipe logistics products and services. This business was sold on December 23, 2020 and the Company's 2020 results include the financial performance of this business up to the date of the sale.

- Provision of ultrasonic and radiographic pipeline girth weld inspection services to pipeline operators and construction contractors worldwide for both onshore and offshore pipelines.
- Provision of non-destructive testing services for new oil and gas gathering pipelines and oilfield infrastructure integrity management services.
- Provision of pipeline engineering and integrity management services to major North American pipeline operators.

Composite Systems

The Composite Systems segment accounted for 27% of consolidated revenue for 2020. This segment, which is comprised of Composite Production Systems and Oilfield Asset Management carries on the following activities:

- Manufacture of spool-able and stick composite pipe systems and high-density polyethylene pipe used for oil and gas gathering, water disposal, carbon dioxide injection pipelines and other applications requiring corrosion resistance and high pressure capabilities.
- Manufacture of reinforced plastic underground storage tanks for the retail fuel, water and wastewater and oil and gas markets.
- Provision of a range of tubular management services including inventory management systems, mobile inspection, in-plant inspection and the refurbishment and rethreading of drill pipe, production tubing and casing, and tubular products that utilize composite materials.

Automotive and Industrial

The Automotive and Industrial segment, which consists of the Connection Systems operating unit, accounted for 17% of consolidated revenue for 2020. This segment carries on the following activities:

- Manufacture of heat-shrinkable products including thin, medium and heavy-walled tubing, sleeves and molded products as well as heat-shrink accessories and equipment for the automotive, industrial, electrical distribution, telecommunications, and alternative energy markets.
- Manufacture of wire and cable for control, instrumentation, thermocouple, power, marine and robotics applications for the industrial, power generation, electrical transmission, petrochemical processing and transportation markets.

The Company's operating units are further described below.

4.2 Business Segments

Pipeline and Pipe Services

Pipeline Performance Group

The Pipeline Performance Group (“PPG”), with 20 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. During 2020, the Company completed the controlled shutdown of six pipe coating facilities, including the closure of a facility in Argentina that was initiated at the end of the fourth quarter of 2020.

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.

Pipeline Performance Products

Pipeline Performance Products’ portfolio included Canusa-CPS and Dhatec. This business was sold at the end of the fourth quarter of 2020. The Company’s 2020 results include the financial performance of this business up to the date of the sale.

Canusa-CPS developed, manufactured and marketed heat shrinkable sleeves, adhesives, sealants and liquid coatings and devices for their application. Canusa-CPS’ products are utilized in pipeline joint protection systems and girth weld corrosion protection applications worldwide. Its expertise included girth weld corrosion protection and sealing systems for onshore and offshore pipeline applications, high temperature pipeline products, specialty district heating and cooling markets and custom coating and field joint applications. Dhatec designs, assembles and markets engineered pipe logistics products and services which mitigate damage and enhance safety and efficiency in the manufacturing, coating, handling, transportation, preservation and storage of pipe. Dhatec’s products were used by companies in the oil and gas industry to assist them in organizing logistics for pipe transportation and storage in a safe and damage free manner and to avoid delays and extra costs resulting from damages and accidents that occur during handling.

Canusa-CPS and Dhatec serviced their markets through distribution and product finishing centers located in Alberta, Ontario, Texas, the Netherlands, the United Arab Emirates, China and Indonesia, in addition to manufacturing facilities in Ontario, the Netherlands and Alberta and contract manufacturing facilities in Poland and India. Canusa-CPS and Dhatec marketed and sold their products through direct sales and a global network of agents and distributors.

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.

Shawcor Inspection Services

Shawcor Inspection Services provides nondestructive testing (“NDT”) and inspection services for oil and gas gathering transmission and processing infrastructure. Shawcor Inspection Services operates from branch locations which cover all major shale production basins in the United States. Shawcor Inspection Services supports the new construction of gathering and transmission pipelines with radiographic and real time radiographic girth weld inspection services. Advanced NDT and inspection services and data management are also provided throughout the operational life of midstream assets to ensure on-going integrity.

The Shawcor Inspection Services team of technicians and inspectors primarily provide services directly to the midstream and exploration and production firms that own pipelines, tanks and processing facilities.

Lake Superior Consulting

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

Composite Systems

Composite Production Systems

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

composite tanks and 3D glass fabrics through the acquisition of ZCL. ZCL was one of North American's largest fuel, water and oil and gas manufacturer of corrosion free composite storage tanks. With six tank manufacturing facilities across North American (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 and Mexico. 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 (E&P) operators, equipment manufacturers and distributors, and rental companies.

Through Shawcor CSI Services, OAM offers services for internal and external tank coatings, tank rehabilitation coatings, plant shutdown and facility maintenance, pipeline integrity digs, girth weld coatings and pipeline coatings.

Automotive and Industrial

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, oil and gas, mining, telecommunications and automation industries.

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, 2019 and 2020 are set out below:

Operating Segment	% Revenue ⁽¹⁾	
	<u>2019</u>	<u>2020</u>
Pipeline and Pipe Services	58%	56%
Composite Systems	28%	27%
Automotive and Industrial	<u>14%</u>	<u>17%</u>
	100%	100%

(1) Net of inter-segment transfers.

Reference is made to note 9 in the Company's consolidated financial statements for the years ended December 31, 2020 and 2019, for detailed financial information for each operating 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

Shawcor 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. The current state of the global oil and gas market has caused volatility in pricing of major commodities. While the materials required for the Company's manufacturing operations have generally been readily available, cyclical swings in supply and demand can produce short-term shortages and/or price spikes, and the Company's ability to pass on such price increases may be restricted in the short term.

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 23 new patents in multiple jurisdictions in 2020 and currently holds 157 issued patents and 147 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 which 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 Cyclicity

While the activities of some of the Company's individual businesses have seasonal fluctuations, total Company revenue is not significantly impacted by seasonal factors. Revenue from year to year is subject to substantial variation, however, as the Company's operations in the Pipeline and Pipe Services segment, representing 56% of the Company's consolidated revenue in 2020, are largely project-based and the nature and timing of projects can result in variability in the Company's financial results. The Composite Systems segment, representing 27% of the Company's consolidated revenue in 2020, is partially impacted by seasonality, i.e., composite tank sales, and partially impacted by cyclicity, i.e., composite pipe sales, which have a high correlation to land-based oil and gas drilling in North America. The Automotive and Industrial segment, representing 17% of the Company's consolidated revenue in 2020, is mildly impacted by seasonality, particularly in the auto industry. The primary driver of demand for the Company's products and services is the level of industry activity and investment in energy and infrastructure for resource development, storage and transportation around the globe. This investment in infrastructure is driven by economic activity to engineer, replace, maintain and rehabilitate infrastructure that is at or beyond its useful design life and to replace production due to reservoir depletion, by requirements for advanced technologies and non-corrosive materials, by the need to address geopolitical challenges which are affecting several important producing regions and by increased global demand for gas and greener alternatives, specifically liquefied natural gas ("LNG") development. All of these factors tend to be cyclical. In addition, the COVID-19 pandemic created significant fluctuation in the Company's 2020 results.

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 leading market position with all such divisions enjoying a significant share of the markets served.

4.9 Properties

The Company's businesses operate through the following manufacturing and service facilities:

Location	Major Products or Services	Owned or Leased
Camrose, Alberta (2 sites)	Pipe Coating	Owned
Edmonton, Alberta (2 sites)	Pipe Coating	Owned / Leased
Regina, Saskatchewan	Pipe Coating	Owned
Channelview, Texas ⁽¹⁾	Pipe Coating	Owned/Leased
Escobar, Argentina	Pipe Coating	Owned
Valentin Alsina, Argentina	Pipe Coating	Leased
Baku, Azerbaijan Republic	Pipe Coating	Leased
Vitoria, Brazil	Pipe Coating	Leased
Kabil, Indonesia	Pipe Coating	Leased
Adria, Italy	Pipe Coating	Owned
Pozzallo, Italy	Pipe Coating	Owned
Kuantan, Malaysia	Pipe Coating	Leased
Coatzacoalcos, Mexico	Pipe Coating	Leased
Veracruz, Mexico	Pipe Coating	Leased
Orkanger, Norway	Pipe Coating	Owned
Ellon, Scotland	Pipe Coating	Leased
Leith, Scotland	Pipe Coating	Leased
Ras Al Khaimah, UAE	Pipe Coating	Leased
Toronto, Ontario ⁽¹⁾	Connection Systems	Owned
Cincinnati, Ohio	Connection Systems	Leased
Suzhou, China	Connection Systems	Leased
Rheinbach, Germany	Connection Systems	Owned
Huntsville, Ontario ⁽¹⁾	Leased to Third Party	Owned
Morgantown, California	Integrity Management	Leased
Brighton, Colorado	Integrity Management	Leased
Duluth, Minnesota (2 sites)	Lake Superior Consulting	Leased
Roseville, Minneapolis	Lake Superior Consulting	Leased
Carlsbad, New Mexico	Integrity Management	Leased
Omaha, Nebraska	Lake Superior Consulting	Leased
Henryetta, Oklahoma	Integrity Management	Leased

Tulsa, Oklahoma	Integrity Management	Leased
Nashville, TN	Lake Superior Consulting	Leased
Pittsburgh, Pennsylvania	Lake Superior Consulting	Leased
Abilene, Texas	Integrity Management	Leased
Fort Worth, Texas	Integrity Management	Leased
Houston, Texas	Integrity Management	Leased
Midland, Texas	Integrity Management	Leased
Perryton, Texas	Integrity Management	Leased
Morgantown West Virginia	Integrity Management	Leased
Norfolk, England	Integrity Management	Leased
Alness, Scotland	Integrity Management	Owned
Calgary, Alberta (5 sites)	Composite Pipe Systems	Leased
Grand Junction, Colorado	Composite Pipe Systems	Leased
Dickinson, North Dakota	Composite Pipe Systems	Owned
Big Wells, Texas	Composite Pipe Systems	Leased
Ennis, Texas	Composite Pipe Systems	Leased
Midland, Texas (2 sites)	Composite Pipe Systems	Owned/Leased
Myton, Utah	Composite Pipe Systems	Leased
Brisbane, Australia	Composite Pipe Systems	Leased
Edmonton, Alberta (4)	Composite Pipe Systems	Owned/Leased
Drummondville, Québec	Composite Pipe Systems	Owned
Tipton, Iowa	Composite Pipe Systems	Owned
Anaheim, California (2)	Composite Pipe Systems	Leased
Seguin, Texas	Composite Pipe Systems	Leased
Williamsport, Maryland	Composite Pipe Systems	Leased
Helmond, Netherlands	Composite Pipe Systems	Leased
Minneapolis, Minnesota	Composite Pipe Systems	Leased
Brooks, Alberta	Tubular Inspection Services	Leased
Dimsdale, Alberta	Tubular Inspection Services	Owned
Lloydminster, Alberta	Tubular Inspection Services	Leased
Nisku, Alberta	Tubular Inspection Services	Owned
Red Deer, Alberta	Tubular Inspection Services	Owned/Leased
Charlie Lake, British Columbia	Tubular Inspection Services	Owned
Estevan, Saskatchewan	Tubular Inspection Services	Owned / Leased
Villahermosa, Mexico	Tubular Inspection Services	Leased

(1) As part of the sale of the Products business, the Company has entered into short term leases with the purchaser for portions of the Channelview and Toronto owned properties, and a fixed term lease for the entire Huntsville location.

Except for the pipe coating facility in Adria, Italy, 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 and the corporate R&D group 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 such as Vintri, to support and enhance our core product offering and long term growth strategy. Approximately \$10.5 million was spent on research and development during 2020, compared to \$12.6 million in 2019, and the Company applied for 23 new patents in multiple jurisdictions in 2020. 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 2020, the Company completed development of a high temperature insulation system that is suitable for deep water environments and expanded the capabilities of our automotive heat shrink appliances.

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 2020 were \$0.9 million (\$1.2 million in 2019) and, as at December 31, 2020, the provisions on the Company's financial statements related to environmental matters and included as decommissioning liabilities were \$21.8 million (\$24.1 million in 2019). 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 2020, 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 5,108 permanent and contract personnel during 2020. The Company's divisions had domestic and foreign labour union contracts which covered an estimated 735 employees during 2020. These contracts have various expiry dates ranging from 2021 to 2025. 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. The Company maintains a hedging program utilizing foreign currency forward contracts.

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, 2019 and 2020 are set out below:

<i>Geographic Segment</i>	<i>% Revenue</i>	
	<u>2019</u>	<u>2020</u>
<i>North America</i>	68%	62%
<i>Latin America</i>	8%	4%
<i>Europe, Middle East, Africa, Russia</i>	21%	25%
<i>Asia Pacific</i>	3%	9%
	100%	100%

Reference is made to note 9 to the Company's consolidated financial statements for the years ended December 31, 2020 and 2019, 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 the Company's Management's Discussion and Analysis for the year ended December 31, 2020, 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 2020.

The assets and liabilities of self-sustaining foreign operations are translated into Canadian dollars

at year-end exchange rates. Income and expense items are translated at the average exchange rates prevailing at the dates of the transactions. 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 primary driver of demand for the Company's products and services is the level of industry activity and investment in energy and infrastructure for resource development, storage and transportation around the globe. This investment in infrastructure is driven by economic activity to engineer, replace, maintain and rehabilitate infrastructure that is at or beyond its useful design life, replace production due to reservoir depletion, requirements for advanced technologies and non-corrosive materials, the need to address geopolitical challenges which are affecting several important producing regions and increased global demand for gas and greener alternatives, specifically LNG development.

At the commencement of 2020, the Company expected annual results for 2020 to be higher than 2019 results, as a result of stable demand for its products and services in the North America upstream and midstream markets, higher pipe coating activity from orders secured to date and expected success in winning new awards in the coming quarters and solid demand for our non-commodity based businesses of retail fuel composite tanks and automotive and industrial products. However, during 2020, the Company was negatively affected by the global impact of the COVID-19 pandemic and rapid changes in oil and gas supply and demand that reduced capital investments by operators. This negative impact was immediately seen in North American upstream markets, where demand for the Company's products and services as expected, experienced a substantial decline, and also in certain facilities and field operations, across the Company, which saw interruptions and suspensions due to regional and global health restrictions.

Rider A

With the uncertainty about the extent and depth of the market contraction and its impact on financial results, the Company turned its focus to the reduction of costs and cash preservation to protect its balance sheet and exceeded its targets of \$60 million in sustainable annualized SG&A savings and \$40 million in incremental cash generation. The Company has exceeded these targets substantially by completing several initiatives that included reducing the 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 well inspection branch offices and making significant cuts to other operating costs and capital expenditures budgets. During the year ended December 31, 2020, the Company had 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 from proceeds from sales of the Products business and other assets. Based on the actions taken and the sale of the Products business in the fourth quarter, the Company expects its quarterly normalized SG&A run-rate to improve to approximately \$60 million reflecting completed and planned initiatives to date. In 2021, the Company will continue to assess additional optimization actions, including further reductions of its international operations footprint.

The Company's performance in 2021 will be determined by the strength of its diverse based business and return of demand for its products and services, particularly in the U.S. and international energy markets, and its ability to continue to execute work and projects secured in the backlog. Performance will also be driven by the sustained solid demand for its composite tank business, continued demand recovery in the automotive and industrial markets which are serviced by the Company and its cost savings initiatives both completed and planned.

The Company's base oil and gas business in North America is heavily tied to the spending programs of E&P operators. In the U.S. land rig counts are slowly starting to rise, largely due to activity from private and small-sized operators. Although the oil and gas markets in North America are showing signs of improvement, it is projected that the recovery will be a gradual one and that E&P spending will not reach pre-pandemic levels in 2021. The Company believes that there is potential for upward revisions in capital spending plans in 2021, which could result in upside opportunity for the Company's energy businesses, in particular the demand for its composite pipe products.

As the economy and energy demand recovers in 2021, the Company continues to expect that the global oil and gas capex cycle will resume and that large international and offshore projects will be sanctioned. These investments are required to replace, maintain and rehabilitate infrastructure that is at or beyond its useful design life, replace production due to reservoir depletion, meet requirements for advanced technologies and non-corrosive materials, or to address geopolitical challenges which are affecting several important producing regions.

Although long-term outlook remains uncertain and difficult to forecast as COVID-19 continues to be a significant variable in the pace and magnitude of a broader market recovery, based on the above-noted factors, the Company expects to deliver improved annual adjusted EBITDA in 2021 over 2020, with some quarterly volatility in revenues due to project execution timing and typical seasonality.

Pipeline and Pipe Services Segment

Market demand for the Company's Pipeline and Pipe Services segment is driven by capital spending and investments by international and national oil and gas producers. The Company has a track record of providing leading solutions and successful execution on critical international and offshore development projects.

The Company expects to continue to execute work secured in its backlog with a number of projects set to be completed in the first half of the year. The outlook for the pipe coating business is closely tied to project development and sanctioning timelines and the Company continues to engage with Engineering-Procurement-Construction companies ("EPCs") and producers as they review project portfolios. It is anticipated that the Company's execution will outpace project sanctioning early in the year, but a backlog rebuild is expected in the second half of 2021.

The Company continues to monitor international developments including continued exploration

success coupled with attractive investment returns in Guyana, momentum in Brazil's pre-salt offshore projects, Middle Eastern offshore projects designed to meet domestic energy needs and global LNG demand and new tax incentives introduced in Norway to accelerate project investments.

North American demand for the Pipeline & Pipe Services segment is closely tied to drilling and completion activity, the construction of new and the repair/replacement of old transmission pipelines and requirements for pipeline integrity and regulatory compliance. These activities drive the demand for small and large diameter pipe coatings, girth weld inspection services on existing pipelines and new projects and engineering design and consulting services. A gradual recovery in North American land is anticipated to continue, with private and small-sized operators being the first to add back rigs. Operators have maintained their disciplined approach to capital spending and a moderate improvement in spending is expected to continue throughout 2021 as operators return to a minimum base level of investment to maintain current levels of production.

Following the closure by the Company of several facilities and the significant reduction in headcount in this segment during 2020, the Company intends to continue to review its global footprint, pipe coating capabilities and strategic core positioning in light of recent economic and industry dynamics.

The Company believes that the execution of work in backlog, its positioning within the markets and the expectation that key projects will be sanctioned in 2021, and its reduced cost structure will allow the segment to be profitable in 2021 and into the future.

Composite Systems Segment

Demand for composite storage tanks is detached from the dynamics of oil and gas markets and is expected to remain strong throughout 2021, while maintaining the normal seasonal profile of lower revenues in the first quarter. Continued strength in fuel market demand is anticipated as commercial and convenience store retailers realize the benefits of higher fuel margins. The demand for water storage and treatment tanks is expected to be supported by projected higher infrastructure spending and commercial and municipal water projects. The Company expects to deliver on its composite tank order backlog over the balance of the year with a focus on safe operations and supply chain management.

Market demand for the segment's energy related businesses are driven by North American drilling and completion activity, demand for international oil and gas gathering line applications, and advanced materials in Oil Country Tubular Goods ("OCTG"). The segment benefits from a lower cost of ownership of composite systems versus steel and other materials, the development of larger diameter pipe applications and its international market qualifications. The composite pipe business will continue to benefit from stabilization in drilling and completion activity across the customer base as activity levels gradually return. Demand for the segment's core pipe products in North America is expected to remain subdued compared to historical levels, however the Company believes that the lower demand can be partially offset by the continued commercialization of the larger diameter pipe applications, 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.

The Company believes that the segment will continue to be profitable as demand for tank solutions will remain strong and the composite pipe segment demand will stabilize and resume growth in line with the steady recovery in North American land well counts.

Automotive and Industrial Segment

Demand for the Company's Automotive and Industrial segment businesses generally follows Gross Domestic Product ("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 spending on nuclear facility refurbishment.

Automotive demand is expected to continue its recovery throughout 2021; however, it is anticipated there will be some volatility in revenues quarter over quarter as Original Equipment Manufacturers ("OEMs") address supply chain issues. OEM assembly plants in North America have announced production cuts early in the year as a result of a global semi-conductor shortage. In spite of this volatility, the Company expects to see improvement in demand for its automotive products, particularly in the Asia Pacific and EMAR regions where electric vehicles adoption rates are highest.

Over the long-term, demand for electric and plug-in hybrid passenger vehicles and light trucks is expected to grow and represent more than 50% of global vehicle sales by the early part of the next decade, with Europe and China to be the market leaders in vehicle electrification.

Infrastructure spending is expected to increase in 2021, creating optimism that the Company will see an increase in new order bookings for its specialty wire and cable products and a growing backlog primarily from electrical utilities and communications providers as well as nuclear refurbishment projects in eastern North America.

The Company believes that the segment will continue to be profitable as automotive demand continues to recover and infrastructure spending increases.

Order Backlog

The Company's order backlog consists of firm customer orders only and represents the revenue the Company expects to realize on booked orders over the succeeding twelve months. The Company reports the twelve-month billable backlog as a leading indicator of changes in consolidated revenue. The order backlog of \$453 million as at December 31, 2020, represents a decrease from the \$542 million order backlog as at September 30, 2020. This decrease reflects revenue generated in the quarter from the execution of pipe coating projects and the removal of orders related to the sale of the Products business. The Company is also starting to experience an increase in secured order backlog beyond the next twelve-month period

In addition to the backlog, the Company closely monitors its bidding activity and the value of outstanding firm bids, which represents bids provided to customers with firm pricing and conditions against a defined scope. The Company's firm bids are over \$841 million as of December 31, 2020, slightly lower compared to the \$870 million as of September 30, 2020. Included in the firm bid, but not in the backlog, are unsanctioned conditional awards between engineering and procurement companies ("EPC's") and Shawcor for a scope of work that is estimated at over \$130 million in revenue in respect of which a final investment decision ("FID") is expected in 2021. The Company is also working with customers on several other projects and the value of bid and budgetary estimates at the end of the fourth quarter exceeded \$2.3 billion. Although the timing of these projects is uncertain, the Company's bid and budgetary figures represent a diverse portfolio of opportunities to sustain and build the backlog in the second half of 2021 and beyond.

4.15 Social and Environmental Policies

The following is the Company's Health, Safety and Environmental ("HSE") policy:

"Shawcor's vision is an Incident and Injury Free workplace, with no harm to people, while protecting the environment."

No Compromises on HSE

- *Shawcor will never compromise its commitment to providing a safe and healthy workplace and conducting its business activities in a manner that protects the environment.*

Compliance

- *As an HSE leader in the industry, Shawcor will hold itself to a higher standard that helps differentiate Shawcor in the marketplace and create a stronger HSE culture.*
- *Shawcor will meet or exceed the requirements of HSE laws and regulations applicable in the jurisdictions in which it operates.*

Culture

- *Shawcor is committed to providing an environment that encourages a healthy lifestyle inside and outside of the workplace.*
- *Employees¹ at all levels must prioritize HSE in all work activities and business decisions.*
- *Shawcor is committed to eliminating and reducing risk to acceptable levels and will prioritize resources toward high-risk activities to prevent catastrophic harm.*
- *Employees at all levels are accountable for reducing the driving risk through compliance with applicable laws and Shawcor requirements to reduce and ultimately eliminate vehicle incidents.*

Shared Responsibility

- *Success of our HSE process relies on management's commitment and active involvement of Employees.*
- *Each Employee has an obligation to report HSE incidents and workplace conditions or practices that pose a safety hazard or threaten the environment and take action to reduce or eliminate such risks.*

- *Employees are empowered to challenge and communicate any unsafe acts or conditions and STOP WORK as appropriate.*

Continuous Improvement

- *Shawcor will set HSE performance objectives, measure results, assess and continually improve through the use of an effective HSE management systems.*
- *Shawcor builds a proactive HSE culture by providing education and training to Employees to empower them with the right skills, tools and behaviours to manage HSE risks. Employees' active participation and involvement in training are indispensable.*

Violations of this policy will result in progressive discipline, up to and including termination of employment, and other remedies deemed appropriate by Shawcor to protect its interests.

Note: Employees refers to all Shawcor employees worldwide and all other persons acting on behalf of Shawcor.”

The Company's failure to comply with its HSE policy could result in a material, negative impact on the Company's business and operations.

The Company has developed and implemented a robust system which is used by its divisions to implement this HSE policy. This system includes procedures and practices which are used throughout the Company as well as corresponding monitoring and auditing processes. In addition, the Board of Directors of the Company and its Audit Committee monitors the Company's HSE performance at each of its regularly scheduled meetings.

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. 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 each year agreeing to follow the Code and indicating whether or not they are aware of any violations of the Code.

Specific items addressed in the Code include provisions dealing with compliance with 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 may be found at www.Shawcor.com.

4.16 Risk Factors

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

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.

During 2020, the Company's operations and financial results were adversely impacted by the global COVID-19 pandemic and the Company may be exposed to additional liabilities and risks created by this crisis. The COVID-19 pandemic has resulted in unprecedented governmental actions, including mobility restrictions, border closures, shutdown of non-essential business and new health and monitoring guidelines. Oil demand has significantly declined as a result of the COVID-19 pandemic and corresponding preventative measures taken around the world to mitigate the spread of the virus. At the same time, oil prices were adversely impacted from the actions taken by Saudi Arabia and Russia to increase production of oil which created a significant supply surplus. In response to the rapid decline in oil prices, the Company's customers have taken unprecedented steps to reduce their capital programs and scale down their operations.

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. The duration and impact of the COVID-19 pandemic on the Company is difficult to determine at this time. As such, it is not possible to reliably estimate the COVID-19-related impacts on the financial results and operations of the Company.

The COVID-19 pandemic 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.
- 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 government mandated stay-at-home orders or facility closures.
- 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.

The Company has taken actions to mitigate the effects of COVID-19 on its business operations and continues to focus on the safety and health of its employees, customers and other stakeholders.

While the full impact of the COVID-19 pandemic cannot be predicted, the Company expects that its business model and disciplined approach to financial management will allow it to endure through these uncertain times.

A decline in North American land drilling and completion activity as a consequence of lower global oil and gas prices 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 global oil and gas demand, prices and production depletion rates. 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 19% of the Company's 2020 revenues.

The continuance or worsening of the existing economic downturn, a new economic downturn or a global decline in energy prices 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 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 of the ongoing COVID-19 global pandemic 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 or result in the maintenance of existing 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. Similarly, demand for the products of the composite tank and Automotive and Industrial segment businesses are dependent on the level of general economic activity in North America and Europe. Decreases in economic activity in these regions could result in significant decreases in activity levels in these businesses.

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 business 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.

Revenue generated by the Company's Pipeline and Pipe Services segment accounted for 56% of the Company's consolidated sales in 2020. 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.

The Company's operations may experience interruptions due to political, economic, health or other risks, which could adversely affect the Company's projections, business, results of operations and financial condition.

During 2020, the Company derived over 17% of its total revenue from its facilities outside Canada, the US and Western Europe. In addition, part of the Company's sales from its locations in Canada and the US were for use in other countries. The Company's operations in certain international locations are subject to various political, economic and health conditions existing in those countries that could disrupt operations. These risks include:

- currency fluctuations and devaluations;
- currency restrictions and limitations on repatriation of profits;
- political instability and civil unrest;
- hostile or terrorist activities;
- delays or refusals to sanction oil and gas projects;
- restrictions on foreign operations; and
- exposure to epidemics, pandemics and other health crisis.

In addition, the Company is specifically exposed to risks relating to economic or political developments in Argentina, 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 that may disrupt oil and gas exploration and production or the movement of funds and assets could materially adversely affect the Company's projections, business, results of operations and financial condition.

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

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 and other financing agreements contain financial and other 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.

The Company's ability to refinance such obligations may be restricted due to prevailing conditions in the capital markets, available liquidity and other factors.

The Company's Credit Facility and other financing agreements contain financial and other 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.

The Company could be subject to substantial liability claims, 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. 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. 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.

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, cyclical swings in supply and demand can produce short-term shortages and/or price spikes. The Company's ability to pass on any such price increases may be restricted in the short-term.

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. 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. 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. 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.

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 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, US, 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, US and European operations. If actions under Canadian, US, 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, including the failure to implement the provisions of the United States-Mexico-Canada agreement on trade, 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.

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 the continued exploration, development, transportation and use of fossil fuels.

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. The Company's business could also be indirectly impacted by climate-change related laws and regulations 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, the products and services of the Company's production are largely related to the transmission of hydrocarbons including crude 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 demand for hydrocarbons and ultimately, the demand for the Company's products and services.

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 our financial resources, critical data and information or could result in a loss of control of the Company's technological infrastructure or financial resources.

The Company maintains security policies and procedures that include employee protocols with respect to electronic communications and electronic devices, encryption protection of all computers and portable electronic devices and conducts annual cyber-security assessments. The Company applies technical and process controls in line with industry-accepted standards and best practices to protect its information, assets and systems, including a written incident response plan for responding to a cyber-security incident. However, due to the variety, sophistication and frequency of change in technology, these controls may not adequately prevent cyber-security breaches. Disruption of critical information technology services, or breaches of information security, could have a material negative effect on the Company's business, financial condition, and results of operations, as well as on the Company's reputation.

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

Certain market segments that are material to the Company's financial performance have mature technology characteristics and face commoditization threats. While the Company continually seeks to advance its technology and thus differentiate its products and services, there can be no assurance that it will not be subject to downward price pressures from competitors seeking to gain market share by providing lower priced offerings. The Company derives a material proportion of its revenue from 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.

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

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 economically acceptable terms, if at all. 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.

At times, acquisition candidates may have liabilities or adverse operating issues that the Company fails to discover through due diligence prior to the 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 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.

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 this foreign exchange risk. With the exception of the Company's U.S. dollar based operations, the Company does not hedge translation exposures.

The loss or failure to attract or 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 and retain key management, engineering, scientific, marketing, and operating personnel. Recruiting personnel for the global energy services and oil and gas sector is highly competitive and increasingly challenging amidst changing attitudes towards the industry, particularly among younger workers. 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.

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. 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 and other greenhouse gas emissions. The energy sector is facing additional scrutiny regarding regulations in the near term, and the Company's ties to this sector may subject it to the same. New or more stringent regulations could increase the Company's cost structure to meet compliance obligations. ESG criteria are also being incorporated into eligibility for investment dollars by numerous institutional investors. The Company's ability to access capital and demand for the Company's shares may be limited by investors' perceptions of the Company and the sectors in which it operates.

Item 5 DIVIDENDS

The declaration and payment of dividends are at the discretion of the Board of Directors. For many years the Board of Directors has 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, 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 have 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. At the present time, it is not anticipated that the Company will re-instate a dividend payment in 2021.

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

	2020	2019	2018
Common Shares	\$0.15	\$0.60	\$0.60

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.

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.

Item 7 MARKET FOR SECURITIES

The following are the monthly closing price ranges and volumes traded on the Toronto Stock Exchange for the Company's common shares for 2020:

Month	Close	High	Low	Volume
January	10.52	12.96	10.52	3,497,407
February	8.42	11.16	8.42	5,128,040
March	1.78	8.35	0.80	33,640,707
April	2.04	2.19	1.63	25,615,000
May	1.79	1.92	1.62	18,955,800
June	2.71	5.13	1.78	68,426,252
July	2.65	2.92	2.65	15,471,786
August	2.86	3.23	2.67	14,256,600
September	2.09	2.94	2.05	12,409,200
October	2.17	2.49	2.10	8,242,300
November	3.22	3.73	2.19	17,412,933
December	3.52	3.84	3.23	17,675,100

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 of residence, principal occupation, committee membership and period during which he or she has served as Director:

<u>Name and Municipality of Residence</u>	<u>Principal Occupation</u>	<u>Director Since</u>
Lisa Bahash ⁽³⁾ Plymouth, Michigan, U.S.A.	Corporate Director	2020
Derek Blackwood ⁽²⁾ Houston, Texas, U.S.A.	Corporate Director, Chair of the Board of Shawcor	2011
Laura Cillis ⁽¹⁾⁽²⁾ Nelson, British Columbia, Canada	Corporate Director	2019
Kevin Forbes ⁽¹⁾⁽³⁾ West Sussex, England	Corporate Director	2014

Michael Hanley ⁽¹⁾ Mount-Royal, Quebec, Canada	Corporate Director	2015
Alan Hibben ⁽¹⁾⁽³⁾ Toronto, Ontario, Canada	Corporate Director	2020
Robert Mionis ⁽²⁾ Hampton, NH, U.S.A	Chief Executive Officer, Celestica Inc., a global electronics manufacturing and service company	2018
Stephen Orr Toronto, Ontario, Canada	Chief Executive Officer, Shawcor Ltd.	2014
Pamela Pierce ⁽²⁾⁽³⁾	CEO & President, Scientific Drilling International, a private oilfield services firm.	2014

- (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:

<u>Name and Municipality of Residence</u>	<u>Offices with Shawcor Ltd. and Principal Occupation</u>
Derek Blackwood Houston, Texas, U.S.A.	Chair of the Board, Shawcor Ltd.
Stephen Orr Toronto, Ontario, Canada	Chief Executive Officer
Michael E. Reeves Houston, Texas, U.S.A	President
Gaston Tano Mississauga, Ontario, Canada	Senior Vice President, Finance and Chief Financial Officer
Timothy L. Hutzul Toronto, Ontario, Canada	Senior Vice President, General Counsel and Secretary

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. Prior to September 2015, Mr. Blackwood was a business consultant to Wood Group since his retirement from Wood Group in December 2013.

Kevin Forbes was a partner in Epi-V LLP, a London, England based specialist oilfield technology investment company, from 2008 to 2017.

Pamela Pierce became interim CEO & President of Scientific Drilling International in May 2020 and subsequently was named permanent CEO and President in July 2020. Previously, Ms. Pierce was Executive Vice-President and Partner of Ztown Investments, a private oil and gas investment firm.

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

Gaston Tano became Senior Vice President, Finance and Chief Financial Officer of the Company on May 1, 2017 after joining the Company as Vice President, Finance – Corporate in September 2016. From 2011 to 2015, Mr. Tano was the Executive Vice President and Chief Financial Officer of Spin Master Limited, a multi-category children's entertainment company.

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

As at March 26, 2021, Directors and Officers of the Company as a group beneficially owned, directly or indirectly, or exercised control or direction over 548,586 of the issued and outstanding common shares of the Company, being 0.77% 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 AUDIT COMMITTEE

The Audit Committee is appointed annually by and reports to the Board. The Committee consists of four members, Laura Cillis - Chair, K. J. Forbes, Michael Hanley and Alan Hibben, all of whom are independent directors and are considered by the Board to be financially literate as that term is defined by Canadian Securities Regulators. Ms. Cillis, Mr. Hanley and Mr. Hibben are Canadian Chartered Professional Accountants. 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.

The integrity of the Company's internal control and management information systems are primarily the responsibility of management with oversight review by the Audit Committee, which meets regularly with both the Company's financial and accounting personnel and the Company's internal and external auditors to review these matters. The Audit Committee reports to the full Board with respect to any issues that arise out of such discussions.

Reviews are carried out of the work plans of both the external and the internal auditors, and the Committee meets regularly with the external and internal auditors without management present.

The Audit Committee reviews the annual and quarterly financial statements and management’s discussion and analysis and recommends their approval to the Board. The Committee makes recommendations to the Board in respect of the external auditor to be proposed for appointment by the shareholders.

The following table discloses fees approved by the Audit Committee for the external auditors, Ernst & Young, for 2019 and 2020:

Fees in Millions of Dollars	2019	2020
Audit Fees	\$2.611	\$2.127
Audit-Related Fees	\$0.401	\$0.310
Tax Fees	\$0.045	\$0.037
All Other Fees	\$0.007	\$0.008
Total	\$3.064	\$2.482

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 fees for tax services to expatriate employees and consulting services relating to subsidiary share structure and pension and compensation matters.

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. The complete Audit Committee Charter is attached as Schedule 1.

Item 10 TRANSFER AGENT AND REGISTRAR

The Company’s transfer agent and registrar is AST Trust Company (Canada), located in Toronto, Ontario.

Item 11 MATERIAL CONTRACTS

There were no contracts entered into by the Company since the beginning of 2020 or entered into prior to 2020 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 February 27, 2020, the Company entered into an amending agreement with its existing syndicate of lenders under the Credit Facility. The principal amendment was an increase in the Company’s permitted Net Leverage Ratio for the twelve months trailing ending March 31, June 30 and September 30, 2020.
2. On July 29, 2020 the Company entered into a further amending agreement with its existing syndicate of lenders under the Credit Facility that provides covenant relief through December 31, 2021, including revised leverage and interest coverage ratios. The amendment also provided a first priority security interest in favour of the lenders against a majority of the personal property of the Company and certain of its subsidiaries.

3. On December 23, 2020, the Company entered into an agreement for the sale of its Pipeline Performance Products business. The purchase price was USD \$91.5 million, subject to working capital adjustments.

Item 12 INTERESTS OF EXPERTS

Ernst and Young 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 13 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 1, 2021. Additional financial information is provided in the Company's audited financial statements and Management's Discussion and Analysis for the year ended December 31, 2020. They 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

SHAWCOR LTD. AUDIT COMMITTEE OF THE BOARD OF DIRECTORS CHARTER

A. Authority

The Audit Committee of the Board of Directors operates under authority vested by the Board of Directors and reports to the Board. The Board's oversight of the integrity of the Company's internal control and reporting systems is primarily the role of the Audit Committee, and it should meet regularly with both 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 process, auditing matters and financial reporting issues. The Committee generally reports to the full Board with respect to any issues that arise out of such discussions.

The Audit Committee reviews the quarterly financial statements and Reports to Shareholders prior to their release and reviews the Company's annual consolidated financial statements and Management Discussion and Analysis and recommends their approval to the Board. The Committee oversees the qualifications and independence of the external auditor and makes recommendations to the Board in respect of the external auditor to be proposed for appointment to the shareholders.

The authority, composition and role of the Audit Committee of the Board of Directors should 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 Shawcor Ltd. must comply. Such authority, composition and role are:

B. Organization

- 1. Number and Qualifications** - Members of the Audit Committee and the Chair are appointed annually by the Board of Directors. The Audit Committee consists of such number of directors as the Board of Directors shall determine from time to time, all of whom should meet the independence and financial literacy requirements of the Toronto Stock Exchange, the provincial Securities Acts and the Canada Business Corporations Act (see Appendix A).
- 2. Quorum and Invitees** - A majority of the members of the Audit Committee shall form a quorum. Subject to invitation, meetings will usually include the CEO and the Vice President, Finance & CFO. Attendees may also include other directors, the external and internal auditor or other representatives and employees of the Company, as determined by the Audit Committee.
- 3. Meetings** – Committee meetings shall be held at the call of the Chair of the Board, the

Committee Chair, or upon the request of a majority of Committee members. It is anticipated that there will be a minimum of four meetings per year.

C. Role

Management is responsible for preparing the Company's financial statements and other financial information, for the fair presentation of the information set forth in the financial statements in accordance with GAAP, for establishing, documenting, maintaining and reviewing systems of internal 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. The role of the Audit Committee includes but is not limited to:

1. Financial Information

- 1) Reviewing with management and the auditors the annual 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 principles as applied in its financial reporting, and reporting and recommending the financial statements to the Board of Directors for approval.
- 2) Reviewing any material change to the Company's accounting principles and practices as recommended by senior management or the external auditors or which may result from changes to applicable generally accepted accounting principles, including international financial reporting standards, where applicable.
- 3) Reviewing financial information (such as the Management Discussion and Analysis) to be included in all regulatory filings and other public disclosure (such as annual and quarterly financial statements, prospectuses, information circulars and annual and interim earnings press releases).
- 4) Reviewing quarterly results, reports to shareholders, any Management Discussion and Analysis and accompanying press releases, and making recommendations for approval to the Board.
- 5) Reviewing the use of any "pro forma" or adjusted information not in accordance with applicable generally accepted accounting principles, including international financial reporting standards, where applicable.

2. Relations with Auditors

- a) Overseeing and evaluating the work of the external auditors, including the resolution of disagreements between management and the external auditors regarding financial reporting. The external auditors shall report directly to the Committee and the Committee should meet regularly with the internal and external auditors privately, without management present.

- b) Reviewing and approving in advance the terms of engagement, audit fees 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 auditors all significant relationships that the external auditors 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 auditors. Reviewing periodically the detailed policies and procedures dealing with pre-approved non-audit services. In addition, the 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 Committee's current policy with respect to those 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 auditors' internal quality control procedures and any internal or external reviews of investigation of the auditors' professional practices.
- e) Requiring the external auditors to perform such supplemental reviews or audits as the Committee may deem desirable.

3. Internal Controls

- a) Reviewing the integrity of internal controls with senior management, the external auditors and the internal auditor. Reviewing the external and internal auditors' recommendations on internal control matters, following-up on any identified weaknesses and management's response. Being satisfied that adequate procedures are in place for the review of the public disclosure of financial information extracted or derived from the financial statements of the Company and periodically assessing the adequacy of those procedures.
- b) Discussing with the external auditors any difficulties or disputes that arose with senior management during the course of the audit 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.

4. Other Matters

- a) Reviewing the Company's accounting policies, changes thereto, financial reporting and the internal audit process.
- b) Reviewing significant transactions, contingent liabilities and the manner in which these matters are treated in the Company's financial disclosure and financial statements.
- c) Reviewing emerging accounting issues.
- d) Reviewing internal audit plans for the up-coming year.
- e) Discussing with management the Company's risk management policies and processes and reviewing with management and the external and internal auditors the effectiveness and efficiency of the same, including reviewing the Company's program to obtain insurance to mitigate risks where appropriate.
- f) Reviewing and making recommendations to the Board on the appointment of and succession planning for the Vice President Finance and Chief Financial Officer. Reviewing and making recommendations to management on the appointment and evaluation of the internal auditor(s). Periodically reviewing the structure and performance of the Company's finance organization.
- g) Conducting or authorizing investigations into any matter that the Committee believes is within the scope of its responsibilities.
- h) Retaining such special legal, accounting, financial or other consultants as the Committee may determine to be necessary to carry out, at the Company's expense, the Committee's role.
- i) Reporting through the Committee Chair to the Board following meetings of the Committee on matters considered by the Committee, its activities and matters related to this Charter. Minutes of the Committee's meetings will be made available to all members of the Board.
- j) Periodically reviewing and reassessing the adequacy of this Charter and the internal audit charter and annually reviewing and assessing the performance of the Audit Committee.

5. Employee Questions and/or Concerns

- a) Monitoring policies and procedures for dealing with questions and complaints regarding accounting, internal accounting controls, auditing and financial disclosure matters and the confidential anonymous submissions by employees of concerns regarding such matters.
- b) Monitoring compliance with the Company's Code of Conduct and the confidential anonymous submissions by employees of concerns regarding such matters.

D. General

The Committee's role is an oversight role and nothing contained in this Charter is intended to require the Committee to ensure the Company's nor any other person's compliance with applicable laws or regulations.

The Committee is a committee of the Board of Directors and is not and shall not be deemed to be an agent of the Company's security holders for any purpose whatsoever. The Board of Directors may, from time to time, permit departures from the terms hereof, either prospectively or retrospectively, and no provision contained herein is intended to give rise to civil liability to security holders of the Company or other liability whatsoever.

**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 Shawcor's financial statements.

Independence

An Audit Committee member is independent if the member has no direct or indirect material relationship with Shawcor or its subsidiaries and affiliates. A material relationship means a relationship which could, in the view of Shawcor's Board of Directors, 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 of Directors of Shawcor, the following individuals will be considered to have a material relationship with Shawcor:

- a) an individual who is, or was within the last three years, an executive officer or employee of Shawcor;
- b) an individual whose immediate family member is, or was within the last three years, an executive officer of Shawcor;
- c) an individual who is a partner or employee of Shawcor's auditor;
- d) an individual who was a partner or employee of Shawcor's auditor within the last three years and personally worked on Shawcor'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 Shawcor's auditor, is an employee of Shawcor's auditor and participates in its audit, assurance or tax compliance practice or was, within the last three years, a partner or employee of Shawcor's auditor and personally worked on Shawcor's 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 Shawcor'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 Shawcor received, more than \$75,000 in direct compensation from Shawcor during any 12 month period during the last three years, other than in his or her 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 Shawcor, 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 Shawcor or any of its subsidiaries, within the meaning of National Instrument 52-110.
- 1) For purposes hereof, “Shawcor” 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 Shawcor.

SHAWCOR LTD
AUDIT COMMITTEE CHARTER

APPENDIX B
AUDIT AND NON-AUDIT SERVICES

Statutory Audits

Audit services include:

- The audit and/or review of annual and quarterly financial statements of Shawcor, 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 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