

**2016**

NOTICE OF ANNUAL  
AND SPECIAL MEETING  
OF SHAREHOLDERS  
AND MANAGEMENT  
PROXY CIRCULAR



**Dear Shareholder:**

On behalf of the Board of Directors, we would like to invite you to attend this year's Annual and Special Meeting of Shareholders of Shawcor Ltd. (the "Meeting"), which will be held on Wednesday, May 11, 2016 at 4:00 p.m., EDT, in the Guildhall at the Old Mill Toronto, 21 Old Mill Road, Ontario, Canada.

We will report to you at the Meeting on the Company's financial performance in 2015 and outlook for the future.

Enclosed are the Notice of the Meeting, the Management Proxy Circular, a Proxy or Voting Instruction Form and the 2015 Annual Report of the Company. Details of all matters proposed to be put before the Meeting are set forth in the Management Proxy Circular.

Additional copies of the Company's 2015 Annual Report will be available at the Meeting and are also available on request by contacting the Company or on-line at [www.sedar.com](http://www.sedar.com) and [www.Shawcor.com](http://www.Shawcor.com).

We would appreciate your returning the signed Proxy or Voting Instruction form to ensure that your vote is recorded. We encourage you to exercise the power of proxy voting.

All shareholders of Shawcor Ltd. are entitled and encouraged to attend, speak and vote at the Meeting.

We hope that we will have the opportunity to welcome you at the Meeting. If you are unable to attend the Meeting, we would encourage you to listen to our live webcast, which will be available on our website at [www.Shawcor.com](http://www.Shawcor.com).

Sincerely,



**Paul G. Robinson**  
Chair of the Board



**Stephen M. Orr**  
President & Chief Executive Officer

## **NOTICE OF ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS**

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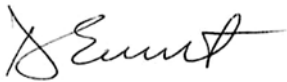
NOTICE IS HEREBY GIVEN that the Annual and Special Meeting of Shareholders of Shawcor Ltd. (the "Meeting") will be held in the Guildhall at the Old Mill Toronto, 21 Old Mill Road, Ontario, Canada at the hour of 4:00 p.m., EDT, on Wednesday, May 11, 2016 for the following purposes:

1. to receive the Annual Report to the Shareholders, including the Consolidated Financial Statements and the Report of the Auditor for the year ended December 31, 2015;
2. to elect directors;
3. to appoint the auditor and to authorize the directors to fix the auditor's remuneration;
4. to consider, and if thought appropriate, to approve an amendment to the Shawcor Ltd. Employee Stock Option Plan-2001 to increase the number of common shares authorized and available for issuance thereunder by 1,000,000 common shares; and
5. to transact such other business as may properly be brought before the Meeting.

It is desirable that as many shares as possible be represented at the Meeting. If you are unable to attend the Meeting in person and would like your shares represented at the Meeting, please complete, date and sign the enclosed form of proxy and return it in the envelope provided to the Company's transfer agent, CST Trust Company, P.O. Box 721, Agincourt, Ontario, Canada M1S 0A1, Attention: Proxy Department or fax to (416) 368-2502 or (866) 781-3111 (toll-free in North America) or email to proxy@canstockta.com. **Proxies must be received by the transfer agent not later than May 10, 2016, 5:00 p.m., EDT.**

DATED at Toronto, Ontario the 11th day of March, 2016.

By Order of the Board of Directors



**Darrell R. Ewert**  
Corporate Secretary

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## SECTION 1 THE BUSINESS OF THE ANNUAL AND SPECIAL MEETING

The information contained in this Management Proxy Circular (the "Circular") is provided in connection with the solicitation of proxies by and on behalf of management of Shawcor Ltd. (the "Company" or "Shawcor") for use at the Annual and Special Meeting (the "Meeting") of shareholders of the Company to be held on May 11, 2016.

### Financial Statements

The Consolidated Financial Statements for the year ended December 31, 2015 are included in the 2015 Annual Report mailed to shareholders with the Notice of Annual and Special Meeting of Shareholders and the Circular and are also available on-line at [www.sedar.com](http://www.sedar.com) and [www.Shawcor.com](http://www.Shawcor.com).

### Election of Directors

The Articles of the Company provide for a minimum of one and a maximum of twenty directors. Directors are elected annually at each annual meeting of shareholders to hold office until the next annual meeting or until their successors shall have been duly elected or appointed. The Board currently consists of ten directors and the Board has determined that the number to be elected at the Meeting is to be ten directors.

### Nominees for Election to the Board of Directors

The following table sets out information as of March 7, 2016, unless otherwise indicated, regarding the nominees for election as directors. All nominees are current directors of the Company. The persons named in the enclosed form of proxy intend to vote for the election as a director of each of the nominees set out in the following table.



#### JOHN T. BALDWIN

Age: 65<sup>(1)</sup>  
 London, England  
 Director Since March 2010  
 Independent  
 Total Compensation for 2015:  
 \$200,482

Mr. Baldwin has been a director of the Company since March 2010 and, from January 2014 until July 2014, was the Vice President Communications & External Affairs, Southern Corridor for BP, London, England, an integrated oil and gas company with global operations. From July 2012 to January 2014 he was the Vice President, Southern Corridor for BP and from October 2007 to July 2012 he was the Group Political Advisor for BP. Mr. Baldwin is a Civil Engineer.

Securities Held	
<b>Common Shares Owned or Controlled<sup>(2)</sup></b>	<b>Meets Share Ownership Requirement</b>
December 2015: 16,715.2	Yes
December 2014: 12,698.8	
Value at Risk: \$482,735 <sup>(3)</sup>	

Member of	2015 Attendance <sup>(4)</sup>	Other Public Boards During Past 5 Years	Voting Results of 2015 Annual Meeting <sup>(5)</sup>
Board	100%	None	Total Votes For: 99.67%
Nominating and Governance Committee	100%		



#### DEREK S. BLACKWOOD

Age: 61<sup>(1)</sup>  
 Houston, Texas, USA  
 Director Since May 2011  
 Independent  
 Total Compensation for 2015:  
 \$199,749

Mr. Blackwood has been a director of the Company since May 2011. Since September 2015, Mr. Blackwood has been the Chief Executive Officer of Vepica Group. Vepica is a private Venezuelan based engineering, procurement and construction contractor which serves the oil and gas, petrochemical and other industries from locations in the Americas, Europe and the Middle East. Prior to September 2015, Mr. Blackwood was a business consultant to Wood Group, a leading multinational energy services company, since his retirement from Wood Group in December 2013. From April 2011 to December 2013, he was the President (Americas) of Wood Group PSN. From 2010 to 2011 he served as President (Middle East, Africa, North America, Caspian) of the Production Facilities division of Wood Group. Mr. Blackwood is a Mechanical Engineer and in 2001 was appointed by the First Minister of Scotland as a GlobalScot to promote Scotland and its people.

Securities Held	
<b>Common Shares Owned or Controlled<sup>(2)</sup></b>	<b>Meets Share Ownership Requirement</b>
December 2015: 15,351.6	Yes
December 2014: 12,902.0	
Value at Risk: \$443,354 <sup>(3)</sup>	

Member of	2015 Attendance <sup>(4)</sup>	Other Public Boards During Past 5 Years	Voting Results of 2015 Annual Meeting <sup>(5)</sup>
Board	100%	None	Total Votes For: 99.75%
Compensation and Organizational Development Committee (Chair) <sup>(4)</sup>	100%		



**JAMES W. DERRICK**  
 Age: 70<sup>(1)</sup>  
 Buffalo, New York, USA  
 Director Since August 2007  
 Independent  
 Total Compensation for 2015:  
 \$192,238

Mr. Derrick has been a director of the Company since August 2007. Since 1992, Mr. Derrick has been the CEO of Derrick Corporation, a designer and manufacturer of solids control equipment used on deep oil and gas drilling rigs and mining and industrial processing equipment. He serves as a director of the Buffalo Olmsted Parks Conservancy and the Buffalo Fine Arts Academy.

Securities Held	
<b>Common Shares Owned or Controlled<sup>(2)</sup></b>	<b>Meets Share Ownership Requirement</b>
December 2015: 39,522.4	Yes
December 2014: 27,523.9	
Value at Risk: \$1,141,407 <sup>(3)</sup>	

Member of	2015 Attendance <sup>(4)</sup>	Other Public Boards During Past 5 Years	Voting Results of 2015 Annual Meeting <sup>(5)</sup>
Board	83%	None	Total Votes For: 99.56%
Nominating and Governance Committee	100%		
Compensation and Organizational Development Committee	100%		



**KEVIN J. FORBES**  
 Age: 57<sup>(1)</sup>  
 West Sussex, England  
 Director Since May 2014  
 Independent  
 Total Compensation for 2015:  
 \$199,396

Mr. Forbes has been a director of the Company since May 2014 and a partner in Epi-V LLP, a London, England based specialist oilfield technology investment company, since September 2009. He joined Epi-V LLP as a consultant in September 2008. Epi-V focuses on identifying new technologies and assisting management teams to develop innovative oilfield products that can be commercialized in international markets. Prior to 2008, Mr. Forbes was employed with Schlumberger Oilfield Services, a leading global energy services company, for 27 years in various senior executive roles, including Marketing, Technology, Strategic Planning and Operations, in North and South America, Europe and the Middle East.

Securities Held	
<b>Common Shares Owned or Controlled<sup>(2)</sup></b>	<b>Meets Share Ownership Requirement</b>
December 2015: 8,927.5	Yes
December 2014: 2,649.0	
Value at Risk: \$257,826 <sup>(3)</sup>	

Member of	2015 Attendance <sup>(4)</sup>	Other Public Boards During Past 5 Years	Voting Results of 2015 Annual Meeting <sup>(5)</sup>
Board	100%	None	Total Votes For: 99.78%
Compensation and Organizational Development Committee	100%		



**MICHAEL S. HANLEY**  
 Age: 50<sup>(1)</sup>  
 Mount-Royal, Quebec, Canada  
 Director Since May 2015  
 Independent  
 Total Compensation for 2015:  
 \$111,072

Mr. Hanley has been a director of the Company since May 2015. He currently serves as a director of BRP Inc. and Industrial Alliance Insurance and Financial Services Inc. and from 2009 to 2011, he was the Senior Vice President, Operations and Strategy for National Bank of Canada. From 2005 to 2008, Mr. Hanley was the Executive Vice President and Chief Financial Officer of aluminum producer Rio Tinto Alcan Inc. and its predecessor, Alcan Inc. Mr. Hanley is a Chartered Professional Accountant (CPA, CA).

Securities Held	
<b>Common Shares Owned or Controlled<sup>(2)</sup></b>	<b>Meets Share Ownership Requirement</b>
December 2015: 8,681.7	Yes
May 12, 2015: 6,000	
Value at Risk: \$250,727 <sup>(3)</sup>	

Member of	2015 Attendance <sup>(4)</sup>	Other Public Boards During Past 5 Years	Voting Results of 2015 Annual Meeting <sup>(5)</sup>
Board	100%	BRP Inc. (2012 to present)	Total Votes For: 99.95%
Audit Committee	67%	Industrial Alliance Insurance and Financial Services Inc. (2015 to present) First Quantum Minerals Ltd. (2012 to 2015) Orbite Aluminae Inc. (2012 to 2013)	



**STEPHEN M. ORR**  
 Age: 52<sup>(1)</sup>  
 Toronto, Ontario, Canada  
 Director Since May 2014  
 Not Independent  
 Total Compensation for 2015:  
 No compensation received for services as a director

Mr. Orr was appointed President of the Company in September 2013 and assumed the position of Chief Executive Officer on May 1, 2014. Mr. Orr became a director of the Company in May 2014. Mr. Orr was the President of the Drilling Group of Schlumberger Oilfield Services, a leading global energy services company, from May 2012 until June 2013. From August 2010 he was the President of the M-I Swaco division of Schlumberger Oilfield Services and from May 2008 he was the President of the Artificial Lift division of Schlumberger Oilfield Services.

Securities Held	
<b>Common Shares Owned or Controlled<sup>(2)</sup></b>	<b>Meets Share Ownership Requirement</b>
December 2015: 93,493	Yes
December 2014: 49,830	
Value at Risk: \$2,700,078 <sup>(3)</sup>	

Member of	2015 Attendance <sup>(4)</sup>	Other Public Boards During Past 5 Years	Voting Results of 2015 Annual Meeting <sup>(5)</sup>
Board	100%	None	Total Votes For: 99.78%





**PAMELA S. PIERCE**  
 Age: 61<sup>(1)</sup>  
 Houston, Texas, USA  
 Director Since June 2014  
 Independent  
 Total Compensation for 2015:  
 \$170,670

Ms. Pierce has been a director of the Company since June 2014. She has been the Executive Vice President of and a partner in Ztown Investments, a Houston, Texas based private oil and gas investment firm, since 2005. Prior to 2005, Ms. Pierce enjoyed a more than 25 year career in various senior executive roles in the US oil and gas exploration, development and production industry. Ms. Pierce also serves as a director of Laredo Petroleum and is a Petroleum Engineer.

Securities Held	
<b>Common Shares Owned or Controlled<sup>(2)</sup></b>	<b>Meets Share Ownership Requirement</b>
December 2015: 4,969.8	N/A (Joined the Board in 2014)
December 2014: 754.8	
Value at Risk: \$143,528 <sup>(3)</sup>	

Member of	2015 Attendance <sup>(4)</sup>	Other Public Boards During Past 5 Years	Voting Results of 2015 Annual Meeting <sup>(5)</sup>
Board	100%	Laredo Petroleum Inc. (2011 to present)	Total Votes For: 99.77%
Compensation and Organizational Development Committee	100%	Michael Baker Corp. (2005 to 2013)	



**PAUL G. ROBINSON**  
 Age: 57<sup>(1)</sup>  
 Toronto, Ontario, Canada  
 Director Since August 2001  
 Independent  
 Total Compensation for 2015:  
 \$169,969

Mr. Robinson has been a director of the Company since August 2001 and was appointed Chair of the Board of the Company on January 1, 2016. Mr. Robinson has been President and Chief Executive Officer of Litens Automotive Group of Woodbridge, Ontario, an automotive component and systems supplier with global operations, since August 2013. From 2001 to August 2013, he was the President and General Manager of Litens Automotive Group. Mr. Robinson is a Chartered Professional Accountant (CPA, CA).

Securities Held	
<b>Common Shares Owned or Controlled<sup>(2)</sup></b>	<b>Meets Share Ownership Requirement</b>
December 2015: 32,477.8	Yes
December 2014: 27,142.8	
Value at Risk: \$937,959 <sup>(3)</sup>	

Member of	2015 Attendance <sup>(4)</sup>	Other Public Boards During Past 5 Years	Voting Results of 2015 Annual Meeting <sup>(5)</sup>
Board	83%	None	Total Votes For: 99.80%
Audit Committee (Chair)	100%		



**E. CHARLENE VALIQUETTE**

Age: 64<sup>(1)</sup>  
 Pembroke, Ontario, Canada  
 Director Since March 2005  
 Independent  
 Total Compensation for 2015:  
 \$186,327

Ms. Valiquette has been a director of the Company since March 2005. She is a former Senior Vice President and Chief Financial Officer of ING Canada Inc. and has decades of senior financial executive experience in the financial services and oil and gas sectors. Ms. Valiquette is a director of HomEquity Bank, a subsidiary of HOMEQ Corporation, and is a former director of Western Life Assurance Company, a subsidiary of public company Western Financial Group. She has also served on the boards of a number of educational and charitable organizations. Ms. Valiquette is a Chartered Professional Accountant (CPA, CA).

Securities Held	
<b>Common Shares Owned or Controlled<sup>(2)</sup></b>	<b>Meets Share Ownership Requirement</b>
December 2015: 26,191.5	Yes
December 2014: 22,412.2	
Value at Risk: \$756,411 <sup>(3)</sup>	

Member of	2015 Attendance <sup>(4)</sup>	Other Public Boards During Past 5 Years	Voting Results of 2015 Annual Meeting <sup>(5)</sup>
Board	100%	HOMEQ Corporation (2011 to 2012)	Total Votes For: 99.71%
Audit Committee	100%		
Nominating and Governance Committee (Chair)	100%		



**DONALD M. WISHART**

Age: 61<sup>(1)</sup>  
 Calgary, Alberta, Canada  
 Director Since May 2015  
 Independent  
 Total Compensation for 2015:  
 \$113,990

Mr. Wishart has been a director of the Company since May 2015. He is the Chairman of the Board of Bruce Power Ltd., an Ontario, Canada based electrical energy producer, and retired in December 2013 as the Executive Vice President of Operations and Major Projects of TransCanada Corporation, a position he held since 2005. Mr. Wishart has more than 40 years' experience in the North American pipeline industry in the areas of business development, project management, operations and environmental services. Mr. Wishart was awarded the "Queen Elizabeth II Diamond Jubilee Medal" for his personal contributions to the charitable sector.

Securities Held	
<b>Common Shares Owned or Controlled</b>	<b>Meets Share Ownership Requirement</b>
December 2015: 9,758.5	Yes
March 9, 2015: 3,000	
Value at Risk: \$281,825 <sup>(3)</sup>	

Member of	2015 Attendance <sup>(4)</sup>	Other Public Boards During Past 5 Years	Voting Results of 2015 Annual Meeting <sup>(5)</sup>
Board	100%	None	Total Votes For: 99.96%
Compensation and Organizational Development Committee	100%		

(1) The age of the nominees is provided as of the date of the Circular.

(2) Includes common shares, deferred share units and, in the case of Mr. Orr, employee share units, but does not include common share options.

(3) Value is based on the closing price of the Company's common shares on the Toronto Stock Exchange (the "TSX") on March 7, 2016 which was \$28.88. The "value at risk" for Mr. Orr includes \$418,760 in common shares and \$2,281,318 in share units.

(4) See attendance details under "Corporate Governance Practices – Meeting Attendance Records".

(5) The Board has adopted a majority voting policy for directors. For further information please see "Corporate Governance Practices & Nomination of Directors – Majority Voting Policy".

### Directors' Equity Ownership

Each director is required to own at least 8,000 common shares, share units or deferred share units ("DSUs") within 48 months of becoming a director.

The following table sets out the numbers of common shares, share units, DSUs and unexercised stock options as at March 7, 2016 beneficially owned, or controlled or directed, directly or indirectly, by each of the persons proposed to be nominated for election as a director. Each current director has increased his or her shareholdings or DSUs since December 31, 2014.

Name	Common Shares (#)	Share Units (#)	DSUs (#)	Options (#)	Fulfills Share Ownership Requirement	Value of Common Shares, Share Units and DSUs as of March 7/16
John Baldwin	-	-	16,715.2	-	Yes	\$ 482,735
Derek Blackwood	-	-	15,351.6	-	Yes	\$ 443,354
James Derrick	12,000	-	27,522.4	-	Yes	\$ 1,141,407
Kevin Forbes	-	-	8,927.5	-	Yes	\$ 257,826
Michael Hanley	6,000	-	2,681.7	-	Yes	\$ 250,727
Stephen Orr	14,500	78,993	-	130,000	Yes	\$ 2,700,078
Pamela Pierce	2,000	-	2,969.8	-	N/A <sup>(1)</sup>	\$ 143,528
Paul Robinson	14,000	-	18,477.8	-	Yes	\$ 937,959
Charlene Valiquette	12,000	-	14,191.5	-	Yes	\$ 756,411
Donald Wishart	6,000	-	3,758.5	-	Yes	\$ 281,825
Total	66,500	78,993	110,596	130,000		\$ 7,431,850

(1) Pamela Pierce joined the Board in 2014 and has until 2018 to fulfill her share ownership requirement of 8,000 common shares or DSUs.

### Directors' Compensation

Directors are remunerated for services rendered in their capacity as directors through a combination of retainer fees, meeting attendance fees, whether attended by telephone or in person, and fees for travel and continuing education.

Directors' compensation is reviewed regularly by the Nominating and Governance Committee and recommendations are made to the Board following review of the market and best practices information. Generally, directors' compensation is targeted around the median level for directors of a peer group of companies which are similar in size, geographic scope and operational complexity to the Company.

The Nominating and Governance Committee conducted a review of directors' compensation for 2015. Based on this review and its conclusion that Shawcor's directors' compensation was competitive with the median directors' compensation level of the above-noted peer group of companies, the Nominating and Governance Committee recommended to the Board that, for 2015, no increases be made to the level of director's compensation. The Board approved the recommendation of the Nominating and Governance Committee.

In 2010, to promote a greater alignment of interests between individual directors and Shawcor's shareholders, the Board adopted a deferred share unit plan (the "DSU Plan") for directors. Under the terms of the DSU Plan, each director, other than the Chief Executive Officer, receives an annual "DSU Retainer" paid in DSUs and may also elect to have up to 100% of the remainder of his or her directors' compensation paid in DSUs. Each DSU has the notional value of one common share. DSUs are credited to each participant's account at the end of each quarter by dividing the relevant fees by the weighted average trading price of the common shares on the TSX for the five trading days immediately preceding the grant of DSUs. Each participant's account is also credited with "dividend equivalents" in the form of additional DSUs on each payment date for a cash dividend on common shares.

DSUs are fully vested at the time awarded and upon retirement from the Board a director participant in the DSU Plan will receive, at his or her option, that number of common shares, acquired on behalf of the participant on the open market, that is equal to the number of DSUs recorded in the participant's account, or a lump sum payment in cash calculated by multiplying the number of DSUs recorded in the participant's account by the weighted average trading price of the common shares for the five trading days immediately preceding the participant's retirement date.

Directors that are not employees do not receive non-equity incentive plan compensation, nor accrue any pension entitlements.

The following table outlines the remuneration rates paid to directors of the Company during 2015.

Element	2015 Rate <sup>(1)(2)</sup>
Annual Board Chair Retainer	\$ 230,000
Annual Board Retainer <sup>(3)</sup>	\$ 50,000
Annual Board DSU Retainer	\$ 70,000
Annual Audit Committee Chair Retainer	\$ 20,000
Annual Audit Committee Member Retainer	\$ 10,000
Annual Other Committee Chair Retainer	\$ 15,000
Annual Other Committee Member Retainer	\$ 5,000
Board and Committee Meeting Fees (per meeting attended) <sup>(4)</sup>	\$ 2,000
Telephone Meeting Fee	\$ 500
Travel:	
2 – 4 hours one way	\$ 500/day
4 – 6 hours one way	\$ 1,000/day
6 – 8 hours one way	\$ 1,500/day
Over 8 hours one way	\$ 2,000/day
Continuing Education	\$ 2,000/day

(1) All rates are expressed in Canadian dollars except for non-Canadian resident directors who are paid the same number, except for DSU amounts, in US dollars.

(2) The Chief Executive Officer does not receive any compensation for acting as a director.

(3) The Board Chair does not receive the Annual Board Retainer, Committee Chair or Member Retainers or Meeting Fees.

(4) Non-Committee member invitees receive \$1,000 per Committee meeting (\$250 for a telephone meeting).

This **Director Compensation Table** illustrates the total compensation paid to each director in 2015.

Director <sup>(1)</sup>	Fees Earned (\$) <sup>(2)</sup>	Share-Based Awards (\$) <sup>(3)</sup>	Non-Equity Incentive Plan Compensation (\$)	Pension Value (\$)	All Other Compensation (\$)	Total (\$)
John Baldwin	72,519	127,963	-	-	-	200,482
Derek Blackwood	121,505	78,244	-	-	-	199,749
Bill Buckley <sup>(4)</sup>	10,038	36,245	-	-	-	46,283
James Derrick	-	192,238	-	-	-	192,238
Kevin Forbes	-	199,396	-	-	-	199,396
Dennis Freeman <sup>(4)</sup>	9,693	38,640	-	-	-	48,333
Michael Hanley	29,113	81,959	-	-	-	111,072
John Petch <sup>(5)</sup>	227,000	81,501	-	-	-	308,501
Pamela Pierce	99,762	70,908	-	-	-	170,670
Paul Robinson	-	169,969	-	-	-	169,969
Charlene Valiquette	65,400	120,927	-	-	-	186,327
Donald Wishart	-	113,990	-	-	-	113,990

(1) Compensation for Mr. Orr is reported in the Summary Compensation Table under the heading "2015 Summary Compensation Table". Shawcor's Chief Executive Officer receives no additional compensation for acting as a director of the Company.

(2) All amounts are expressed in CDNS. Payments to Messrs. Baldwin and Blackwood and Ms. Pierce, which have been paid in US\$, have been converted at the average 2015 exchange rate of US\$1 = CDN\$1.279.

(3) Represents the grant date value of DSUs (including dividend equivalents) granted to each individual.

(4) Messrs. Buckley and Freeman retired from the Board on May 12, 2015.

(5) Mr. Petch retired as Chair of the Board and as a director of the Company effective December 31, 2015.

### Outstanding Option and Share Based Awards

Except for outstanding stock options and share units held by Mr. Orr, which are reported on the "Outstanding Option & Share Based Awards" table under the heading "Incentive Plan Awards", no outstanding stock options or share units were held by directors as of December 31, 2015.

The following table outlines the value of the directors' DSUs that vested in the year, as well as the total outstanding DSUs held by directors and their corresponding monetary value as of December 31, 2015.

Director	Number of Unvested Share Based Awards <sup>(1)</sup>	Market or Payout Value of Share Based Awards That Have Not Vested <sup>(1)</sup>	Share-Based Awards – Value Vested During the Year <sup>(1)</sup> (\$)	Number of Share-Based Awards (DSUs) (#)	Market or Payout Value of Share-Based Awards Not Paid Out or Distributed <sup>(2)</sup> (\$)
John Baldwin	-	-	127,963	16,715.2	469,196
Derek Blackwood	-	-	78,244	15,351.6	430,919
Bill Buckley <sup>(3)</sup>	-	-	36,245	-	-
James Derrick	-	-	192,238	27,522.4	772,554
Kevin Forbes	-	-	199,396	8,927.5	250,595
Dennis Freeman <sup>(3)</sup>	-	-	38,640	-	-
Michael Hanley	-	-	81,959	2,681.7	75,275
John Petch <sup>(4)</sup>	-	-	81,501	-	-
Pamela Pierce	-	-	70,908	2,969.8	83,362
Paul Robinson	-	-	169,969	18,477.8	518,672
Charlene Valiquette	-	-	120,927	14,191.5	398,355
Donald Wishart	-	-	113,990	3,758.5	105,501

(1) All DSUs vest on the grant date but are not redeemable or payable until the director leaves the Board of Directors. The value vested during the year is calculated based on the weighted average market price of Shawcor's common shares on the TSX over the five trading days preceding the grant date.

(2) Value is calculated based on the closing market price of Shawcor's common shares on the TSX on December 31, 2015, which was \$28.07. The ultimate pay-out value of each participant's DSUs will depend on the weighted average price of the common shares on the TSX over the five trading days prior to the date the participant director leaves the Board of Directors.

(3) Messrs. Buckley and Freeman did not stand for re-election at the May 12, 2015 annual meeting of shareholders of the Company and the DSUs held by them at such time were paid out shortly thereafter.

(4) Mr. Petch retired as Chair of the Board and as a director of the Company effective December 31, 2015 and the DSUs held by him at such time were paid out on that date.

### Appointment and Remuneration of Auditor

The persons named in the enclosed form of proxy intend to vote for the appointment of Ernst & Young LLP, Chartered Accountants, as auditor of the Company, to hold office until the next annual meeting of shareholders and to authorize the Board of Directors to fix the auditor's remuneration. Ernst & Young LLP or its predecessors has been the auditor of the Company since its predecessor's incorporation on August 23, 1968.

#### Audit Fees

The fees paid by the Company and its subsidiaries to Ernst & Young LLP for the years 2015 and 2014 are set out in the table below. In 2003, the Audit Committee adopted a policy requiring management to obtain the Audit Committee's approval prior to retaining Ernst & Young LLP for any matters of non-audit and non-tax related services.

Fees in millions of dollars	2015	2014
Audit Fees	\$ 2,570	\$ 2,451
Audit-Related Fees	\$ 0,360	\$ 0,385
Tax Fees	\$ 0,388	\$ 0,152
All Other Fees	\$ 0,025	\$ 0,262
Total	\$ 3,343	\$ 3,250

The nature of the services provided by Ernst and Young LLP under each of the categories indicated in the table is described below. Further information in respect of the Company's Audit Committee may be found in the Company's 2015 Annual Information Form under the heading "Audit Committee". This document is filed on SEDAR at [www.sedar.com](http://www.sedar.com).

#### Audit Fees

Audit fees were paid for professional services rendered by the auditor for the audit of the Company's financial statements as well as services provided in connection with statutory and regulatory filings for the Company and its subsidiaries.

#### Audit-Related Fees

Audit-related fees were paid for assurance and related services that are reasonably related to the performance of the audit or review of the annual financial statements and are not reported under the audit services category above. These services consisted primarily of reviews and advice relating to the 2014 prospectus filing, business acquisitions and employee benefit plan audits.

### **Tax Fees**

Tax fees were paid for tax compliance, tax advice and tax planning professional services. These services included the review of original and amended tax returns, assistance with questions regarding tax audits and refund claims and tax planning and advisory services relating to domestic and international taxation.

### **All Other Fees**

Other fees were paid for products and services other than the audit fees, audit-related fees and tax fees described above and relate primarily to tax services for expatriate employees and consulting services relating to subsidiary share structure and pension and compensation matters.

### **Amendment of Employee Stock Option Plan-2001**

The Meeting will be asked to consider and, if thought appropriate, to approve a resolution, in the form set forth below, authorizing an amendment to the Company's Employee Stock Option Plan-2001 (the "ESOP") to increase the number of common shares authorized and available for issuance thereunder by 1,000,000 shares.

The ESOP was established in 2001 and initially approved by shareholders on May 10, 2002. Upon establishment of the ESOP, the number of Class A Subordinate Voting Shares initially authorized and available for issuance was calculated as 5,123,800 less the number of Class A Subordinate Voting Shares issued after January 31, 2002 upon the exercise of options then outstanding under the Company's predecessor stock option plan, which ultimately resulted in a total of 4,630,138 shares being initially authorized and available for issuance under the ESOP. The Company's Plan of Arrangement completed on March 20, 2013 provided that unless otherwise approved by the Board of Directors, any option granted under the ESOP, whether vested or unvested, would represent an option to purchase the same number of common shares of the Company at the same exercise price as applied to the acquisition of former Class A Subordinate Voting Shares pursuant to such option. All other terms and conditions of the outstanding options were otherwise unchanged.

Currently the Company has options outstanding to purchase 1,571,000 common shares, representing 2.4% of the number of common shares issued and outstanding as of March 7, 2016. The Company also has 3,378 common shares available for future grants of stock options under the ESOP. As substantially all of the common shares previously authorized and available under the ESOP have now been issued or allotted for issuance pursuant to prior grants of stock options, the Company is proposing to increase the number of common shares of the Company authorized and available for issuance under the ESOP. On March 2, 2016, the Board of Directors of the Company approved, subject to obtaining the approvals of shareholders and the Toronto Stock Exchange (the "TSX"), an amendment to the ESOP to increase the maximum number of common shares authorized and available for issuance by 1,000,000, such that the maximum number of common shares that have been issued or which could be issuable under the ESOP since its establishment in 2001 will be increased from 4,630,138 to 5,630,138. The proposed increase in the number of shares authorized and available for issuance under the ESOP is equal to approximately 1.5% of the number of common shares issued and outstanding as of March 7, 2016. The TSX subsequently approved the proposed increase in the number of shares to be made available for issuance under the ESOP subject to receipt of the approval of the Company's shareholders and the filing of customary documentation.

At the March 2, 2016 meeting, the Board of Directors also approved amendments to the ESOP to revise the definitions of "insider", "outstanding issue" and "share compensation arrangements" to comply with the current requirements of the TSX and to require that shareholder approval be obtained for subsequent revisions to the amending provisions of the ESOP. These amendments did not require approval of the Company's shareholders.

The following is a summary of the principal terms of the ESOP and is qualified in its entirety by the ESOP:

Form of Award	<ul style="list-style-type: none"><li>• Non-assignable options to acquire common shares of the Company at such prices as may be fixed by the Board at the time of the grant, provided that the option exercise price shall not be less than the closing sale price of the common shares on the TSX on the last trading day prior to the grant of the option.</li><li>• Options granted in 2010 and later years may, at the discretion of the Board, have attached thereto a tandem stock appreciation right ("SAR").</li><li>• Upon exercise, the holder has the choice of exercising the option and purchasing the underlying common shares, or exercising the SAR and receiving a cash payment per SAR equal to the difference between the option exercise price and the then current trading price of the common shares of the Company (calculated on the basis of the five day volume weighted average trading price). If the stock option is exercised, the SAR is automatically cancelled and vice versa. The unpurchased shares subject to any option which terminates as a result of the exercise of a SAR may not be used again for the purposes of the ESOP and are deducted from the number of shares reserved for issuance under the ESOP.</li><li>• If any option expires or terminates for any reason (other than by exercise of a SAR) without having been fully exercised, the unpurchased common shares that were subject to that option are made available for future option grants under the ESOP.</li></ul>
Participation and Financial Assistance	<ul style="list-style-type: none"><li>• Full time officers and employees of the Company and its subsidiaries. The Company does not provide financial assistance to option holders to enable the exercise of options.</li></ul>

Term and Vesting	<ul style="list-style-type: none"> <li>Options and tandem SARs have a maximum term of 10 years and vest at the rate of 20% per year commencing on the first anniversary of the grant date. The vesting period may be abridged by the Board in certain circumstances, including where a takeover bid is made for the common shares or otherwise.</li> </ul>
Termination	<ul style="list-style-type: none"> <li>Upon cessation of employment, options terminate 90 days after the effective date of such cessation.</li> <li>If employment is terminated by death, options cease to vest and remain exercisable for up to one year by the holder's estate.</li> <li>If employment is terminated by retirement (at or after age 65) or by disability, options will continue to vest and be exercisable for up to 5 years. If, during such 5 year period, the option holder dies, all options vest immediately and the holder's estate is entitled to exercise the options for up to 1 year following the date of death.</li> </ul>
Participation Restrictions	<ul style="list-style-type: none"> <li>Insider participation is limited such that within any one year period, the number of shares reserved for issuance and issuable to insiders or issued to insiders pursuant to options or other share based compensation arrangements, may not exceed 10% of the Company's "Outstanding Issue"<sup>(1)</sup>.</li> <li>No individual insider may receive options that, when combined with other share compensation arrangements, could result in the issuance of shares in any one year period exceeding 5% of the Outstanding Issue at the date of grant of the option.</li> <li>No person may hold options to purchase shares exceeding 5% of the Outstanding Issue at the date of grant of the option.</li> </ul>
Trading Blackouts	<ul style="list-style-type: none"> <li>Options and tandem SARs that would otherwise expire during or immediately following a "blackout period" (being a restricted period identified by the Company during which its personnel are not permitted to trade in the Company's securities), remain exercisable until the fifth business day following the cessation of such blackout period.</li> </ul>
Amendment	<ul style="list-style-type: none"> <li>The Board may amend the ESOP except where shareholder approval is required.</li> <li>Shareholder approval is required for any amendment to the ESOP which: <ol style="list-style-type: none"> <li>Directly or indirectly reduces the exercise price of an option;</li> <li>Extends the period of exercise of an option beyond the original expiry date;</li> <li>Increases the levels of insider participation permitted under the ESOP;</li> <li>Increases the number of common shares reserved for issuance, other than in accordance with the provisions of the ESOP;</li> <li>Makes non-employee directors of the Company eligible to receive options;</li> <li>Makes options assignable or transferable (other than to the legal personal representative of the option holder); or</li> <li>Amends the amending provisions of the ESOP.</li> </ol> </li> </ul>
Takeover Bids	<ul style="list-style-type: none"> <li>If a bona fide offer (a "takeover bid") is made for the common shares of the Company that could result in the offeror exercising control over the Company, the Board has discretion to accelerate the vesting and expiry date of any options which are then outstanding and to effectively require that such common shares thereafter acquired on exercise of the options, be tendered to the takeover bid.</li> </ul>

(1) Outstanding Issue is defined as the number of common shares outstanding.

Additional information on the ESOP may be found herein under "Long-Term Incentive Plans".

#### *Vote Required*

The TSX requires that the resolution, substantially in the form set forth below, to approve the proposed amendment to the ESOP, be approved by a majority of the votes cast by holders of common shares who vote thereon. Abstentions from voting and broker non-votes will have no effect on the approval or disapproval of this matter since only votes "For" or "Against" will be counted in determining whether the resolution has been approved by the requisite majority. The persons named as proxies in the enclosed form of proxy intend to vote the common shares represented thereby in favour of the resolution approving this amendment to the ESOP, unless the form of proxy has been marked "Against". The grant of stock options is an important incentive to employees of the Company and helps foster long term dedication to the Company and its welfare. Accordingly, the Board of Directors recommends a vote "**For**" the resolution approving the amendment of the ESOP. If shareholders do not approve the amendment to the ESOP, existing options will remain outstanding and no additional options, other than in respect of 3,378 common shares available under the ESOP for issuance as of March 7, 2016 and other than in respect of common shares which may become available for issuance upon the expiry of existing options, may be issued.

## Resolution of the Shareholders

### RESOLVED THAT:

1. the amendment to the Shawcor Ltd. Employee Stock Option Plan-2001 (the "ESOP") to increase the number of common shares authorized and available for issuance thereunder by 1,000,000, such that the aggregate number of common shares authorized and available for issuance under the ESOP shall be 5,630,138, is hereby authorized and approved; and
2. any one officer of the Company is hereby authorized and directed to do all such acts and things, and to execute and deliver all such instruments and documents as may be necessary or desirable to give full effect to this resolution.

### SHAREHOLDER PROPOSALS

There were no proposals brought forward by shareholders of the Company for inclusion in this Circular.

The Company will review shareholder proposals intended to be included in proxy material for the 2017 Annual Meeting of Shareholders which are received by the Company at its offices at 25 Bethridge Road, Toronto, Ontario M9W 1M7, Attention: Corporate Secretary, by no later than December 31, 2016.

## SECTION 2 VOTING INFORMATION

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### Solicitation of Proxies

This solicitation of proxies is made on behalf of the management of the Company for use at the Meeting and every adjournment thereof for the purposes set forth in the accompanying Notice of Meeting. The solicitation will be primarily by mail, but proxies may also be solicited personally or by telephone or other means of telecommunication by directors, officers or employees of the Company. The cost of solicitation by management will be borne by the Company.

### Appointment and Revocation of Proxies

The persons named in the enclosed form of proxy are directors or officers of the Company. **A shareholder has the right to appoint some other person to represent the shareholder at the Meeting.** A shareholder desiring to appoint some other person to represent him or her at the Meeting may do so by inserting such person's name in the blank space provided in the form of proxy or by completing another proper form of proxy. In either case, the shareholder must deliver or send the completed form of proxy to the Company's transfer agent, CST Trust Company, PO Box 721, Agincourt, Ontario, M1S 0A1, Attention: Proxy Department or fax to (416) 368-2502 or (866) 781-3111 (toll-free in North America) or email to proxy@canstockta.com. Proxies must be received by the transfer agent, not later than 5:00 p.m., EDT, on May 10, 2016.

A shareholder who has given a proxy may revoke it by instrument in writing executed by the shareholder or by his or her attorney authorized in writing and deposited either at the registered office of the Company at any time up to and including the last business day preceding the day of the Meeting, or any adjournment thereof, or with the Chair of the Meeting on the day of the Meeting, or adjournment thereof, or in any other manner permitted by law.

### Proxy Voting

The persons named in the enclosed form of proxy will vote or withhold from voting the shares in respect of which they are appointed in accordance with the instructions of the shareholder appointing them on any ballot which may be called for and, if a shareholder specifies a choice with respect to any matter to be acted upon, the shares will be voted accordingly. **If no specific instruction is given, such shares will be voted in favour of the election of each of the nominees for director named in this Circular, in favour of the appointment of Ernst & Young LLP as auditor and the authorization of the directors to fix the auditor's remuneration and in favour of the resolution to amend the Employee Stock Option Plan-2001 to authorize and make available for issuance an additional 1,000,000 common shares.** The enclosed form of proxy confers discretionary authority upon the persons named therein with respect to amendments or variations to matters identified in the Notice of Meeting and to other matters which may properly come before the Meeting. At the time of printing of this Circular, the management of the Company knows of no such amendment, variation or other matter expected to come before the Meeting other than the matters referred to in the Notice of Meeting. If any matters which are not now known should properly come before the Meeting, the persons named in the accompanying forms of proxy will vote on such matters in accordance with their best judgment.

### Voting by Non-Registered Shareholders

Only registered shareholders or the persons they appoint as their proxies are permitted to vote at the Meeting. However, in many cases, common shares beneficially owned by a person (a "Non-Registered Holder") are registered either:

- (i) in the name of an intermediary (an "Intermediary") (which may include, among others, banks, trust companies, securities dealers or brokers and trustees or administrators of self-administered registered retirement savings plans, registered retirement income funds, registered education savings plans and similar plans) that the Non-Registered Holder deals with in respect of the shares; or
- (ii) in the name of a clearing agency (such as the CDS Clearing and Depository Services Inc.) of which the Intermediary is a participant.

In accordance with applicable regulatory requirements, the Company has distributed copies of the Circular and the accompanying Notice of Meeting together with the form of proxy (collectively, the "Meeting Materials") to the clearing agencies and Intermediaries for onward distribution to Non-Registered Holders.



Intermediaries are required to forward the Meeting Materials to Non-Registered Holders unless a Non-Registered Holder has waived the right to receive them. Frequently, Intermediaries will use service companies to forward the Meeting Materials to Non-Registered Holders. Generally, Non-Registered Holders who have not waived their right to receive Meeting Materials will either:

- (i) be given a form of proxy which has already been signed by the Intermediary (typically by a facsimile stamped signature), which is restricted as to the number and class of shares beneficially owned by the Non-Registered Holder but which is not otherwise completed. Since the Intermediary has already signed the form of proxy, this form of proxy is not required to be signed by the Non-Registered Holder when submitting the proxy. In this case, the Non-Registered Holder who wishes to vote by proxy should otherwise properly complete the form of proxy and deliver it as specified above under "Appointment and Revocation of Proxies"; or
- (ii) more typically, be given a voting instruction form which must be completed and signed by the Non-Registered Holder and returned to the Intermediary or its service company in accordance with the directions accompanying the voting instruction form. A Non-Registered Holder receiving a voting instruction form cannot use that voting instruction form to vote shares directly at the Meeting; rather the voting instruction form must be returned to the Intermediary well in advance of the Meeting in order to have the Non-Registered Holder's shares voted.

In either case, the purpose of these procedures is to permit Non-Registered Holders to direct the voting of the shares which they beneficially own. A Non-Registered Holder who has received a pre-signed form of proxy as mentioned in (i) above and who wishes to attend and vote at the Meeting in person (or to have another person attend and vote on behalf of the Non-Registered Holder) should print the Non-Registered Holder's (or such other person's) name in the blank space provided for that purpose in the first paragraph of the proxy form or, in the case of a voting instruction form, follow the corresponding instructions on that form. **In either case, Non-Registered Holders should carefully follow the instructions of their Intermediary and its service company, as applicable.**

### Voting Shares

On March 7, 2016, the Company had outstanding 64,541,301 common shares. Each common share entitles the holder thereof to one vote per share.

### Record Date

Each holder of issued and outstanding common shares of record at the close of business on March 28, 2016 (the "Record Date") will be given notice of the Meeting and will be entitled to vote at the Meeting, in person or by proxy, the number of common shares of record held by him or her on the Record Date.

### Principal Holders of Voting Shares

To the knowledge of the directors and officers of the Company, the following are the only persons who, as at March 10, 2016, beneficially owned, or controlled or directed, directly or indirectly, shares carrying more than 10% of the votes attached to the common shares of the Company.

Name	Number of Shares Beneficially Owned or Controlled	Percentage of Outstanding Shares
Fidelity Management & Research Company and certain of its affiliates	6,877,363	10.66%

## SECTION 3 STATEMENT OF CORPORATE GOVERNANCE

The Board of Directors (the "Board") and management of the Company recognize that effective governance is central to the prudent direction and operation of the Company in a manner that ultimately enhances shareholder value. The following discussion outlines the Company's system of corporate governance.

The business and affairs of the Company are managed under the supervision of the Board. Broadly, the Board approves overall corporate strategy and assesses management's implementation of agreed strategies, and reviews the results achieved. The Board's role consists of the approval of strategic plans, the review of corporate risks identified by management and monitoring the Company's practices and policies for dealing with these risks, management succession planning, the monitoring of business practices and the assessment of the integrity of the Company's internal controls and information and governance systems.

The Board oversees the Company's strategic planning process, reviews and approves strategies, and assesses management's success in implementing the strategies. This is done regularly and through annual special purpose Board meetings held each year to review and approve the Company's strategic and annual business plan. The strategic plan is updated each year so that it always projects the next three-year period. Management reports to the Board quarterly, highlighting and commenting upon divisional performance compared with annual business plan forecasts and prior year results. As part of the strategic plan review process, the Board identifies and evaluates the principal opportunities and risks of the Company's businesses, and seeks to ensure that management puts in place appropriate systems to manage the principal risks. The Board also receives, reviews and discusses a quarterly risk management report from management which identifies the key risks facing the Company, their potential impact on operating income and mitigation actions which are being taken. In addition, the Audit Committee regularly reviews financial and health, safety and environmental ("HSE") risk issues and the Compensation and Organizational Development Committee reviews compensation related risk issues on an annual basis. A discussion of the key risks facing the Company is set out in the Company's Annual Information Form for the year ended December 31, 2015 and in the Management's Discussion and Analysis accompanying the Company's consolidated financial statements for the year ended December 31, 2015 and 2014, both of which are filed on SEDAR at [www.sedar.com](http://www.sedar.com).

The corporate governance practices and policies of the Company have been developed under the general stewardship of the Nominating and Governance Committee. The Committee believes that the corporate governance practices of the Company are appropriate for the Company. As a result of evolving laws, policies and practices, the Nominating and Governance Committee regularly reviews the corporate governance practices and policies of the Company in order to facilitate compliance with applicable requirements and implements best practices appropriate to its operations. In recent years, the following steps have been taken by the Company as part of the ongoing process of enhancing its corporate governance:

- instituted and updated mandatory share ownership guidelines for all Directors, the Chief Executive Officer and other designated executives;
- reviewed and revised the mandate of the Board of Directors;
- reviewed and revised the charters for the Audit, Compensation and Organizational Development, and Nominating and Governance Committees and appointed only independent directors to these Committees;
- completed evaluations of the Board's performance as well as individual director peer performance reviews and developed a new Board/Committee/Director performance assessment process and form;
- developed a new Board experience/skills matrix;
- reviewed and updated the Company's Code of Conduct for directors, officers and employees, a copy of which may be found on SEDAR ([www.sedar.com](http://www.sedar.com));
- instituted a whistleblower hotline to assist employees in reporting suspected violations of the Code of Conduct;
- instituted a majority voting policy for directors and an "advance-notice" by-law;
- instituted a DSU plan for directors and terminated the directors' stock option plan;
- reviewed and updated the Company's Confidentiality, Insider Trading and Disclosure policies and developed new Conflict of Interest Guidelines for directors which include formal disclosure mechanisms;
- eliminated the Company's dual class share structure through a shareholder and court approved plan of arrangement (this included an amalgamation and some associated changes in 2013 to the Company's articles and by-laws, which can be found on SEDAR, including an advance notice by-law);
- developed a new director retirement policy and conflict of interest guidelines for directors, new Board and Senior Management Diversity policies and an Executive Compensation Clawback policy; and
- enhanced Board continuing education by enrolling three directors in the Director Education Program offered by the Institute of Corporate Directors (the "ICD") and enrolling all directors as members of the ICD.

### **Board Mandate**

The Board's role is to supervise and oversee the management of the business of the Company. As part of its stewardship of the Company, and in addition to its legal obligations, the Board has adopted a mandate, the most recent version of which is attached hereto as Schedule "A". This mandate was filed on SEDAR ([www.sedar.com](http://www.sedar.com)) as an attachment to this Circular. In addition, the Company will provide a copy of the mandate free of charge to shareholders upon request.

### **Committees of the Board Of Directors and Their Roles**

During 2015, there were three committees of the Board: the Audit Committee, the Nominating and Governance Committee and the Compensation and Organizational Development Committee. A copy of the charters of these Committees may be found on the Company's website ([www.shawcor.com](http://www.shawcor.com)). The composition and role of each committee is set out below.

#### ***Audit Committee***

The Audit Committee is appointed annually by and reports to the Board. The Committee currently consists of three members, P.G. Robinson – Chair, E.C. Valiquette and M.S. Hanley, 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. Mr. Robinson, Ms. Valiquette and Mr. Hanley are Chartered Professional Accountants.

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 quarterly financial statements and quarterly reports to shareholders, the annual and quarterly consolidated financial statements and related Management's Discussion and Analysis, and the Annual Information Form and recommends their approval to the Board. This includes discussions with the external auditor with respect to its quarterly reviews and annual audit of the financial statements. The Company's Senior Manager of Internal Audit also reports the findings of the internal audit team to the Committee at its quarterly meetings. The Committee also makes recommendations to the Board in respect of the external auditor to be proposed for appointment by the shareholders.

In 2015, the Committee continued to supervise a thorough review of the Company's accounting and financial reporting systems with respect to the design and effectiveness of internal controls over financial reporting. The Committee met with management and the external and internal auditors,

and considered the requirements of National Instrument 52-109 and management's recommendations on improvement of internal control systems and procedures and subsequent follow-up issues.

Both the external auditor and the internal auditor report directly to the Audit Committee. The Committee Chair reviewed and approved the engagement letter for the external auditor and the Committee reviewed and approved the external auditor's fees for audit and for non-audit services billed in 2015. The Committee confirmed with the external auditor there were no scope limitations on its audit. The Committee also satisfied itself as to the independence of the external auditor, including developing and monitoring policies that control the services provided by the external auditor outside of the normal audit. The Committee conducts annual assessments of the performance of the external auditor and recommended to the Board that Ernst & Young LLP be reappointed as the Company's auditor for 2016.

During 2015, the Committee determined that no violation of the Company's Code of Conduct by directors or executive officers was reported by management, uncovered by the internal or external auditors or reported on the Company's business ethics hotline.

Further particulars concerning the Audit Committee are disclosed in the Company's Annual Information Form under Item 9 "Audit Committee".

### ***Nominating and Governance Committee***

The Nominating and Governance Committee is appointed annually by and reports to the Board. The Committee currently consists of three members; E.C. Valiquette – Chair, J.W. Derrick and J.T. Baldwin, all of whom are independent directors.

The Nominating and Governance Committee oversees all practices relating to the corporate governance of the Company, and its role is to review these practices regularly, both to assess their effectiveness and to compare them with evolving practices in the field. The Committee periodically reviews position descriptions for the Board, the Chair of the Board, the Chair of each Committee and the Chief Executive Officer (the "CEO"), including corporate objectives for which each of them are responsible. The descriptions clarify the role of the Board, the Chairs and the CEO contained in the Board mandate, the Committee charters, and the Company's by-laws. The Committee's role includes identifying and recommending to the Board, after consultation with the Chair of the Board, suitable director candidates and providing orientation and education to new members of the Board.

The Nominating and Governance Committee assesses the effectiveness of the Board as a whole, the Committees of the Board and the contribution of individual directors. The Committee carries out a formal assessment of such matters on an annual basis. Feedback from these assessments will be used to improve the Company's overall performance during 2016 and beyond.

The Committee's role includes providing all new members of the Board with a Board Manual containing detailed information on the Company and its businesses, its charter and history, and expectations and policies relevant to the Board and its members, together with a Code of Conduct and Confidentiality and Insider Trading guidelines. The Manual is updated and reissued periodically to all directors. As part of the continuing education for directors, visits to selected plant sites and meetings with senior management are also arranged to allow directors the opportunity to familiarize themselves with the Company's operations and businesses at first hand.

The Committee continually monitors Board skills and experience and identifies any gaps therein with a view to longer term planning for ongoing Board renewal. With the assistance of a third party recruiting firm, the Committee conducted detailed international searches for new director candidates in 2013 and 2014, which ultimately resulted in its recommendation to the Board to add Kevin Forbes and Pamela Pierce to the Board in 2014 and to add Michael Hanley and Donald Wishart to the Board in 2015. The Committee identified strong female candidates as part of the 2013/2014 search process (45-50% of the candidates presented for consideration by the third party recruiting firm) and expects to be able to recommend an additional female nominee or nominees to the list of director nominees for election at a future shareholders' meeting, as vacancies occur and at such time as availability and current conflict of interest issues are resolved. The Company does not expect to have any vacancies on its Board in 2016.

Other recent activities of the Committee include the development of a Board Diversity Policy which is designed to promote consideration of gender and other diversity in the identification and nomination of directors to the Board. Further information regarding this policy can be found under the heading "Corporate Governance Practices – Nomination of Directors – Board Diversity Policy".

### ***Compensation and Organizational Development Committee***

The Compensation and Organizational Development Committee is appointed annually by and reports to the Board. The Committee currently consists of four members; D.S. Blackwood – Chair, P.S. Pierce, K.J. Forbes and D.M. Wishart, all of whom are independent directors and all of whom have experience in executive compensation based on their experience as current or former senior executive officers and directors.

The Committee's role includes reviewing and recommending to the Board:

- a) the compensation philosophy and policies of the Company including an annual recommendation as to the compensation of the "Designated Employees", which consist of the CEO, his or her executive direct reports, officers of the Company and Named Executive Officers included in the Compensation Discussion & Analysis section of this Circular;
- b) in consultation with the Chair of the Board, the employment contract, annual performance criteria and succession and development plans for the CEO and CFO;
- c) the design of and participants in, and annual awards under, executive incentive plans for Designated Employees;
- d) succession and executive development plans for Designated Employees and other identified key employees and other strategic organizational and human resources practices to strengthen the organization and align it to the overall strategy.

The Committee also oversees the administration and investment performance of, and the appointment of external advisors for, the Company's various retirement plans.

Other recent activities of the Committee include the development of a Senior Management Diversity Policy, which is designed to promote consideration of gender and other diversity in the Company's senior management succession planning and talent management process, and an Executive Compensation Clawback Policy. For further information on these policies, see "Corporate Governance Practices – Compensation – Senior Management Diversity Policy" and "Corporate Governance Practices – Ethical Business Conduct – Clawback Policy", respectively.

## SECTION 4 CORPORATE GOVERNANCE PRACTICES

The Company is committed to adhering to a high standard in all business and corporate governance matters and its corporate governance practices are designed to be consistent with this objective. The Board has delegated to the Nominating and Governance Committee the oversight and review of all matters relating to the governance of the Company, and the Nominating and Governance Committee's role includes recommending changes when appropriate to improve governance effectiveness and conformance with evolving best practices and legislation, including the requirements and guidelines of National Instrument 58-101 – Disclosure of Corporate Governance Practices (the "Disclosure Instrument") and National Policy 58-201 – Corporate Governance Guidelines (the "Guidelines"), issued by the Canadian Securities Administrators. The Company has adopted the following practices:

### Corporate Governance Practices

The Disclosure Instrument requires issuers such as the Company to disclose the corporate governance practices that they have adopted, while the Guidelines provide guidance on corporate governance practices. In this regard, a brief description of the Company's corporate governance practices, with reference to the items set out in the Disclosure Instrument and the Guidelines, is set forth in the table below.

Disclosure Item	Comments																																												
<b>1. Board of Directors</b>																																													
Independence	<p>The Board defines a director to be "independent" if he or she does not have a direct or indirect "material relationship" with the Company. A "material relationship" is a relationship which could, in the view of the Board, be reasonably expected to interfere with the exercise of a director's independent judgment. Independent directors will include persons who are not employed by the Company, do not receive any compensation from the Company, directly or indirectly, other than directors' remuneration, and otherwise as defined under securities law.</p> <p>The following table sets out the relationship of the current and proposed directors to the Company:</p> <p><b>Relationships of Current and Proposed Directors to the Company</b></p> <table border="1"> <thead> <tr> <th>Name</th> <th>Independent</th> <th>Not Independent</th> <th>Reason for Not Independent Status</th> </tr> </thead> <tbody> <tr> <td>John Baldwin</td> <td>•</td> <td></td> <td></td> </tr> <tr> <td>Derek Blackwood</td> <td>•</td> <td></td> <td></td> </tr> <tr> <td>James Derrick</td> <td>•</td> <td></td> <td></td> </tr> <tr> <td>Kevin Forbes</td> <td>•</td> <td></td> <td></td> </tr> <tr> <td>Michael Hanley</td> <td>•</td> <td></td> <td></td> </tr> <tr> <td>Stephen Orr</td> <td></td> <td>•</td> <td>Chief Executive Officer</td> </tr> <tr> <td>Pamela Pierce</td> <td>•</td> <td></td> <td></td> </tr> <tr> <td>Paul Robinson</td> <td>•</td> <td></td> <td></td> </tr> <tr> <td>Charlene Valiquette</td> <td>•</td> <td></td> <td></td> </tr> <tr> <td>Donald Wishart</td> <td>•</td> <td></td> <td></td> </tr> </tbody> </table> <p>Based upon the definition of an "independent director" and a review of the applicable factual circumstances (including financial, contractual and other relationships), the Board, in consultation with the Nominating and Governance Committee, has determined that 9 of 10 (90%) of the nominees for director are independent. These 9 independent director nominees are: John Baldwin, Derek Blackwood, James Derrick, Kevin Forbes, Michael Hanley, Pamela Pierce, Paul Robinson, Charlene Valiquette and Donald Wishart. Stephen Orr is not an independent director, due to his position as an executive officer of the Company and its subsidiaries.</p> <p>For further details about each director nominee, see the information under the heading "The Business of the Annual and Special Meeting – Nominees for Election to the Board of Directors".</p>	Name	Independent	Not Independent	Reason for Not Independent Status	John Baldwin	•			Derek Blackwood	•			James Derrick	•			Kevin Forbes	•			Michael Hanley	•			Stephen Orr		•	Chief Executive Officer	Pamela Pierce	•			Paul Robinson	•			Charlene Valiquette	•			Donald Wishart	•		
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Disclosure Item	Comments																																																																																				
Other Directorships	Several of the nominees for director of the Company are presently directors of other reporting issuers (or the equivalent). For further details, see the information about each director nominee under the heading "The Business of the Annual and Special Meeting – Nominees for Election to the Board of Directors". As of March 7, 2016, no members of our Board of Directors served together on the boards of other public companies.																																																																																				
In Camera Sessions	In camera sessions of independent directors without the presence of management and non-independent directors are scheduled at all Board and Committee meetings. These sessions are chaired by the Chair of the Board or Committee chairs, as the case may be, and are held at the discretion of the independent directors as they deem necessary. These in camera sessions have provided an effective forum for more open discussions with respect to the management of the Company. The independent directors held 17 such sessions during 2015.																																																																																				
Board Chair	<p>The current Chair of the Board, Paul Robinson, is an independent director. The Company maintains the separation of the offices of Chair and Chief Executive Officer.</p> <p>The Chair of the Board facilitates the Board's ability to function independently of management of the Company, sets the agenda for Board meetings, in consultation with management, promotes best practices and high standards of corporate governance, consistent with enhancing and promoting a positive relationship among all directors, and assists in the process of conducting director evaluations. The Chair periodically consults and meets with any or all of the independent directors, at the discretion of either party, in the absence of management.</p>																																																																																				
Meeting Attendance Records	<p>The following table summarizes the meetings of the Board of the Company and its Committees held during the fiscal year ended December 31, 2015, and the attendance of individual directors of the Company at such meetings:</p> <table border="1"> <thead> <tr> <th>Director</th> <th>Board Meetings</th> <th>Audit</th> <th>Nominating and Governance</th> <th>Committees Compensation and Organizational Development</th> <th>Percentage of Board and Committee Meetings Attended</th> </tr> </thead> <tbody> <tr> <td>John Baldwin</td> <td>6 of 6</td> <td>–</td> <td>3 of 3</td> <td>–</td> <td>100%</td> </tr> <tr> <td>Derek Blackwood</td> <td>6 of 6</td> <td>–</td> <td>–</td> <td>5 of 5</td> <td>100%</td> </tr> <tr> <td>William Buckley<sup>(2)</sup></td> <td>2 of 2</td> <td>–</td> <td>–</td> <td>–</td> <td>100%</td> </tr> <tr> <td>James Derrick</td> <td>5 of 6</td> <td>–</td> <td>3 of 3</td> <td>2 of 2</td> <td>89%</td> </tr> <tr> <td>Kevin Forbes</td> <td>6 of 6</td> <td>–</td> <td>–</td> <td>5 of 5</td> <td>100%</td> </tr> <tr> <td>Dennis Freeman<sup>(2)</sup></td> <td>1 of 2</td> <td>2 of 2</td> <td>–</td> <td>–</td> <td>75%</td> </tr> <tr> <td>Michael Hanley</td> <td>5 of 5</td> <td>2 of 3</td> <td>–</td> <td>–</td> <td>88%</td> </tr> <tr> <td>Stephen Orr</td> <td>6 of 6</td> <td>4 of 4<sup>(1)</sup></td> <td>–</td> <td>5 of 5<sup>(1)</sup></td> <td>100%</td> </tr> <tr> <td>John Petch<sup>(3)</sup></td> <td>6 of 6</td> <td>2 of 2<sup>(1)</sup></td> <td>3 of 3<sup>(1)</sup></td> <td>5 of 5<sup>(1)</sup></td> <td>100%</td> </tr> <tr> <td>Pamela Pierce</td> <td>6 of 6</td> <td>–</td> <td>–</td> <td>5 of 5</td> <td>100%</td> </tr> <tr> <td>Paul Robinson</td> <td>5 of 6</td> <td>4 of 4</td> <td>–</td> <td>–</td> <td>90%</td> </tr> <tr> <td>Charlene Valiquette</td> <td>6 of 6</td> <td>4 of 4</td> <td>3 of 3</td> <td>–</td> <td>100%</td> </tr> <tr> <td>Donald Wishart</td> <td>5 of 5</td> <td>–</td> <td>–</td> <td>4 of 4</td> <td>100%</td> </tr> </tbody> </table> <p>(1) These meetings were attended by the indicated persons as invitees and not as Committee members.  (2) Messrs. Buckley and Freeman did not stand for re-election at the Annual Meeting of Shawcor Ltd. held on May 12, 2015.  (3) Mr. Petch retired as Chair of the Board and as a director of the Company effective December 31, 2015.</p>	Director	Board Meetings	Audit	Nominating and Governance	Committees Compensation and Organizational Development	Percentage of Board and Committee Meetings Attended	John Baldwin	6 of 6	–	3 of 3	–	100%	Derek Blackwood	6 of 6	–	–	5 of 5	100%	William Buckley <sup>(2)</sup>	2 of 2	–	–	–	100%	James Derrick	5 of 6	–	3 of 3	2 of 2	89%	Kevin Forbes	6 of 6	–	–	5 of 5	100%	Dennis Freeman <sup>(2)</sup>	1 of 2	2 of 2	–	–	75%	Michael Hanley	5 of 5	2 of 3	–	–	88%	Stephen Orr	6 of 6	4 of 4 <sup>(1)</sup>	–	5 of 5 <sup>(1)</sup>	100%	John Petch <sup>(3)</sup>	6 of 6	2 of 2 <sup>(1)</sup>	3 of 3 <sup>(1)</sup>	5 of 5 <sup>(1)</sup>	100%	Pamela Pierce	6 of 6	–	–	5 of 5	100%	Paul Robinson	5 of 6	4 of 4	–	–	90%	Charlene Valiquette	6 of 6	4 of 4	3 of 3	–	100%	Donald Wishart	5 of 5	–	–	4 of 4	100%
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<b>2. Board Mandate</b>	<p>A copy of the Board's mandate is attached hereto as Schedule "A". Upon request, the Company will provide a copy of the Board mandate free of charge to any shareholder.</p> <p>In addition to setting out the role of the Board, the Board mandate describes the terms of reference and expectations for the Chair of the Board and for each individual director.</p>																																																																																				
<b>3. Position Descriptions</b>																																																																																					
CEO and Chair of the Board	The Nominating and Governance Committee has developed written position descriptions for the CEO, the Chair of the Board and the Chair of each Committee of the Board. The Board reviews and considers the corporate objectives for which the CEO is responsible and regularly reviews whether such objectives are being met.																																																																																				

Disclosure Item	Comments
<b>4. Orientation and Continuing Education</b> Orientation of New Directors	<p>Under the guidance of the Nominating and Governance Committee, the Company provides an orientation session for new directors. The session includes an overview of the Company's history and operations, a review of industry conditions and competition and an introduction to the Company's management team. New 2015 directors Michael Hanley and Donald Wishart attended this orientation session.</p> <p>The Company has developed and distributes to all directors a Board Manual, containing relevant corporate and business information, to orient and assist directors in fulfilling their duties and obligations. The Manual is updated on a periodic basis, as required.</p>
Continuing Education	<p>The Company undertakes ongoing education efforts that include on-site visits to various facilities. In January 2015, John Baldwin and Kevin Forbes visited the Netherlands' facilities of newly acquired Dhatec B.V. and Michael Hanley and Donald Wishart visited the DSG-Canusa, ShawFlex, Canusa-CPS and R&amp;D facilities in Toronto, Ontario. Messrs. Hanley and Wishart also visited the Flexpipe and Bredero Shaw facilities in Calgary, Alberta in September 2015. In April 2015, Derek Blackwood visited Bredero Shaw's Houston office to review HSE management initiatives with Shawcor senior management. In November 2015, the entire Board visited various Bredero Shaw, Shaw Pipeline Services and Desert NDT facilities in the Houston, Texas area.</p> <p>Both outside advisors and senior managers of the Company's corporate office and its various divisions also make regular presentations to the Board and its Committees regarding business and legal matters. During 2015, the topics of these presentations included the onshore and offshore oil and gas markets, new product/process development, internal controls over financial reporting, the Company's disclosure controls and procedures, foreign currency exposure and cash management, insurance, pensions, internal audit, taxation, strategic planning, corporate finance (including "say on pay"), industry mergers and acquisitions, risk management, corporate governance, shareholder relations, director recruitment, executive and director compensation and succession planning, employee talent review and management, Board and senior management diversity and health, safety and environmental matters.</p> <p>As part of the continuing education of directors, directors periodically attend a meeting of each Board Committee and the Chair, the CEO and the Corporate Secretary periodically provide articles and other educational materials of interest to directors on industry trends, corporate governance, strategic planning, executive compensation, mergers and acquisitions and other related topics. The Company has also developed a library containing industry related videos, films, programs, etc., which it has provided to all directors and which it updates periodically.</p> <p>The Company has established an initiative whereby it pays for interested directors to attend the Directors Education Program (the "DEP"), a joint program of the Institute of Corporate Directors and the Rotman School of Management, University of Toronto. Current Nominating and Governance Committee Chair Charlene Valiquette completed the DEP prior to 2015 and Compensation and Organizational Committee Chair Derek Blackwood attended the DEP in 2015. Donald Wishart completed the DEP prior to joining the Shawcor Board. All directors have been enrolled by the Company as members of the Institute of Corporate Directors.</p>
<b>5. Ethical Business Conduct</b> Code of Conduct	<p>The Company has adopted the Shawcor Code of Conduct, governing the behaviour of directors, officers and employees of the Company. The text of the Code of Conduct is available on the Company's website, <a href="http://www.Shawcor.com">www.Shawcor.com</a>.</p> <p>Upon hiring, every employee receives a copy and signs a written acknowledgement of its receipt and of his or her responsibility to comply with the Code of Conduct. The Board monitors compliance with the Code of Conduct through the Nominating and Governance Committee and the Audit Committee and by means of an anonymous whistleblower hotline. The anonymous whistleblower hotline is monitored by the Company's Corporate Secretary who makes quarterly reports to the Audit Committee through the Senior Manager of Internal Audit.</p> <p>Since the beginning of the Company's most recently completed financial year, no material change reports have been filed that pertain to any conduct of a director or executive officer that constitutes a departure from the Shawcor Code of Conduct.</p>

Disclosure Item	Comments
Transactions Involving Directors or Officers	<p>In the case of any transaction or agreement in respect of which a director or executive officer of the Company has a material interest, the director or officer is required to disclose his or her interest. Where applicable, he or she is also required to exclude himself or herself from any discussions or vote relating to such transaction or agreement. Pursuant to the Company's new Conflict of Interest Guidelines for directors, actual and potential conflicts of interest are disclosed on an annual basis and at the beginning of each Board meeting.</p> <p>The Nominating and Governance Committee also reviews the fairness of any potential transactions in which a director or officer of the Company may be involved or connected.</p>
Clawback Policy	<p>The Company has recently adopted a Compensation Clawback Policy for Executive Officers. In the event of a financial statement restatement caused by "misconduct", this policy provides that those executive officers of the Company whose "misconduct" caused or significantly contributed to, the restatement may, at the discretion of the Compensation and Organizational Development Committee, be required to return all or a portion of any incentive-based or equity-based compensation awarded or granted to them after the effective date of the policy. The policy applies to the Chief Executive Officer and all of his or her executive direct reports and all officers of the Company. "Misconduct" under the policy includes willful breach of the provisions of the Shawcor Code of Conduct and any other circumstances sufficient for a termination of employment with legal cause.</p>

## 6. Nomination of Directors

### Nomination Process

The Nominating and Governance Committee identifies and reviews the qualifications of potential candidates for the Board. In particular, the Nominating and Governance Committee assesses, among other factors, industry experience, functional expertise, financial literacy and expertise, board experience and diversity of gender and background. Upon such review, and after conducting appropriate due diligence, the Nominating and Governance Committee, in consultation with the Chair of the Board, makes recommendations on candidates to the Board.

The Nominating and Governance Committee ensures that an objective process is undertaken to nominate new directors to the Board, and maintains a matrix of skills and experience to assist in its planning for ongoing Board renewal. It regularly assesses the skill set of the current Board members to identify the desired skills and backgrounds for potential Board candidates. Pursuant to this policy, the Nominating and Governance Committee maintains an up to date list of potential director candidates. To maintain the list, the Nominating and Governance Committee solicits recommendations of potential Board qualified candidates from each member of the Board of Directors and consults with third party recruiting firms. The Nominating and Governance Committee assesses the qualifications of such persons against the criteria for directors adopted by the Committee and compiles a list of such candidates. The list is maintained by the Nominating and Governance Committee for use when new directors are to be added to the Board and is reviewed prior to a formal nomination being brought forward to the Board for approval. For further information concerning the 2013/2014 search for new director candidates, see "Committees of the Board of Directors and Their Roles – Nominating and Governance Committee".

Set out below is an experience/skills matrix of each of the persons proposed to be nominated as a director at the Meeting:

#### Primary Industry Background

Name	Oil & Gas	Financial Services	Industrial/ Manufacturing
John Baldwin	•		
Derek Blackwood	•		
James Derrick	•		•
Kevin Forbes	•		•
Michael Hanley		•	•
Stephen Orr	•		•
Pamela Pierce	•		
Paul Robinson			•
Charlene Valiquette	•	•	
Donald Wishart	•		•

Disclosure Item

Comments

Functional Experience

Name	Experience	International CEO <sup>(1)</sup> Management	Business <sup>(2)</sup> Finance <sup>(3)</sup>	Mergers & <sup>(4)</sup> Acquisitions	HR & <sup>(5)</sup> Compensation	Engineering/ <sup>(6)</sup> Operations	Legal/ <sup>(7)</sup> Governance	Environmental/ <sup>(8)</sup> Health & Safety
John Baldwin		•				•	•	
Derek Blackwood	•	•		•	•	•		•
James Derrick	•	•				•	•	•
Kevin Forbes		•		•	•	•		
Michael Hanley		•	•	•	•	•		
Stephen Orr	•	•		•	•	•		•
Pamela Pierce	•			•	•	•		•
Paul Robinson	•	•	•			•		•
Charlene Valiquette			•	•	•		•	
Donald Wishart		•		•	•	•		•

(1) Operating experience as the CEO of a publicly listed company or large organization.

(2) Senior executive experience in a major organization outside North America or in a major North American organization that has business in multiple international jurisdictions.

(3) Senior executive experience in the financial services area, experience overseeing complex financial transactions or public company Audit Committee experience.

(4) M&A experience in an investment banking or law firm or as a senior executive with organizations that have undertaken multiple acquisitions.

(5) Good understanding of leadership development/succession, compensation, benefit and pension programs through functional responsibility for these matters in a major organization or through public company HR/Compensation Committee experience.

(6) Professional engineering training or functional responsibility for these matters in a major organization.

(7) Good understanding of legal/governance issues through experience as a legal practitioner, public company Governance Committee experience, or functional responsibility for legal/governance/regulatory compliance in a major organization.

(8) Functional responsibility for these matters in a major organization.

Board Diversity Policy

Based on the recommendation of the Nominating and Governance Committee, the Board has adopted the following written policy relating to gender and other diversity in the Company's identification and nomination of directors:

"The Board of Directors believes that a Board comprised of highly qualified directors from diverse backgrounds and who reflect the demographics of the markets in which the Company operates and the Company's shareholder, customer and employee base, will enhance Board decision-making. The Nominating and Governance Committee (the "Committee") will, when identifying candidates to recommend for appointment/election to the Board:

- a) consider only candidates who are highly qualified based on their talents, experience, expertise and personal skills, character and qualities;
- b) take into account criteria that promotes diversity, including gender, international background, age and ethnicity;
- c) engage qualified independent external advisors to assist in the search for candidates that meet the Board's skills, experience and diversity criteria; and
- d) direct such independent external advisors to present for the Committee's consideration prospective director candidates who are comprised of at least 25% female candidates."

The policy has been implemented and the Company's external advisors advised of the Company' goal of promoting diversity of gender, international background, age and ethnicity and of the requirement to present prospective director candidates comprised of at least 25% female candidates.



Disclosure Item	Comments																								
Board Diversity Policy (cont'd)	<p>The Nominating and Governance Committee and the Board will measure the effectiveness of the policy from the perspective of gender diversity by comparing the current percentage of its Board who are female (2 of 10 or 20%) with the future percentage of its Board who are female. Since the implementation of the Board Diversity Policy, the percentage of female directors on the Board has increased due to the retirement of former Chair of the Board, John Petch, on December 31, 2015. Mr. Petch's role as Chair has been assumed by Paul Robinson but the Company has not replaced Mr. Petch as a director. The Company has not adopted a specific target regarding women on its Board. While diversity is an important consideration, the Company cannot make a commitment to select a Board candidate whose gender is a decisive factor above all other considerations and the Company must have the flexibility to add qualified Board members when they become available, and this may mean adding male or female candidates, as appropriate. While the Company has not adopted specific targets regarding women on its Board, even before the adoption of the Board Diversity Policy it considered the level of representation of women on the Board in identifying and nominating candidates for election or re-election to the Board and specifically required its external recruiters to present female candidates for available Board positions. In our 2013 and 2014 searches for new director candidates, 47% and 50%, respectively, of the director candidates presented for evaluation by our third party recruiting firm were female. Since 2005, Shawcor has had at least two female directors on its Board and the current percentage of female directors on the Shawcor Board (20%) exceeds the percentage of board seats held by women at Mining/Oil/Gas industry companies in the Financial Post 500 (12.2%)<sup>(1)</sup> and at all Financial Post 500 companies (19.48%)<sup>(1)</sup>.</p> <p>(1) 2015 "Report Card" of the Canadian Board Diversity Council</p>																								
Majority Voting Policy	<p>The Board believes that each of its members should have the confidence and support of the Company's shareholders and has therefore adopted a majority voting policy for directors. The form of proxy for the vote by shareholders on the election of directors enables a shareholder to vote, in favour of or to withhold from voting, separately for each nominee. If, with respect to any nominee (and other than at contested meetings), the number of votes withheld exceeds the number of votes in favour of the nominee then such nominee is required to submit to the Board his or her resignation, to take effect upon acceptance by the Board. The Board will consider whether or not it is in the best interests of the Company to accept or reject the resignation. Set out below are the results of the director's vote from the May 2015 annual meeting of shareholders:</p> <table border="1" data-bbox="440 1056 1474 1402"> <thead> <tr> <th data-bbox="440 1056 500 1077">Director</th> <th data-bbox="1328 1056 1474 1077">% of Total Votes For</th> </tr> </thead> <tbody> <tr> <td data-bbox="440 1094 553 1115">John Baldwin</td> <td data-bbox="1409 1094 1474 1115">99.67%</td> </tr> <tr> <td data-bbox="440 1121 586 1142">Derek Blackwood</td> <td data-bbox="1409 1121 1474 1142">99.75%</td> </tr> <tr> <td data-bbox="440 1148 565 1169">James Derrick</td> <td data-bbox="1409 1148 1474 1169">99.56%</td> </tr> <tr> <td data-bbox="440 1176 548 1197">Kevin Forbes</td> <td data-bbox="1409 1176 1474 1197">99.78%</td> </tr> <tr> <td data-bbox="440 1203 570 1224">Michael Hanley</td> <td data-bbox="1409 1203 1474 1224">99.95%</td> </tr> <tr> <td data-bbox="440 1230 542 1251">Stephen Orr</td> <td data-bbox="1409 1230 1474 1251">99.78%</td> </tr> <tr> <td data-bbox="440 1257 537 1278">John Petch</td> <td data-bbox="1409 1257 1474 1278">99.18%</td> </tr> <tr> <td data-bbox="440 1285 558 1306">Pamela Pierce</td> <td data-bbox="1409 1285 1474 1306">99.77%</td> </tr> <tr> <td data-bbox="440 1312 558 1333">Paul Robinson</td> <td data-bbox="1409 1312 1474 1333">99.80%</td> </tr> <tr> <td data-bbox="440 1339 602 1360">Charlene Valiquette</td> <td data-bbox="1409 1339 1474 1360">99.71%</td> </tr> <tr> <td data-bbox="440 1367 565 1388">Donald Wishart</td> <td data-bbox="1409 1367 1474 1388">99.96%</td> </tr> </tbody> </table>	Director	% of Total Votes For	John Baldwin	99.67%	Derek Blackwood	99.75%	James Derrick	99.56%	Kevin Forbes	99.78%	Michael Hanley	99.95%	Stephen Orr	99.78%	John Petch	99.18%	Pamela Pierce	99.77%	Paul Robinson	99.80%	Charlene Valiquette	99.71%	Donald Wishart	99.96%
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Committee	<p>The Nominating and Governance Committee's role includes oversight of the Company's approach to corporate governance issues and the disclosure of this approach in accordance with the Guidelines. For further information concerning the role, powers and operation of the Nominating and Governance Committee, see "Statement of Corporate Governance" and "Committees of the Board of Directors and Their Roles".</p>																								

Disclosure Item	Comments
Term Limits/Retirement	<p>The Board has not adopted term limits for directors but has adopted other mechanisms of Board renewal including a mandatory retirement policy, a detailed Board and individual director evaluation and assessment process and the preparation of an experience/skills matrix to assist in director evaluation and recruiting. Shawcor has recently experienced significant Board renewal. During the period from May 2013 to December 2015, eight directors left the Board and five new directors joined. The Board's mandatory retirement policy is set out below:</p> <p>"Mandatory Retirement Policy – The Nominating and Governance Committee shall review factors like experience, performance, changes in principal occupation and other relevant circumstances in considering whether to recommend the reappointment of a director. In order to ensure that the Shawcor Board of Directors periodically benefits from the fresh ideas, viewpoints and expertise of new members, it is the policy of the Board that a director shall not stand for re-election once reaching age 75. Notwithstanding the foregoing, in exceptional circumstances where it is in the best interests of Shawcor, the Board shall be entitled to nominate any person, regardless of age or Board tenure, for election to the Board".</p>
Advance Notice By-Law	<p>Shawcor's by-laws include an advance notice by-law (the "Advance Notice By-law") for the purpose of providing shareholders, directors and management of the Company with a clear framework for nominating directors of the Company in connection with any annual or special meeting of shareholders. The purpose of the Advance Notice By-law is to: (i) ensure that all shareholders receive adequate notice of director nominations and sufficient time and information with respect to all nominees to make appropriate deliberations and register an informed vote; and (ii) facilitate an orderly and efficient process for annual or special meetings of shareholders of the Company. The Advance Notice By-law fixes the deadlines by which shareholders of record must submit director nominations to the Company prior to any meeting of shareholders and sets forth the information that a shareholder must include in a written notice to the Company for any director nominee to be eligible for election at such meeting. The Advance Notice By-law also sets out the manner by which business may be properly brought before a meeting of the shareholders. A copy of the Company's Advance Notice By-law is filed on SEDAR at <a href="http://www.sedar.com">www.sedar.com</a>.</p>
<b>7. Compensation</b>	
Compensation and Organizational Development Committee	<p>The Board has established a Compensation and Organizational Development Committee which is currently composed of four independent directors.</p> <p>The Compensation and Organizational Development Committee's role includes oversight of the Company's approach to compensation, organizational and human resources issues. Each year the Committee develops a Committee work plan to carry out its responsibilities. For further information concerning the responsibilities, powers and operation of the Compensation and Organizational Development Committee, see "Committees of the Board of Directors and Their Roles".</p>
Compensation Determination	<p>The Compensation and Organizational Development Committee reviews the compensation proposed to be paid to the CEO, the CFO, the next three most highly compensated employees, all officers and all executives who report to the CEO, and makes recommendations to the Board with respect thereto. The Board of Directors approves the compensation to be paid to such employees on an annual basis. The Nominating and Governance Committee, which is comprised of three independent directors, reviews Board compensation and makes recommendations to the Board with respect thereto.</p> <p>See "Compensation Discussion &amp; Analysis" for further information on executive compensation. The Company's process for determining directors' compensation is described under the heading "Directors' Compensation".</p>
Succession Planning	<p>Succession planning for the CEO and other senior executive positions is considered by the Compensation and Organizational Development Committee on an ongoing basis as part of the Company's employee "succession and talent review" process. As part of this process, the Committee seeks to ensure that potential successors to the CEO and other senior executive roles are identified and that those identified receive any additional career development and/or education required.</p>

Disclosure Item	Comments
Senior Management Diversity Policy	<p>Based on the recommendation of the Compensation and Organizational Development Committee, the Board has adopted the following written policy relating to gender, international and other diversity in senior management positions of the Company:</p> <p>“The Board of Directors believes that the senior management of Shawcor should be comprised of highly qualified individuals from diverse backgrounds who reflect the demographics of the markets in which the Company operates and the Company’s customer and employee base, and that such diversity will enhance senior management decision-making and Shawcor’s continued success. The Compensation and Organizational Development Committee (the “Committee”) and Shawcor’s senior management will, in their senior management succession planning and talent management process:</p> <ul style="list-style-type: none"> <li>a) consider only candidates for senior management positions who are highly qualified based on their talents, experience, expertise and personal skills, character and qualities;</li> <li>b) take into account criteria that promotes diversity, including gender, international background, age and ethnicity; and</li> <li>c) if required, engage qualified independent external advisors to assist in the search for candidates that meet the Company’s skills, experience and diversity criteria.”</li> </ul> <p>The Company has not identified a specific target regarding women in executive officer positions. While gender diversity is an important consideration, the Company cannot make a commitment to select an executive officer where gender is a decisive factor above all other considerations and the Company must have the flexibility to hire or promote to executive officer positions based on talent, experience, expertise and personal skills, character and qualities. However, as part of its current staffing practices, the Company does consider the level of representation of women in senior management positions when making executive appointments. Shawcor has a practice of examining diversity, including diversity in gender and international background, in the development of its executive talent pools and through the Company’s annual talent review process which reviews talent depth and strength throughout the business. All appointments to senior management positions include a review of the succession plan and potential candidates in Shawcor’s executive talent pool. This practice led to the 2014 appointment of Nicola Young as Shawcor VP, Operations. Ms. Young was identified from the executive talent pool and appointed to the role based on her job performance, work experience and competence, professional credentials, longer term career potential and personal mobility/career aspirations.</p> <p>At this time, Shawcor has one female (5.9%) and two individuals (11.8%) with international diversity out of a total of 17 executive officers.</p> <p>The number of women in Shawcor’s 2016 executive talent pool, a key source of high potential talent for executive roles, is 14 out of a total of 70, or 20%.</p> <p>The Company delivered a comprehensive Oil, Gas and Pipeline development program during 2015, which covered the areas of Oil and Gas development and Pipeline Design, Maintenance and Operation, to enhance the domain expertise of its executive and key management personnel. In 2015, a total of 42 people attended and received a certificate of achievement for this program, including 4 females from the executive talent pool. The program and related learning is important in developing technical and industry-related subject matter expertise.</p> <p>In 2015, Shawcor also co-sponsored a North American Petroleum Challenge event involving one Canadian and two American universities competing in a multidisciplinary, team-based Oil and Gas development simulation project which combined classroom lectures and team-based practical learning. The event involved a total of 3 preliminary challenges held at the universities and a final event held in December 2015 involving 21 students competing in Houston, Texas. The final group competing in the Challenge included 8 females (38% of the total).</p>
<b>8. Other Committees</b>	<p>A description of each of the Committees of the Board of Directors is set out under the heading “Committees of the Board of Directors and Their Roles”.</p> <p>The Nominating and Governance Committee reviews the effectiveness of the Board, its Committees and individual directors.</p>

Disclosure Item	Comments		
<b>9. Board and Committee Assessments</b>	The Nominating and Governance Committee has developed and recently updated a Board, Committee and individual director evaluation process (including peer review) and form that is completed on an annual basis and submitted to the Chair of the Nominating and Governance Committee. This process is summarized in the following table.		
Review Frequency	By	Action	Outcome
Full Board (Annual)	All Members of the Board	<ul style="list-style-type: none"> <li>Board members complete a detailed questionnaire which: (a) provides for quantitative ratings in key areas and (b) seeks subjective comment in each of those areas.</li> <li>Responses are reviewed by the Chair of the N&amp;G Committee.</li> </ul>	<ul style="list-style-type: none"> <li>A summary report is prepared by the Chair of the N&amp;G Committee and provided to the Board Chair, the N&amp;G Committee and the CEO.</li> <li>The summary report is reported to the full Board by the N&amp;G Committee Chair.</li> <li>Matters requiring follow-up are identified and action plans are developed and monitored on a go-forward basis by the N&amp;G Committee.</li> </ul>
Board Committees (Annual)	All Members of each Committee	<ul style="list-style-type: none"> <li>Members of each Committee complete a detailed questionnaire to evaluate how well their respective Committee is operating and to make suggestions for improvement.</li> <li>The Chair of the N&amp;G Committee receives responses and reviews them with the appropriate Committee Chair.</li> </ul>	<ul style="list-style-type: none"> <li>A summary report is prepared by the Chair of the N&amp;G Committee and provided to the Board Chair and the appropriate Committee. The summary report for each Committee is then reported to the full Board by the Chair of the N&amp;G Committee.</li> <li>The appropriate Committee Chair assumes responsibility to follow-up on any matters raised in the assessment and take action, as appropriate.</li> </ul>
Board Chair (Annual)	All Members of the Board	<ul style="list-style-type: none"> <li>Board members assess and comment on the Board Chair's discharge of his/her duties.</li> <li>Individual responses are received by the Chair of the N&amp;G Committee.</li> </ul>	<ul style="list-style-type: none"> <li>A summary report is prepared by the Chair of the N&amp;G Committee and provided to the Board Chair and the full Board.</li> </ul>
All Members of the Board (Annual)	All Members of the Board	<ul style="list-style-type: none"> <li>Board members conduct a self-assessment of their own contribution to the Board as well as a peer review of each of the other directors.</li> <li>The Chair of the N&amp;G Committee reviews the responses and reviews them with the Chair of the Board.</li> </ul>	<ul style="list-style-type: none"> <li>Feedback from peer review comments is provided to directors individually by the Chair of the N&amp;G Committee and the Chair of the Board.</li> <li>Feedback from self-assessments/peer reviews is used to determine requirements for further director education and to assist in determining Committee appointments.</li> </ul>

## SECTION 5 COMPENSATION DISCUSSION & ANALYSIS

### Introduction

Shawcor's executive compensation program is designed to align, focus and recognize executives and management for achieving the Company's short and longer-term strategic objectives, and to reward them for their performance and contributions to the Company.

The program is intended to advance the interests of shareholders and contribute to a dynamic, accountable and performance-oriented environment which is attractive to the executives and managers we seek to hire and retain.

In 2015, Shawcor reported revenue of \$1.81 billion, a decrease of \$79.4 million or approximately 4% as compared to the record revenue of \$1.89 billion in 2014. This revenue was achieved despite a global retreat in oil and gas pricing which began in late 2014 and impacted the industry during 2015.

The Company's ability to sustain revenue was primarily due to the Company's EMAR pipe coating operations, which executed the Shah Deniz II project, and record revenue from Shawcor's Petrochemical and Industrial segment, which benefitted from a robust global automotive and industrial market. The Company delivered net income of \$98.2 million in 2015, up slightly from the \$94.9 million delivered in 2014, and a return on invested capital of 7.5%, which was down slightly from the 8.5% return on invested capital achieved in 2014.

Given the environment, the Company focused its efforts on maintaining a strong balance sheet through the effective management of cash, capital and general expenses across operating units and corporate functions. The Company generated cash flow from operations of \$281 million, exceeding the 2014 performance of \$188.0 million by 49%. The Company also moved decisively to complete a significant restructuring and workforce reduction program in an effort to right size the organization such that it is scalable and ready for the industry recovery. As a result of these restructuring actions the Company reduced selling, general and administrative expenses by an amount in excess of \$20 million on an annualized basis.

Despite the challenging year, the Company undertook a number of strategic objectives designed to build the business and/or optimize operations for the longer term. Actions taken in this regard during 2015 include:

- The acquisition and integration of Dhatec B.V., a Netherlands based company which 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.
- The acquisition and integration of the assets of the Tubular Inspection and Management and Global Poly businesses of Flint Field Services, which enhances both the Company's tubular management product and services offering and its composite pipe offering.
- The acquisition of Lake Superior Consulting, announced on January 5, 2016, which extends the Company's expertise to pipeline engineering and integrity engineering.
- Continued integration of Shawcor businesses through co-location and alignment around the strategic business themes identified in the Horizon 2020 strategic plan.
- The expansion of shared, back-office services to strengthen the organization and deliver internal services at the lowest unit cost.
- Access to new technologies and technology building-blocks through industry and academic partnerships.

For the five years ending December 31, 2015, Shawcor's total shareholder return was -7%, as compared to an average of -25% for the Company's compensation Peer Group and 12% for the diversified TSX Composite index. For the year, Shawcor's share price declined by 34%, closing at \$28.07 on December 31, 2015.

As the Company's incentive plans are largely tied to financial performance, payouts in 2015 under the SEIP (senior executive incentive plan) were well under target levels. As a result of the strong cumulative revenue and operating performance of the Company for the years 2013, 2014 and 2015, payouts under the longer term Value Growth Plan ("VGP") were above target. Given the uncertain economic environment and the need to manage costs, the Company cancelled the 2015 annual salary adjustment for the vast majority of its global workforce, managing by exception only, and will do the same in 2016.

## Named Executive Officers

Named Executive Officers ("NEOs") are defined as the CEO, the CFO and the three most highly compensated executive officers of the Company. The 2015 NEOs include three corporate executives and an executive from each of the Company's Bredero Shaw and Integrity Management operating divisions. The 2015 NEOs were:

Name	Position	Location
Stephen Orr	President & Chief Executive Officer	Toronto, Canada
Gary Love	Vice President, Finance & Chief Financial Officer	Toronto, Canada
John Tikkanen	Executive Vice President, Strategic Planning	Houston, USA
Henri Tausch	President, Bredero Shaw <sup>(1)</sup>	Houston, USA
Michael Simmons	Group President, Integrity Management	Houston, USA

(1) Mr. Tausch's role has been expanded and his title was revised in January 2016 to Group President, Pipeline Performance.

## Compensation and Organizational Development Committee

For information regarding the responsibilities, processes and operation of the Company's Compensation and Organizational Development Committee and the independence of each of its members, see "Committees of the Board of Directors and Their Roles". All Compensation and Organizational Development Committee members have direct or indirect experience that is relevant to their responsibilities in executive compensation. Derek Blackwood, the Chair of the Compensation and Organizational Development Committee, has held this position since 2013 and has served as Managing Director and President of various Wood Group companies from 1996 until his retirement at the end of 2013 and as Chief Executive Officer of Vepica Group from September 2015. Kevin Forbes, Pamela Pierce and Donald Wishart had lengthy careers in operations and general management in the oil and gas industry and Ms. Pierce has been a member of the Compensation Committee of Laredo Petroleum and other public companies. Donald Wishart is the Chair of the Board of Bruce Power and is the Chair of its Compensation and Human Resources Committee. In their roles as members of the Compensation and Organizational Development Committee and as current or former senior executive officers or directors of large global organizations, each member of the Compensation and Organizational Development Committee has developed skills and experience in executive compensation issues which enable them as a group to make decisions on the suitability of the Company's compensation policies and practices.

## Consulting Advice & Services

In 2015, Towers Watson independently advised the Compensation and Organizational Development Committee on compensation levels for “Designated Employees” (as defined below) of the Company. Towers Watson also served as a resource to management (with the approval of the Compensation and Organizational Development Committee) in establishing appropriate compensation programs for these employees. The 2015 Designated Employees were the NEOs, all officers of the Company and the senior executives who reported directly to the CEO of the Company. Specific services provided by Towers Watson during the year included:

- Supporting the Compensation and Organizational Development Committee with ongoing executive compensation related activities, including preparation for and attendance at two Committee meetings in 2015;
- Reviewing the Company’s Executive Compensation Philosophy Statement and pay-for-performance framework including the design of both the short-term and long-term incentive programs;
- Advising on the composition of market peer groups for compensation benchmarking activities;
- Compiling reports on market compensation levels and providing explanations, clarification and supplementary analysis as required to the Committee and to management;
- Reviewing and modelling potential outcomes of the Company’s various compensation programs;
- Reviewing compensation levels for the President & CEO and Designated Executive roles;
- Advising the Compensation and Organizational Development Committee and management on relevant executive compensation trends and governance; and
- Reviewing the Compensation Discussion & Analysis contained in the annual Management Proxy Circular.

Towers Watson’s aggregate fees to the Company in each of 2015 and 2014 were as follows:

	Executive Compensation-Related Fees	All Other Fees	Total
2015	\$ 202,642	–	\$ 202,642
2014	\$ 207,678	–	\$ 207,678

## Compensation Philosophy

Our executive compensation programs and practices are guided by the Company’s Executive Compensation Philosophy. This philosophy is reviewed annually by the Compensation and Organizational Development Committee prior to the compensation planning activities for the following year. It reinforces the Company’s strategic focus on sustained profitable growth and the link between compensation and performance. It also clarifies our desired compensation position relative to peer groups and our expectations for executive share ownership. The philosophy statement adopted by the Board is as follows:

*Shawcor is a growth-oriented, global energy services company operating through a number of Operating Divisions. Our strategic focus is on sustained profitable growth – through both Shawcor corporate initiatives and the entrepreneurial efforts of our Operating Divisions.*

The purpose of our executive compensation program is to attract, retain and reward high caliber leaders who realize sustainable and profitable growth and maximize long-term value for our shareholders. In support of this purpose, a set of principles guides the Company’s decisions with respect to the compensation programs and practices we use to motivate and reward our executives.

To ensure our program is competitive, we:

- Regularly compare our total compensation levels against comparable companies in energy services, oil and gas, and industrial manufacturing, with particular emphasis on salary levels and short and long-term incentives, to ensure the ongoing competitiveness of our compensation program.
- Measure the competitiveness of compensation levels in the countries and regions where we operate, and utilize compensation benchmarks from multiple geographic markets for executives with international responsibilities.
- Use median (50th percentile) compensation values reported by our comparator group companies as a primary reference for establishing target amounts for each element of compensation, and for maintaining competitive total compensation levels.
- Consider factors related to the executive’s potential impact on Shawcor results, scope of responsibility and accountability, and reporting structure in determining appropriate compensation levels.

To effectively motivate executives to consistently deliver superior performance, we:

- Ensure executives have a significant proportion of total annual compensation contingent upon achieving objective measures of financial and operating performance.
- Preserve a strong and direct relationship between business and individual performance, and the short and long-term compensation earned by executives. Executives should have the opportunity to achieve top quartile compensation levels among comparator group companies when performance warrants.
- Establish an appropriate ‘mix’ of compensation elements for executives to ensure an appropriate and balanced focus on short and long-term results. Our goal is that Shawcor’s most senior executives have a significant portion of total compensation contingent on both short and long-term performance.

To engage executives to the strategic goals of the Company and provide the opportunity for a productive career with Shawcor, we:

- Link a material portion of executive compensation to measures of business performance for which they have direct line of sight and accountability.
- Ensure that our compensation programs and policies reward appropriate risk taking and discourage inappropriate risk taking.
- Ensure senior executives meaningfully share the risks and rewards of ownership with Shawcor shareholders by: a) basing a portion of their total compensation on share price performance, and b) requiring them to hold a minimum level of Shawcor shares or share units within 5 years of their employment in or promotion to a senior role.

This Compensation Philosophy is used to guide the development and application of compensation programs for Designated Employees, as defined in the Compensation and Organizational Development Committee Charter, and other senior corporate and operating executives of Shawcor Ltd.

*Although management should be accountable for actual results delivered, the Compensation and Organizational Development Committee of the Board has the right to apply business judgment in adjusting incentive targets or awards to preserve the intended objectives and integrity of the compensation program.*

## Risk Oversight

In fulfilling its mandate, the Compensation and Organizational Development Committee annually reviews and recommends to the Board for approval any amendments to the Executive Compensation Philosophy and other compensation policies and practices of the Company, including a recommendation as to the compensation of the Chief Executive Officer and other Designated Employees. In the view of the Board, this regular, critical scrutiny along with a deliberate approach to the design of executive compensation programs ensures an acceptable level of risk in executive compensation arrangements.

The Company employs the following compensation programs and practices which encourage senior executives to achieve the short and long-term objectives of the Company and manage risk:

Significant portion of pay at-risk	For the CEO and other NEOs, 76.1% of the aggregate 2015 target total direct compensation is "at-risk". This mix provides a strong relationship between performance results and pay outcomes.
Balance between short and long-term performance objectives	Consistent with best practice, the mix of incentive compensation elements ensures executive behaviours that align with both the short-term and longer-term interests of the Company.
Objective and auditable performance measures	Annual and longer-term incentive plans rely on standard, objective measures of business performance that are derived from the Company's audited financial statements, e.g., revenue, net income, earnings per share or return on invested capital, or market value of the Company's shares. Awards are paid following approval of the audited financial results by the Board.
Preservation of Board discretion to manage questionable circumstances – Clawback Policy	The Board retains discretion to alter, cancel or defer amounts payable under annual and long term incentive plans, other than the Company's stock option plan, should the plans trigger an inappropriate result or should the Company report a negative net income in a particular year. Should a financial restatement occur, the Executive Compensation Clawback Policy may require the "clawback" of incentive based compensation to executive officers whose misconduct caused or substantially contributed to the restatement.
External independent advice	The Compensation and Organizational Development Committee engages an independent advisor to provide an external perspective of market changes and best practices related to compensation design and governance and appropriate compensation levels to attract and retain the caliber of executives required to deliver sustained profitable growth
Stress testing and predictive modelling of pay programs	Periodically, all executive compensation plans are stress tested to guard against potential unintended consequences and ensure appropriate pay and performance alignment.
Caps on awards paid from performance contingent incentive plans	Each compensation plan which has a variable award based on the attainment of objective measures of performance specifies a ceiling or cap on the amount which can be earned under the plan for superior performance.
Delayed vesting for long-term incentives	Long-term incentives are granted with time-based vesting provisions. Stock option grants vest over 5 years, share units vest over 5 or 7 year terms and awards under the Value Growth Plan "cliff-vest" after 3 years, with the value dependent upon performance within the 3 year period.
Specific expectations for share ownership by executives	The Company's Executive Share Ownership Policy sets out specific targets for share ownership levels (ranging from 1 – 4 times annual salary) that ensure key executives share the longer term risks and rewards of share ownership with the Company's shareholders.

Anti-hedging policy	Company policy precludes directors and senior executives from purchasing financial instruments, including, for greater certainty, prepaid variable forward contracts, equity swaps, collars, or units of exchange funds that are designed to hedge or offset a decrease in the market value of equity securities granted as compensation or held, directly or indirectly, by such directors or senior executives.
Clear limits and controls on capital expenditures	The Board is responsible for authorizing major capital expenditures to ensure investments are prudent and responsible.
"Double trigger" on change of control	Long-term incentive awards vest on an accelerated basis only where termination of employment follows a change of control event, referred to as a "double trigger".
Regular monitoring of market practice	The Compensation and Organizational Development Committee on a regular basis reviews and considers evolving good compensation governance practices and policies. For example, in 2015, the Committee considered the implementation of "say on pay" and decided to further monitor "say on pay" practices in 2016.

These and other practices, supplemented by the use of a Towers Watson compensation risk assessment checklist, incorporate risk assessment into our standard compensation practices. Consequently, the Board has not identified any risks arising from our compensation policies and practices that are reasonably likely to have a material adverse effect on the Company.

### Peer Group Comparison

To ensure our executive compensation is competitive, we regularly benchmark the Company's compensation to a select group of organizations in the Canadian and U.S. energy services industry (the "Peer Group").

When establishing the Peer Group, consideration was given to:

- Shawcor's specific and unique expertise in the Oil and Gas Equipment and Services Industry;
- The limited number of direct industry peers in Canada;
- Shawcor's considerable global presence in over 25 countries and significant operations in the U.S., reflecting a North American market for senior executive talent; and
- Shawcor's smaller size in terms of revenue and market capitalization compared to U.S. industry peers, but its comparable international scope of operations and business complexity.

The Peer Group was modified in 2015 to include 12 publicly-traded industry comparators. The 2015 Peer Group is comprised of organizations with which the Company competes for business and/or executive talent, and is also the basis for broader organization performance comparisons. Companies selected reflect similar characteristics to Shawcor in terms of size (measured by revenue and market capitalization), scope/complexity, international operations, technology focus and business growth/transformation including:

- Canadian or U.S. headquarters with a significant portion of operations located outside of North America. The Group includes 6 Canadian and 6 U.S.-based organizations.
- Publicly-traded: Listed on the Toronto Stock Exchange (TSX) or the New York Stock Exchange.
- Similar industry: Oil and Gas Equipment and Services or Oil and Gas Drilling.

The organizations removed from the 2014 Peer Group were Cameron International Corp., Diamond Offshore Drilling, Dresser-Rand Group Inc., Rowan Companies Inc., Superior Energy Services Inc., Trinidad Drilling Ltd. and Willbros Group Inc. The organizations added to the 2015 Peer Group were Enerflex Ltd., Helmerich & Payne Inc., Pason Systems Inc., Oil States International and Dril-Quip Inc.

The 2015 Peer Group:

Calfrac Well Services Ltd. (Can.)	Dril-Quip, Inc. (U.S.)	Enerflex Ltd. (Can.)
Ensign Energy Services Inc. (Can.)	FMC Technologies Inc. (U.S.)	Helmerich & Payne Inc. (U.S.)
Noble Corp. (U.S.)	Oceaneering International Inc. (U.S.)	Oil States International (U.S.)
Pason Systems Inc. (Can.)	Precision Drilling Corp. (Can.)	Trican Well Service Ltd. (Can.)

The President & CEO, CFO and Executive Vice President, Strategic Planning roles are matched to comparable positions within the Peer Group for purposes of establishing compensation benchmarks.

For other NEOs and Designated Employees and key management roles, the Company uses the Towers Watson U.S. Oilfield Service Survey and the Towers Watson Canadian Executive Compensation Survey. Survey peers are identified using a comparable set of criteria to that used for the Peer Group.



## Elements of Compensation

Shawcor's executive compensation program includes the following elements:

Annual Compensation		Longer Term Compensation			Pension
Salary	SEIP Senior Executive Incentive Plan	VGP Value Growth Plan	Equity		Retirement Plan(s)
			ESOP Employee Stock Option Plan	ESUP Employee Share Unit Plan	
Reviewed annually based on competitive benchmarks, individual contribution and impact	Target awards set for each executive as % of salary Awards paid annually Award amounts expressed as a factor of target awards based on business and individual performance Award amounts may be adjusted up or down based on the Company's relative total shareholder return performance against its peer group	Performance cash unit plan Units awarded annually Three year cliff vesting with automatic payout Units are valued at vesting based on growth in revenue and operating income over the three year period	Equity based plan Grants made annually Five year vesting Grants conditional on meeting share ownership guidelines	Equity based plan Vesting conditions are at discretion of the board – time or performance Board has granted units in lieu of options (with the same vesting) to executives who have not met ownership targets	Defined benefit arrangement with SERP provision, plus three defined contribution plans Participation based on role and geographic location

### Summary of Target Total Direct Compensation Elements

The following tables summarize the mix of target total direct compensation for the CEO and other NEOs for 2015, defined as target annual cash compensation plus target long-term compensation. The mix of compensation elements is heavily weighted toward variable compensation, particularly long-term compensation.

Elements	2015 Actual Salary	Short-term Incentive		Target Annual Cash	Long-term Incentive		Target Total Direct Compensation
		% of Salary	\$ Target Value		% of 2014 Salary	\$ Target Value	
Stephen Orr	\$ 780,000	120%	\$ 936,000	\$ 1,716,000	300%	\$ 2,340,000	\$ 4,056,000
Gary Love	\$ 450,000	70%	\$ 315,000	\$ 765,000	225%	\$ 1,012,500	\$ 1,777,500
John Tikkanen <sup>(1)</sup>	\$ 674,033	70%	\$ 471,823	\$ 1,145,856	200%	\$ 1,724,176	\$ 2,870,033
Henri Tausch <sup>(1)</sup>	\$ 460,440	70%	\$ 322,308	\$ 782,748	150%	\$ 883,354	\$ 1,666,102
Michael Simmons <sup>(1)</sup>	\$ 425,907	50%	\$ 212,954	\$ 638,861	125%	\$ 680,919	\$ 1,319,779

(1) Target annual cash incentives are based on the actual salary amounts earned and paid in 2015. Messrs. Tikkanen's, Simmons' and Tausch's salaries are adjusted effective April 1 of each year and are paid in US dollars. The average US dollar conversion rate used by the Company for transactions during 2015 was \$1.279.

### Retirement Income

The Company provides both defined benefit and defined contribution pension arrangements for executives based on geographic location. Competitive pension arrangements represent a basic condition of executive employment and should not have a major role as a performance incentive. The Company reviews its Retirement Income Plans for competitiveness less frequently than other elements of compensation and manages them to ensure they effectively complement the other elements of compensation.

### Other Compensation

The Company maintains competitive Group Benefit Plans for all executives including Life Insurance, Accidental Death and Dismemberment Insurance, Short Term Disability Income, Long Term Disability Income and Health and Dental coverage. Benefits under these plans do not differ materially from those provided to other management employees. Most group benefits cease on an executive's retirement or termination. From time to time, the Company provides other forms of compensation that respond to individual circumstances in the attraction and retention of executives and to ensure their full commitment to the objectives of the organization.

## Compensation Decisions for 2015

### Market Benchmarking Process

In 2015, Towers Watson was asked to conduct its annual executive compensation review for the Compensation and Organizational Development Committee. The full review, including CEO compensation, was provided to the Board Chair and all members of the Compensation and Organizational Development Committee. The results of the study, except for details relating to his compensation, were also provided to the CEO.

The Board Chair conferred with Towers Watson to understand the outcomes of the Company's compensation programs relative to the CEO market data and to form compensation recommendations for the CEO. The Board Chair subsequently met with the Compensation and Organizational Development Committee to review individual CEO accomplishments for 2014 and present 2015 compensation recommendations for review and approval.

The CEO consulted with Towers Watson in forming his compensation recommendations for other NEOs and Designated Employees and reviewed his recommendations with the Board Chair and the Compensation and Organizational Development Committee.

Following its review, the Compensation and Organizational Development Committee presented its 2015 senior executive compensation recommendations to the full Board which approved such recommendations.

### Salary

Base salary is determined for each executive based on his or her role, scope of responsibility and accountability, required experience, overall value to the Company and on competitive market compensation levels. The table below summarizes base salary levels as of January 1, 2014 and 2015 for individual NEOs:

NEO	2014	2015	% Increase
Stephen Orr	\$ 780,000	\$ 780,000	0%
Gary Love	\$ 450,000	\$ 450,000	0%
John Tikkanen <sup>(1)</sup>	\$ 582,862	\$ 674,033	16% <sup>(2)</sup>
Henri Tausch <sup>(1)</sup>	\$ 398,160	\$ 460,440	16% <sup>(2)</sup>
Michael Simmons <sup>(1)</sup>	\$ 368,298	\$ 425,907	16% <sup>(2)</sup>

(1) Messrs. Tikkanen's, Tausch's and Simmons' salary is paid in US dollars and adjusted effective April 1 of each year and the amounts shown are as of April 1 in the indicated year. The average US dollar conversion rate used by the Company for transactions during 2014 was \$1.106 and for 2015 was \$1.279.

(2) Messrs. Tikkanen, Tausch and Simmons received no salary increase in 2015. The increase in salary shown is solely due to the declining value of the Canadian dollar vs the US dollar in 2015.

Due to the recent rapid decline in oil and gas prices, the entire oil and gas industry has taken actions to address compensation costs. As a result of these market conditions and as part of Shawcor's efforts to contain costs, in 2015 there was not, and in 2016 there will not be, except in very limited circumstances, any "merit" salary increases for Shawcor employees. None of the 2015 NEOs will receive a salary increase in 2016.

### Annual Incentives

Each NEO is assigned an annual incentive target expressed as a percentage of salary. The sum of salary and the annual incentive target forms the target Annual Cash Compensation for each executive and becomes a primary reference for compensation benchmarking. Shawcor maintains an appropriate mix between salary and incentive pay consistent with the Executive Compensation Philosophy and competitive market trends.

Annual cash incentives for NEO's are delivered through participation in the Corporate Senior Executive Incentive Plan ("Corporate SEIP") or the Operating Senior Executive Incentive Plan ("Operating SEIP").

In 2015, Messrs. Orr, Love and Tikkanen participated in the Corporate SEIP and Messrs. Tausch and Simmons participated in the Operating SEIP. The financial measures of these plans are set out in the following tables:

#### Corporate SEIP

	Return on Invested Capital ("ROIC") <sup>(1)</sup>		Growth in Earnings per Share ("EPS") <sup>(2)</sup>		Individual Performance		SEIP Payout
Weight (% of target award)	30%	+	50%	+	20%	=	100%
Payout Range (% of target payout)	0% – 200%		0% – 200%		0% – 200%		0% – 200%

## Operating SEIP

	Return on Capital Employed ("ROCE") <sup>(3)</sup>		Growth in Operating Income ("OI")		Individual Performance		SEIP Payout
Weight (% of target award)	30%	+	50%	+	20%	=	100%
Payout Range (% of target payout)	0% – 200%		0% – 200%		0% – 200%		0% – 200%

- (1) Return on Invested Capital ("ROIC") is a non-GAAP measure calculated by dividing Net Income for a year by the average Invested Capital balance during the year. For purposes of this calculation, Net Income is defined as Net Income adjusted to add back after tax interest expense, and Invested Capital is defined as the sum of the full year average of Bank Indebtedness, Loans Payable (Current), Long-Term Debt and Shareholders' Equity. The ROIC target of 15% represents an expected average return over the full business cycle which encompasses multiple years. Non-GAAP measures do not have standardized meanings and are not necessarily comparable to similarly titled measures of other companies.
- (2) For the purposes of the Corporate SEIP, EPS is calculated based on income from continuing operations and excludes the impact of any asset value impairments or write-ups and any fair value gains or losses relating to the acquisition of an interest in a company.
- (3) Return on Capital Employed ("ROCE") is a non-GAAP measure calculated by dividing Income from Operations (before impairment of property, plant and equipment, intangibles and goodwill) by the average capital employed during the year. Capital employed is an appropriate measure of Operating unit performance and consists of the total of accounts receivable, inventories, prepaid expenses, property, plant and equipment, intangible assets and goodwill, minus accounts payable and accrued liabilities, short term and long term provisions and deferred revenue. Average capital employed is calculated as the sum of capital employed at the beginning of a year and at the end of each month in the year, divided by thirteen. Non-GAAP measures do not have standardized meanings and are not necessarily comparable to similarly titled measures of other companies.

These plans reward the achievement of corporate and/or operating unit financial objectives and individual performance. To more closely align with market practice, in 2015, the Company introduced a "relative performance" or "RP" factor to the calculation of annual incentives under the Corporate SEIP and the Operating SEIP (the "RP Factor"). The RP Factor can modify awards upwards or downwards based on how well Shawcor performed over each quarter and the year in terms of total shareholder return versus its compensation Peer Group.

In certain circumstances, the RP Factor will adjust the minimum and maximum incentives otherwise payable in respect of the "financial" component of the Corporate SEIP, i.e., ROIC and Growth in EPS, and the Operating SEIP, i.e., ROCE and Growth in OI. The RP Factor does not affect the "individual performance" component of annual incentives under the Corporate or Operating SEIP and applies only when business performance generates an award in respect of the "financial" component of the Corporate SEIP or the Operating SEIP of more than 150% of target or less than 50% of target. In essence, the RP Factor is designed to:

- provide a minimum annual incentive payment in years where the Company (and/or its operating units) has underperformed against its financial metrics but the Company has overperformed against its compensation Peer Group in terms of total shareholder return
- cap annual incentive payments in years where the Company (and/or its operating units) has overperformed against its financial metrics but the Company has underperformed against its compensation Peer Group in terms of total shareholder return

The RP Factor is further described in the charts below.

	Q1	Q2	Q3	Q4	Full Year
	Shawcor TSR vs Peer Group TSR	Shawcor TSR vs Peer Group TSR	Shawcor TSR vs Peer Group TSR	Shawcor TSR vs Peer Group TSR	Shawcor TSR vs Peer Group TSR
Was Shawcor's TSR Better Than That of 50% of Its Peer Group?	Yes or No	Yes or No	Yes or No	Yes or No	Yes or No

One point is awarded for a quarter outperformance and one point is awarded for an annual "outperformance". Upward adjustments may be made to the "financial" component of SEIP incentive payments with 3, 4 or 5 points and downward adjustments may be made to the "financial" component of SEIP incentive payments with 0, 1, 2 or 3 points.

Annual Points	Minimum "Financial" Incentive as a % of Target	Maximum "Financial" Incentive as a % of Target
0		
1	0%	150%
2		
3	25%	175%
4		
5	50%	200%

## Financial Performance for 2015

SEIP Plan	Measure	Performance Range				Actual Performance	Performance Factor (% of Target)
		Threshold	Target	Maximum			
Corporate	ROIC <sup>(1)</sup>	10.1%	15%	20%		7.47%	0%
	EPS <sup>(2)</sup>	\$ 3.14	\$ 3.61	\$ 4.09	\$ 1.52		0%
Bredero Shaw	ROCE <sup>(3)</sup>	-	-	-	N/A <sup>(4)</sup>		46% <sup>(4)</sup>
	OI Growth	0%	15%	30%	-33.1%		0%
Integrity Mgmt*	ROCE <sup>(3)</sup>	-	-	-	N/A <sup>(4)</sup>		0% <sup>(4)</sup>
	OI Growth	0%	15%	30%	-95.1%		0%

\*Shaw Pipeline Services and Desert NDT

- (1) Return on Invested Capital ("ROIC") is a non-GAAP measure calculated by dividing Net Income for a year by the average Invested Capital balance during the year. For purposes of this calculation, Net Income is defined as Net Income adjusted to add back after tax interest expense, and Invested Capital is defined as the sum of the full year average of Bank Indebtedness, Loans Payable (Current), Long-Term Debt and Shareholders' Equity. The ROIC target of 15% represents an expected average return over the full business cycle which encompasses multiple years. Non-GAAP measures do not have standardized meanings and are not necessarily comparable to similarly titled measures of other companies.
- (2) For the purposes of the Corporate SEIP, EPS is calculated based on income from continuing operations and excludes the impact of any asset value impairments or write-ups and any fair value gains or losses relating to the acquisition of an interest in a company.
- (3) Return on Capital Employed ("ROCE") is a non-GAAP measure calculated by dividing Income from Operations (before impairment of property, plant and equipment, intangibles and goodwill) by the average capital employed during the year. Capital employed is an appropriate measure of Operating unit performance and consists of the total of accounts receivable, inventories, prepaid expenses, property, plant and equipment, intangible assets and goodwill, minus accounts payable and accrued liabilities, short term and long term provisions and deferred revenue. Average capital employed is calculated as the sum of capital employed at the beginning of a year and at the end of each month in the year, divided by thirteen. Non-GAAP measures do not have standardized meanings and are not necessarily comparable to similarly titled measures of other companies.
- (4) Providing specific information on ROCE targets and actual ROCE achieved at the Operating unit level would seriously prejudice the Company's interests relative to competitive market and pricing strategies and the Company does not disclose this information as it relies on the disclosure exemption contained in Item 2.1(4) of Form 51-102F6, Statement of Executive Compensation. Operating unit targets for ROCE are aligned with the Corporate objective of achieving 15% ROIC over the full business cycle. They are considered to be stretch targets and the achievement of Operating Unit performance targets reflects a comparable degree of difficulty to achieving the Corporate ROIC performance target.

The RP Factor did not result in an adjustment to the 2015 Corporate SEIP or Operating SEIP performance award as the Company did not meet the threshold required for an adjustment, having outperformed its peers in only two fiscal quarters.

## Individual Performance Objectives for 2015

In addition to financial objectives, executives are rewarded based on individual performance. This element has a 20% weighting in both the Corporate SEIP and the Operating SEIP. Individual performance is assessed based on the accomplishment of critical objectives established at the beginning of every year for each NEO such as health, safety and environmental ("HSE") performance, operational efficiency, cost reduction and leadership attributes. Objectives are based on the challenges the corporate or operating unit business and strategic plans present for each executive, and are set in consultation with his or her immediate superior. Personal performance and the executive's leadership attributes demonstrated during the year were considered in the allocation of the discretionary amounts within the Corporate SEIP and the Operating SEIP through judgment exercised by the immediate supervisor of the individual executive, the Compensation and Organizational Development Committee and the Board.

## Actual SEIP Awards for 2015

Each measure is considered individually and Corporate SEIP and Operating SEIP participants may achieve a maximum of 200% of their annual incentive target based on performance. The following table summarizes the incentive target (expressed as a percentage of salary) for 2015, and performance against those targets.

NEO	Target Incentive <sup>(1)</sup>		Measure	Weight (% of Target Award)	2015 Performance Factor (% of Target) <sup>(2)</sup>	Actual Award <sup>(1)</sup>	
	% of 2015 Salary	Cash Target (\$)				% of Salary	\$ <sup>(3)</sup>
Stephen Orr	120%	\$ 936,000	ROIC	30%	0%	30%	234,000
			EPS Growth	50%	0%		
			Individual	20%	125%		
Gary Love	70%	\$ 315,000	ROIC	30%	0%	18%	78,750
			EPS Growth	50%	0%		
			Individual	20%	125%		
John Tikkanen	70%	\$ 471,823	ROIC	30%	0%	18%	117,956
			EPS Growth	50%	0%		
			Individual	20%	125%		
Henri Tausch	70%	\$ 318,589	ROCE	30%	46%	27%	125,056
			OI Growth	50%	0%		
			Individual	20%	125%		
Michael Simmons	50%	\$ 212,954	ROCE	30%	0%	13%	53,238
			EPS Growth	50%	0%		
			Individual	20%	125%		

(1) Target cash incentives are based on the actual salary amounts earned and paid in 2015. Messrs. Tikkanen's, Tausch's and Simmons' salary is adjusted effective April 1 of each year.

(2) The RP Factor did not generate any adjustments to incentive payouts.

(3) All values expressed in Canadian dollars using an average 2015 exchange rate of US \$1 = CDN\$1.279.

The Board regularly reviews plans and retains the discretion to modify plan terms and any amounts awarded under the plans as warranted by individual circumstances or Company performance. If the Company or any division fails to make a profit, the Board reserves the right to withhold or defer any incentive payment.

### **Long-Term Incentives**

To ensure executive efforts are aligned with the interests of shareholders and the pursuit of future strategic business goals, the Company employs the following equity and non-equity based plans, which are described in further detail under the heading "Incentive Plan Awards – Long-Term Incentive Plans", that the Board believes directly support the attainment of the Company's long-term business objectives:

#### *Employee Stock Option Plan*

Stock options are a significant vehicle for providing long-term incentives to the most senior executives in roles which influence long-term business outcomes.

Options granted under the Employee Stock Option Plan ("ESOP") vest over 5 years at a rate of 20% per year on the first through fifth anniversaries of the grant date and expire on December 31 of the year in which the ninth anniversary of the grant falls. Executive participants in the ESOP are subject to stock ownership requirements.

The Company uses the Black-Scholes option valuation methodology to determine the compensation value of grants for purposes of comparing compensation levels to benchmark companies. This is the same methodology used to identify the annual expense associated with stock option grants.

#### *Employee Share Unit Plan*

The Employee Share Unit Plan ("ESUP") provides a means for the Board to grant share units intended to retain key executives through the full business cycle and align their interests with shareholders.

In 2015, the Board elected to grant Employee Share Units under the ESUP in lieu of Employee Stock Options to those executives who at the date of grant would normally be granted stock options but did not yet meet share ownership targets set out in the Executive Share Ownership Policy (described under the heading "Executive Share Ownership Levels"). Employee Share Units granted in support of executive share ownership goals vest at a rate of 20% per year on the first through fifth anniversaries of the grant date and expire on the 10th anniversary of the grant.

When vested, each Unit entitles the participant to receive one common share from treasury. Participants do not currently receive dividend equivalents or any other shareholder rights based on grants of these Units.

#### *Value Growth Plan*

The Value Growth Plan is intended to motivate and reward senior executives for sustained growth and profitability within operating divisions and for the Company overall. It is the primary long-term incentive arrangement for the majority of executives and key employees and is based on the achievement of fundamental financial measures.

The Plan rewards participants for growing revenue and operating income in their operating unit over three year performance cycles. Units are granted annually and vest after three years. The value of units at vesting is determined directly by the growth rate in these performance measures from period to period. Units have no value until they vest, at which time the value of each unit can range from \$0 to \$4.00. Earned awards are paid in cash at the end of the three year performance cycle.

#### *Target Grant Values for 2015*

In 2015, NEOs were assigned an annual long-term incentive target based on their ability to affect longer-term business results and with reference to competitive compensation benchmarks. This target is expressed as a percentage of annual salary and serves as a guide for the Board in granting long-term incentives. The Board also considers the role and impact of each NEO in determining the mix of long-term incentive units to be granted. These grants are viewed as incentives for future performance and their granting and vesting are not subject to any specific performance requirements. The following table indicates the long-term incentive target awards for each NEO for 2014 and 2015:

NEO	Target Long-Term Incentive (% of Salary)	
	2014	2015
Stephen Orr	300%	300%
Gary Love	225%	225%
John Tikkanen	200%	200%
Henri Tausch	80%	150% <sup>(1)</sup>
Michael Simmons	125%	125%

(1) Mr. Tausch was promoted to his current position as President, Bredero Shaw on November 1, 2014. This position has a higher long-term incentive award than his previous position as Vice President & General Manager, EMAR, Bredero Shaw.

The following table summarizes the mix of long-term incentives granted to each NEO for 2015 and the corresponding number of options and units granted for each plan. The Black-Scholes valuation approach was used to determine the value for stock options and the weighted average trading price of the common shares over a five day trading period was the basis for valuing Employee Share Units. Value Growth Plan units have no monetary value at grant, with a final value to be determined at vesting between \$0 and \$4.00. For the purpose of the following table, Value Growth Plan units reflect a notional value of \$1.00.

NEO	Mix of 2015 Long Term Incentives					
	Stock Options		Employee Share Units		Value Growth Units	
	Weight	(#)	Weight	(#)	Weight	(#)
Stephen Orr <sup>(1)</sup>	–	–	50%	33,563	50%	1,170,000
Gary Love	50%	53,100	10%	2,906	40%	405,000
John Tikkanen	50%	61,100	–	–	50%	582,900
Henri Tausch <sup>(1)</sup>	–	–	50%	8,569	50%	298,700
Michael Simmons	50%	24,200	–	–	50%	230,200

(1) To facilitate the attainment of executive share ownership targets set out in the Executive Share Ownership Policy (described under the heading “Executive Share Ownership Levels” shown below), in 2015 the Board elected to grant Employee Share Units in lieu of Employee Stock Options to those executives who did not yet meet share ownership targets.

### Executive Share Ownership Levels

The Company has an Executive Share Ownership Policy to ensure key executives share the risks and rewards of share ownership with the Company's shareholders. The policy requires participants to maintain a minimum share ownership level within a five year period. Share ownership targets are expressed as a multiple of the executive's current annual salary. The following table summarizes the ownership position of each NEO as of December 31, 2015, relative to the target for their position.

To facilitate attainment of the targets set for executives, the Board has elected to grant Employee Share Units in place of Employee Stock Options until the share ownership targets are met.

NEO	Salary	Target Ownership			Actual Ownership as of Dec. 31, 2015 <sup>(1)</sup>	
		Multiple of Salary	(\$)	(\$)	% of Target	
Stephen Orr	\$ 780,000	4 x Salary	\$ 3,120,000	\$ 2,653,331	85%	N/A <sup>(2)</sup>
Gary Love	\$ 450,000	2 x Salary	\$ 900,000	\$ 1,616,780	180%	Met Target
John Tikkanen <sup>(3)</sup>	\$ 674,033	3 x Salary <sup>(4)</sup>	\$ 2,022,099	\$ 1,965,712	97%	N/A <sup>(4)</sup>
Michael Simmons <sup>(3)</sup>	\$ 425,907	1 x Salary	\$ 425,907	\$ 454,421	107%	Met Target
Henri Tausch <sup>(3)</sup>	\$ 460,440	2 x Salary	\$ 920,880	\$ 363,888	39%	N/A <sup>(5)</sup>

(1) Includes common shares and share units. Share prices are calculated based on the weighted average trading price of the common shares over the 90 day period preceding December 31, 2015, which was \$28.38.

(2) Mr. Orr became Chief Executive Officer on May 1, 2014 and is required to meet his executive share ownership requirements by May 1, 2019.

(3) Messrs Tikkanen, Tausch and Simmons are paid in US\$. The amounts shown have been converted from US\$ at the 2015 average exchange rate of 1.279.

(4) Early in 2014, Mr. Tikkanen's share ownership requirement was increased from 2x to 3x salary to reflect his new position as Executive Vice President, Strategic Planning. He has until December 31, 2018 to meet his new executive share ownership requirement.

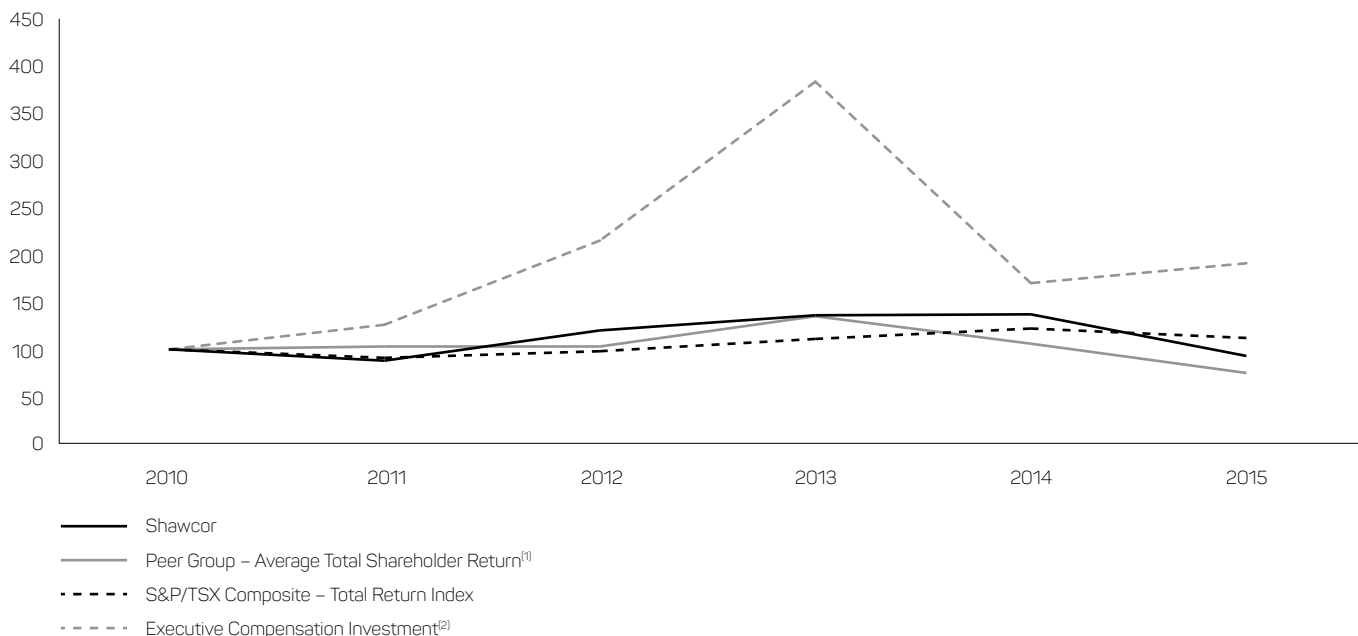
(5) Mr. Tausch has until December 31, 2017 to meet his executive share ownership requirement.

### Anti-Hedging Policy

Shawcor precludes directors and senior executives from purchasing financial instruments, including, for greater certainty, prepaid variable forward contracts, equity swaps, collars, or units of exchange funds that are designed to hedge or offset a decrease in the market value of equity securities granted as compensation or held, directly or indirectly, by such directors or senior executives.

## Shareholder Return & Executive Compensation

The following chart compares the cumulative total shareholder return for \$100 invested in the Class A Subordinate Voting Shares of Shawcor Ltd. (TSX Symbol: SCLA), now common shares (TSX Symbol: SCL), on December 31, 2010 with the S&P/TSX Composite Total Return Index and the Shawcor Peer Group Index for the five most recently completed financial years. The table also illustrates the annual investment in executive compensation for the five most highly compensated executives reported in each of those years. This data is also presented in an indexed fashion with the 2010 year representing a value of 100.



Component	12/31/2010	12/30/2011	12/31/2012	12/31/2013	12/31/2014	12/31/2015
Shawcor	100	88	120	136	137	93
S&P/TSX Composite – Total Return Index	100	91	98	111	122	112
Peer Group – Average Total Shareholder Return <sup>(1)</sup>	100	103	103	135	106	75
Executive Compensation Investment <sup>(2)</sup>	100	126	215	383 <sup>(3)</sup>	170	191 <sup>(4)</sup>

(1) The Peer Group Average Total Shareholder Return consists of the average cumulative total shareholder return of the companies noted in the chart under the heading "Peer Group Comparison". The index values shown in the graph and table for the years ending 2010 to 2014 have been restated from those shown in the previous year to properly reflect the total shareholder return of the current peer group, which changed in 2015.

(2) Represents the annual aggregate cost of executive compensation for the five most highly compensated executives reported for each of these years, except for 2014, when former CEO William Buckley's compensation is excluded from the calculations to avoid double-counting compensation for the CEO position. This includes base salary, actual incentive payments, current service costs for accrued pension benefits, long-term incentive value, plus all other compensation as reported in the Summary Compensation Table. The compensation value of long term incentives was derived through applying the calculated Shawcor Black-Scholes option value to the exercise price for all stock options granted in any year, applying the weighted average trading price of the former Class A Subordinate Voting Shares (now common shares) on the TSX for the five trading days immediately preceding the date share units were granted and by applying the actual value of Value Growth Plan Units paid (\$0 until 2013).

(3) Executive Compensation Investment for 2013 includes significant one-time, non-recurring payments of \$10.7 million. Excluding such payments, the 2013 index value for Executive Compensation Investment would have been 206 rather than the 383 shown. See detail in paragraph below.

(4) Executive Compensation Investment for 2015 includes the \$776,000 payout of a one-time retention award to Mr. Tikkanen of 400,000 2013 Shawcor VGP units which vested on December 31, 2015. Excluding such payment, the 2015 index value for Executive Compensation Investment would have been 178 rather than the 191 shown. Excluding the increase in the value of the US vs the Canadian dollar over 2015, the 2015 index value for Executive Compensation would have been reduced further to 169.

For most of the period since 2010, Shawcor's return to shareholders has exceeded the TSX Composite Index, as well as the overall return generated by the companies in the Peer Group. Shawcor's total return to shareholders in 2015 lagged that of the TSX Composite Index due to the effect on the Company's share price of rapidly declining oil and gas prices over the latter half of 2014 and in 2015. Since 2010, Shawcor NEO compensation has increased substantially, primarily as a result of:

- The Company's record financial performance in 2012 and 2013 which generated close to maximum annual incentive payments and, for the first time, payments under the Value Growth Plan.
- Larger long-term incentive grants were implemented over the 2010-2013 period to more closely match long-term incentive compensation levels payable in the Peer Group.

- Significant one-time payments and grants totalling approximately \$10.7 million were made in 2013 in connection with the attraction, retention and motivation of senior executives during the strategic review/dual class share elimination and CEO transition processes, including transaction and retention bonuses to NEOs, the amendment to former CEO William Buckley's Supplemental Executive Retirement Plan, one-time awards to Mr. Orr to offset the incentives forfeited at his previous employer and to align his efforts to the interests of shareholders and a retention grant of long term incentives to Mr. Tikkanen. These amounts are shown in the 2015 Summary Compensation Table below.

The NEO compensation value reported for 2015 represents approximately 12% of net income for the Company.

## 2015 Summary Compensation Table

The following *Summary Compensation Table* reflects total compensation paid to NEOs for 2015, and provides comparative compensation particulars for prior years.

NEO	Year	Salary (S)	Share Based Awards (S) <sup>(1)</sup>	Option Based Awards <sup>(1)</sup> (S) <sup>(2)</sup>	Non-equity Incentive Plan Compensation (S)		Pension Value (S)	All Other Compensation (S)	Total Compensation (S)
					Annual Incentives <sup>(3)</sup>	Long Term Incentives <sup>(4)</sup>			
Stephen M. Orr President and CEO <sup>(5)</sup>	2015	780,000	1,170,006	-	234,000	970,000	209,600	40,089	3,403,695
	2014	780,000	1,625,028	-	579,471	-	194,900	24,811	3,204,210
	2013	247,024	499,990	1,369,780	586,927	-	69,400	445,829 <sup>(6)</sup>	3,218,950
Gary S. Love VP, Finance & CFO	2015	450,000	101,303	507,105	78,750	605,280	87,300	20,917	1,850,655
	2014	450,000	92,118	496,375	191,864	542,400	163,800	22,720	1,959,277
	2013	408,954	77,906	417,783	566,810	270,680	120,500	543,998 <sup>(7)</sup>	2,406,631
John D.Tikkanen <sup>(8)</sup> EVP, Strategic Planning	2015	674,033	-	583,505	117,956	2,195,076 <sup>(10)</sup>	99,171	14,442	3,684,183
	2014	574,038	-	551,375	221,292	1,270,200	186,994	11,960	2,815,858
	2013	521,131	1,396,729 <sup>(9)</sup>	313,680	711,344	694,546	156,597	529,003 <sup>(11)</sup>	4,323,030
Henri Tausch <sup>(8)</sup> President, Bredero Shaw	2015	460,440	298,715	-	125,056	377,561	68,008	171,225 <sup>(12)</sup>	1,501,005
	2014	320,408	85,955	-	100,452	439,303	96,841	112,768	1,155,728
	2013	265,740	60,375	-	226,039	-	75,285	387,205 <sup>(13)</sup>	1,014,645
Michael J. Simmons <sup>(8)</sup> President, Integrity Management	2015	425,907	-	231,110	53,238	376,360	22,606	16,665	1,125,886
	2014	363,340	-	217,250	101,691	438,440	12,759	13,936	1,147,415
	2013	329,519	194,640	-	319,632	-	13,057	218,968 <sup>(14)</sup>	1,075,816

(1) Amounts shown for Messrs. Orr, Love, Tikkanen, Tausch and Simmons are the grant date values for share unit awards granted to each of them under the Employee Share Unit Plan, being equal to the number of share units granted multiplied by the weighted average trading price per common share on the TSX for the 5 trading days immediately preceding the grant date.

(2) The value of a Shawcor stock option for purposes of both compensation and accounting is derived using the Black-Scholes methodology, applying the following assumptions for 2013, 2014 and 2015:

Inputs	2013	2014	2015
Valuation Methodology	Black-Scholes	Black-Scholes	Black-Scholes
Share Price Volatility	34.0%	32.0%	27%
Dividend Yield	0.9%	1.2%	1.6%
Risk-free Interest Rate	1.95%	2.0%	1.34%
Expected Life	6.25 Years	6.25 years	6.25 years
Value per Option (\$ Value)	\$ 13.70	\$ 13.75	\$ 9.55

(3) Represents annual incentive payment earned in year shown.

(4) In 2013, 2014 and 2015, NEOs were granted Value Growth Plan Units. On the grant date, these units do not have a cash value and therefore do not appear on the Summary Compensation Table until they are vested and paid to the NEO. The value of units granted to the NEOs in 2011, 2012 and 2013 and vesting on December 31, 2013, December 31, 2014 and December 31, 2015, respectively, are as shown. Unit values can range from \$0 to \$4.00. For further information, see Incentive Plan Awards – Long Term Incentive Plans – Value Growth Plan. Each NEO received a VGP grant in 2015 as follows: Mr. Orr, 1,170,000 2015 Shawcor VGP units; Mr. Love, 405,000 2015 Shawcor VGP units; Mr. Tikkanen 582,900 2015 Shawcor VGP units, Mr. Tausch 298,700 2015 Bredero Shaw VGP units and Mr. Simmons, 230,200 2015 Integrity Management (Shaw Pipeline Services and Desert NDT) units. These units vest on December 31, 2017.

(5) In 2013, Mr. Orr received a one-time compensation award to offset the incentives forfeited at his previous employer and to align his efforts to the interests of shareholders. The incentives consisted of a \$400,000 cash payment and long term incentives comprised of 500,000 Shawcor VGP units, 11,795 Employee Share Units and 100,000 stock options. Mr. Orr succeeded Mr. Buckley as CEO effective May 1, 2014.

(6) Amounts include the one-time cash payment of \$400,000 (described in #5 above).

(7) Includes a one-time transaction bonus of \$500,000 approved by the Board in connection with the Company's strategic review/dual class share elimination process.

(8) The amounts shown above for salary, annual incentive, pension and all other compensation for Messrs. Tikkanen, Tausch and Simmons are converted from US dollars. The average US dollar conversion rate used by the Company for transactions during 2013 was \$1.032, during 2014 was \$1.106 and during 2015 was \$1.279.

(9) In addition to his regular long term incentive grant, Mr. Tikkanen received a one-time retention award of 29,488 Employee Share Units approved by the Board in connection with the Company's strategic review/dual class share elimination process.

(10) In addition to his regular long term incentive grant, Mr. Tikkanen received a one-time retention award of 400,000 2013 Shawcor VGP units approved by the Board in connection with the Company's strategic review/dual class share elimination process, which vested December 31, 2015. The value of these one-time VGP units represents \$776,000 of the total amount shown.

(11) Includes a one-time transaction bonus of \$516,000 approved by the Board in connection with the Company's strategic review/dual class share elimination process.

(12) Includes \$55,535 of tuition costs for his children and a one-time payment of \$95,925 to support the relocation of his family from the Netherlands to Houston, Texas.

(13) Includes a one-time transaction bonus of \$103,200 approved by the Board in connection with the Company's strategic review/dual class share elimination process and \$122,457 in tax paid by the Company to offset the incremental tax liability arising from various allowances and benefits provided as part of foreign assignment compensation.

(14) Includes one-time transaction bonus of \$206,400 approved by the Board in connection with the Company's strategic review/dual class share elimination process.



## Incentive Plan Awards

### Outstanding Option & Share Based Awards

The following table outlines the outstanding option and share based awards held by NEOs and their monetary value as of December 31, 2015.

NEO	Option-Based Awards				Share-Based Awards		
	Number of Securities Underlying Unexercised Options (#)	Option Exercise Price (\$/Share)	Option Expiration Date	Value of Unexercised In-the-Money Options as at December 31, 2015 (\$)¹	Number of Unvested Share-Based Awards (#)	Market or Payout Value of Share-Based Awards That Have Not Vested (\$)²	Market or Payout Value of Vested Share-Based Awards Not Paid Out or Distributed (\$)²
Stephen Orr	100,000	42.28	Dec 31, 2022	–	67,549	1,896,100	321,233
Gary Love	29,000	32.81	Dec 31, 2021	–	11,848	332,573	403,197
	30,500	41.28	Dec 31, 2022	–			
	36,100	45.73	Dec 31, 2023	–			
	53,100	35.79	Dec 31, 2024	–			
John Tikkanen	40,000	15.51	Dec 31, 2018	502,400	32,691	917,636	820,851
	22,900	41.28	Dec 31, 2022	–			
	40,100	45.73	Dec 31, 2023	–			
	61,100	35.79	Dec 31, 2024	–			
Henri Tausch	–	–	–	–	12,229	343,268	16,646
Michael Simmons	15,800	45.73	Dec 31, 2023	–	5,225	146,666	154,525
	24,200	35.79	Dec 31, 2024	–			

(1) Value is calculated based on the difference between the closing market price of Shawcor's common shares on the TSX on December 31, 2015, which was \$28.07, and the exercise price.

(2) Value is calculated based on the closing market price of Shawcor's common shares on the TSX on December 31, 2015, which was \$28.07.

### Value Vested or Earned in 2015

Options granted under the Shawcor Employee Stock Option Plan ("ESOP") vest over five years at a rate of 20% per year. Certain Unit Awards granted under the Employee Share Unit Plan ("ESUP") vest over five years at a rate of 20% per year; others vest at a rate of 25% per year on the fourth through seventh anniversaries of the grant date. The following table tabulates the value of options and share-based awards vested during 2015 as well as the annual cash incentive earned.

NEO	Date Vested	Number of Options Vested (#)	Option Exercise Price (\$/Share)	Market Price on Date Vested (\$/Share)¹	Value Vested During the Year (\$)	Share-Based Awards Value Vested During the Year (\$)¹²	Non-Equity Incentive Plan Compensation Value Earned During the Year (\$)³
Stephen Orr	Sept 17, 2015	20,000	42.28	30.16	–	255,016	1,204,000
Gary Love	Mar 1, 2015	7,220	45.73	35.71	–	102,624	684,030
	Mar 3, 2015	5,800	32.81	35.93	18,096		
	Mar 22, 2015	6,100	41.28	35.10	–		
John Tikkanen	Mar 1, 2015	8,020	45.73	35.71	–	314,861	2,313,032
	Mar 22, 2015	4,580	41.28	35.10	–		
Henri Tausch	–	–	–	–	–	11,593	502,616
Michael Simmons	Mar 1, 2015	3,160	45.73	35.71	–	60,210	429,596

(1) For vesting dates falling on weekends, the closing price for the preceding Friday is reflected.

(2) Value is calculated based on the closing market price of Shawcor's common shares on the TSX on the vesting date.

(3) Amounts include annual awards and Value Growth Units granted in 2013 which vested in 2015.

### Long-Term Incentive Plans

#### Value Growth Plan

The Value Growth Plan ("VGP") was approved by the Board in 2010. It is a 'performance cash' plan that recognizes and rewards senior employees for sustained profitability and revenue growth over multi-year periods.

The VGP measures the improvement in cumulative Operating Income and Revenue for 3 consecutive fiscal years, referred to as the Performance Period. It then compares the results for the Performance Period to the cumulative results for the 3 consecutive fiscal years immediately prior to the Performance Period, referred to as the Baseline Period.

For the purposes of calculating the value of vested units under the VGP, growth in Operating Income has two times the weight of growth in Revenue. Unit values can range from \$0, when there has been a decline in performance of either measure, up to a cap of \$4.00 for exceptional performance during the Performance Period. Units do not have a value at the time of grant but are given a notional value of \$1.00 for target compensation purposes.

The standard calculation of unit values for Shawcor and any Divisional entity is determined by the following formula:

$$\frac{\text{Performance Period Operating Income}}{\text{Baseline Period Operating Income}} \times \left[ 1.0 + \left( \frac{(\text{Performance Period Revenue} - \text{Baseline Period Revenue})}{\text{Baseline Period Revenue}} \div 2 \right) \right]$$

The table below provides a reference to the VGP values which would be calculated by various combinations of cumulative growth in Operating Income and Revenue. For illustration purposes, the unit value of \$1.88 is highlighted as this is a value which would be obtained through 50% growth in cumulative Operating Income and Revenue, which closely matches the Company objective of growing earnings per share by 15% per year over the full business cycle.

		Illustration of VGP Unit Value									
		<0%	10%	30%	50%	70%	90%	110%	130%	150%	
Cumulative 3 Year Operating Income Growth	150%	\$ 0.00	\$ 2.63	\$ 2.88	\$ 3.13	\$ 3.38	\$ 3.63	\$ 3.88	\$ 4.00	\$ 4.00	4.00
	130%	\$ 0.00	\$ 2.42	\$ 2.65	\$ 2.88	\$ 3.11	\$ 3.34	\$ 3.57	\$ 3.80	\$ 4.00	4.00
	110%	\$ 0.00	\$ 2.21	\$ 2.42	\$ 2.63	\$ 2.84	\$ 3.05	\$ 3.26	\$ 3.47	\$ 3.68	3.68
	90%	\$ 0.00	\$ 2.00	\$ 2.19	\$ 2.38	\$ 2.47	\$ 2.66	\$ 2.85	\$ 3.04	\$ 3.23	3.23
	70%	\$ 0.00	\$ 1.79	\$ 1.96	\$ 2.13	\$ 2.30	\$ 2.47	\$ 2.64	\$ 2.81	\$ 2.98	2.98
	50%	\$ 0.00	\$ 1.58	\$ 1.73	\$ 1.88	\$ 2.03	\$ 2.18	\$ 2.33	\$ 2.48	\$ 2.63	2.63
	30%	\$ 0.00	\$ 1.37	\$ 1.50	\$ 1.63	\$ 1.76	\$ 1.89	\$ 2.02	\$ 2.15	\$ 2.28	2.28
	10%	\$ 0.00	\$ 1.16	\$ 1.27	\$ 1.38	\$ 1.49	\$ 1.60	\$ 1.71	\$ 1.82	\$ 1.93	1.93
	<0%	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	0.00

Cumulative 3 Year Revenue Growth

The per unit values for the Shawcor Corporate VGP Units granted in 2013, which vested on December 31, 2015, were determined as follows:

Measure	Baseline Period (2010 to 2012) <sup>(1)</sup>	Performance Period (2013 to 2015) <sup>(1)</sup>	3 Year Growth	Factor
Cumulative Operating Income	\$ 423.2	\$ 648.2	53%	1.53
Cumulative Revenue	\$ 3,674.3	\$ 5,620.8	53%	1.27

(1) Amounts are shown in millions

The value for the 2013 Shawcor VGP grant is equal to \$1.94 per unit which was arrived at by multiplying 1.53 by 1.27. Using the same formula but using Bredero Shaw operating income and revenue numbers, the values for the 2013 Bredero Shaw and the 2013 Bredero Shaw EMAR Region VGP grants are US\$2.07<sup>(1)</sup> and US\$3.28<sup>(1)</sup>, respectively. The following table summarizes 2012 and 2013 VGP unit values for Shawcor, Bredero Shaw and the Bredero Shaw EMAR Region:

VGP Grant Year	Entity	Vest Date	Unit Value
2012	Shawcor	Dec 31, 2014	\$ 2.26
	Bredero Shaw <sup>(2)</sup>	Dec 31, 2014	US\$ 2.90
	Bredero Shaw EMAR <sup>(3)</sup>	Dec 31, 2014	US\$ 3.31
2013	Shawcor	Dec 31, 2015	\$ 1.94
	Bredero Shaw <sup>(2)</sup>	Dec 31, 2015	US\$ 2.07
	Bredero Shaw EMAR <sup>(3)</sup>	Dec 31, 2015	US\$ 3.28

(1) Providing specific information on Cumulative Operating Income and Cumulative Revenue achievement at the Division level would seriously prejudice the Company's interests relative to competitive market and pricing strategies and the Company does not disclose this information as it relies on the disclosure exemption contained in Item 2.1(4) of Form 51-102F6, Statement of Executive Compensation.

(2) John Tikkanen's 2012 VGP grant and a portion of his 2013 VGP grant is based on Bredero Shaw performance as he was an employee of Bredero Shaw at the time of grant.

(3) Henri Tausch's 2012 and 2013 VGP grants are based on Bredero Shaw EMAR Region performance as he was an employee of Bredero Shaw EMAR at the time of grant.

### 2001 Employee Stock Option Plan

The Employee Stock Option Plan-2001 (the "ESOP") was initially approved by the shareholders of the Company at the annual and special meeting of shareholders held on May 10, 2002 and certain amendments were approved by shareholders at a meeting held on May 8, 2007 and by the Board at meetings held on December 4, 2008, March 3, 2010, March 3, 2011, March 20, 2013 and March 2, 2016. The Company's Plan of Arrangement dated March 20, 2013 provided that unless otherwise approved by the Board, any option granted under the ESOP, whether vested or unvested, would represent an option to purchase the same number of common shares of the Company at the same exercise price as applied to the acquisition of former Class A Subordinate Voting Shares pursuant to such option. The terms to expiry, conditions to and manner of exercising, vesting schedule and all other terms and conditions of such options were otherwise unchanged. The ESOP was amended and restated by the Board effective March 20, 2013 to delete all references therein to Class B Multiple Voting Shares and to replace all references to "Class A Subordinate Voting Shares" with "common shares".

The ESOP was amended by the Board in March 2010 to provide that each stock option granted in 2010 and later years may, at the discretion of the Board, have attached thereto a tandem stock appreciation right ("SAR") which operates exactly the same as the underlying option with respect to vesting requirements, term, termination and other provisions.

On March 3, 2011, the Board approved certain amendments to the ESOP, which in accordance with the terms of the ESOP, did not require the approval of shareholders. The ESOP was amended to expressly authorize the implementation of such procedures as deemed appropriate to enable the Company to satisfy tax withholding obligations arising from the exercise of options or tandem SARs. The amendments also eliminated the requirement that a minimum of 20% of an option or tandem SAR be exercised at any time and clarified the procedure regarding the potential exercise of tandem SARs in circumstances where a takeover bid has been made for the common shares and the Board has elected to abridge the vesting period of outstanding options. In addition, and in conjunction with the Company retaining a third party service provider to assist with the administration of the ESOP, the exercise procedures were amended to permit an option holder to provide payment of the exercise price to the Company from the proceeds of sale of some or all of the shares acquired on exercise of the option.

On March 2, 2016, the Board approved certain amendments to the ESOP and at the Meeting, shareholders are being asked to approve an amendment to increase the number of shares authorized and available for issuance thereunder by 1,000,000. For a description of these amendments and of the terms of the ESOP, please see "Amendment of Employee Stock Option Plan-2001".

Option activity for the year ended December 31, 2015 is summarized below:

Options granted	Tandem SARs granted	Weighted Average exercise price per option/tandem SAR exercised	Options/Tandem SARs Exercised	Aggregate Gain on Options/Tandem SARs Exercised	Options outstanding at December 31, 2015
172,500 <sup>(1)</sup>	94,800	\$ 21.05	24,130	\$ 369,410 <sup>(2)</sup>	1,320,740 <sup>(3)</sup>

(1) Includes tandem SARs. Options/tandem SARs granted under the Employee Plan in 2015 represented 0.27% of the common shares outstanding as of December 31, 2015. In addition, 287,700 options, including 110,800 tandem SARs, were granted between January 1, 2016 and March 4, 2016.

(2) The aggregate gain on options/tandem SARs exercised by NEOs in 2015 was \$0.

(3) Representing 2.05% of the common shares outstanding as of December 31, 2015.

### Employee Share Unit Plan

The Employee Share Unit Plan (the "ESUP") was approved by the shareholders of the Company at an annual and special meeting of shareholders held on May 7, 2010. It authorizes the Board to grant awards ("Unit Awards") of restricted units ("Restricted Awards") and performance units ("Performance Awards") to employees (as defined in the ESUP, which includes consultants) of the Company with such Unit Awards to be settled in the form of Class A Subordinate Voting Shares of the Company issued from treasury. The Company's Plan of Arrangement dated March 20, 2013 provided that, unless otherwise approved by the Board, any awards granted under the ESUP, whether vested or unvested, would represent a grant in the same number of common shares as applied to the acquisition of former Class A Subordinate Voting Shares pursuant to any such awards. All other terms and conditions of any such awards would otherwise be unchanged. The ESUP was amended and restated effective March 20, 2013 to delete all references therein to Class B Multiple Voting Shares and to replace all references to "Class A Subordinate Voting Shares" with "common shares".

<b>Form of Award</b>	Under the terms of the ESUP, employees of the Company or a Shawcor Entity <sup>(1)</sup> may be granted Restricted Awards or Performance Awards.
<b>Granting Process</b>	<p>The Board may determine a Grant Value (notional dollar amount) for each Unit Award. Calculation of the number of common shares to be covered for a Unit Award: <math>\text{Grant Value} \div \text{Fair Market Value}^{(2)}</math> of a Common Share on the grant date.</p> <p>In addition, the Board may determine that an amount determined under an incentive or compensation plan of the Company or of a Shawcor Entity shall be a Grant Value for this purpose.</p>
<b>Term and Vesting</b>	<p>Each Restricted or Performance Award will vest in accordance with applicable time vesting conditions relating to the continued service in a Shawcor Entity and may be graduated by percentages of a Unit Award (including a percentage in excess of 100%), and the holder will be entitled to exercise such Award so as to be issued the number of common shares pursuant to such vesting conditions.</p> <p>For this purpose, performance vesting conditions mean any performance-related conditions in respect of vesting, which may include performance of the Company or a Shawcor Entity, Company shareholder return or otherwise and which may be graduated by percentages of a Unit Award, including a percentage in excess of 100%. The Board may in its sole and absolute discretion impose additional or different vesting conditions to the time vesting or performance vesting conditions.</p> <p>The maximum expiry date for a Unit Award grant shall not exceed ten years from the grant date. In the event of a blackout period imposed upon a grantee, the expiry date shall be extended to the date which is ten business days from the date that the blackout period ends. For this purpose, a blackout period is a period of time imposed by the Board pursuant to the Company's insider trading and disclosure policies on certain designated persons during which those persons may not trade in any securities of the Company.</p>
<b>Termination Provisions</b>	<p>In the event of a Change of Control (as defined in the ESUP) followed by the termination without cause of the employment of any grantee, the vesting of Unit Awards to such grantee is accelerated and all unexercised Unit Awards become vested immediately and are delivered to the grantee in the form of Shares.</p> <p>Unless otherwise determined by the Board or unless otherwise provided in a Unit Award agreement pertaining to a particular grant or any written employment agreement, (a) if a grantee ceases to be an employee as a result of termination for cause, termination without cause or voluntary resignation (excluding retirement), Unit Awards may be exercised in respect of common shares covered thereby to the extent vested as of the Termination Date (the date of the termination of employment of the employee, regardless of any notice) until the earlier of the expiry date applicable to the Unit Award and the date that is ninety (90) days after the Termination Date and otherwise all rights to receive shares under outstanding Unit Awards shall be terminated; (b) upon a grantee's death, Unit Awards may be exercised in respect of common shares covered thereby to the extent vested as of such date until the earlier of the expiry date and the date that is one year after the Termination Date and otherwise all rights to receive common shares under outstanding Unit Awards shall be terminated; and (c) if a grantee ceases to be an employee upon retirement at or after age 65, or earlier as permitted by the Board, or in the event of a disability as determined by the Board, all Unit Awards shall continue to be eligible to meet time or performance vesting conditions as if employment continued and the expiry date relating to such Unit Awards shall continue to apply. In the event of the death of the grantee after such retirement or disability, all Unit Awards shall immediately vest and the expiry date for each Unit Award shall be the earlier of (i) one year from the Termination Date, and (ii) the expiry date otherwise relating to such Unit Award.</p>
<b>Transfer Provisions</b>	Except in the case of death, the right to receive common shares pursuant to a Unit Award granted to an employee may only be exercised by such employee personally and may not be assigned, transferred, or pledged, provided that a grantee may transfer or assign the rights of a Unit Award to minor children or minor grandchildren or the spouse of the grantee, or a trust or holding company of which the grantee is a trustee or director and the beneficiaries or shareholders of which are a combination of the grantee, grantee's spouse or grantee's minor children or minor grandchildren, in accordance with such requirements as the Board may from time to time determine.

(1) "Shawcor Entity" is defined as the Company or a controlled entity of the Company such as a subsidiary, partnership or trust.

(2) "Fair Market Value" at any date is calculated as the weighted average trading price of the common shares on the TSX for the 5 trading days immediately preceding such date.

The ESUP provides that an adjustment may be made to the number of common shares to be issued pursuant to Unit Awards by an amount equal to a fraction having as its numerator the amount of the aggregate dividends per common share paid during the term of the Unit Awards and having as its denominator the Fair Market Value of the common shares on the dividend payment date.

The Company has the right to amend from time to time or to terminate the ESUP or amend the terms of a Unit Award without shareholder approval. The plan may be amended in accordance with the restrictions outlined in the table below:

Amendments to ESUP	
<b>Amendments not requiring Shareholder Approval</b>	Without limitation, the Board may amend the ESUP to: <ol style="list-style-type: none"> <li>1. Make "housekeeping" changes</li> <li>2. Amend the provisions relating to the exercise, vesting or term of Unit Awards in the event the grantee ceases to be an employee for any reason (subject to the maximum term as set forth above)</li> <li>3. Change the provisions relating to time-vesting, performance-vesting and/or any other conditions for vesting.</li> </ol>
<b>Amendments requiring Shareholder Approval</b>	The ESUP, or any Unit Award granted under it, may not be amended without shareholder approval to: <ol style="list-style-type: none"> <li>1. Increase the number of common shares issuable under the ESUP</li> <li>2. Extend the expiry date of any outstanding Unit Award other than as permitted under the ESUP</li> <li>3. Permit a grantee to transfer or assign Unit Awards other than as permitted under the ESUP</li> <li>4. Increase the number of common shares that may be issued to insiders above the restrictions set forth in the ESUP</li> <li>5. Extend the maximum expiry date under the ESUP beyond ten years</li> <li>6. Add additional categories of grantees</li> <li>7. Amend the amendment provisions of the ESUP to delete any of the foregoing matters requiring shareholder approval.</li> </ol>

During the financial year ended December 31, 2015, 231,979 share units were granted under the ESUP, which represented 0.36% of the common shares outstanding as at December 31, 2015.

#### **Equity Compensation Plan Information**

The following provides information as at December 31, 2015 with respect to common shares authorized for issuance under the ESOP and the ESUP. As at December 31, 2015, these plans were the Company's only equity compensation plans that provide for the issuance of shares.

Plan Category	Number of securities to be issued upon exercise of outstanding options or share units (#)	Weighted-average exercise price of outstanding options (\$)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities in column A) (#)
Equity compensation plans approved by security holders	1,793,589	\$ 33.05	791,989
Equity compensation plans not approved by security holders	Nil	Nil	Nil
<b>Total</b>	<b>1,793,589</b>		<b>791,989<sup>(1)</sup></b>

(1) This number includes 273,638 common shares under the ESOP and 518,351 common shares under the ESUP and represents 1.2% of the total common shares outstanding as of December 31, 2015.

## Retirement Income Plan Arrangements

### Canadian Named Executive Officers

The Company sponsors retirement income plans that provide certain Canadian executives with an annual benefit after retirement based upon earnings and length of service.

Each Canadian NEO who retires on or after his normal retirement date receives an annual pension equal to up to 2% of his final average earnings multiplied by the number of years of designated service, to a maximum of 30 years. Final average earnings is defined as the average of the member's best three consecutive years of annual base salary. For members who have a spouse at retirement, benefits are payable for the life of the member, reducing to two-thirds of the initial pension on the member's death and payable to the member's spouse, if living, for his or her remaining lifetime. Normal retirement age is age 65. The Board retains the discretion to approve early retirement arrangements.

This retirement income commitment is delivered through a combination of a registered Defined Benefit Pension Plan and a Supplemental Executive Retirement Plan ("SERP") funded through a Retirement Compensation Arrangement ("RCA") which provides any pension amounts in excess of the maximum pension benefits that are permitted to be paid from the Company's registered pension plans under the Income Tax Act (Canada) and associated regulations.

In the event of termination of employment prior to age 55 and the attainment of 5 years of service, benefits are limited to the maximum amounts payable in accordance with the limitations imposed on registered pension plans by the Income Tax Act (Canada).

The following table identifies the NEOs participating in the Canadian defined benefit arrangements and their entitlements accrued under this plan to December 31, 2015.

NEO	Years of Credited Service as at Dec. 31, 2015	Annual Benefits Payable (\$) <sup>(1)</sup>		Opening Present Value of Defined Benefit Obligation as at Jan. 1, 2015 (\$)	Compensatory Change (\$)	Non-Compensatory Change (\$)	Closing Present Value of Defined Benefit Obligation as at Dec. 31, 2015 (\$)
		As at Dec. 31, 2015 <sup>(1)</sup>	At Age 65 <sup>(2)</sup>				
Stephen Orr	2.33	36,200	237,900	292,100	209,600	11,400	513,100
Gary Love	10.00	87,300	177,400	1,143,100	87,300	44,600	1,275,000

(1) Based on credited service and best average earnings at December 31, 2015. Pension payable at age 65.

(2) Based on credited service projected to age 65 and best average earnings at December 31, 2015.

### International Named Executive Officers

Certain US executives, including Messrs. Tikkanen, Tausch and Simmons, are members of a 401(k) plan established for designated employees. Company contributions to the 401(k) plan are 3% of base salary and bonus and an additional contribution of \$0.70 for every dollar the employee contributes up to 5% of base salary and bonus – subject to the maximum company contribution limits related to 'Highly Compensated Executives' and maximum personal contribution amounts. Messrs. Tikkanen and Tausch also participate in a secular trust to which the Company contributes 8% of their annual cash compensation. Investment choices are made by the Executives from among 11 funds available in the 401(k) plan and any eligible Merrill Lynch investment product for the secular trust.

The following table outlines the NEO participants in defined contribution pension arrangements and the value they have accumulated in these plans.

NEO	Accumulated Value as at January 1, 2015 (\$)	Compensatory Change (\$)	Accumulated Value as at December 31, 2015 (\$)
Henri Tausch <sup>(1)</sup>	0	68,008	82,585
Michael Simmons	128,238	22,606	201,842

(1) Mr. Tausch became eligible to participate in the US pension plan as of January 1, 2015. Prior to this he was participating in the Zurich plan for international executives. The accumulated value in this account as of January 1, 2015 was 241,320, \$0 contributions were made in 2015 and the accumulated value as of December 31, 2015 was \$0 as he closed this account.

## **Termination & Change of Control Benefits**

Mr. Orr entered into a new employment agreement with the Company in February 2014. Mr. Orr's employment agreement provides for the payment of base salary, Senior Executive Incentive Plan awards at target, automobile allowance, eligible health and medical benefits, continuation service credit towards pension and continued vesting of ESOP, ESUP and VGP awards for a period of 24 months should his employment be terminated for any reason other than cause, or if he were to resign for "good reason" following a "change of control". "Good reason" is defined to include significant changes in role or seniority, work location or a reduction in the compensation and benefits provided in the employment agreement. "Change of control" is defined to include any sale, reorganization, amalgamation, merger or transaction by which a person or entity is in a position to exercise effective control over the Company. These benefits are contingent on Mr. Orr signing a non-solicitation/non-competition agreement for a 24 month period following his termination.

If Mr. Orr's employment had been terminated without cause effective December 31, 2015 he would have been entitled to approximately \$3.7 million in incremental payments and benefits under his employment agreement. This amount does not include the estimated value of the continued vesting of ESOP and ESUP awards as the full value of these awards at the time of grant was reported in the Summary Compensation Table for 2015 or prior years.

Messrs Love, Tikkanen, Tausch and Simmons do not have written employment agreements and any payments due to them on termination of employment or a change of control of the Company are governed by common law and the terms of the ESOP and ESUP (as described in the next paragraph).

Messrs. Orr, Love, Tikkanen, Tausch and Simmons have been granted Unit Awards under the ESUP. In the event of a Change of Control (as defined in the ESUP) followed by the termination without cause of any grantee, the vesting of Unit Awards to such grantee is accelerated and all unexercised Unit Awards become vested immediately and are delivered to the grantee in the form of common shares. This acceleration of unvested Unit Awards would have had a value to Messrs. Orr, Love, Tikkanen, Tausch and Simmons of approximately \$1,896,100, \$332,573, \$917,636, \$343,268 and \$146,666, respectively, had their employment been terminated without cause effective December 31, 2015 (based on the TSX closing price for the common shares on December 31, 2015).

## **SECTION 6 OTHER INFORMATION**

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### **Indebtedness of Directors and Officers**

The Company maintains a policy of not making loans to its directors, or senior executives. No director or executive officer of the Company is indebted to the Company or any of its subsidiaries.

### **Directors' & Officers' Liability Insurance**

The Company purchases and maintains directors' and officers' liability insurance covering the Company to the extent it is obligated to indemnify its directors and officers pursuant to the indemnity provisions of its by-laws. It also covers individual directors and officers when they are legally liable for wrongful acts which are outside the scope of indemnification as specified under the Company's by-laws (subject to policy exclusions). The aggregate amount of insurance is \$55,000,000 in any one policy period. The policy provides for no deductible for any loss in connection with claims against a director or officer which are not reimbursed by the Company and a deductible of \$100,000 for claims for which the Company affords indemnification to the director or officer. The annual premium for the period from July 1, 2015 to June 30, 2016 was \$172,850.

### **Interest of Informed Persons in Material Transactions**

Management of the Company is unaware of any material interest, direct or indirect, of any "informed person" of the Company, any proposed director of the Company or any associate or affiliate of any such persons, in any transaction since the beginning of the Company's most recently completed financial year or in any proposed transaction which has materially affected or would materially affect the Company or any of its subsidiaries.

"Informed person" is defined as:

- (a) a director or executive officer of the Company;
- (b) a director or executive officer of a person or company that is itself an informed person or subsidiary of the Company;
- (c) any person or company who beneficially owns, or controls or directs, directly or indirectly, voting securities of the Company or a combination of both carrying more than 10 percent of the voting rights attached to all outstanding voting securities of the Company other than voting securities held by the person or company as underwriter in the course of a distribution; and
- (d) the Company itself if it has purchased, redeemed or otherwise acquired any of its securities, for so long as it holds any of its securities.

**Interest of Certain Persons or Companies in Matters to be Acted Upon**

Each of the Company's officers, other than the Chair, are eligible to participate in the Company ESOP. Please refer to "Amendment of Employee Stock Option Plan-2001" for further particulars of the ESOP and the proposed amendment thereto and refer to Section 5 Compensation Discussion & Analysis for further particulars of the NEO's participation in the ESOP.

**Additional Information**

Financial information about the Company is contained in its comparative annual financial statements and Management's Discussion and Analysis for the fiscal year ended December 31, 2015. Additional information about the Company is available on SEDAR at [www.sedar.com](http://www.sedar.com). If you would like to obtain, at no cost, a copy of any of the following: (i) the latest Annual Information Form of the Company, together with any document or the pertinent pages of any document incorporated by reference therein; (ii) the comparative financial statements of the Company for the fiscal year ended December 31, 2015 together with the accompanying report of the auditor thereon and any interim financial statements that have been filed for any period subsequent to December 31, 2015 together with the Management's Discussion and Analysis with respect thereto; (iii) a copy of the Company's Code of Conduct; or (iv) an additional copy of this Management Proxy Circular, please send your request to the Company at 25 Bethridge Road, Toronto, Ontario M9W 1M7, Attention: Darrell Ewert, Corporate Secretary.

The information contained herein is given as of the date hereof unless otherwise noted. The contents and sending of this Circular have been approved by the Board of Directors of the Company.

DATED at Toronto, Ontario, the 11th day of March, 2016.

By Order of the Board of Directors



**Darrell R. Ewert**  
Corporate Secretary



# SCHEDULE 'A'

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**Shawcor Ltd.**

**Mandate for the Board of Directors**

Revised: December 10, 2014

## A. DUTIES AND RESPONSIBILITIES OF THE BOARD OF DIRECTORS

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### 1. Management and Supervision

The Board of Directors of Shawcor is responsible for the stewardship of the Company. This role is primarily carried out by means of the Board's supervision of the management of Shawcor's business and affairs by Shawcor's senior officers. The functions, duties and powers of directors are set out in the *Canada Business Corporations Act* ("CBCA"), the Company's Articles and By-laws and within the developing principles of common law. Directors cannot and do not manage the affairs of the Company in the literal sense, as such duties are delegated to the Company's officers. The function of directors relates more to the *supervision* of the management rather than to the *actual* management of the Company. Generally, the directors' role is to provide supervision of the management of the Company, to approve policies of the Company and to be knowledgeable about and approve of the major decisions taken by the Company. The Board's role includes advocating and supporting the best interests of the Company.

The Board seeks to perform its role by reviewing, discussing and approving the Company's strategic planning and organizational structure and supervising management to oversee that the strategic planning and organizational structure enhances and preserves the business of the Company and its underlying value. In broad terms, the stewardship of the Company involves the Board in strategic planning, risk management and mitigation, senior management appointments, succession planning, communication policy, safety and environmental issues, corporate governance and internal control integrity.

### 2. Procedures, Powers and Role

a) **General** – The Board delegates to the Company's senior officers the responsibility for the day-to-day management of the Company while providing guidance and direction to such senior officers. The Board's primary roles are overseeing corporate performance and providing quality, depth and continuity of management to meet the Company's strategic objectives.

b) **Fiduciary Duties** – In view of the special relationship between the directors and the Company, which puts the directors in a position of trust and control, the common law has characterized the nature of the duties owed by the directors to the Company as "fiduciary duties". Generally speaking, a director's fiduciary duties consist of a duty to act honestly and in good faith and with a particular standard of care.

The standard of care required of directors and officers is codified in the CBCA, which provides that every director and officer of a corporation in exercising his or her powers and discharging his or her duties shall:

- (i) act honestly and in good faith with a view to the best interests of the corporation; and
- (ii) exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

c) **Conflicts of Interest** – If a Board member faces a potential or actual conflict of interest relating to a matter before the Board, that member should alert the Board Chair, or depending on when the matter becomes known, the Board as a whole. If the Board Chair faces a potential or actual conflict of interest, the Board Chair should advise the Chair of the Audit Committee. If the Board Chair, or the Chair of the Audit Committee, as the case may be, concurs that a potential or actual conflict of interest exists, the member faced with such conflict should disclose to the Board the member's interest and should not participate in consideration of the matter and should not vote on the matter. The Corporate Secretary should maintain a written record of any disclosure of conflict by a Board member either in the minutes of the Board or otherwise.

d) **Standard of Care** – With respect to the statutory duty of care required by a director, there is no concession for any deficiency of knowledge or skill on the part of a director who may in fact be acting to the best of his or her own ability. Where a director is not skilled in a particular area, the courts may emphasize the director's duty to be diligent in the circumstance by way of seeking outside advice, making inquiries of appropriate individuals or other means.

e) **Duties not to be Delegated** – There are specific duties set out in the CBCA which may not be delegated, including:

- i. issuing securities except as authorized by the Board;
- ii. declaring dividends;
- iii. making, amending and repealing by-laws of the Company;
- iv. purchasing, redeeming or otherwise acquiring shares of the Company;
- v. approving a management proxy circular, take-over bid circular or directors' circular;
- vi. approving the annual financial statements of the Company;
- vii. calling the annual meeting of the shareholders of the Company;
- viii. filling any vacancy among the directors or in the office of auditor of the Company or appointing additional directors; or
- ix. submitting to the shareholders any question or matter requiring the approval of the shareholders.

## B. BOARD ORGANIZATION

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1. **Composition** – The Board shall be composed of not less than three nor more than eighteen directors. A majority of directors shall be “independent” as such term is defined in the Company’s Corporate Governance Guidelines.
2. **Appointment and Replacement of Directors** – The members of the Board shall be elected by the shareholders annually and each member of the Board shall remain on the Board until the next annual meeting of shareholders after his or her election or until his or her successor shall be duly elected or appointed in accordance with the Company’s By-laws. Whenever there is a vacancy on the Board, the remaining members may exercise all its power as long as a quorum remains in office.
3. **Chair of the Board** – The members of the Board shall elect a Chair from among the members and the Chair shall preside at all meetings of the Board. The Chair of the Board shall be responsible for leadership of the Board, including preparing the agenda, presiding over the meetings, and making board assignments. If the Chair is not present at any meeting of the Board, the Board members present at the meeting shall elect a director present to preside at the meeting. The Chair shall act as the principal liaison between the Board and the Chief Executive Officer.
4. **Compensation of Directors** – Members of the Board shall receive such remuneration for acting as directors as the Board may from time to time determine. The Nominating and Governance Committee should periodically review all aspects of such remuneration and make recommendations to the Board respecting the same. The Chief Executive Officer receives no compensation for acting as a director.
5. **Meetings** – It is anticipated that there will be a minimum of five meetings per year. Each meeting should include a session without senior management present and a session of the independent directors only without senior management present.
6. **Delegation** – The Board may delegate certain responsibilities to Board committees. Such committees shall have a written Board approved charter, except in the case of special committees of the Board which may be appointed from time to time. The Board operates by delegating certain of its authorities to management and by reserving certain powers to itself. Subject to applicable law and to the Articles and By-laws of the Company, the Board retains the responsibility for managing its own affairs including:
  - (a) planning its composition and size;
  - (b) selecting its Chair;
  - (c) providing orientation and ongoing education for directors;
  - (d) nominating candidates for election to the Board;
  - (e) appointing committees;
  - (f) determining director compensation;
  - (g) setting expectations and responsibilities of directors, including attendance at, preparation for and participation in Board and committee meetings; and
  - (h) assessing the effectiveness of the Board, committees and directors in fulfilling their responsibilities.
7. **Retention of Consultants** – To assist the Board or any committee of the Board in carrying out their respective roles, the Board or any committee may from time to time retain special legal, accounting, financial or other consultants, at the Company’s expense, if determined by the Board or the particular committee to be advisable or appropriate in the circumstances.

## C. COMMITTEES OF THE BOARD

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The Board should:

- (a) elect annually from among its members an Audit Committee, a Compensation and Organizational Development Committee and a Nominating and Governance Committee, each to be composed of not fewer than three directors. The committees shall each adopt a formal written charter approved by the Board;
- (b) appoint for each committee a Chair from among its members;
- (c) appoint additional committees as circumstances may warrant; and
- (d) appoint special committees periodically to address certain issues of a more short-term nature.

## D. FULFILMENT OF ROLE

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1. **Strategic Planning and Risk Management** – The Board should ensure that a strategic planning process is in place, review and approve strategies, visions and missions and monitor management’s success in implementing the strategies. This is done through an annual Board meeting or meetings held each year to review and approve the Company’s strategic and annual business plan and annual capital expenditures programs. The strategic plan should be updated each year so that it always projects the next three-year period. Management reports to the Board quarterly, highlighting and commenting upon divisional performance compared with annual business plan forecasts and prior year results.

As part of the strategic plan review process, the Board should identify and evaluate the principal opportunities and risks of the Company’s businesses, and seek to ensure that management puts in place appropriate systems and processes to manage the principal risks.

The Audit Committee should regularly review specific areas of the Company’s financial functions, including the integrity of the Company’s internal controls and information systems, and the Compensation Committee should review risks related to succession planning. Reports on these reviews should form a part of the regular review by the whole Board of the Company’s operating performance.

2. **Independence and Lead Director** – To facilitate the functioning of the Board independently of management of the Company and the non-independent directors, the Board may appoint one of its independent directors to act as Lead Director. The Lead Director, if appointed, should consult and meet with any or all of the independent directors, at the discretion of either party and with or without the attendance of the Chair, and should represent such directors in discussions with the Chair on corporate governance issues and other matters. The Lead Director should also promote best practices and high standards of corporate governance and assist in the process of conducting director evaluations.
3. **Communication** – The Board believes that accurate, timely and regular communication with its shareholders and the investment community is of the highest importance. The Company has a formal disclosure policy, which has been reviewed and approved by the Board. As part of the policy, all annual and quarterly reports to shareholders, including financial statements and the associated Management’s Discussion and Analysis, are reviewed and recommended to the Board for approval by the Audit Committee, and are posted on the Company’s website. On the recommendation of the Nominating and Governance Committee, the Board reviews and approves the Management Proxy Circular. In addition, as directed and monitored by the Board, senior management is charged with the responsibility of complying with the Company’s regulatory disclosure obligations and responding to inquiries from shareholders, analysts and other interested parties.
4. **Internal Control and Reporting** – The integrity of the Company’s internal control and reporting systems are primarily the responsibility of management with oversight review by the Audit Committee of the Board, which should meet 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 should report to the full Board with respect to any issues that arise out of such discussions.
5. **New Board Nominees** – Responsibility for proposing new board nominees rests with the Nominating and Governance Committee.
6. **Board Effectiveness** – The Nominating and Governance Committee should annually assess the effectiveness of the Board as a whole, the committees of the Board, and the contribution of individual directors. The committee should report the results of these assessments to the Board.
7. **Board Orientation and Education** – The Nominating and Governance Committee’s role includes the orientation and the education of the directors. All new members of the Board should be provided with a Board Manual, containing detailed information on the Company and its businesses, its charter and history, and expectations and policies relevant to the Board and its members, together with a Code of Conduct and Disclosure and Insider Trading policies. Regular visits to selected plant sites and meetings with senior management should also be arranged to allow directors the opportunity to familiarize themselves with the Company’s operations and businesses at first hand.
8. **Board Size** – The matter of Board size should be considered periodically by the Board, and on an ongoing basis by the Nominating and Governance Committee.
9. **Board Compensation** – As part of its mandate, the Nominating and Governance Committee of the Board should periodically review the adequacy and form of compensation of directors, including minimum share ownership requirements, and should make appropriate recommendations to the Board. In making its recommendations, the committee should take into account the level and form of compensation necessary to attract directors of the caliber and experience required to effectively oversee a company of the Company’s current size, complexity and market scope.

10. **Executive Performance and Compensation** – The Board should:
- a) appoint all officers and assess the performance of the Chief Executive Officer and approve the compensation of the Chief Executive Officer and Chief Financial Officer and the annual compensation of executives who report to the Chief Executive Officer, following a review of the recommendations of the Compensation and Organizational Development Committee;
  - b) establish objectives for the Chief Executive Officer;
  - c) satisfy itself, to the extent feasible, as to the integrity of these individuals and that the Chief Executive Officer and senior management create a culture of integrity throughout the Company;
  - d) following a review of the recommendations of the Compensation and Organizational Development Committee, approve certain matters relating to all employees including:
    - i. the Company's broad compensation strategy and philosophy;
    - ii. new benefit programs or material changes to existing programs; and
  - e) provide advice and counsel to the CEO in the execution of the CEO's duties.
11. **Succession Planning** – The Board should ensure that succession planning programs are in place, including programs to appoint, train, develop and monitor management. The Compensation and Organizational Development Committee along with the Chair should periodically review succession planning, including recommendations with respect to the appointment of senior officers, as and when required. The full Board approves the appointment of senior officers and the Compensation and Organizational Development Committee should monitor senior management succession.
12. **Corporate Governance** – The Nominating and Governance Committee's role includes making recommendations to the Board on all matters relating to corporate governance, including the appropriateness of the Company's governance structure in view of its position in the Canadian marketplace. The Board should oversee the Company's approach to corporate governance, including approving a set of Corporate Governance Guidelines applicable to the Company, as developed by the Nominating and Governance Committee.
13. **Position Descriptions** – The Nominating and Governance Committee should formulate for Board approval position descriptions for the Chair, the Lead Director, the Chair of each Board Committee, and the CEO.
14. **Confidentiality** – The Board should monitor management's enforcement of policies respecting confidential treatment of the Company's proprietary information and the confidentiality of Board deliberations.
15. **Health, Safety and Environmental** – The Board should:
- a) review and approve the Company's health, safety and environmental policy ("the Policy");
  - b) periodically evaluate the Company's progress in implementing the Policy and approve Policy updates as appropriate; and
  - c) review reports from management on health, safety and environmental activities, policies and practices.
16. **Code of Conduct** – The Board should:
- a) ensure a written Code of Conduct (the "Code") has been adopted by the Company which is applicable to all directors, officers and employees. The Code constitutes written standards that are intended and reasonably designed to promote integrity and deter wrongdoing. In particular, it should address conflicts of interest, protection and proper use of corporate assets, confidentiality of corporate information, fair dealing with security holders, customers, suppliers, competitors and employees; compliance with laws, rules and regulations, and reporting of any illegal or unethical behaviour; and
  - b) monitor the Company's compliance with all significant policies and procedures by which the Company is operated, including the Code.

## **E. GENERAL**

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The Board should periodically review and reassess the adequacy of this Mandate. The performance of the Board should be periodically evaluated with reference to this Mandate. This Mandate should be disclosed on the Company's website and elsewhere in accordance with all applicable regulatory requirements.

The Board's role is an oversight role, and nothing in this Mandate is intended to require the Board to ensure the Company's or any other person's compliance with applicable laws or regulations. The Board 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.





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