TRANS MOUNTAIN CORPORATION

MANAGEMENT REPORT

For the three month period ended March 31, 2022

May 11, 2022

This Management Report (the "Report") should be read in conjunction with the unaudited condensed consolidated financial statements of Trans Mountain Corporation for the three month period ended March 31, 2022 ("TMC's Financial Statements") as well as the audited consolidated financial statements of Trans Mountain Corporation for the year ended December 31, 2021, and Trans Mountain Corporation's Management Report for the year ended December 31, 2021. TMC's Financial Statements are prepared in accordance with Generally Accepted Accounting Principles in the United States of America ("U.S. GAAP"). All financial measures in this Report are presented in Canadian dollars unless otherwise indicated.

Throughout this Report, the terms "we", "us", "our", and "TMC" refer to Trans Mountain Corporation and its subsidiaries.

Our Mandate

TMC's mandate is to safely operate the existing Trans Mountain Pipeline and Puget Sound Pipeline and to complete the Trans Mountain Expansion Project ("TMEP") in a timely and commercially viable manner. TMC operates in compliance with applicable laws, rules and regulations and to ensure the business is managed in a commercial manner in accordance with environmental standards and expectations. TMC will complete the expansion in alignment with the Federal Government's direction and priority to provide increased access to international markets for Canadian crude oil producers.

About Our Business

TMC is a Federal Crown corporation and is a wholly owned subsidiary of Canada TMP Finance Ltd., which in turn is a wholly owned subsidiary of the Canada Development Investment Corporation ("CDEV"). TMC conducts operations through four entities: Trans Mountain Pipeline Limited Partnership and its wholly owned subsidiary Trans Mountain Pipeline (Puget Sound) LLC, Trans Mountain Pipeline ULC, and Trans Mountain Canada Inc. Together these entities own and operate the Trans Mountain Pipeline System, consisting of the Trans Mountain pipeline, the Puget Sound pipeline, and the TMEP.

On April 25, 2022, the Governor General in Council, under subsection 7(1) of the *Government Corporations Operations Act*, issued a proclamation that the *Government Corporations Operation Act* no longer applies to Trans Mountain Corporation. This status change to a non-agent Crown corporation allows TMC to borrow from parties other than the Government of Canada.

Trans Mountain Pipeline

The Trans Mountain pipeline ("TMPL") has been in operation since 1953 and transports crude oil and refined petroleum products from Alberta to the lower mainland of British Columbia. In its current configuration, TMPL is approximately 1,150 kilometers long, beginning near Edmonton, Alberta and terminating in Burnaby, British Columbia.

The current design of TMPL supports a pipeline capacity of approximately 300,000 barrels per day ("bpd") based on a commodity mix of 20% heavy and 80% light. The operational capacity on TMPL will vary on a month-to-month basis depending on the type and proportion of commodities transported, as well as system downtime that may be required to address operational needs such as maintenance.

TMPL is a common carrier pipeline. Transportation service on the pipeline is governed by a tariff, rules and regulations for service and a toll structure, as approved by the Canada Energy Regulator ("CER").

As of today, TMPL remains the only pipeline that transports petroleum from the Western Canadian Sedimentary Basin to the West Coast. It is also the only pipeline providing Canadian producers with direct access to world market pricing through a Canadian port. This has led to a steady demand for space on the pipeline.

TMPL is in the process of significantly expanding its system from approximately 300,000 bpd to approximately 890,000 bpd, see "Trans Mountain Expansion Project".

Puget Sound Pipeline

The Puget Sound pipeline ("Puget"), owned by Trans Mountain Pipeline (Puget Sound) LLC, has been in operation since 1954. Puget transports crude oil from the Canada-US border near the Sumas Terminal to Washington State refineries in Anacortes and Ferndale.

Puget is approximately 111 kilometers long. One pump station and two tanks with total capacity of approximately 200,000 barrels facilitate movements on the system. The system has total throughput capacity of approximately 240,000 bpd when transporting primarily light oil.

Puget is a common carrier pipeline and the tolls on Puget are set in accordance with the Federal Energy Regulatory Commission ("FERC") rate indexing system. FERC sets ceiling rates annually, which in turn allows Trans Mountain to adjust its rates subject to the ceiling limitation.

Trans Mountain Expansion Project

The TMEP completes a twinning of the existing pipeline from Edmonton, Alberta to Burnaby, British Columbia. When constructed, it will create a pipeline system with nominal capacity of 890,000 bpd, an increase from the 300,000 bpd existing capacity. For more information on the TMEP, please see our website at www.transmountain.com.

Shippers have signed contracts for transportation service on the expanded TMPL and have made 15 and 20 year commitments that total roughly 80 per cent of the planned capacity on the expanded Trans Mountain Pipeline. These shippers represent or are affiliates of some of the largest producing, marketing and refining companies in the Western Canada Sedimentary Basin and have direct access to large volumes of crude oil and refined products from their business operations.

As of March 31, 2022, the overall project including upfront permitting, regulatory approval, and advance purchase of materials is approximately 60% complete. Construction is approximately 53% complete, with $12.3 billion in capital spending incurred and $1.5 billion in financial carrying costs capitalized since the inception of the project. Trans Mountain expects that 2022 will see peak construction for the TMEP, with thousands of people working at hundreds of sites across Alberta and British Columbia.

During the first quarter of 2022, after completing a full review of its Project schedule and cost estimates, TMC announced the total TMEP cost has increased from $12.6 billion to $21.4 billion. This estimate includes the costs of project enhancements, changes, delays and financing, including impacts of the COVID-19 pandemic and the substantial preliminary impacts of the November 2021 BC floods in the Hope, Coquihalla and Fraser Valley areas. Additionally, with all work fronts now active, mechanical completion is anticipated to occur at the end of the third quarter of 2023 with commercial service of the Project is anticipated to occur late in the fourth quarter of 2023.

Legal, Regulatory and Other Developments

As a result of a decision from the BC Court of Appeal, the BC Environmental Assessment Office ("EAO") was directed to consider any adjustments to the BC Environmental Assessment Certificate that may be required due to the CER's court directed reconsideration process and subsequent issuance of Certificate OC-065 approving the TMEP. The EAO prepared a report for the Minister of Environment and Climate Change Strategy and the Minister of Energy, Mines and Low Carbon Innovation (the "Ministers"). On February 24, 2022, the Ministers issued a decision to amend the TMEP's Environmental Assessment Certificate (EAC) to reflect the recommendations outlined by the EAO. The amendments include the addition of two new conditions and an amendment to an existing condition, none of which are anticipated to impact the TMEP in service date.

On March 25, 2022, Washington State Governor Jay Inslee signed into law a bill targeting all new privately owned passenger and light duty vehicles registered in the state to be electric by 2030. The measure is part of a comprehensive transportation transformation initiative in the state of Washington. The measure sets the most aggressive US state target for the phaseout of gasoline and diesel powered passenger and light duty vehicles. Canada is also targeting measures with respect to vehicle electrification by 2035.

British Columbia Floods

The overall performance of the system was impacted by the widespread flooding in British Columbia and Washington State that occurred in the fourth quarter of 2021. As a precaution, the pipeline was shut down on November 14, 2021, with operations safely restarting at reduced capacity on December 5, 2021. The mainline remained at reduced capacity until January 14, 2022 when full capacity was restored. Trans Mountain's flood response activities continued in 2022, with approximately $21.7 million in sustaining capital costs incurred in the first quarter. Trans

Mountain expects flood related activities to continue in future periods. The majority of costs related to Trans Mountain's flood response activities for existing operations are anticipated to be recoverable from shippers, insurance or third parties.

Financial Highlights

Non-GAAP measures

We make use of certain financial measures that do not have a standardized meaning under U.S. GAAP because we believe they improve management's ability to evaluate our operating performance and compare results between periods. These are known as non-GAAP measures and may not be similar to measures disclosed by other entities. Adjusted EBITDA is a non-GAAP measure we use to evaluate our operating performance absent the impact of financing decisions, non-cash depreciation and amortization, and non-cash equity AFUDC[1].

Financial Highlights	**Three months ended March 31**	
(thousands of Canadian dollars, except throughput amounts)	**2022**	**2021**
Revenue	107,668	107,499
Adjusted EBITDA	42,142	44,065
Net Income	107,222	51,328
Cash provided by operating activities	155,055	66,335
Capital expenditures incurred	2,086,928	1,006,547
Average daily throughput		
Mainline deliveries (bpd)	305,000	322,000
Puget Sound Pipeline (bpd)	177,000	212,000
Westridge Marine Terminal (bpd)	40,000	27,000

Financial Position at		
(thousands of Canadian dollars)	**March 31, 2022**	**December 31, 2021**
Cash and cash equivalents and restricted cash	485,847	188,501
Total assets, including the TMEP work in progress	18,629,565	16,288,422
Loans from parent	8,666,350	7,552,600

[1] Allowance for Funds Used During Construction. A component of construction cost in regulated utilities representing the cost of capital deployed during construction of new assets. AFUDC contains a cost of borrowed funds component and a return on equity component.

Revenue

Revenue (thousands of Canadian dollars)	Three months ended March 31 2022	 2021	 % Change
Transportation	89,461	90,966	(2%)
Leases	17,606	15,857	11%
Other	601	676	(11%)
Total	**107,668**	**107,499**	**0%**

Total revenue consists of income from three sources: transportation, leases and other services. Available capacity on the Trans Mountain pipeline was fully utilized for both the three months ended March 31, 2022 and 2021, with system nominations apportioned throughout. For the three month period ended March 31, 2022, total revenue increased by $0.2 million to $107.7 million as compared to $107.5 million in the same period of the prior year.

Transportation revenue in the first quarter of 2022 decreased by $1.5 million to $89.5 million, as compared to $91.0 million in the same period of the prior year. The decrease in transportation revenue is due to a decrease in revenue on Puget due to lower volumes, mainly as a result of the pipeline operating at reduced capacity for the first two weeks of 2022 following the prior year flooding in British Columbia.

Lease revenue primarily relates to income earned on TMC's third party tank leases. For the three month period ended March 31, 2022, lease revenue increased by $1.7 million to $17.6 million, as compared to $15.9 million in the same period of the prior year. The increase is due to higher flow through costs on TMC's Edmonton merchant tanks.

Other revenue mainly relates to pipe rack rent revenue earned at TMC's terminals and other minor revenue items.

Expenses

Expenses (thousands of Canadian dollars)	Three months ended March 31 2022	2021	% Change
Pipeline operating costs	30,446	31,693	(4%)
Depreciation and amortization	25,917	25,317	2%
Salaries and benefits	24,877	20,639	21%
Taxes, other than income taxes	9,457	9,040	5%
Administration	746	2,062	(64%)
Total	**91,443**	**88,751**	**3%**

Pipeline operating costs and taxes, other than income taxes, on the TMPL are primarily treated as flow through costs to TMC's customers as per the Incentive Toll Settlement ("ITS") agreement. Depreciation and amortization, salaries and benefits, and administration costs related to the TMPL are largely recovered from customers through the capital recovery and fixed cost components of the ITS.

Pipeline operating costs for the three months ended March 31, 2022 totalled $30.4 million reflecting a decrease of $1.3 million, as compared to $31.7 million in the same period of the prior year. The decrease is mainly due to lower power and environmental remediation costs, partially offset by increased pipeline integrity costs, due to the timing of when work is completed, and higher insurance costs.

Depreciation and amortization expense in the first quarter of 2022 increased by $0.6 million to $25.9 million, as compared to $25.3 million in the same period of the prior year. The increase is mainly due to depreciation and amortization expense incurred on non-TMEP capital additions made in the prior year.

Salaries and benefits expense for the three month period ended March 31, 2022 increased by $4.3 million to $24.9 million, as compared to $20.6 million in the same period of the prior year. The increase is mainly due to costs associated with a planned increase in the workforce to prepare TMC for its expanded asset post-TMEP and associated business requirements.

Taxes, other than income taxes, in the first quarter of 2022 increased by $0.5 million to $9.5 million, as compared to $9.0 million in the same period of the prior year. The increase is mainly due to higher property taxes, primarily on Puget Sound and TMPL regulated assets.

Administration expenses for the three month period ended March 31, 2022 decreased by $1.4 million to $0.7 million, as compared to $2.1 million in the same period of the prior year. The decrease is mainly due to higher capitalized costs associated with the TMEP, partially offset by increased outside legal services and higher office costs associated with an increased workforce.

Adjusted EBITDA

Adjusted EBITDA for the three month period ended March 31, 2022 decreased by $2.0 million to $42.1 million, as compared to $44.1 million in the same period of the prior year. As flow through costs equally impact revenue and expenses, the decrease in Adjusted EBITDA is mainly due lower revenue on Puget, as well as higher salaries and benefits costs associated with the increased workforce required to prepare TMC for its expanded asset post-TMEP.

Equity Allowance for funds used during construction ("AFUDC")

Equity AFUDC for the three month period ended March 31, 2022 increased by $67.2 million to $138.4 million, as compared to $71.2 million in the same period of the prior year. The significant increase in the first quarter of 2022, as compared to the same period in the prior year, is due to the cumulative impact of capital spending on the TMEP.

Interest expense

Interest Expense	**Three months ended March 31**		
(thousands of Canadian dollars)	**2022**	**2021**	**% Change**
Interest and commitment fees on loans from parent	101,166	64,795	56%
Capitalized debt financing costs	(87,692)	(41,237)	113%
Interest income and other	(1,502)	(1,253)	20%
Interest Expense, net of capitalized debt financing	**11,972**	**22,305**	**(46%)**

The increase in total interest and commitment fees from TMC's parent and capitalized debt financing costs for the three months ended March 31, 2022, as compared to the same period in the prior year, is due to the capital spending on the TMEP and the corresponding increase in long-term debt levels year-over-year.

Income tax

Income tax expense for the three months ended March 31, 2022 totalled $35.1 million, reflecting an effective tax rate of 24.7%, as compared to income tax expense in the same period of the prior year of $16.6 million, reflecting an effective tax rate of 24.5%. The effective tax rates for both the three month periods ended March 31, 2022 and 2021 are consistent with the TMC's statutory rate of 24.67%.

Net Income

Net income for the three month period ended March 31, 2022 increased by $55.9 million to $107.2 million, as compared to $51.3 million in the same period of the prior year. The increase is due to the $67.2 million increase in equity AFUDC and the $10.3 million decrease in interest expense, net of capitalized interest, partially offset by the $18.5 million increase in income tax expense, the $2.0 million decrease in Adjusted EBITDA and the $0.6 million increase in depreciation and amortization expense. The remaining movement in net income relates to changes in foreign exchange gains and losses, and other items.

Capital Expenditures

Capital Expenditures (thousands of Canadian dollars)	Three months ended March 31 2022	2021
TMEP capital	2,061,080	997,317
Non-TMEP capital	25,848	9,230
Total	**2,086,928**	**1,006,547**

Capital expenditures for the three months ended March 31, 2022 increased significantly over the same period of the prior year due to construction activity on the TMEP. A total of $2.1 billion was incurred on the TMEP for the three months ended March 31, 2022. Project construction reached approximately 53% completion, with facilities approximately 80% complete and over 450 km of pipe length in the ground at the end of the first quarter.

In Alberta, pipeline construction was completed in the Greater Edmonton area in early 2022. In the Yellowhead region, clearing, stripping and grading continues. Mainline stringing and welding are ongoing, and all of the in-stream portions of the critical watercourse crossings have been completed. Reactivation work through the Jasper-Mount Robson area continued with technical digs ongoing.

In BC, four of the six major watercourse crossings in the North Thompson region have been completed, along with numerous other watercourse crossings. In the BC interior, construction at Black Pines is nearing completion with reclamation underway in many locations. The first Coldwater River horizontal directional drill is underway and work on the Coldwater re-route is progressing. In the Coquihalla to Hope region, despite flooding in late 2021 and flood cleanup efforts continuing into 2022, work progressed, and crews are active with ditching, stringing and lowering activities. In the Fraser Valley, construction progressed with surveying, sweeping, clearing and archaeological activities, and trenchless crossings progressed in Surrey and at the Sumas River crossing. Construction in the Lower Mainland passed 50% completion and pre-construction activities resumed for the Fraser River trenchless crossing.

Construction work continues at the Westridge Marine Terminal and Burnaby Terminal. At Burnaby Terminal, 9 of 14 tanks are under construction and work progressed on the fire pond expansion, and pipe rack and pump installation. Progress was made onshore and at the foreshore at Westridge Marine Terminal. Tunnel boring activities continued for a 2.6-kilometre tunnel that will connect the Burnaby Terminal to the Westridge Marine Terminal with the tunnel over halfway complete.

For the three months ended March 31, 2022, non-TMEP capital expenditures totalled $25.8 million which included approximately $21.7 million in capital expenditures related to the flood response in BC. Other capital expenditures mainly related to routine sustaining capital projects to maintain the TMPL in a safe and reliable operating condition.

Liquidity and Capital Resources

TMC's primary liquidity and capital resource needs are to fund the ongoing construction of the TMEP, make required interest payments and fund working capital. As at March 31, 2022, as a Federal Crown corporation, TMC's only source of financing was from its parent, TMP Finance.

TMC has a credit agreement with TMP Finance (the "Credit Agreement") which includes an "Acquisition Facility," a non-revolving term loan facility, and a "Construction Facility," a revolving construction credit facility, to be used primarily to finance the TMEP construction. The facilities have an interest rate of 5% on amounts drawn and a standby fee of 0.065% on the unadvanced portion. The facilities mature on the earlier of the maturity date, which is August 29, 2025, and in the event of certain changes in ownership.

TMC also has a funding agreement with TMP Finance (the "Funding Agreement") under which cash proceeds of each funding request are comprised of 55% debt funding in accordance with the Credit Agreement and 45% equity funding.

The Maximum Funding Amount under the Funding Agreement and the available credit under the Construction Facility are shown in the below table.

Period	Maximum Funding Amount	Construction Facility available credit
(In thousands of Canadian dollars)		
December 31, 2021 – March 30, 2022	11,200,000	6,160,000
March 31, 2022 – June 30, 2022	13,100,000	7,205,000

On February 18, 2022, the Deputy Prime Minister and Minister of Finance reaffirmed the government's commitment to complete the TMEP, however, the Minister stated that TMC will need to secure external financing to fund the remaining costs of the project. On April 25, 2022, TMC's status changed to a non-agent Crown corporation to allow for borrowings from parties other than its parent, TMP Finance. On April 29, 2022, TMC entered into a one year senior unsecured revolving facility for $10.0 billion with a syndicate of lenders (the "Syndicated Facility"). The Syndicated Facility contains a six month extension option, and includes a guarantee provided by the Government of Canada. In accordance with TMC's Credit Agreement and Funding Agreement, upon receipt of external financing, TMC repaid all amounts advanced by TMP Finance to TMC after February 18, 2022 plus interest, totaling approximately $1.6 billion. There are no other required payments on the borrowings until maturity.

TMP LP also have an undrawn line of credit agreement with TMP Finance dated March 25, 2019 (the "Financial Capacity Line of Credit") which is designed to meet the CER mandated financial capacity requirements. The Financial Capacity Line of Credit matures 5 years following the date of the advance or as otherwise extended in accordance with the agreement and has an interest rate of 5% on amounts drawn and a standby fee of 0.3% on the unadvanced portion.

The total available credit as of March 31, 2022 and outstanding amounts as of March 31, 2022 and December 31, 2021 are shown in the table below. There are no financial covenants.

	Total available credit March 31, 2022	Outstanding amount March 31, 2022	Outstanding amount December 31, 2021
(In thousands of Canadian dollars)			
Acquisition Facility	2,506,350	2,506,350	2,506,350
Construction Facility	7,205,000	6,160,000	5,046,250
Financial Capacity Line of Credit	500,000	-	-
Total	**10,211,350**	**8,666,350**	**7,552,600**
Presented as:			
Current loans from parent		875,000	-
Long-term loans from parent		7,791,350	7,552,600
Total loans from parent		**8,666,350**	**7,552,600**

Summary of Quarterly Results

(thousands of Canadian dollars)	**Q1 2022**	**Q4 2021**	**Q3 2021**	**Q2 2021**	**Q1 2021**	**Q4 2020**	**Q3 2020**	**Q2 2020**
Revenue	107,668	120,338	107,818	107,489	107,499	110,756	105,113	109,273
Adjusted EBITDA	42,142	44,673	46,550	45,932	44,065	47,598	48,758	45,527
Net Income	107,222	84,478	74,378	63,093	51,328	46,393	39,375	29,807

TMPL is a regulated entity governed by the CER and operating under the ITS agreement with its shippers. As a result, revenues have been consistent over the last eight quarters, except for the fourth quarter of 2021, when higher flow through operating costs associated with the flood response in British Columbia, resulted in increased revenues in the period.

Adjusted EBITDA has been relatively consistent over the last eight quarters, trending lower mainly due to the costs associated with planned increases in the workforce required to prepare TMC for its expanded asset post-TMEP and the associated business requirements.

Net income has consistently increased over the last eight quarters, due to the cumulative impact of capital spending on the TMEP and the corresponding increase in equity AFUDC which positively impacts net income.

Environment, Health and Safety

Our Environment, Health and Safety program tracks our performance against our own previous three-year average and that of the pipeline industry in the areas of vehicle safety, worker safety, and releases of the commodities we transport. Tracking against our own historical performance drives continuous improvement which is an integral part of all our programs and comparing against industry provides a means to assess the effectiveness of our operations against our peers. The following table provides a summary of TMC's Environment, Health and Safety program year to date in 2022:

		Three-year average	
	2022	**TMC**	**Industry**(1)
Health and Safety			
Avoidable Vehicle Incident Rate (per million miles driven)	0.00	0.09	1.05
Total Recordable Injury Rate(2)			
Employees	0.47	0.40	0.55
Contractors	0.23	1.09	1.20
Contractors – TMEP	0.54 (4)	N/A	1.00
Environment			
Commodity Releases Rate(3)	0.00	0.79	0.23
Volume of releases(m^3)(3)	0.00	52.15	20.63

(1) Industry rates provided by CEPA (Canadian Energy Pipeline Association) except for Contractor rates which are provided by NAICS (North American Industry Classified System).

(2) Total Recordable Injury Rate: number of recordable incidents X 200,000 divided by number of hours worked.

(3) Release rates are per 1,000 km of operating pipeline.

(4) Measured from the commencement of the project to March 31, 2022.

While TMC tracks all commodity releases, industry data for releases greater than 1.5 m^3 is the threshold used for performance comparison. There have been no commodity releases in 2022 that met this threshold.

Environment, Social and Governance

In July 2021, TMC published its first Environment, Social and Governance ("ESG") report sharing the company's ESG performance, a copy of which can be found on our website at www.transmountain.com/esg-report.

Task Force on Climate-Related Financial Disclosures ("TCFD") Update

TMC is taking a phased approach to identifying and managing climate-related risks. In our 2022 ESG report, we will provide disclosures around the four thematic areas contained in the TCFD framework—governance, risk management, strategy, and metrics and targets.

In the last year, TMC:

- Continued progressing our disclosures towards fully meeting the TCFD requirements in 2023 in alignment with the Federal Government requirements;
- Formally added climate-related risks to its Enterprise Risk Management program; and
- Conducted qualitative scenario analysis.

Some of the climate-related physical and transition risks (i.e., risks related to the transition to a low carbon economy) under evaluation include:

Physical risks: Physical risks such as heat events, wildfires, winter storms, floods and rising sea levels are evaluated and managed in alignment with our asset integrity program. 2021 tested the resiliency of our assets and programs since TMC effectively responded to three extreme weather events: wildfires, extreme cold and catastrophic flooding.

Transition-risks: TMC is evaluating a series of regulatory and market-related transition risks. Some of those risks include changes in oil demand, sustained lower prices, and carbon regulations that impact TMC's customers. Consumption of motor fuels is one of the primary sources of transportation related greenhouse gas emissions and as a result the pace of vehicle electrification continues to increase impacting the demand for oil.

In the next ten years, TMC has several sources of resiliency including: our ESG performance and low carbon footprint, several long-term "take-or-pay" contract commitments in place with shippers, and a unique strategic position as the only pipeline system transporting crude oil and refined products to the West Coast with access to the marine terminal, where oil demand is forecasted to remain strong.

Scenarios: In early 2022, our senior leaders attended several facilitated workshops to discuss the qualitative impacts of two scenarios developed by the International Energy Agency (IEA): The *Announced Pledges Scenario* (APS) and the *Net Zero Emissions by 2050 Scenario (NZE).* Under the *Announced Pledges Scenario*, we believe TMC will remain resilient to 2050 given the moderate market contraction and moderate oil prices. Under the *Net Zero Emissions by 2050 Scenario,* TMC remains resilient to 2030 but may need to make changes to its business after 2030 given the potential for low oil price environment and severe demand contraction. In the next few years, we will continue enhancing our understanding of scenarios and monitoring for critical signposts.

Environment

TMC has a robust and proactive asset integrity program that includes inline inspections, integrity digs and a control center that monitors pipeline operations 24 hours a day, 7 days a week. In case of an incident, TMC has emergency response plans and its own inventory of emergency response equipment, covering the pipeline, pump stations and the Westridge Marine Terminal. Although the greenhouse gas (GHG) emissions associated with operating a pipeline are relatively small, TMC will be setting targets to reduce and/or offset our scope 1 and scope 2 emissions. Our targets will support the Government of Canada's ambition to reach net zero by 2050.

For the execution of the TMEP, TMC uses a variety of leading-edge environmental practices and technologies. TMC has evaluated and sought to minimize the impacts of construction activities on land, water and air, including considerations of traditional Indigenous knowledge and heritage resources. Construction of the TMEP will generate emissions and as part of TMC's regulatory approvals, TMC committed to offset these construction-related emissions.

Social

In alignment with the mandate to operate in a manner consistent with Canada's commitment to advance reconciliation with Indigenous Peoples, TMC seeks to maximize opportunities for Indigenous people. TMC's hope is that Indigenous communities are positively economically impacted for the long term and are in a more sustainable position than when we first engaged with them, and that a positive legacy endures beyond the completion of the TMEP.

To promote safe operations and construction, TMC has stringent safety regulations, high expectations of its contractors, and is continuously working to improve its safety practices.

Governance

TMC's Board of Directors is appointed by CDEV and is composed of 10 members, all of whom are considered independent. The Board is responsible for the stewardship of the company with overall responsibility to oversee and supervise management and business activities, while exercising their independent judgment to strengthen management and accountability.

Business Risks

Refer to TMC's Management Report for the year ended December 31, 2021 for more information about our business risks, which have not changed substantially since December 31, 2021.

Existing Operations

There are limited risks due to economic factors on existing operations. Most costs and revenues of the business are in Canadian dollars, resulting in limited foreign exchange exposure. On Puget, revenues and most costs are in U.S. dollars, leading to limited foreign exchange exposure within the Puget entity, but resulting in some exposure to foreign currency translation when TMC converts Puget's results to Canadian dollars on consolidation.

Tolls for transportation service on the Canadian portion of the existing TMPL are regulated by the CER and governed by the terms of the ITS, which provides significant financial risk mitigation.

TMC's existing operations are subject to a variety of physical hazards and risks typical of most large diameter transmission pipelines. These risks are often mitigated through insurance coverage. In addition to insurance coverage, TMC has financial resources available in the event of a future commodity release including cash on hand and access to lines of credit.

TMEP Project Risks

TMC is exposed to project execution risks commensurate with major construction projects of this geography, size and complexity. Completion of the TMEP will require significant capital expenditures, and TMC will require the continued availability of financing in order to complete the TMEP. TMC's ability to service existing and future debt required may depend on a number of factors, including future financial and operating performance, project execution on the TMEP, overall economic conditions, and financial, regulatory, and other factors, many of which are beyond TMC's direct control. TMC's future operating cash flow may not be adequate to service its debt, particularly prior to the in-service of the TMEP.

Forward-looking information

In certain sections of this Report we discuss our business strategy and outlook, and comment on financial resources, capital spending, and other expectations of management. This is forward-looking information. We disclose forward-looking information to help the reader understand management's assessment of our future plans and financial outlook. Statements that are forward-looking generally include words like anticipate, expect, believe, may, will, should, estimate, continue or other similar words. Examples of forward-looking statements contained in this Report include, among others, statements regarding the construction, timing, impact, capacity and results of the TMEP; the commitment of shippers on the expanded TMPL; the impact of amendments to TMEP's EAC; the anticipated recovery of certain flood related costs; our ability to respond to physical risks and transition-risks; changes to our business that may be required after 2030; the setting of targets to reduce and/or offset our scope 1 and scope 2 emissions and the impact of such actions on the Government of Canada's emission reduction goals; and our commitment to offset construction-related emissions.

Forward-looking statements do not guarantee future performance. Actual results could be different due to incorrect assumptions, risks or uncertainties related to our business, or events that happen after the date of this Report.

Our forward-looking information is based on assumptions and expectations and is subject to risks and uncertainties, including:

Assumptions

- Expected operating and financial results including planned changes in our business;
- Expectations or projections about strategies and goals for growth and expansion;
- Expected cash flows and availability of funds from external financing;
- Potential costs, schedules and completion dates for planned projects, including projects under construction, permitting and in development;
- Planned and unplanned outages of our pipelines and related assets;
- Integrity and reliability of our assets;
- Expected outcomes relating to regulatory processes and legal proceedings, and potential changes in laws and regulations;
- Impacts arising from COVID-19 not becoming significantly more onerous on TMC;
- The expected impact of future accounting changes, commitments and contingent liabilities;
- Expected industry, market and economic conditions;
- Future demand for space on our pipeline systems;
- Inflation rates and commodity prices; and
- Interest, tax and foreign exchange rates.

Risks and uncertainties

- Our ability to successfully implement our strategic priorities and whether they will yield the expected financial and operational results and benefits;
- The operating performance of our pipelines and related assets;
- Competitive factors in the pipeline sector;
- The available supply and price of energy commodities;
- Performance and credit risk of our counterparties;
- Regulatory and legal decisions and outcomes, and potential changes in laws and regulations;
- Changes in market commodity prices, the political environment, widespread epidemics or pandemics, and economic conditions in Canada and globally;
- Construction execution and completion of capital and operations projects, including reliance on the availability, performance and expertise of a suitably skilled and qualified workforce and third party contractors;
- Demonstrations, protests or civil disobedience that impact construction execution and/or operations;
- Climate change risks, including the effects of unusual weather and natural catastrophes;
- Climate change effects and regulatory and market compliance and other costs associated with climate change;
- Reputational risks;
- Increases in costs for labour, equipment and materials;
- Fluctuations in interest, tax and foreign exchange rates;
- Risks related to cyber security, confidentiality, and data integrity;
- Risks related to technological developments; and

- Natural hazards (floods, landslides, seismic activity, etc.).

Forward-looking information should not be used for anything other than its intended purpose, as actual results could vary. Any forward-looking statement in this Report is based only on information currently available to us and speaks only as of the date on which it is made. Except as required by applicable laws, we undertake no obligation to publicly update any forward-looking statement, whether written or oral, that may be made from time to time, whether as a result of new information, future developments or otherwise.