UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 20-F

(Mark One)

☐ REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) or (g) OF THE SECURITIES EXCHANGE ACT OF 1934

OR

☒ ANNUAL REPORT PURSUANT TO SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2021

OR

☐ TRANSITION REPORT PURSUANT TO SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

OR

☐ SHELL COMPANY REPORT PURSUANT TO SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Date of event requiring this shell company report __________

For the transition period from __________ to __________

Commission file number 1-33867

TEEKAY TANKERS LTD.

(Exact name of Registrant as specified in its charter)

Republic of the Marshall Islands

(Jurisdiction of incorporation or organization)

4th Floor, Belvedere Building, 69 Pitts Bay Road, Hamilton, HM 08 Bermuda

(Address of principal executive offices)

N. Angelique Burgess

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Telephone: (441) 298-2530

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(Name, Telephone, E-mail and/or Facsimile number and Address of Company Contact Person)

Securities registered, or to be registered, pursuant to Section 12(b) of the Act.

Title of each class	Trading symbol	Name of each exchange on which registered
Class A common stock, par value of $0.01 per share	TNK	New York Stock Exchange

Securities registered, or to be registered, pursuant to Section 12(g) of the Act.

None

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act.

None

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report.

29,162,517 shares of Class A common stock, par value of $0.01 per share.

4,625,997 shares of Class B common stock, par value of $0.01 per share.

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes ☐ No ☒

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).

Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer ☐ Accelerated Filer ☒ Non-Accelerated Filer ☐ Emerging growth company ☐

If an emerging growth company that prepares its financial statements in accordance with U.S. GAAP, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards† provided pursuant to Section 13(a) of the Exchange Act. ☐

† The term "new or revised financial accounting standard" refers to any update issued by the Financial Accounting Standards Board to its Accounting Standards Codification after April 5, 2012.

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. Yes ☒ No ☐

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP	☒	International Financial Reporting Standards as issued by the International Accounting Standards Board	☐	Other	☐

If "Other" has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow:

Item 17 ☐ Item 18 ☐

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes ☐ No ☒

Auditor Name: KPMG LLP Auditor Location: Vancouver BC, Canada Auditor Firm ID: 85

TEEKAY TANKERS LTD.

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PART I

This Annual Report should be read in conjunction with the consolidated financial statements and accompanying notes included in this report. *Unless otherwise indicated, references in this Annual Report to "Teekay Tankers Ltd.", the "Company", "we", "us" and "our" and similar terms refer to Teekay Tankers Ltd. and/or one or more of its subsidiaries, except that those terms, when used in this Annual Report in connection with the common stock described herein, shall mean specifically Teekay Tankers Ltd. References in this Annual Report to "Teekay" or "Teekay Corporation" refer to Teekay Corporation and/or any one or more of its subsidiaries.*

In addition to historical information, this Annual Report contains forward-looking statements that involve risks and uncertainties. Such forward-looking statements relate to future events and our operations, objectives, expectations, performance, financial condition and intentions. When used in this Annual Report, the words "expect," "intend," "plan," "believe," "anticipate," "estimate" and variations of such words and similar expressions are intended to identify forward-looking statements. Forward-looking statements in this Annual Report include, in particular, statements regarding:

- our future financial condition, results of operations and future revenues, expenses and capital expenditures, and our expected financial flexibility and sources of liquidity to fund capital expenditures and pursue acquisitions and other expansion opportunities, including vessel acquisitions;
- our dividend policy and ability to pay dividends on shares of our common stock;
- the crude oil and refined product tanker market fundamentals, including the balance of supply and demand in the tanker market, changes in the world tanker fleet, changes in global oil and refined products demand, the rate of global oil production (including the effect of OPEC supply cuts), and changes in long-haul crude tanker movements, trading patterns, tanker fleet utilization, spot tanker rates, and the demand for lightering;
- anticipated levels of tanker newbuilding orders and deliveries and rates of tanker scrapping or use of tankers for floating storage;
- our compliance with, and the effect on our business and operating results of, covenants under our term loans, credit facilities and obligations related to finance leases;
- the expected scope, duration and effects of the novel coronavirus pandemic, including its impact on global supply and demand for petroleum products and tanker fleet utilization, and the consequences of any future epidemic or pandemic crises;
- global oil prices, including the potential impact on oil demand, oil stockpiling, refinery margins, and bunker costs;
- our expectations about the availability of vessels to purchase, the expected costs and time it may take to acquire vessels or construct and deliver newbuildings;
- the ability to leverage Teekay Corporation's relationships and reputation in the shipping industry;
- the expected impact of Teekay Corporation's sale of its LNG business;
- the expected benefits of participation in purchasing alliances;
- the effectiveness of our chartering strategy in capturing upside opportunities and reducing downside risks, including our ability to take advantage of strong tanker markets;
- our acquisition strategy and the expected benefits of our acquisitions of vessels or businesses;
- our expectation that our U.S. Gulf lightering business will complement our spot trading strategy in the Caribbean to the U.S. Gulf market, allowing us to better optimize the deployment of the fleet that we trade in this region through enhanced scheduling flexibility, higher utilization and higher average revenues;
- our expectation regarding our vessels' ability to perform to specifications and maintain their hire rates;
- operating expenses, availability of crew, relationships with labor unions, number of off-hire days, drydocking requirements, insurance costs and adequacy of insurance coverage, and expectations as to cost-saving initiatives;
- the impact and expected cost of, and our ability and plans to comply with, new and existing governmental regulations and maritime self-regulatory organization standards applicable to our business, including, among others, the expected cost to install ballast water treatment systems (or *BWTS*) on our tankers;
- our ability to obtain all permits, licenses and certificates material to the conduct of our operations;
- the impact on us and the shipping industry of environmental liabilities and developments, including climate change;
- the impact of any sanctions on our operations and our ongoing compliance with such sanctions;
- the impact of the invasion of Ukraine by Russia on the economy, our industry and our business, including as the result of sanctions on Russian companies and individuals;
- the expected impact of the cessation of the London Inter-Bank Offered Rate (or *LIBOR*), the adoption of the "Poseidon Principles" by financial institutions;
- expenses under service agreements with other affiliates of Teekay Corporation;
- our expectations regarding tax liabilities, including whether applicable tax authorities may agree with our tax positions;
- our expectations regarding the effect of economic substance regulations in the Marshall Islands and Bermuda and Bermuda's future status under those regulations;

- our strategy regarding our ship-to-ship transfer business and the expected ongoing benefits of our ship-to-ship transfer business, including, among others, the ability of the business to provide stable cash flow to help us partially manage the cyclicality of the tanker market;
- our expectations as to the useful vessel lives and any impairment of our vessels or of goodwill;
- our customers' increasing emphasis on environmental and safety concerns;
- the impact of increasing scrutiny and changing expectations from investors, lenders and other stakeholders with respect to environmental, social and governance (or *ESG*) policies and practices and the Company's ability to meet its corporate ESG goals;
- our expected liquidity combined with anticipated cash generated to be sufficient in meeting our cash requirements for least a one-year period;
- our ability to refinance existing debt obligations, to raise additional debt and capital to fund capital expenditures or the cost of repurchasing vessels under our finance leases, and to negotiate extensions or redeployments of existing assets;
- our expectations and hedging activities relating to foreign exchange, interest rate and spot market risks;
- the ability of counterparties to our derivative and other contracts to fulfill their contractual obligations;
- the timing of the purchase of vessels and delivery of new charter-in vessels;
- our position that we are not a passive foreign investment company;
- the expected impact of new accounting guidance or the adoption of new accounting standards; and
- our business strategy and other plans and objectives for future operations.

Forward-looking statements involve known and unknown risks and are based upon a number of assumptions and estimates that are inherently subject to significant uncertainties and contingencies, many of which are beyond our control. Actual results may differ materially from those expressed or implied by such forward-looking statements. Important factors that could cause actual results to differ materially include, but are not limited to, those factors discussed below in Item 3 – Key Information: Risk Factors and other factors detailed from time to time in other reports we file with or furnish to the U.S. Securities and Exchange Commission (or the *SEC*).

We do not intend to revise any forward-looking statements in order to reflect any change in our expectations or events or circumstances that may subsequently arise. You should carefully review and consider the various disclosures included in this Annual Report and in our other filings made with the SEC that attempt to advise interested parties of the risks and factors that may affect our business, prospects and results of operations.

Item 1. Identity of Directors, Senior Management and Advisors

Not applicable.

Item 2. Offer Statistics and Expected Timetable

Not applicable.

Item 3. Key Information

Risk Factors

Some of the risks summarized below and discussed in greater detail in the following pages relate principally to the industries in which we operate and to our business in general. Other risks relate principally to the securities market and to ownership of our common stock. The occurrence of any of the events described in this section could materially and adversely affect our business, financial condition, operating results and ability to pay dividends on, and the trading price of our common stock.

Risk Factor Summary

Risks Related to Our Industry

- Changes in the oil markets could result in decreased demand for our vessels and services.
- The cyclical nature of the tanker industry may lead to volatile changes in charter rates, and significant fluctuations in the utilization of our vessels.
- Changes in the spot tanker market may result in significant fluctuations in the utilization of our vessels and our profitability.
- Our vessels operate in the highly competitive international tanker market.
- High oil prices could negatively impact tanker freight rates.
- Marine transportation is inherently risky, and an incident involving loss or damage to a vessel, significant loss of product or environmental contamination by any of our vessels could harm our reputation and business.
- The novel coronavirus (or *COVID-19*) pandemic is dynamic. The continuation of this pandemic, and the emergence of other epidemic or pandemic crises, could have material adverse effects on our business, results of operations, or financial condition.

- Terrorist attacks, increased hostilities, political change, or war could lead to further economic instability, increased costs, and business disruption.
- Acts of piracy on ocean-going vessels continue to be a risk, which could adversely affect our business.

Risks Related to Our Business

- Economic downturns, including disruptions in the global credit markets, could adversely affect our ability to grow.
- Economic downturns may affect our customers’ ability to pay for our services and may adversely affect our business and results of operations.
- We may not be able to grow or to manage our growth effectively.
- An increase in operating costs could adversely affect our cash flows and financial condition.
- Over time, the value of our vessels may decline, which could adversely affect our existing loans and finance leases, our ability to obtain new financing or our operating results.
- Financing agreements containing operating and financial restrictions may restrict our business and financing activities.
- We may be required to make substantial capital expenditures should we decide to expand the size of our fleet, involving significant installment payments. Our financial leverage could increase or our shareholders’ ownership interest in us could be diluted.
- Our substantial debt levels and obligations related to finance leases may limit our flexibility in obtaining additional financing, pursuing other business opportunities and paying dividends.
- Our ability to repay or refinance debt obligations and to fund our capital expenditures will depend on certain financial, business and other factors. To the extent we are able to finance these obligations and expenditures, our ability to pay cash dividends may be diminished or our financial leverage may increase, or our shareholders may be diluted.
- Many seafaring employees are covered by collective bargaining agreements, and the failure to renew those agreements or any future labor agreements may disrupt operations and adversely affect our cash flows.
- Teekay Corporation may be unable to attract and retain qualified, skilled employees or crew necessary to operate our business, and the cost of attracting and retaining such personnel may increase.
- We anticipate we may need to accelerate our fleet renewal in coming years, the success of any such program will depend on newbuilding and second-hand vessel availability and prices, market conditions and available financing, and which we anticipate will require significant expenditures.
- Our insurance may be insufficient to cover losses that may occur to our vessels or result from our operations.
- Maritime claimants could arrest, or port authorities could detain, our vessels, which could interrupt our cash flow from these vessels.
- We depend on Teekay Corporation to assist us in operating our business and competing in our markets, and our business will be harmed if Teekay Corporation fails to assist us.
- Exposure to interest rate fluctuations will result in fluctuations in our cash flows and operating results.
- Use of LIBOR is scheduled to cease, and interest rates on our LIBOR-based obligations may increase in the future.
- Our failure to renew or replace fixed-rate charters could cause us to trade the related vessels in the spot market.
- Our U.S. Gulf lightering business competes with alternative methods of delivering crude oil to ports and exports to offshore for consolidation onto larger vessels, which may limit our earnings in this market.
- Our full service lightering operations are subject to specific risks that could lead to accidents, oil spills or property damage.
- Our and many of our customers' substantial operations outside the United States expose us and them to political, governmental, and economic instability, which could harm our operations.
- Exposure to currency exchange fluctuations could result in fluctuations in our operating results.
- Our operating results are subject to seasonal fluctuations.
- The fiduciary duties of certain of our officers and directors may conflict with their duties as officers or directors of Teekay Corporation and its affiliates.
- Our executive officers and directors and certain officers and directors of Teekay Corporation may favor interests of Teekay Corporation and its other affiliates above our interests and those of our Class A common shareholders.
- Our Manager (Teekay Services Ltd.) has rights to terminate our management agreement and, under certain circumstances, could receive substantial sums in connection with such termination; however, even if our Board of Directors or our shareholders are dissatisfied with our Manager, there are limited circumstances under which we can terminate our management agreement.
- Our Manager could receive a performance fee which is contingent on our results of operations and financial condition.

Legal and Regulatory Risks

- We are bound to adhere to sanctions from many jurisdictions including the United States, United Kingdom, European Union and Canada due to our domicile and location of offices.
- Past port calls by our vessels or third-party vessels participating in Revenue Sharing Agreements (or *RSAs*) to countries that are subject to sanctions imposed by the United States, European Union and the United Kingdom could harm our business.
- Failure to comply with the U.S. Foreign Corrupt Practices Act, the UK Bribery Act, the UK Criminal Finances Act and similar laws in other jurisdictions could result in fines, criminal penalties, contract terminations and an adverse effect on our business.
- The shipping industry is subject to substantial environmental and other regulations, which may significantly limit operations and increase expenses.
- Climate change and greenhouse gas restrictions may adversely impact our operations and markets.
- Increasing scrutiny and changing expectations from investors, lenders, customers and other market participants with respect to ESG policies and practices may impose additional costs on us or expose us to additional risks.
- Our operations may be subject to economic substance requirements in the Marshall Islands and other offshore jurisdictions, which could impact our business.
- Regulations relating to ballast water discharge may adversely affect our operational results and financial condition.

Information and Technology Risks

- A cyber-attack could materially disrupt our business.
- Our failure to comply with data privacy laws could damage our customer relationships and expose us to litigation risks and potential fines.

Risks Related to an Investment in Our Securities

- The superior voting rights of our Class B common stock held by Teekay Corporation limit our Class A common shareholders' ability to control or influence corporate matters.
- Because we are organized under the laws of the Marshall Islands, it may be difficult to serve us with legal process or enforce judgments against us, our directors or our management.

Tax Risks

- U.S. tax authorities could treat us as a "passive foreign investment company," which could have adverse U.S. federal income tax consequences to U.S. shareholders.
- We are subject to taxes. The imposition of taxes, including as a result of a change in tax law or accounting requirements, may reduce our cash available for distribution to shareholders.

Risks Related to Our Industry

Changes in the oil markets could result in decreased demand for our vessels and services.

Demand for our vessels and services in transporting oil depends upon world and regional oil markets. Any decrease in shipments of crude oil in those markets could have a material adverse effect on our business, financial condition and results of operations. Historically, those markets have been volatile as a result of the many conditions and events that affect the price, production and transport of oil, including competition from alternative energy sources. Past slowdowns of the U.S. and world economies have resulted in reduced consumption of oil products and decreased demand for our vessels and services, which reduced vessel earnings. Additional slowdowns could have similar effects on our operating results and may limit our ability to expand our fleet.

The cyclical nature of the tanker industry may lead to volatile changes in charter rates, and significant fluctuations in the utilization of our vessels, which may adversely affect our earnings.

Historically, the tanker industry has been cyclical, experiencing volatility in profitability due to changes in the supply of and demand for tanker capacity and changes in the supply of and demand for oil and oil products. The cyclical nature of the tanker industry may cause significant increases or decreases in the revenues we earn from our vessels and may also cause significant increases or decreases in the value of our vessels. If the tanker market is depressed, our earnings may decrease. Our exposure to industry business cycles is more acute because of our exposure to the spot tanker market, which is more volatile than the tanker industry generally. Our ability to operate profitably in the spot market and to recharter our other vessels upon the expiration or termination of their charters will depend upon, among other factors, economic conditions in the tanker market.

The factors affecting the supply of and demand for tankers are outside of our control, and the nature, timing and degree of changes in industry conditions are unpredictable.

Key factors that influence the supply of tanker capacity include:

- environmental concerns and regulations;
- the number of newbuilding deliveries;
- the scrapping rate of older vessels;
- conversion of tankers to other uses; and
- the number of vessels that are out of service.

Key factors that influence demand for tanker capacity include:

- supply of oil and oil products;
- demand for oil and oil products;
- regional availability of refining capacity;
- global and regional economic and political conditions;
- the distance oil and oil products are to be moved by sea;
- demand for floating storage of oil; and
- changes in seaborne and other transportation patterns.

Historically, the tanker markets have been volatile as a result of the many conditions and factors that can affect the price and the supply of, and demand for, tanker capacity. Changes in demand for transportation of oil over longer distances and in the supply of tankers to carry that oil may materially affect our revenues, profitability and cash flows.

Changes in the spot tanker market may result in significant fluctuations in the utilization of our vessels and our profitability.

During 2021 and 2020, we derived approximately 72.0% and 74.3%, respectively, of our net revenues from vessels operating in the spot tanker market, either directly or by means of participation in RSAs (which includes vessels operating under full service lightering (or *FSL*) contracts and charters with an initial term of less than one year). Due to our involvement in the spot-charter market, declining spot rates in a given period generally will result in corresponding declines in our operating results for that period.

The spot-charter market is highly volatile and fluctuates based upon tanker and oil supply and demand. The successful operation of our vessels in the spot-charter market depends upon, among other things, obtaining profitable spot charters and minimizing, to the extent possible, time spent waiting for charters and time spent traveling unladen to load cargo. Future spot rates may not be sufficient to enable our vessels trading in the spot tanker market to operate profitably or to provide sufficient cash flow to service our debt obligations.

In addition, the impact of changes in the spot tanker market may be further impacted by our tankers participating in RSAs as an RSA may include vessels of third-party owners that do not perform as well as our vessels. As a result, we may earn less net revenue than we could by operating our vessels independently. For further information about the RSAs, please read "Item 4 - Information on the Company - “Revenue Sharing Agreements".

Our vessels operate in the highly competitive international tanker market.

The operation of oil tankers and transportation of crude oil and refined petroleum products are extremely competitive businesses. Competition arises primarily from other tanker owners, including major oil companies and independent tanker companies, some of which have substantially greater financial strength and capital than do we or Teekay Corporation. Competition for the transportation of oil and oil products can be intense and depends on price and the location, size, age, and condition of the tanker and the acceptability of the tanker and its operators to the charterers. Our competitive position may erode over time.

High oil prices could negatively impact tanker freight rates.

Global crude oil prices increased through the course of 2021 and reached a seven year high in January 2022. High oil prices could negatively impact tanker freight rates due to reduced oil demand, higher operating costs as a result of increased bunker prices, and weaker refining margins.

Marine transportation is inherently risky, and an incident involving loss or damage to a vessel, significant loss of product or environmental contamination by any of our vessels could harm our reputation and business.

Our vessels, crew and cargoes are at risk of being damaged, injured or lost because of events such as:

- marine disasters;
- bad weather or natural disasters;
- mechanical or electrical failures;
- grounding, capsizing, fire, explosions and collisions;

- piracy (hijacking and kidnapping);
- cyber-attack;
- acute-onset illness in connection with global or regional pandemics or similar public health crises;
- mental health of crew members;
- human error; and
- war and terrorism.

An accident involving any of our vessels could result in any of the following:

- significant litigation with our customers or other third parties;
- death or injury to persons, loss of property or damage to the environment and natural resources;
- delays in the delivery of cargo;
- liabilities or costs to recover any spilled oil and to restore the environment affected by the spill;
- loss of revenues from charters;
- liabilities or costs to recover any spilled oil or other petroleum products and to restore the eco-system affected by the spill;
- governmental fines, penalties, or restrictions on conducting business;
- higher insurance rates; and
- damage to our reputation and customer relationships generally.

Any of these events could have a material adverse effect on our business, financial condition, and operating results. In addition, any damage to, or environmental contamination involving, oil production facilities serviced by our vessels could result in the suspension or curtailment of operations by our customers, which would, in turn, result in loss of revenues.

The COVID-19 pandemic is dynamic. The continuation of this pandemic, and the emergence of other epidemic or pandemic crises, could have material adverse effects on our business, results of operations, or financial condition.

The novel coronavirus pandemic is dynamic, including the development of variants of the virus, and its ultimate scope, duration and effects are uncertain. We expect that this pandemic, and any future epidemic or pandemic crises, will result in direct and indirect adverse effects on our industry and customers, which in turn may impact our business, results of operations and financial condition. The pandemic has resulted and may continue to result in a significant decline in global demand for crude oil and petroleum products. As our business includes the transportation of oil and petroleum products on behalf of our customers, any significant decrease in demand for the cargo we transport could adversely affect demand for our vessels and services. COVID-19 has been a contributing factor to the decline in spot tanker rates and short-term time charter rates since mid-May 2020 and has also increased certain crewing-related costs, which has reduced our cash flows, and was a contributing factor to the non-cash write-down of certain of our tankers, as described in "Item 18 – Financial Statements: Note 19 - Write-down and Loss on Sale of Assets."

Other effects of the current pandemic include, or may include, among others:

- disruptions to our operations as a result of the potential health impact on our employees and crew, and on the workforces of our customers and business partners;
- disruptions to our business from, or additional costs related to, new regulations, directives or practices implemented in response to the pandemic, such as travel restrictions (including for any of our onshore personnel or any of our crew members to timely embark or disembark from our vessels), increased inspection regimes, hygiene measures (such as quarantining and physical distancing) or increased implementation of remote working arrangements;
- supply chain and other business disruptions from, or additional costs related to, a limited supply of labor, parts or goods;
- potential delays in the loading and discharging of cargo on or from our vessels, and any related off hire due to quarantine, worker health or regulations, which in turn could disrupt our operations and result in a reduction of revenue;
- potential shortages or a lack of access to required spare parts for our vessels, or potential delays in any repairs to, scheduled or unscheduled maintenance or modifications, or dry docking of, our vessels (including the currently scheduled dry docks for 10 of our vessels in 2022), as a result of a lack of berths available by shipyards from a shortage in labor or due to other business disruptions;
- potential delays in vessel inspections and related certifications by class societies, customers or government agencies;
- potential reduced cash flows and financial condition, including potential liquidity constraints;
- reduced access to capital, including the ability to refinance any existing obligations, as a result of any credit tightening generally or due to declines in global financial markets, including to the prices of publicly-traded equity securities of us, our peers and of listed companies generally;
- a reduced ability to opportunistically sell any of our vessels on the second-hand market, either as a result of a lack of buyers or a general decline in the value of second-hand vessels;

- a decline in the market value of our vessels, which may cause us to (a) incur additional impairment charges or (b) breach certain covenants under our financing agreements (including our secured credit facility agreements and financial leases) relating to vessel-to-loan covenants; and
- potential deterioration in the financial condition and prospects of our customers or the third-party owners whose ships we commercially manage, or attempts by charterers, suppliers or receivers to invoke force majeure contractual clauses as a result of delays or other disruptions.

Although disruption and effects from the COVID-19 pandemic may be moderated by vaccines, given the dynamic nature of these circumstances and the worldwide nature of our business and operations, the duration of any potential business disruption and the related potential financial impact to us cannot be reasonably estimated at this time but could materially affect our business, results of operations and financial condition in the future.

Terrorist attacks, increased hostilities, political change, or war could lead to further economic instability, increased costs, and business disruption.

Terrorist attacks, and current or future conflicts in Ukraine, the Middle East, Libya, East Asia, South East Asia, West Africa and elsewhere, and political change, may adversely affect our business, operating results, financial condition, and ability to raise capital and fund future growth. Recent hostilities in Ukraine, the Middle East - especially among Qatar, Saudi Arabia, the United Arab Emirates, Yemen (Red Sea and Gulf of Aden Area), or Iran - and elsewhere may lead to additional armed conflicts or to further acts of terrorism and civil disturbance in the United States or elsewhere, which may contribute further to economic instability and disruption of oil production and distribution, which could result in reduced demand for our services and have an adverse impact on our operations and our ability to conduct business.

Furthermore, Russia’s recent invasion of Ukraine, in addition to sanctions announced in February and March 2022 by President Biden and several European and world leaders and nations against Russia and any further sanctions, may also adversely impact our business given Russia’s role as a major global exporter of crude oil. Our business could be harmed by trade tariffs, trade embargoes or other economic sanctions by the United States or other countries against Russia, companies with Russian connections or the Russian energy sector and harmed by any retaliatory measures by Russia or other countries in response. While much uncertainty remains regarding the global impact of Russia’s invasion of Ukraine, it is possible that such tensions could adversely affect our business, financial condition, results of operation and cash flows. In addition, it is possible that third parties with which we have charter contracts may be impacted by events in Russia and Ukraine, which could adversely affect our operations and financial condition.

In addition, oil facilities, shipyards, vessels, pipelines, oil fields or other infrastructure could be targets of future terrorist attacks or warlike operations and our vessels could be targets of hijackers, terrorists, or warlike operations; the conflict in Ukraine has recently resulted in missile attacks on commercial vessels in the Black Sea. Any such attacks could lead to, among other things, bodily injury or loss of life, vessel or other property damage, increased vessel operational costs, including insurance costs, and the inability to transport oil to or from certain locations. Terrorist attacks, war, hijacking or other events beyond our control that adversely affect the distribution, production or transportation of oil to be shipped by us could entitle customers to terminate charters which would harm our cash flow and business.

Acts of piracy on ocean-going vessels continue to be a risk, which could adversely affect our business.

Acts of piracy have historically affected ocean-going vessels trading in regions of the world such as the South China Sea, Gulf of Guinea and the Indian Ocean off the coast of Somalia. While there continues to be a significant risk of piracy incidents in the Southern Red Sea, Gulf of Aden and Indian Ocean, recently there have been increases in the frequency and severity of piracy incidents off the coast of West Africa and a resurgent risk of piracy and/or armed robbery in the Straits of Malacca, Sulu & Celebes Sea, Gulf of Mexico and surrounding waters. If these piracy attacks result in regions in which our vessels are deployed being named on the Joint War Committee Listed Areas, war risk insurance premiums payable for such coverage may increase significantly and such insurance coverage may be more difficult to obtain. In addition, crew costs, including costs which are incurred to the extent we employ on-board security guards and escort vessels, could increase in such circumstances. We may not be adequately insured to cover losses from these incidents, which could have a material adverse effect on us. In addition, hijacking as a result of an act of piracy against our vessels, or an increase in cost or unavailability of insurance for our vessels, could have a material adverse impact on our business, financial condition and results of operations.

Risks Related to Our Business

Economic downturns, including disruptions in the global credit markets, could adversely affect our ability to grow.

Economic downturns and financial crises in the global markets could produce illiquidity in the capital markets, market volatility, heightened exposure to interest rate and credit risks, and reduced access to capital markets. If global financial markets and economic conditions significantly deteriorate in the future, we may face restricted access to the capital markets or bank lending, which may make it more difficult and costly to fund future growth. Decreased access to such resources could have a material adverse effect on our business, financial condition and results of operations.

Economic downturns may affect our customers’ ability to charter our vessels and pay for our services and may adversely affect our business and results of operations.

Economic downturns in the global financial markets or economy generally may lead to a decline in our customers’ operations or ability to pay for our services, which could result in decreased demand for our vessels and services. Our customers’ inability to pay could also result in their default on our current contracts and charters. A decline in the amount of services requested by our customers or their default on our contracts with them could have a material adverse effect on our business, financial condition and results of operations.

We may not be able to grow or to manage our growth effectively.

Our future growth will depend upon a number of factors, some of which are beyond our control. These factors include our ability to:

- identify suitable tankers or shipping companies for acquisitions or joint ventures;
- integrate successfully any acquired tankers or businesses with our existing operations; and
- obtain required financing for our existing and any new operations.

In addition, competition from other companies, many of which have significantly greater financial resources than do we or Teekay Corporation, may reduce our acquisition opportunities or cause us to pay higher prices. Our failure to effectively identify, purchase, develop and integrate any tankers or businesses could adversely affect our business, financial condition and results of operations.

Furthermore, any acquisition of a vessel or business may not be profitable at or after the time of acquisition and may not generate cash flows sufficient to justify the investment. In addition, acquisitions expose us to risks that may harm our business, financial condition and operating results.

To the extent we acquire existing vessels, they typically do not carry warranties as to their condition, unlike newbuilding vessels. While we generally inspect existing vessels prior to purchase, such an inspection would normally not provide us with as much knowledge of a vessel's condition as we would possess if it had been built for us and operated by us during its life. Repairs and maintenance costs for existing vessels are difficult to predict and may be substantially higher than for vessels we have operated since they were built. These costs could decrease our cash flows and liquidity and harm our financial condition and performance.

An increase in operating costs could adversely affect our cash flows and financial condition.

Our levels of vessel operating expenses depend upon a variety of factors, many of which are beyond our control, such as competition for crew and inflation. Some of these costs may increase in the future, and such increases would decrease our earnings and adversely affect our cash flows and financial condition.

Over time, the value of our vessels may decline, which could adversely affect our existing loans and finance leases, our ability to obtain new financing or our operating results.

Vessel values for oil tankers can fluctuate substantially over time due to a number of different factors. Vessel values may decline from existing levels. If the operation of a tanker is not profitable, rather than continue to incur costs to maintain and finance the vessel, we may seek to dispose of it. Our inability to dispose of the vessel at a fair market value or the disposition of the vessel at a fair market value that is lower than its book value could result in a loss on its sale and adversely affect our results of operations and financial condition. As of December 31, 2021, our revolving credit facility, term loan, and our 14 obligations related to finance leases contain loan-to-value financial covenants tied to the value of the vessels that collateralize these credit facilities and the vessels related to the finance leases. We are required to maintain vessel value to outstanding loan and lease principal balance ratios ranging from 100%-125%. As at December 31, 2021, we were in compliance with these requirements. A decline in the market value of these tankers may result in a default of the applicable financing arrangement or may require us to prepay portions of the outstanding principal or pledge additional collateral to avoid a default. If we are unable to cure any such breach within the prescribed cure period in a particular financing facility, the relevant financiers could accelerate our debt or obligations under finance lease and foreclose on our vessels and other assets pledged as collateral or require an early termination of the credit facility or a finance lease. In certain circumstances, such a breach could result in cross-defaults under our other financing agreements. In addition, a significant decline in the market value of our tankers may prevent us from refinancing tankers with a similar amount of debt thereby requiring us to either reduce debt levels in facilities collateralized by the tankers or seek alternative financing structures.

In addition, if we determine at any time that a vessel's future useful life and earnings require us to impair its value on our consolidated financial statements, we may need to recognize a significant charge against our earnings.

Financing agreements containing operating and financial restrictions may restrict our business and financing activities.

The operating and financial restrictions and covenants in our revolving credit facility, working capital loan facility, term loan, lease obligations and in any of our future financing agreements could adversely affect our ability to finance future operations or capital needs or to pursue and expand our business activities. For example, these financing arrangements may restrict our ability to:

- incur additional indebtedness and guarantee indebtedness;
- pay dividends or make other distributions or repurchase or redeem our capital stock;
- prepay certain debt;
- issue certain preferred shares or similar equity securities;
- make loans and investments;
- enter into a new line of business;
- incur or permit certain liens to exist;
- enter into transactions with affiliates;
- create unrestricted subsidiaries;
- transfer, sell, convey or otherwise dispose of assets;
- make certain acquisitions and investments;

- enter into agreements restricting our subsidiaries’ ability to pay dividends; and
- consolidate, merge or sell all or substantially all of our assets.

In addition, certain of our debt agreements and lease obligations require us to comply with certain financial covenants. Our ability to comply with covenants and restrictions contained in debt agreements and finance lease obligations may be affected by events beyond our control, including prevailing economic, financial and industry conditions. If any such events were to occur, we may fail to comply with these covenants. If we breach any of the restrictions, covenants, ratios or tests in our financing agreements and we are unable to cure such breach within the prescribed cure period, our obligations may, at the election of the relevant financier, become immediately due and payable, and the lenders’ commitment under our credit facilities, if any, to make further loans available to us may terminate. In certain circumstances, this could lead to cross-defaults under our other financing agreements which in turn could result in obligations becoming due and commitments being terminated under such agreements. A default under financing agreements could also result in foreclosure on any of our vessels and other assets securing related loans and finance leases or our need to sell assets or take other actions in order to meet our debt obligations.

We may be required to make substantial capital expenditures should we decide to expand the size of our fleet. We generally will be required to make significant installment payments for any acquisitions of newbuilding vessels prior to their delivery and generation of revenue. Depending on whether we finance our expenditures through cash from operations or by issuing debt or equity securities, our financial leverage could increase or our shareholders’ ownership interest in us could be diluted.

We will be required to make substantial capital expenditures should we decide to increase the size of our fleet, including acquiring tankers from third parties. Our acquisitions may also include newbuildings. We generally will be required to make installment payments on any newbuildings prior to their delivery. We typically pay 10% to 20% of the purchase price of a tanker upon signing the purchase contract, even though delivery of the completed vessel does not occur until much later (approximately two to three years from the order). To fund expansion capital expenditures, we may be required to use cash balances or cash from operations, incur borrowings or raise capital through the incurrence of debt or issuance of additional equity securities. Our ability to obtain bank financing or to access the capital markets for future offerings may be limited by our financial condition at the time of any such financing or offering, as well as by adverse market conditions resulting from, among other things, general economic conditions and contingencies and uncertainties that are beyond our control. Our failure to obtain funds for capital expenditures could have a material adverse effect on our business, results of operations and financial condition. Even if we are successful in obtaining the necessary funds, incurring additional debt may significantly increase our interest expense and financial leverage, which could limit our financial flexibility and ability to pursue other business opportunities. In addition, issuing additional equity securities may result in significant shareholder ownership dilution.

Our substantial debt levels and obligations related to finance leases may limit our flexibility in obtaining additional financing, pursuing other business opportunities and paying dividends.

As of December 31, 2021, our long-term debt was approximately $324.5 million and an additional $73.7 million was available to us under our revolving credit facility, and our obligations related to finance leases were approximately $295.8 million. In addition, we have a working capital loan facility, which provides borrowings of up to a maximum of $80 million, the drawdown amount is limited to a percentage of certain receivables and accrued revenue, which is assessed weekly. As of December 31, 2021, the aggregate available borrowings were $45.4 million, of which $25.0 million was drawn. We will continue to have the ability to incur additional debt, subject to limitations in our revolving credit facility and working capital loan facility. Our level of debt could have important consequences to us, including the following:

- our ability to obtain additional financing, if necessary, for working capital, capital expenditures, acquisitions or other purposes may be impaired, or such financing may not be available on favorable terms, if at all;
- we will need a substantial portion of our cash flow to make principal and interest payments on our debt and lease payments on our obligations related to finance leases, reducing the funds that would otherwise be available for operations, business opportunities, share repurchases and dividends to our shareholders;
- our debt level makes us more vulnerable than our competitors with less debt to competitive pressures or a downturn in our industry or the economy generally; and
- our debt level may limit our flexibility in responding to changing business and economic conditions.

Our ability to service our debt and obligations related to finance leases depends upon, among other things, our financial and operating performance, which is affected by prevailing economic conditions and financial, business, regulatory and other factors, many of which are beyond our control. If our operating results are not sufficient to service our current or future indebtedness and obligations related to finance leases, we will be forced to take actions such as reducing or delaying our business activities, acquisitions, investments or capital expenditures, selling assets, restructuring or refinancing our debt, or seeking additional equity capital or bankruptcy protection. We may not be able to effect any of these remedies on satisfactory terms, or at all.

Our ability to repay or refinance debt obligations and to fund our capital expenditures will depend on certain financial, business and other factors, many of which are beyond our control. To the extent we are able to finance these obligations and expenditures with cash from operations or by issuing debt or common shares, our ability to pay cash dividends may be diminished or our financial leverage may increase, or our shareholders may be diluted.

To fund our existing and future debt obligations and capital expenditures, we may be required to use our existing liquidity or cash from operations, incur borrowings, raise capital through the sale of assets or ownership interests in certain assets or our joint venture entity, issue debt or additional equity securities and/or seek to access other financing sources. Our access to potential funding sources and our future financial and operating performance will be affected by prevailing economic conditions and financial, business, regulatory and other factors, many of which are beyond our control.

If we are unable to access additional financing and generate sufficient cash flow to meet our debt, capital expenditure and other business requirements, we may be forced to take actions such as:

- restructuring our debt;
- selling additional assets or equity interest in certain assets or our joint venture;
- not paying dividends;
- reducing, delaying or canceling business activities, acquisitions, investments or capital expenditures; or
- seeking bankruptcy protection.

Such measures might not be successful, and additional debt or equity capital may not be available on acceptable terms or enable us to meet our debt, capital expenditure and other obligations. Some of such measures may adversely affect our business and reputation. In addition, financing agreements may restrict our ability to implement some of these measures.

Use of cash from operations for capital purposes will reduce cash available for dividends to shareholders. Our ability to obtain bank financing or to access the capital markets for future offerings may be limited by our financial condition at the time of any such financing or offering as well as by adverse market conditions in general. Even if we are successful in obtaining necessary funds, the terms of such financings could limit our ability to pay cash dividends to shareholders or operate our business as currently conducted. In addition, incurring additional debt may significantly increase interest expense and financial leverage, and issuing additional equity securities may result in significant shareholder dilution. The sale of certain assets would reduce cash from operations and the cash available for shareholders.

Our primary liquidity needs in the next few years are to refinance loans as they mature and to make scheduled repayments of debt, in addition to paying debt service costs, dividends on equity as and if determined by our Board of Directors, scheduled repayments of obligations related to our finance leases, operating expenses and dry-docking and capital expenditures and funding general working capital requirements. We anticipate that our primary sources of funds in the next few years will be existing liquidity, cash flows from operations, equity issuances, long-term debt and finance leases or other sources of financing.

Many seafaring employees are covered by collective bargaining agreements, and the failure to renew those agreements or any future labor agreements may disrupt operations and adversely affect our cash flows.

A significant portion of Teekay Corporation’s seafarers that crew our vessels are employed under collective bargaining agreements. Teekay Corporation may become subject to additional labor agreements in the future. Teekay Corporation may suffer labor disruptions if relationships deteriorate with the seafarers or the unions that represent them. The collective bargaining agreements may not prevent labor disruptions, particularly when the agreements are being renegotiated. Salaries are typically renegotiated annually or biannually for seafarers. Although these negotiations have not caused labor disruptions in the past, any labor disruptions could harm our operations and could have a material adverse effect on our business, results of operations and cash flows.

Teekay Corporation may be unable to attract and retain qualified, skilled employees or crew necessary to operate our business, and the cost of attracting and retaining such personnel may increase.

Our success depends in large part on Teekay Corporation’s ability to attract and retain highly skilled and qualified personnel. In crewing our vessels, we require technically skilled employees with specialized training who can perform physically demanding work. Competition to attract and retain qualified crew members is intense. The shipping industry continues to forecast a shortfall in qualified personnel, and crew or other compensation may increase in the future. If crew costs increase and we are not able to increase our rates to compensate for any such increases, our financial condition and results of operations may be adversely affected. Any inability we experience in the future to hire, train and retain a sufficient number of qualified employees or crew could impair our ability to manage, maintain and grow our business.

We anticipate we may need to accelerate our fleet renewal in coming years, the success of any such program will depend on newbuilding and second-hand vessel availability and prices, market conditions and available financing, and which we anticipate will require significant expenditures.

As approximately 30% of our fleet is currently aged 15 years and older, we anticipate we may need to accelerate our fleet renewal in coming years. Our ability to successfully execute a renewal program will depend on the availability and prices of newbuilding and second-hand vessels, market conditions and charter rates (primarily spot tanker rates), and access to sufficient financing at acceptable rates. The cost of newbuilding or second-hand vessels will be significant, which could affect our financial condition and results of operations.

Our insurance may be insufficient to cover losses that may occur to our vessels or result from our operations.

The operation of oil tankers and lightering support vessels and the transfer of oil is inherently risky. Although we carry hull and machinery (marine and war risks), protection and indemnity insurance, and other liability insurance, all risks may not be adequately insured against, and any particular claim may not be paid or paid in full. In addition, we do not carry insurance on our vessels covering the loss of revenues resulting from vessel off-hire time. Any significant unpaid claims or off-hire time of our vessels could harm our business, operating results and financial condition. Any claims covered by insurance would be subject to deductibles, and since it is possible that a large number of claims may be brought, the aggregate amount of these deductibles could be material. Certain of our insurance coverage is maintained through mutual protection and indemnity associations, and as a member of such associations we may be required to make additional payments over and above budgeted premiums if member claims exceed association reserves. In addition, the cost of this protection and indemnity coverage has significantly increased and may continue to increase. Even if our insurance coverage is adequate to cover our losses, we may not be able to obtain a timely replacement vessel in the event of a total loss of a vessel.

We may be unable to procure adequate insurance coverage at commercially reasonable rates in the future. For example, more stringent environmental regulations have led to increased costs for, and in the future may result in the lack of availability of, insurance against risks of environmental damage or pollution. A catastrophic oil spill, marine disasters or natural disasters could exceed the insurance coverage, which could harm our business, financial condition and operating results. Any uninsured or underinsured loss could harm our business and financial condition. In addition, the insurance may be voidable by the insurers as a result of certain actions, such as vessels failing to maintain certification with applicable maritime regulatory organizations.

Changes in the insurance markets attributable to structural changes in insurance and reinsurance markets and risk appetite, economic factors, the impact of the COVID-19 global pandemic, outbreaks of other communicable diseases, war, terrorist attacks, environmental catastrophes or political changes may also make certain types of insurance more difficult to obtain. In addition, the insurance that may be available may be significantly more expensive than existing coverage or be available only with restrictive terms. With the sale of its LNG business, Teekay is left with a smaller fleet which will impact Teekay's buying power and could lead to us having increased insurance coverage costs. Please read "Item 18 – Financial statements: Note 14 – Related Party Transactions" of this Annual Report.

Maritime claimants could arrest, or port authorities could detain, our vessels, which could interrupt our cash flow from these vessels.

Crew members, suppliers of goods and services to a vessel, shippers of cargo and other parties may be entitled to a maritime lien against that vessel for unsatisfied debts, claims or damages. In many jurisdictions, a maritime lienholder may enforce its lien by arresting a vessel through foreclosure proceedings. The arrest or attachment of one or more of our vessels could interrupt our cash flow and require us to pay large sums of funds to have the arrest or attachment lifted. In addition, in some jurisdictions, such as South Africa, under the “sister ship” theory of liability, a claimant may arrest both the vessel that is subject to the claimant’s maritime lien and any “associated” vessel, which is any vessel owned or controlled by the same owner. Claimants could try to assert “sister ship” liability against one vessel in our fleet or the RSAs in which we operate for claims relating to another of our ships. Also, port authorities may seek to detain our vessels in port, which could adversely affect our operating results or relationships with customers.

We depend on Teekay Corporation to assist us in operating our business and competing in our markets, and our business will be harmed if Teekay Corporation fails to assist us.

Pursuant to the terms of the Management Agreement, Teekay Services Ltd., as successor by novation and assignment from Teekay Shipping Ltd., which in turn was successor by merger to the initial manager, Teekay Tankers Management Services Ltd., and a subsidiary of Teekay (or the *Manager*), provides various services to us. In November 2021, Teekay Services Ltd., a subsidiary of Teekay, assumed the role as the Manager, in advance of the sale of Teekay's interest in its publicly listed subsidiary Seapeak LLC (formerly known as Teekay LNG Partners L.P.) (or *Seapeak*), including Teekay Shipping Ltd. Our success depends significantly upon the satisfactory performance of these services by our Manager. Our business may be harmed if our Manager fails to perform these services satisfactorily, if it stops providing these services to us or if it terminates the Management Agreement, as it is entitled to do under certain circumstances. The circumstances under which we are able to terminate the Management Agreement are limited and do not include mere dissatisfaction with our Manager’s performance. If Teekay Corporation suffers material damage to its reputation or relationships, it may harm our ability to:

- maximize revenues of our tankers;
- acquire new tankers or obtain new time charters;
- renew existing time charters upon their expiration;
- successfully interact with shipyards during periods of shipyard construction constraints;
- obtain financing on commercially acceptable terms; or
- maintain satisfactory relationships with suppliers and other third parties.

If our ability to do any of the things described above is impaired, it could have a material adverse effect on our business, results of operations and financial condition.

Exposure to interest rate fluctuations will result in fluctuations in our cash flows and operating results.

We are exposed to the impact of interest rate changes primarily through our borrowings that require us to make interest payments based on LIBOR or SOFR. Significant increases in interest rates could adversely affect our profit margins, results of operations and our ability to service our debt. In accordance with our risk management policy, we use interest rate swaps on certain of our debt to reduce our exposure to market risk from changes in interest rates. The principal objective of these contracts is to minimize the risks and costs associated with our floating rate debt. However, any hedging activities entered into by us may not be effective in fully mitigating our interest rate risk from our variable rate indebtedness.

In addition, we are exposed to credit loss in the event of non-performance by the counterparties to the interest rate swap agreements. For further information about our financial instruments at December 31, 2021 that are sensitive to changes in interest rates, please read "Item 11 - Quantitative and Qualitative Disclosures About Market Risk".

Use of LIBOR is currently scheduled to cease, and interest rates on our LIBOR-based obligations may increase in the future.

LIBOR is the subject of recent national, international and other regulatory guidance and proposals for reform. As of December 31, 2021, LIBOR is no longer published on a representative basis, with the exception of the most commonly used tenors of U.S. dollar LIBOR, which will no longer be published on a representative basis after June 30, 2023. The U.S. Federal Reserve, in conjunction with the Alternative Reference Rates Committee, a steering committee comprised of large U.S. financial institutions, has selected as an alternative the Secured Overnight Finance Rate, a new index calculated by short-term repurchase agreements, backed by Treasury securities (or *SOFR*). SOFR is observed and backward-looking, which stands in contrast with LIBOR under the current methodology, which is an estimated forward-looking rate and relies, to some degree, on the expert judgment of submitting panel members. Whether or not SOFR attains market acceptance as a LIBOR replacement tool remains in question and there can be no assurance that the transition to a new benchmark rate or other financial metric will be an adequate alternative to LIBOR or produce the economic equivalent of LIBOR. As a result, it is not possible at this time to know the ultimate impact that the phase-out of LIBOR may have.

While our secured revolving credit facility agreement dated January 28, 2020, secured term loan facility agreement dated August 11, 2020 and eight obligations related to finance leases completed in September and November 2021, respectively, each provides for an alternate method of calculating interest rates in the event that a LIBOR rate is unavailable. If LIBOR ceases to exist or if the methods of calculating LIBOR change from their current form, there may be adverse impacts on the financial markets generally and interest rates on borrowings under our revolving facility, secured term loan facility, and obligations related to finance leases may be materially adversely affected.

In January 2022, we amended our working capital loan facility to daily SOFR. We anticipate new financings and interest rate swaps to require an alternative reference rate be used. Some of our existing facilities and interest rate swap will likely be amended to SOFR or an alternative reference rate during 2022 prior to LIBOR ceasing on June 30, 2023.

In addition, we may need to renegotiate certain LIBOR-based credit facilities or interest rate derivatives agreements, which could adversely impact our cost of debt. There can be no assurance that we will be able to modify existing documentation or renegotiate existing transactions before the discontinuation of LIBOR.

Our failure to renew or replace fixed-rate charters could cause us to trade the related vessels in the spot market, which could adversely affect our operating results and make them more volatile.

As of December 31, 2021, three of our tankers operated under fixed-rate time-charter contracts, and all such charter contracts are scheduled to expire in 2022. If upon their scheduled expiration or any early termination we are unable to renew or replace the fixed-rate charters on favorable terms, or if we choose not to renew or replace these fixed-rate charters, we may employ the vessels in the volatile spot market. Increasing our exposure to the spot market, particularly during periods of unfavorable market conditions, could harm our results of operations and make them more volatile.

Our U.S. Gulf lightering business competes with alternative methods of delivering crude oil to ports and exports to offshore for consolidation onto larger vessels, which may limit our earnings in this market.

Our U.S. Gulf lightering business faces competition from alternative methods of delivering crude oil shipments to port and exports to offshore for consolidation onto larger vessels, including Louisiana Offshore Oil Platform and deep water terminals in Corpus Christi and Houston, Texas which can partially load Very Large Crude Carriers (or *VLCCs*). While we believe that lightering offers advantages over alternative methods of delivering crude oil to or from U.S. Gulf ports, our lightering revenues may be limited due to the availability of alternative methods.

Our full service lightering operations are subject to specific risks that could lead to accidents, oil spills or property damage.

Lightering is subject to specific risks arising from the process of safely bringing two large moving tankers next to each other and mooring them for lightering operations, in which oil, refined petroleum products or other cargoes are transferred from one ship to the other. These operations require a high degree of expertise and present a higher risk of collision or spill compared to when docking a vessel or transferring cargo at port. Lightering operations, similar to marine transportation in general, are also subject to risks due to events such as mechanical failures, human error, and weather conditions.

Our and many of our customers' substantial operations outside the United States expose us and them to political, governmental, and economic instability, which could harm our operations.

Because our operations and the operations of our customers are primarily conducted outside of the United States, they may be affected by economic, political and governmental conditions in the countries where we or our customers engage in business or where our vessels are registered. Any disruption caused by these factors could harm our business, including by reducing the levels of oil exploration, development, and production activities in these areas or restricting the pool of customers. We derive some of our revenues from shipping oil from politically unstable regions. Conflicts in these regions have included attacks on ships and other efforts to disrupt shipping. Hostilities or other political instability in regions where we operate or where we may operate could have a material adverse effect on the growth of our business, results of operations and financial condition and ability to pay dividends.

In addition, tariffs, trade embargoes and other economic sanctions by the United States or other countries against countries in which we operate, to which we trade, or to which we or any of our customers, joint venture partners or business partners become subject, may limit trading activities with those countries or with customers, which could also harm our business and ability to pay dividends. For example, the United States imposed sanctions on Russia starting in 2014 based on Russia's involvement in divesting control by Ukraine of the Crimea region. Beginning in February 2022, the United States and numerous other nations imposed substantial additional sanctions on Russia for its invasion of Ukraine. In addition, general trade tensions between the United States and China escalated in 2018 and continued through much of 2019, with the United States imposing a series of tariffs on China and China responding by imposing tariffs on United States products; during the last quarter of 2019, the United States and China negotiated an agreement to reduce trade tensions which became effective in February 2020. Our business could be harmed by

increasing trade protectionism or trade tensions between the United States and China, or trade embargoes or other economic sanctions by the United States or other countries against countries in the Middle East, Asia, Russia or elsewhere as a result of terrorist attacks, hostilities, or diplomatic or political pressures that limit trading activities with those countries.

In addition, a government could requisition one or more of our vessels, which is most likely during war or national emergency. Any such requisition would cause a loss of the vessel and could harm our cash flows and financial results.

Exposure to currency exchange fluctuations could result in fluctuations in our operating results.

Our primary economic environment is the international shipping market, which utilizes the U.S. Dollar as its functional currency. Consequently, virtually all of our revenues and the majority of our expenses are in U.S. Dollars. However, we incur certain voyage expenses, vessel operating expenses, dry-docking expenditures and general and administrative expenses in foreign currencies, the most significant of which are the Singaporean Dollar, Euro, British Pound, Canadian Dollar and Japanese Yen. This partial mismatch in revenues and expenses could lead to fluctuations in our net income due to changes in the value of the U.S. Dollar relative to other currencies.

Our operating results are subject to seasonal fluctuations.

Our tankers operate in markets that have historically exhibited seasonal variations in tanker demand and, therefore, in spot-charter rates. This seasonality may result in quarter-to-quarter volatility in our results of operations. Tanker markets are typically stronger in the winter months as a result of increased oil consumption in the northern hemisphere but weaker in the summer months as a result of lower oil consumption in the northern hemisphere and refinery maintenance. In addition, unpredictable weather patterns during the winter months tend to disrupt vessel scheduling, which historically has increased oil price volatility and oil trading activities in the winter months. As a result, revenues generated by the tankers in our fleet have historically been weaker during our fiscal quarters ended June 30 and September 30, and stronger in our fiscal quarters ended December 31 and March 31.

The fiduciary duties of certain of our officers and directors may conflict with their duties as officers or directors of Teekay Corporation and its affiliates.

Our officers and directors have fiduciary duties to manage our business in a manner beneficial to us and our shareholders. However, our Chief Executive Officer and three of our current directors also serve as officers, directors or members of the senior leadership team of Teekay Corporation, and our Chief Financial Officer is employed by a subsidiary of Teekay Corporation. As a result, they have fiduciary duties to manage the business of Teekay Corporation and its affiliates in a manner beneficial to such entities and their shareholders or partners, as the case may be. Consequently, these officers and directors may encounter situations in which their fiduciary obligations to Teekay Corporation or its affiliates, on the one hand, and us, on the other hand, are in conflict. The resolution of these conflicts may not always be in our best interest or that of our shareholders.

Our executive officers and directors and certain officers and directors of Teekay Corporation have conflicts of interest and limited fiduciary and contractual duties, which may permit them to favor interests of Teekay Corporation and its other affiliates above our interests and those of our Class A common shareholders.

Conflicts of interest may arise between Teekay Corporation and its other affiliates, on the one hand, and us and our shareholders, on the other hand. As a result of these conflicts, Teekay Corporation may favor its own interests and the interests of its other affiliates over our interests and those of our shareholders. These conflicts include, among others, the following situations:

- our Chief Executive Officer and three of our current directors also serve as officers, directors or members of the senior leadership team of Teekay Corporation, and our Chief Financial Officer is employed by a subsidiary of Teekay Corporation. We have limited their fiduciary duties regarding corporate opportunities that may be attractive to both Teekay Corporation and us;
- our Manager, a subsidiary of Teekay Corporation, advises our Board of Directors about the amount and timing of asset purchases and sales, capital expenditures, borrowings, issuances of additional common stock and cash reserves, each of which can affect our ability to pay dividends to our shareholders and the amount of the performance fee payable to our Manager under the Management Agreement;
- our executive officers and those of our Manager do not spend all their time on matters related to our business; and
- our Manager will advise us of costs incurred by it and its affiliates that it believes are reimbursable by us.

Our Manager has rights to terminate the Management Agreement and, under certain circumstances, could receive substantial sums in connection with such termination; however, even if our Board of Directors or our shareholders are dissatisfied with our Manager, there are limited circumstances under which we can terminate the Management Agreement.

Our Management Agreement has an initial term through December 31, 2022 and will automatically renew for subsequent five-year terms provided that certain conditions are met. Our Manager has the right to terminate the Management Agreement with 12 months' notice. Our Manager also has the right to terminate the Management Agreement after a dispute resolution process if we have materially breached the Management Agreement. The Management Agreement will terminate upon the sale of all or substantially all of our assets to a third party, our liquidation or after any change of control of our company occurs. If the Management Agreement is terminated as a result of an asset sale, our liquidation or change of control, then our Manager may be paid a termination fee. Any such payment could be substantial.

In addition, our rights to terminate the Management Agreement are limited. Even if we are not satisfied with the Manager's efforts in managing our business, unless our Manager materially breaches the agreement or experiences certain bankruptcy or change of control events, we have only a limited right to terminate the agreement and may not be able to terminate the agreement until December 31, 2022, the end of the initial 15-year

term. If we elect to terminate the Management Agreement at the end of the initial term or at the end of any subsequent renewal term, our Manager will receive a termination fee, which may be substantial.

Our Manager could receive a performance fee which is contingent on our results of operations and financial condition.

If Gross Cash Available for Distribution (as defined in the Management Agreement) for a given fiscal year exceeds $25.60 per share of our common stock (subject to further adjustment for stock dividends, splits, combinations and similar events, and based on the weighted-average number of shares outstanding for the year) (or the *Incentive Threshold*), our Manager generally will be entitled to payment of a performance fee equal to 20% of all Gross Cash Available for Distribution for such year in excess of the Incentive Threshold. Although the performance fee is payable on an annual basis, we accrue any amounts expected to be payable in respect of the performance fee on a quarterly basis. Gross Cash Available for Distribution generally represents the distributable cash flows that we generate from operations.

Legal and Regulatory Risks

We are bound to adhere to sanctions from many jurisdictions including the United States, United Kingdom, European Union and Canada due to our domicile and location of offices.

The United States has imposed sanctions on several countries or regions such as Cuba, North Korea, Syria, Sudan, Iran, Yemen, Venezuela and Russia. The European Union (which at the time included the United Kingdom, which now operates independently) lifted its previously enacted sanctions on Iran in January 2016. At that time, the United States lifted its secondary sanctions on Iran, which applied to foreign persons but the Trump administration reintroduced these and retained its primary sanctions which apply to U.S. entities and their foreign subsidiaries.

Beginning in February 2022, the United States and numerous other nations, notably including the European Union and United Kingdom, imposed substantial additional sanctions on Russia regarding its invasion of Ukraine, and these are increasing regularly. These Russian sanctions together with the global reaction to the Russian invasion of Ukraine may reduce our revenues.

Past port calls by our vessels or third-party vessels participating in RSAs to countries that are subject to sanctions imposed by the United States, European Union and the United Kingdom could harm our business.

In the past, oil tankers owned or chartered-in by us, or third-party vessels participating in RSAs from which we derive revenue, have made port calls in certain countries that are currently subject to sanctions imposed by the U.S., European Union and United Kingdom, for the loading and discharging of oil products. Those port calls did not violate U.S., European Union or United Kingdom sanctions, and we intend to maintain our compliance with all U.S., European Union and United Kingdom sanctions.

We believe these historical port calls will not adversely impact our business, because they were legal at the time and we are able to demonstrate our compliance. However, some charterers may choose not to utilize a vessel that had previously called at a port in a now sanctioned country. Some investors might decide not to invest in us simply because we have previously called on, or through our participation in RSAs have previously received revenue from calls on, ports in these sanctioned countries. Any such investor reaction could adversely affect the market for our common shares.

Failure to comply with the U.S. Foreign Corrupt Practices Act, the UK Bribery Act, the UK Criminal Finances Act and similar laws in other jurisdictions could result in fines, criminal penalties, contract terminations and an adverse effect on our business.

We operate our vessels worldwide, which may require our vessels to trade in countries known to have a reputation for corruption. We are committed to doing business in accordance with applicable anti-corruption laws and have adopted a code of business conduct and ethics which is consistent and in full compliance with the U.S. Foreign Corrupt Practices Act of 1977 (the *FCPA*), the Bribery Act 2010 of the United Kingdom (or the *UK Bribery Act*) and the Criminal Finances Act 2017 of the United Kingdom (the *CFA*). We are subject, however, to the risk that we, our affiliated entities or our or their respective officers, directors, employees and agents may take actions determined to be in violation of such anti-corruption and anti-money laundering laws, including the FCPA, the UK Bribery Act and the CFA. Any such violation could result in substantial fines, sanctions, civil and/or criminal penalties, or curtailment of operations in certain jurisdictions, and might adversely affect our business, results of operations or financial condition. In addition, actual or alleged violations could damage our reputation and ability to do business. Furthermore, detecting, investigating, and resolving actual or alleged violations is expensive and can consume significant time and attention of our senior management.

The shipping industry is subject to substantial environmental and other regulations, which may significantly limit operations and increase expenses.

Our operations are affected by extensive and changing international, national and local environmental protection laws, regulations, treaties and conventions which are in force in international waters, the jurisdictional waters of the countries in which our vessels operate, as well as the countries of our vessels' registration, including those governing oil spills, discharges to air and water, and the handling and disposal of hazardous substances and wastes. Many of these requirements are designed to reduce the risk of oil spills and other pollution. In addition, we believe that the heightened environmental, quality and security concerns of insurance underwriters, regulators and charterers will lead to additional regulatory requirements, including enhanced risk assessment and security requirements and greater inspection and safety requirements on vessels. For example, new or amended legislation relating to ship recycling, sewage systems, emission control (including emissions of greenhouse gases and other pollutants) as well as ballast water treatment and ballast water handling may be adopted. The International Maritime Organization (the *IMO*), the United Nations agency for maritime safety and the prevention of pollution by vessels, has also established progressive standards limiting emissions from ships starting from 2023 towards 2030 and 2050 goals. These and other laws or regulations may require significant additional capital expenditures or operating expenses in order for us to comply with the laws and regulations and maintain our vessels in compliance with international and national regulations.

The environmental and other laws and regulations applicable to us may affect the resale value or useful lives of our vessels, require a reduction in cargo capacity, ship modifications or operational changes or restrictions, lead to decreased availability of insurance coverage for environmental matters or result in the denial of access to certain jurisdictional waters or ports, or detention in, certain ports. Under local, national, and foreign laws, as well as international treaties and conventions, we could incur material liabilities, including cleanup obligations, if there is a release of petroleum or other hazardous substances from our vessels or otherwise in connection with our operations. We could also become subject to personal injury or property damage claims relating to the release of or exposure to hazardous materials associated with our operations. In addition, failure to comply with applicable laws and regulations may result in administrative and civil penalties, criminal sanctions or the suspension or termination of our operations, including, in certain instances, seizure or detention of our vessels. For further information about regulations affecting our business and the related requirements imposed on us, please read "Item 4 – Information on the Company: B. Business Overview – Regulations".

Climate change and greenhouse gas restrictions may adversely impact our operations and markets.

An increasing concern for, and focus on climate change has promoted extensive existing and proposed international, national and local regulations intended to reduce greenhouse gas emissions (including from various jurisdictions and the IMO). These regulatory measures may include the adoption of cap and trade regimes, carbon taxes, increased efficiency standards and incentives or mandates for renewable energy. Compliance with these or other regulations and our efforts to participate in reducing greenhouse gas emissions could increase our compliance costs, require additional capital expenditures to reduce vessel emissions and may require changes to our business.

Our business includes transporting oil and oil products. Regulatory changes and growing public concern about the environmental impact of climate change may lead to reduced demand for our assets and decreased demand for our services, while increasing or creating greater incentives for use of alternative energy sources. We expect regulatory and consumer efforts aimed at combating climate change to intensify and accelerate. Although we do not expect demand for oil to decline dramatically over the short-term, in the long-term, climate change initiatives will likely significantly affect demand for oil and for alternatives. Any such change could adversely affect our ability to compete in a changing market and our business, financial condition and results of operations.

Increasing scrutiny and changing expectations from investors, lenders, customers and other market participants with respect to ESG policies and practices may impose additional costs on us or expose us to additional risks.

Companies across all industries are facing increasing scrutiny relating to their ESG policies. Investor advocacy groups, certain institutional investors, investment funds, lenders and other market participants are increasingly focused on ESG practices and, in recent years, have placed increasing importance on the implications and social cost of their investments. The increased focus and activism related to ESG and similar matters may hinder access to capital, as investors and lenders may decide to reallocate capital or to not commit capital as a result of their assessment of a company's ESG practices. Companies that do not adapt to or comply with investor, lender or other industry stakeholder expectations and standards, which are evolving, or which are perceived to have not responded appropriately to the growing concern for ESG issues, regardless of whether there is a legal requirement to do so, may suffer from reputational damage and their business, financial condition and stock price may be adversely affected.

We may face increasing pressures from investors, lenders, customers and other market participants, which are increasingly focused on climate change, to prioritize sustainable energy practices, reduce our carbon footprint and promote sustainability. As a result, we may be required to implement more stringent ESG procedures or standards so that our existing and future investors and lenders remain invested in us and make further investments in us, or in order for customers to consider conducting future business with us, especially given our business of transporting oil and oil products. In addition, it is likely we will incur additional costs and require additional resources to monitor, report and comply with wide-ranging ESG requirements. The occurrence of any of the foregoing could have a material adverse effect on our business, financial condition and results of operations.

As a Marshall Islands corporation with our headquarters in Bermuda, and with a majority of our subsidiaries being Marshall Islands entities and also having subsidiaries in other offshore jurisdictions, our operations may be subject to economic substance requirements, which could impact our business.

Finance ministers of the EU rate jurisdictions for tax transparency, governance, real economic activity and corporate tax rate. Countries that do not adequately cooperate with the finance ministers are put on a "grey list" or a "blacklist". Bermuda and the Marshall Islands were removed from the blacklist in May and October 2019, respectively. Subsequently, in February 2020, Bermuda and the Marshall Islands were "white-listed" by the EU and the Marshall Islands continues to remain on such list. On February 24, 2022, Bermuda was put on the "grey list" and it is expected to be moved back to the "white list" in October 2022 subject to review by the EU Council. While being on the "grey list", it is expected that Bermuda will not suffer any direct penalties or sanctions from the EU states.

EU member states have agreed upon a set of measures, which they can choose to apply against the listed countries, including increased monitoring and audits, withholding taxes, special documentation requirements and anti-abuse provisions. The European Commission has stated it will continue to support member states' efforts to develop a more coordinated approach to sanctions for the listed countries. EU legislation prohibits EU funds from being channeled or transited through entities in countries on the blacklist. Jurisdictions in which we operate could be put on the blacklist in the future.

We are a Marshall Islands corporation with our headquarters in Bermuda. A majority of our subsidiaries are Marshall Islands entities and certain our subsidiaries are either organized or registered in Bermuda. These jurisdictions have enacted economic substance laws and regulations with which we may be obligated to comply. The Marshall Islands have also adopted similar economic substance requirements. We believe that we and our subsidiaries are compliant with the Bermuda and the Marshall Islands economic substance requirements. However, if there were a change in the requirements or interpretation thereof, or if there were an unexpected change to our operations, any such change could result in noncompliance with the economic substance legislation and related fines or other penalties, increased monitoring and audits, and dissolution of the non-compliant entity, which could have an adverse effect on our business, financial condition or operating results.

Regulations relating to ballast water discharge may adversely affect our operational results and financial condition.

The IMO has imposed updated guidelines for ballast water management systems specifying the maximum amount of viable organisms allowed to be discharged from a vessel's ballast water. Depending on the date of the International Oil Pollution Prevention renewal survey, existing vessels are required to comply with updated applicable standards before September 8, 2024. Compliance with the applicable standard will involve installing on-board systems to treat ballast water and eliminate unwanted organisms. We are currently implementing ballast water management system upgrades on our vessels in accordance with the required timelines imposed by the IMO and also in line with our asset management requirements. The cost of compliance with these regulations, primarily from installing such systems, may be substantial and may adversely affect our results of operation and financial condition.

In addition to the requirements under the IMO, the United States Coast Guard (the *USCG*) has imposed mandatory ballast water management practices for all vessels equipped with ballast water tanks and entering U.S. waters. These USCG regulations may have the effect of restricting our vessels from entering U.S. waters, unless we equip our vessels with pre-approved BWTS management systems or receive authorization by a duly-issued permit or exemption.

Information and Technology Risks

A cyber-attack could materially disrupt our business.

We rely on information technology systems and networks in our operations and the administration of our business. Cyber-attacks have increased in number and sophistication in recent years. Our operations could be targeted by individuals or groups seeking to sabotage or disrupt our information technology systems and networks, or to steal data. A successful cyber-attack could materially disrupt our operations, including the safety of our operations, or lead to the unauthorized release of information or alteration of information on our systems. Any such attack or other breaches of our information technology systems could have a material adverse effect on our business and results of operations. Most recently, Russia's invasion of Ukraine has been accompanied by cyber-attacks against the Ukrainian government and other countries in the region. It is possible that these attacks could have collateral effects on additional critical infrastructure and financial institutions globally or may be initiated against the United States or European Union or other countries, which could adversely affect our operations. It is difficult to assess the likelihood of such a threat and any potential impact at this time.

Our failure to comply with data privacy laws could damage our customer relationships and expose us to litigation risks and potential fines.

Data privacy is subject to frequently changing rules and regulations, which sometimes conflict among the various jurisdictions and countries in which we provide services and continue to develop in ways which we cannot predict, including with respect to evolving technologies such as cloud computing. The EU has adopted the General Data Privacy Regulation (or *GDPR*), a comprehensive legal framework to govern data collection, use and sharing and related consumer privacy rights, which took effect in May 2018. The GDPR includes significant penalties for non-compliance. Our failure to adhere to or successfully implement processes in response to changing regulatory requirements in this area could result in legal liability or impairment to our reputation in the marketplace, which could have a material adverse effect on our business, financial condition and results of operations.

Risks Related to an Investment in Our Securities

The superior voting rights of our Class B common stock held by Teekay Corporation limit our Class A common shareholders' ability to control or influence corporate matters.

Our Class B common stock has five votes per share, and our Class A common stock has one vote per share. However, the voting power of the Class B common stock is limited such that the aggregate voting power of all shares of outstanding Class B common stock can at no time exceed 49% of the voting power of our outstanding Class A common stock and Class B common stock, voting together as a single class. As of the date of this Annual Report, Teekay Corporation indirectly owns shares of Class A and Class B common stock representing a majority of the voting power of our outstanding capital stock. Through its ownership of all of our Class B common stock and of our Manager and other entities that provide services to us, Teekay Corporation has substantial control and influence over our management and affairs and over all matters requiring shareholder approval, including the election of directors and significant corporate transactions. In addition, because of this dual-class common stock structure, Teekay Corporation will continue to be able to control matters submitted to our shareholders for approval even though it owns significantly less than 50% of the outstanding shares of our common stock. This voting control limits our remaining Class A common shareholders' ability to influence corporate matters and, as a result, we may take actions that our Class A common shareholders do not view as beneficial.

Because we are organized under the laws of the Marshall Islands, it may be difficult to serve us with legal process or enforce judgments against us, our directors or our management.

We are organized under the laws of the Marshall Islands, and all of our assets are located outside of the United States. In addition, a majority of our directors and officers are non-residents of the United States, and all or a substantial portion of the assets of these non-residents are located outside the United States. As a result, it may be difficult or impossible to bring an action against us or against these individuals in the United States. Even if successful in bringing an action of this kind, the laws of the Marshall Islands and of other jurisdictions may prevent or restrict the enforcement of a judgment against us or our assets or our directors and officers.

Tax Risks

In addition to the following risk factors, you should read "Item 4E – Taxation of the Company", "Item 10 - Additional Information – Material United States Federal Income Tax Considerations" and "Item 10 - Additional Information – Non-United States Tax Considerations" for a more complete discussion of the expected material U.S. federal and non-U.S. income tax considerations relating to us and the ownership and disposition of our Class A common stock.

U.S. tax authorities could treat us as a* "passive foreign investment company" (or *PFIC), which could have adverse U.S. federal income tax consequences to U.S. shareholders and other adverse consequences to us and all of our shareholders.

A non-U.S. entity treated as a corporation for U.S. federal income tax purposes will be treated as a PFIC for such purposes in any taxable year in which, after taking into account the income and assets of the corporation and, pursuant to a "look-through" rule, any other corporation or partnership in which the corporation directly or indirectly owns at least 25% of the stock or equity interests (by value) and any partnership in which the corporation directly or indirectly owns less than 25% of the equity interests (by value) to the extent the corporation satisfies an "active partner" test and does not elect out of "look through" treatment, either (i) at least 75% of its gross income consists of "passive income," or (ii) at least 50% of the average value of the entity's assets is attributable to assets that produce or are held for the production of "passive income." For purposes of these tests, "passive income" includes dividends, interest, gains from the sale or exchange of investment property and rents and royalties (other than rents and royalties that are received from unrelated parties in connection with the active conduct of a trade or business). By contrast, income derived from the performance of services does not constitute "passive income."

There are legal uncertainties involved in determining whether the income derived from our and our look-through subsidiaries' time-chartering activities constitutes rental income or income derived from the performance of services, including the decision in *Tidewater Inc. v. United States*, 565 F.3d 299 (5th Cir. 2009), which held that income derived from certain time-chartering activities should be treated as rental income rather than services income for purposes of a foreign sales corporation provision of the Internal Revenue Code of 1986, as amended (or the *Code*). However, the Internal Revenue Service (or the *IRS*) stated in an Action on Decision (AOD 2010-01) that it disagrees with, and will not acquiesce to, the way that the rental versus services framework was applied to the facts in the *Tidewater* decision, and in its discussion stated that the time charters at issue in *Tidewater* would be treated as producing services income for PFIC purposes. The IRS's statement with respect to *Tidewater* cannot be relied upon or otherwise cited as precedent by taxpayers. Consequently, in the absence of any binding legal authority specifically relating to the statutory provisions governing PFICs, there can be no assurance that the IRS or a court would not follow the *Tidewater* decision in interpreting the PFIC provisions of the Code. Nevertheless, based on our and our look-through subsidiaries' current assets and operations, we intend to take the position that we are not now and have never been a PFIC. No assurance can be given, however, that this position would be sustained by a court if contested by the IRS, or that we would not constitute a PFIC for the 2022 taxable year or any future taxable year if there were to be changes in our and our look-through subsidiaries' assets, income or operations.

If we or the IRS were to determine that we are or have been a PFIC for any taxable year during which a U.S. Holder (as defined below under "Item 10 – Additional Information – Material United States Federal Income Tax Considerations") held our stock, such U.S. Holder would face adverse U.S. federal income tax consequences. For a more comprehensive discussion regarding the tax consequences to U.S. Holders if we are treated as a PFIC, please read "Item 10 - Additional Information - Material United States Federal Income Tax Considerations - United States Federal Income Taxation of U.S. Holders - Consequences of Possible PFIC Classification."

We are subject to taxes, which reduces our cash available for distribution to shareholders.

We, our joint venture or our subsidiaries are subject to tax in certain jurisdictions in which we, our joint venture or our subsidiaries are organized own assets or have operations, which reduces the amount of our cash available for distribution. In computing our tax obligations in these jurisdictions, we are required to take various tax accounting and reporting positions, including in certain cases estimates, on matters that are not entirely free from doubt and for which we may not have received rulings from the governing authorities. We cannot assure you that upon review of these positions the applicable authorities will agree with our positions. A successful challenge by a tax authority could result in additional tax imposed on us, our joint venture or our subsidiaries, further reducing the cash available for distribution. We have established reserves in our financial statements that we believe are adequate to cover our liability for any such additional taxes. We cannot assure you, however, that such reserves will be sufficient to cover any additional tax liability that may be imposed on our subsidiaries. In addition, changes in our operations or ownership could result in additional tax being imposed on us or on our subsidiaries in jurisdictions in which operations are conducted. For example, changes in the ownership of our stock may cause us to be unable to claim an exemption from U.S. federal income tax under Section 883 of the Code. If we were not exempt from tax under Section 883 of the Code, we would be subject to U.S. federal income tax on income we earn from voyages into or out of the United States, the amount of which is not within our complete control. In addition, we may rely on an exemption to be deemed non-resident in Canada for Canadian tax purposes under subsection 250(6) of the Canada Income Tax Act for (i) corporations whose principal business is international shipping and that derive all or substantially all of their revenue from international shipping, and (ii) corporations that are holding companies that have over half of the cost base of their investments in eligible international shipping subsidiaries and receive substantially all of their revenue as dividends from those eligible international shipping subsidiaries exempt under subsection 250(6). If we were to cease to qualify for the subsection 250(6) exemption, we could be subject to Canadian income tax and also Canadian withholding tax on outbound distributions, which could have an adverse effect on our operating results. In addition, to the extent Teekay Tankers Ltd. were to distribute dividends as a corporation determined to be resident in Canada, stockholders who are not resident in Canada for purposes of the Canada Income Tax Act would generally be subject to Canadian withholding tax in respect of such dividends paid by Teekay Tankers Ltd.

Typically, most of our time-charter and spot voyage charter contracts require the charterer to reimburse us for a certain period of time in respect of taxes incurred as a consequence of the voyage activities of our vessels while performing under the relevant charter. However, our rights to reimbursement under charter contracts may not survive for as long as the applicable tax statutes of limitations in the jurisdictions in which we operate. As such, we may not be able to obtain reimbursement from our charterers where any applicable taxes that are not paid before the contractual claim period has expired.

Item 4. Information on the Company

A. History and Development of the Company

Teekay Tankers Ltd. (“we,” “us,” or “the Company”) is an international provider of marine transportation to global oil industries. We were formed as a Marshall Islands corporation in October 2007 by Teekay Corporation (NYSE: TK), a leading provider of international crude oil and other marine transportation services. We completed our initial public offering on December 18, 2007 with an initial fleet of nine Aframax oil tankers which were transferred to us by Teekay Corporation.

Our tanker fleet size has increased from nine owned Aframax tankers in 2007 to 48 owned and leased tankers, three in-chartered tankers and one jointly-owned Very Large Crude Carrier (or *VLCC*) tanker as of December 31, 2021. The capacity of our tanker fleet has risen from approximately 980,000 deadweight tonnes (or *dwt*) in 2007 to approximately 6,832,700 dwt as of December 31, 2021.

In July 2015, we acquired our STS transfer business from a company jointly-owned by Teekay Corporation and a Norway-based marine transportation company, I.M. Skaugen SE. In addition to full service lightering and lightering support, this business also provided consultancy and LNG terminal management services. In April 2020, we sold the non-U.S. portion of our STS business, as well as our LNG terminal management business. Please read "Item 18 – Financial Statements: Note 19 - Write-down and Loss on Sale of Assets".

In May 2017, we completed the acquisition from Teekay Holdings Ltd., a wholly-owned subsidiary of Teekay Corporation, of the remaining 50% interest in Teekay Tanker Operations Ltd. (or *TTOL*), which owns certain tanker commercial management and technical management operations.

In November 2017, we completed a merger with Tanker Investments Ltd. (or *TIL*) by acquiring all of the remaining 27.0 million issued and outstanding common shares of TIL, by way of a share-for-share exchange resulting in TIL becoming a wholly-owned subsidiary. Upon completion of the merger, we acquired TIL's fleet of ten Suezmax tankers, six Aframax tankers and two LR2 product tankers.

We sold one Suezmax tanker in early-2022, four Aframax tankers in 2021, three Suezmax tankers in 2020 and one Suezmax tanker in 2019. Please read "Item 18 – Financial Statements: Note 19 - Write-down and Loss on Sale of Assets". We completed a sale-leaseback financing transaction in early-2022 relating to eight Suezmax tankers, two sale-leaseback financing transactions in 2021 relating to six Aframax tankers and two Suezmax tankers; a sale-leaseback financing transaction in 2019 relating to two Suezmax tankers, two sale-leaseback financing transactions in 2018 relating to eight Aframax tankers, one Suezmax tanker and one LR2 product tanker; and a sale-leaseback financing transaction in 2017 relating to four Suezmax tankers. Please read "Item 18 - Financial Statements: Note 10 - Operating Leases and Obligations Related to Finance Leases".

From time to time, we also charter-in vessels, typically from third parties as part of our chartering strategy. Please read “Business Strategies” below in this Item. Most of our acquisitions were financed by a combination of utilizing the net proceeds from public equity offerings or private placements, as well as raising new debt, the assumption of existing debt, drawing on our revolving credit facility, and using our available working capital.

We incorporated on October 17, 2007, under the laws of the Republic of The Marshall Islands as Teekay Tankers Ltd. and maintain our principal executive offices at 4th Floor, Belvedere Building, 69 Pitts Bay Road, Hamilton, HM 08, Bermuda. Our telephone number at such address is (441) 298-2530.

The SEC maintains an internet site at www.sec.gov, that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC. Our website is www.teekay.com/business/tankers. The information contained on our website is not part of this Annual Report.

B. Business Overview

Our primary business is to own oil and product tankers and we employ a chartering strategy that seeks to capture upside opportunities in the tanker spot market while using fixed-rate time charters and full service lightering contracts to reduce downside risks. In addition to our core business, we also provide STS support services, along with our tanker commercial management and technical management operations. We believe this improves our ability to manage the cyclicality of the tanker market through the less volatile cash flows generated by these operational areas. Historically, the tanker industry has experienced volatility in profitability due to changes in the supply of, and demand for, tanker capacity. Tanker supply and demand are each influenced by several factors beyond our control.

Teekay Corporation, which formed us in 2007, is a leading provider of international crude oil and other marine transportation services. We believe we benefit from Teekay Corporation’s expertise, relationships and reputation as we operate our fleet and pursue growth opportunities. We have acquired a portion of our current operating fleet from Teekay Corporation at various times since our inception, and we anticipate additional opportunities to expand our fleet through acquisitions of tankers from third parties. In addition, Teekay Corporation’s day-to-day focus on cost control is applied to our operations. Teekay Corporation, together with the BW Group, cooperate in a purchasing alliance, Teekay BW Group (*TBW).* TBW leverages the purchasing power of the combined fleets, mainly in such commodity areas as lube oils, paints, and other chemicals. Through our Manager, we benefit from this purchasing alliance.

Effective May 2018, we eliminated the payment of our minimum quarterly dividend of $0.24 per share ($0.96 per share annually) in order to preserve liquidity during the cyclical downturn of the tanker spot market. In November 2019, we transitioned away from the previous formulaic dividend policy, which was based on a payout of 30% to 50% of our quarterly adjusted net income, to primarily focus on building net asset value through balance sheet delevering and reducing the cost of capital. Any future dividends will be paid when, as and if determined by the Board of Directors. For additional information about our dividend policy, please read "Item 8 – Financial Information: Dividend Policy".

Under the supervision of our executive officers and Board of Directors, our operations are conducted in part by our subsidiaries who receive services from our Manager and its affiliates. In addition, our Manager provides various services to us under our long-term management agreement

(the *Management Agreement*). Commencing October 1, 2018, we elected to provide our own commercial and technical services, and prior to this date, our Manager provided these services to us as required under the Management Agreement, which it did by subcontracting such services from our subsidiary, TTOL, and its affiliates. We pay our Manager certain fees and reimbursements for its services. In order to provide our Manager with an incentive to improve our operation and financial conditions, we have agreed to pay a performance fee to our Manager under certain circumstances, in addition to the basic fees provided in the Management Agreement. Please read "Item 7 – Major Shareholders and Related Party Transactions: Related Party Transactions—Management Agreement" for additional information about the Management Agreement.

Revenue by Segment

Please read "Item 18 – Financial Statements: Note 4 - Segment Reporting" for a breakdown of revenue by segment.

Customers

Please read "Item 18 – Financial Statements: Note 4 - Segment Reporting" for a breakdown of revenues for customers that accounted for more than 10% of total revenues during 2021, 2020 and 2019.

Our Fleet

The following table summarizes our fleet as at December 31, 2021:

	Owned and Leased Vessels	Chartered-in Vessels	Total
Fixed-rate:			
Aframax Tankers	3	—	3
Total Fixed-Rate Fleet (1)	3	—	3
Spot-rate:			
Suezmax Tankers (2)	26	—	26
Aframax Tankers (3)	10	2	12
Long Range 2 Product Tankers	9	1	10
VLCC Tanker (4)	1	—	1
Total Spot Fleet	46	3	49
Total Tanker Fleet	49	3	52
Ship-to-Ship Support Vessels	—	2	2
Total Teekay Tankers Fleet	49	5	54

(1) All time-charter out contracts are scheduled to expire in 2022.

(2) Includes one Suezmax tanker, which was sold in early-2022.

(3) Excludes one newbuilding Aframax tanker, which is expected to be delivered to us in late-2022 under a seven-year time charter-in contract.

(4) We own one VLCC through a 50/50 joint venture with Wah Kwong Maritime Transport Holdings Limited (please refer to "Item 18 – Financial Statements: Note 5 - Investment in and advances to Equity-Accounted Joint Venture").

The following table provides additional information about our owned and leased Suezmax oil tankers as of December 31, 2021, all of which are Bahamian-flagged.

Vessel	Capacity (dwt)	Built	Employment	Daily Rate	Expiration of Charter
Aspen Spirit	157,800	2009	Spot	—	—
Athens Spirit	158,500	2012	Spot	—	—
Atlanta Spirit	158,700	2011	Spot	—	—
Baker Spirit	156,900	2009	Spot	—	—
Barcelona Spirit	158,500	2011	Spot	—	—
Beijing Spirit	156,500	2010	Spot	—	—
Cascade Spirit	156,900	2009	Spot	—	—
Copper Spirit	156,800	2010	Spot	—	—
Dilong Spirit	159,000	2009	Spot	—	—
Jiaolong Spirit	159,000	2009	Spot	—	—
Kaveri Spirit (1)	159,100	2004	Spot	—	—
London Spirit	158,700	2011	Spot	—	—
Los Angeles Spirit	159,200	2007	Spot	—	—
Montreal Spirit	150,000	2006	Spot	—	—
Moscow Spirit	156,500	2010	Spot	—	—
Pinnacle Spirit	160,400	2008	Spot	—	—
Rio Spirit	158,400	2013	Spot	—	—
Seoul Spirit	160,000	2005	Spot	—	—
Shenlong Spirit	159,000	2009	Spot	—	—
Summit Spirit	160,500	2008	Spot	—	—
Sydney Spirit	158,500	2012	Spot	—	—
Tahoe Spirit	156,900	2010	Spot	—	—
Tianlong Spirit	159,000	2009	Spot	—	—
Tokyo Spirit	150,000	2006	Spot	—	—
Vail Spirit	157,000	2009	Spot	—	—
Zenith Spirit	160,500	2009	Spot	—	—
Total Capacity	4,102,300				

(1) In January 2022, we entered into an agreement to sell the *Kaveri Spirit*, which was delivered to the buyer in February 2022.

The following table provides additional information about our owned and leased Aframax oil tankers as of December 31, 2021, all of which are Bahamian-flagged.

Vessel	Capacity (dwt)	Built	Employment	Daily Rate	Expiration of Charter
Axel Spirit	115,400	2004	Spot	—	—
Blackcomb Spirit	109,000	2010	Spot	—	—
Emerald Spirit	109,000	2009	Time-charter	$27,500	May-22
Erik Spirit	115,500	2005	Spot	—	—
Esther Spirit	115,400	2004	Spot	—	—
Everest Spirit	115,000	2004	Spot	—	—
Garibaldi Spirit	109,000	2009	Time-charter	$18,000	Dec-22
Helga Spirit	115,500	2005	Spot	—	—
Matterhorn Spirit	114,800	2005	Spot	—	—
Peak Spirit	104,600	2011	Time-charter	$23,750	Jun-22
Tarbet Spirit	107,500	2009	Spot	—	—
Whistler Spirit	109,000	2010	Spot	—	—
Yamato Spirit	107,600	2008	Spot	—	—
Total Capacity	1,447,300				

The following table provides additional information about our owned and leased LR2 product tankers as of December 31, 2021, seven of which are Bahamian-flagged and two of which are Marshall Islands-flagged.

Vessel	Capacity (dwt)	Built	Employment	Daily Rate	Expiration of Charter
Donegal Spirit	105,200	2006	Spot	—	—
Galway Spirit	105,200	2007	Spot	—	—
Hovden Spirit	105,300	2012	Spot	—	—
Leyte Spirit	109,700	2011	Spot	—	—
Limerick Spirit	105,200	2007	Spot	—	—
Luzon Spirit	109,600	2011	Spot	—	—
Sebarok Spirit	109,600	2011	Spot	—	—
Seletar Spirit	109,000	2010	Spot	—	—
Trysil Spirit	105,300	2012	Spot	—	—
Total Capacity	964,100				

The following table provides additional information about our VLCC oil tanker as of December 31, 2021, which is Hong Kong-flagged.

Vessel	Capacity (dwt)	Built	Employment	Daily Rate	Expiration of Charter
Hong Kong Spirit [1]	319,000	2013	Spot	—	—

(1) The VLCC vessel, *Hong Kong Spirit*, is owned through a 50/50 joint venture and is employed in a spot market pool managed by a third party.

Please read Note 9 - Long-Term Debt and Note 10 - Operating Leases and Obligations Related to Finance Leases included in "Item 18 – Financial Statements" included in this Annual Report for information with respect to major encumbrances against our vessels.

Business Strategies

Our primary business strategies include the following:

- *Expand our fleet through accretive acquisitions.* Since our initial public offering, we have purchased 21 tankers from Teekay Corporation, acquired 18 tankers resulting from the merger with TIL, purchased 17 tankers from third parties and purchased two tankers from Altera Infrastructure L.P. (formerly known as Teekay Offshore Partners L.P.) (or *Altera*). In the future, we anticipate acquiring vessels primarily through acquisitions of tankers from third parties, by securing additional in-chartered vessels and by ordering newbuildings.
- *Tactically manage our mix of spot, fixed-rate and full service lightering contracts.* We employ a chartering strategy that seeks to capture upside opportunities in the spot market while using fixed-rate contracts to reduce downside risks. We believe that our experience operating through cycles in the tanker spot market will assist us in employing this strategy to maximize operating results.
- *Provide superior customer service by maintaining high reliability, safety, environmental and quality standards.* We believe that energy companies and oil traders seek transportation partners that have a reputation for high reliability, safety, environmental and quality standards. We leverage our reputation and operational expertise to further expand these relationships with consistent delivery of superior customer service.

Our Chartering Strategy and Participation in the Vessel Revenue Sharing Agreements

Chartering Strategy. We operate our vessels in the spot market, under time charter contracts of varying lengths and under FSL contracts, in an effort to maximize cash flow from our vessels based on our outlook for freight rates, oil tanker market conditions and global economic conditions. As of December 31, 2021, a total of 45 of our owned and leased vessels and three time-chartered in vessels operated in the spot market through employment on spot voyage charters. Our mix of vessels trading in the spot market, providing lightering services in the U.S. Gulf (or *USG*), or subject to fixed-rate time charters will change from time to time. We also may seek to increase or decrease our exposure to the freight market through the use of freight forward agreements or other financial instruments.

Voyage Charters. Tankers operating in the spot market typically are chartered for a single voyage, which may last up to several weeks. Spot market revenues may generate increased profit margins during times when tanker rates are increasing, while tankers operating under fixed-rate time charters generally provide more predictable cash flows without exposure to the variable expenses such as port charges and bunkers. Under a typical voyage charter in the spot market, the shipowner is paid on the basis of moving cargo from a loading port to a discharge port. The shipowner is responsible for paying both vessel operating costs and voyage expenses, and the charterer is responsible for any delay at the loading or discharging ports. Voyage expenses are all expenses attributable to a particular voyage, including any bunker fuel expenses, port fees, cargo loading and unloading expenses, canal tolls, agency fees and commissions. Vessel operating expenses are incurred regardless of particular voyage details and include crewing, repairs and maintenance, insurance, stores, lube oils and communication expenses. When the vessel is “off hire,” or not available for service, the vessel is unavailable to complete new voyage charters until the off hire is finalized and the vessel again becomes available for service. Under a voyage charter, the shipowner is generally required, among other things, to keep the vessel seaworthy, to crew and maintain the vessel and to comply with applicable regulations.

Time Charters. A time charter is a contract for the use of a vessel for a fixed period of time at a specified daily rate. A customer generally selects a time charter if it wants a dedicated vessel for a period of time, and the customer is commercially responsible for the use of the vessel. Under a typical time charter, the shipowner provides crewing and other services related to the vessel’s operation, the cost of which is included in the daily rate, while the customer is responsible for substantially all of the voyage expenses. When the vessel is "off hire", or not available for service, the customer generally is not required to pay the hire rate, and the shipowner is responsible for all costs, including the cost of fuel bunkers, unless the customer is responsible for the circumstances giving rise to the lack of availability. A vessel generally will be deemed to be off hire if there is an occurrence preventing the full working of the vessel. “Hire rate” refers to the basic payment from the charterer for the use of the vessel. Under our time charters, hire is payable monthly in advance in U.S. Dollars. Hire payments may be reduced, or under some time charters the shipowner must pay liquidated damages, if the vessel does not perform to certain of its specifications, such as if the amount of fuel consumed to power the vessel under normal circumstances exceeds a guaranteed amount.

Full Service Lightering. FSL is the process of transferring cargo between vessels, typically of different sizes. Our lightering capability leverages access to our Aframax fleet operating in the USG and our offshore lightering support acumen to provide full service lightering. Our customers include oil companies and trading companies that are importing or exporting crude oil in the USG to or from larger Suezmax and VLCC vessels which are port restricted due to their size. We believe that our full service lightering in the USG will provide additional base cargo volume complementary to our spot trading in the Caribbean to the USG market and allow us to better optimize the deployment of the fleet that we trade in this region through enhanced scheduling flexibility, higher utilization and higher average revenues.

Revenue Sharing Agreements

We and certain third-party vessel owners have entered into RSAs. As of December 31, 2021, 26 of the Suezmax tankers, seven of the Aframax tankers and nine of the LR2 product tankers in our fleet, as well as 13 vessels not in our fleet owned by third parties, were subject to RSAs. The vessels subject to the RSAs are employed and operated in the spot market or pursuant to time charters of less than one year.

The RSAs are designed to spread the costs and risks associated with operation of vessels and to share the net revenues earned by all of the vessels in the RSA, based on the actual earning days each vessel is available and the relative performance capabilities, including speed and bunker consumption of each vessel. The calculation of performance capabilities of each vessel is adjusted on standard intervals based on current data. Our share of the net revenues includes additional amounts, consisting of a per vessel per day fee and a percentage of the gross revenues related to the vessels not in our fleet owned by third-parties, based on our responsibilities in employing the vessels subject to the RSAs on voyage charters or time-charters.

A participating tanker will no longer participate in the applicable RSAs if it becomes subject to a time charter with a term exceeding one year, unless otherwise agreed by all other participants for the applicable RSA, or if the tanker suffers an actual or constructive total loss or is sold or becomes controlled by a person who is not an affiliate of a party to the applicable RSA agreements.

An RSA participant may withdraw from the RSA upon at least 90 days' notice and shall cease to participate in the RSA if, among other things, it materially breaches the RSA agreement and fails to resolve the breach within a specified cure period or experiences certain bankruptcy events.

Ship-to-Ship Support Services

An STS support operation is the process of transferring cargo between seagoing ships positioned alongside each other, either stationary or underway. Demand for STS support services is often driven by oil market arbitrages and oil traders optimizing their cost per ton-mile on cargoes. The provision of ship-to-ship services may be required by our customers when blending cargos, breaking bulk cargo shipments, and optimizing opportunities when the oil market is in contango, which may use floating storage as a more cost-effective solution to onshore storage.

Industry and Competition

We compete in the Suezmax (125,000 to 199,999 dwt) and Aframax (85,000 to 124,999 dwt) crude oil tanker markets. Our competition in the Aframax and Suezmax markets is affected by the availability of other size vessels that compete in these markets. Suezmax size vessels and Panamax (55,000 to 84,999 dwt) size vessels can compete for many of the same charters for which our Aframax tankers compete; Aframax size vessels and VLCCs (200,000 to 319,999 dwt) can compete for many of the same charters for which our Suezmax tankers may compete. Because of their large size, VLCCs and Ultra Large Crude Carriers (or *ULCCs*) (320,000+ dwt) rarely compete directly with Aframax tankers, and ULCCs rarely compete with Suezmax tankers for specific charters. However, because VLCCs and ULCCs comprise a substantial portion of the total capacity of the market, movements by such vessels into Suezmax trades and of Suezmax vessels into Aframax trades would heighten the already intense competition.

We also compete in the LR2 (85,000 to 109,999 dwt) product tanker market. Our competition in the LR2 product tanker market is affected by the availability of other size vessels that compete in the market. Long Range 1 (or *LR1*) (55,000-84,999 dwt) size vessels can compete for many of the same charters for which our LR2 tankers compete.

Seaborne transportation of crude oil and refined petroleum products are provided both by major energy companies (private as well as state-owned) and by independent ship owners. The desire of many major energy companies to outsource all or a portion of their shipping requirements has caused the number of oil tankers owned by energy companies to decrease in the last 20 years. As a result of this trend, independent tanker companies now own or control a large majority of the international tanker fleet.

As of December 31, 2021, we remain one of three active STS lightering businesses in the U.S. Gulf Coast. We are one of the two providers in this group who provides a complete full service STS offering, which includes the availability of Aframax tonnage to provide shipment between shore and offshore. USG lightering trade has a foundation of demand due to traditional imports into the United States to serve U.S. Gulf Coast refinery demand. Although imports of crude oil into the United States have declined as a result of rising domestic crude oil production since 2018, we believe that the current demand for import lightering has stabilized and is consistent with the dependency which U.S. refiners have on foreign oil that is most economically transported on larger VLCC and Suezmax vessels into the U.S. Gulf Coast. At the end of 2021, export lightering comprised about 50% of total volume lightered in the USG. Although the ongoing COVID-19 global pandemic has significantly reduced oil demand, following the moderation or end of the pandemic, we expect that the United States will continue to increase crude production and exports, which we anticipate will result in an increase in export lightering demand as shippers look to export crude oil to Asia on larger size vessels, including VLCC and Suezmax vessels. Although the ports of Houston and Corpus Christi, Texas are now able to accommodate a VLCC at berthside for direct loading, draft restrictions will still require offshore top off STS loading for those vessels to lift their full capacity. Overall port congestion at these locations will create an opportunity for the offshore lightering industry to absorb incremental U.S. crude output which the current deep berths are not able to accommodate efficiently.

The operation of tanker vessels, as well as the seaborne transportation of crude oil and refined petroleum products is a competitive market. There are several large operators of Aframax, Suezmax, and LR2 tonnage that provide these services globally. Competition in both the crude and product tanker markets is primarily based on price, location (for single-voyage or short-term charters), size, age, condition and acceptability of the vessel, oil tanker shipping experience and quality of ship operations, and the size of an operating fleet, with larger fleets allowing for greater vessel substitution, availability and customer service. Aframax and Suezmax tankers are particularly well-suited for short and medium-haul crude oil routes, while LR2 tankers are well-suited for long and medium-haul refined product routes.

Historically, the tanker industry has been cyclical, experiencing volatility in profitability due to changes in oil tanker demand and oil tanker supply. The cyclical nature of the tanker industry causes significant increases or decreases in charter rates earned by operators of oil tankers. Because voyage charters occur in short intervals and are priced on a current, or “spot,” market rate, the spot market is more volatile than time charters. In the past, there have been periods when spot rates declined below the operating cost of the vessels.

Oil Tanker Demand. Demand for oil tankers is a function of several factors, including world oil demand and supply (which affect the amount of crude oil and refined products transported in tankers), and the relative locations of oil production, refining and consumption (which affects the distance over which the oil or refined products are transported).

Oil has been one of the world’s primary energy sources for a number of decades. According to the International Energy Agency (or *IEA*), global oil consumption decreased substantially in 2020 as a result of demand destruction caused by the COVID-19 global pandemic. However, oil demand recovered substantially in 2021, and is expected to increase further in 2022.

The distance over which crude oil or refined petroleum products are transported is determined by seaborne trading and distribution patterns, which are principally influenced by the relative advantages of the various sources of production and locations of consumption. Seaborne trading patterns are also periodically influenced by geopolitical events, such as wars, hostilities and trade embargoes that divert tankers from normal trading

patterns, as well as by inter-regional oil trading activity created by oil supply and demand imbalances. Historically, the level of oil exports from the Middle East has had a strong effect on the crude tanker market due to the relatively long distance between this supply source and typical discharge points. Over the past few years, the growing economies of China and India have increased and diversified their oil imports, resulting in an overall increase in transportation distance for crude tankers. Major consumers in Asia have increased their crude import volumes from longer-haul producers, such as those in the Atlantic Basin.

The limited growth in refinery capacity in developed nations, the largest consumers of oil in recent years, and increasing refinery capacity in the Middle East and parts of Asia where capacity surplus supports exports, have also altered traditional trading patterns and contributed to the overall increase in transportation distance for both crude tankers and product tankers.

Oil Tanker Supply. New Aframax, Suezmax and LR2 tankers are generally expected to have a lifespan of approximately 25 to 30 years, based on estimated hull fatigue life. As of December 31, 2021, the world Aframax crude tanker fleet consisted of 672 vessels, with an additional 53 Aframax crude oil tanker newbuildings on order for delivery through 2024; the world Suezmax crude tanker fleet consisted of 598 vessels, with an additional 50 Suezmax crude oil tanker newbuildings on order for delivery through 2024; and the world LR2 product tanker fleet consisted of 402 vessels, with an additional 44 LR2 product tanker newbuildings on order through 2024. Currently, delivery of a vessel typically occurs within two to three years of ordering.

The supply of oil tankers is primarily a function of new vessel deliveries, vessel scrapping and the conversion or loss of tonnage. The level of newbuilding orders is primarily a function of newbuilding prices in relation to current and prospective charter market conditions. Other factors that affect tanker supply are the availability of financing and shipyard capacity. The level of vessel scrapping activity is primarily a function of scrapping prices in relation to current and prospective charter market conditions and operating, repair and survey costs. Industry regulations also affect scrapping levels. Please read "--Regulations" below. Demand for drybulk vessels and floating storage off-take units, to which tankers can be converted, strongly affects the number of tanker conversions.

For more than a decade, there has been a significant and ongoing shift toward quality in vessels and operations, as charterers and regulators increasingly focus on safety and protection of the environment. Since 1990, there has been an increasing emphasis on environmental protection through legislation and regulations such as OPA 90, IMO regulations and protocols, and classification society procedures that demand higher quality tanker construction, maintenance, repair and operations. We believe that operators with a proven ability to integrate these required safety regulations into their operations have a competitive advantage.

Safety, Management of Ship Operations and Administration

Safety and Environmental Compliance are our top operational priorities. We operate our vessels in a manner intended to protect the safety and health of our employees, and to minimize the impact on the environment and society. We seek to effectively manage risk in the organization using a three-tiered approach at an operational, management and corporate level, designed to provide a clear line of sight throughout the organization. All of our operational employees receive training in the use of risk tools and the management system. We also have an approved competency management system in place to ensure our seafarers continue their professional development and are competent before being promoted to more senior roles.

We believe in continuous improvement, which has seen our safety and environmental culture develop over a significant time period. Health, Safety and Environmental Program milestones include the roll-out of the Environmental Leadership Program (2005), Safety in Action (2007), Quality Assurance and Training Officer Program (2008), Operational Leadership-The Journey (2010), E-Colours (2014), Significant Incident Potential (2015), Navigation Handbook (2016), Risk Tool Handbook (2017), Safety Management System upgrade (2018) and Fleet Training Officer (FTO) Program (2021).

In addition, the Operational Leadership-The Journey booklet was revised and relaunched in 2020. The booklet sets out our operational expectations and responsibilities and contains our safety, environmental and leadership commitments and our Health, Safety, Security and Environmental & Quality Assurance Policy, which is signed by all employees and empowers them to work safely, to live Teekay's vision, and to look after one another.

We, through our subsidiaries and affiliates, provide technical management services for some of our vessels. We have obtained through Det Norske Veritas (or *DNV*), the Norwegian classification society, approval of our safety management system as being in compliance with the International Safety Management Code (or *ISM Code*), and this system has been implemented for all of our vessels. As part of our ISM Code compliance, all of the vessels' safety management certificates are maintained through ongoing internal audits performed by certified internal auditors and intermediate audits performed by DNV.

In addition to the mandatory internal audits conducted by the FTO's on vessels, an internal audit is conducted by our Health Safety, Environment and Quality (or *HSEQ*) team before customer audits (TMSA inspections) to ensure that all ship management functions are strictly adhered to.

We conduct quarterly Safety Management courses for senior officers and Onboard Safety Officer courses for safety officers. Additionally, Safety Orientation Seminars are conducted twice every month for the ratings in Manila and Mumbai, to emphasize key messages about safety.

Depending on existing HSEQ trends, various campaigns are run to address the shortcomings that are identified.

We provide, through our subsidiaries and affiliates, expertise in various functions critical to our operations and access to human resources, financial and other administrative functions. Critical ship management functions include:

- vessel maintenance (including repairs and dry docking) and certification;
- crewing by competent seafarers;
- purchasing of stores, bunkers and spare parts;

- shipyard supervision;
- insurance; and
- financial management services.

These functions are supported by onboard and onshore systems for maintenance, inventory, purchasing and budget management.

All vessels are operated by us under a comprehensive and integrated Safety Management System that complies with the ISM Code, the International Standards Organization's (or *ISO*) 9001 for Quality Assurance, ISO 14001 for Environment Management Systems, and ISO 45001:2018 Occupational Health and Safety Management System and the Maritime Labour Convention 2006 that became enforceable on August 20, 2013. The management system is certified by DNV. Although certification is valid for five years, compliance with the above-mentioned standards is confirmed yearly by a rigorous auditing procedure that includes both internal audits as well as external verification audits by DNV and certain flag states.

Since 2010, Teekay Corporation has produced a publicly available sustainability report that reflects the efforts, achievements, results and challenges faced by Teekay Corporation and its affiliates, including us, relating to several key areas, including emissions, climate change, corporate social responsibility, diversity and health, safety environment and quality. Teekay recognizes the significance of Environmental, Social and Governance considerations and in 2020 set an ESG strategy foundation that will direct our efforts and performance in the years ahead. Teekay's ESG strategy is focused on three broad areas: allocating capital to support the global energy transition; operating our existing fleets as safely and efficiently as possible; and further strengthening our ESG profile. Annual targets are set for the organization and are closely monitored.

Risk of Loss, Insurance and Risk Management

The operation of any ocean-going vessel and the performance of ship-to-ship transfer operations carries an inherent risk of catastrophic marine disasters, death or injury of persons and property losses caused by adverse weather conditions, mechanical failures, human error, war, terrorism, piracy and other circumstances or events. In addition, the transportation and transfer/lightering of crude oil and petroleum products is subject to the risk of spills and to business interruptions due to political circumstances in foreign countries, hostilities, labor strikes, sanctions and boycotts, whether relating to us or any of our joint venture partners, suppliers or customers. The occurrence of any of these events may result in loss of revenues or increased costs.

We carry hull and machinery (marine and war risks), protection and indemnity insurance coverage, and other liability insurance, to protect against most of the accident-related risks involved in the conduct of our business. Hull and machinery insurance covers loss of or damage to a vessel due to marine perils such as collision, grounding and weather. Protection and indemnity insurance indemnifies us against other liabilities incurred while operating vessels, including injury to the crew, third parties, cargo loss and pollution. The current maximum amount of our coverage for pollution is $1 billion per vessel per incident. We also carry insurance policies covering war risks (including piracy and terrorism). None of our vessels are insured against loss of revenues resulting from vessel off-hire time, based on the cost of this insurance compared to our off-hire experience.

We believe that our current insurance coverage is adequate to protect against most of the accident-related risks involved in the conduct of our business and that we maintain appropriate levels of environmental damage and pollution insurance coverage. However, we cannot guarantee that all covered risks are adequately insured against, that any particular claim will be paid or that we will be able to procure adequate insurance coverage at commercially reasonable rates in the future. More stringent environmental regulations have resulted in increased costs for, and may result in the lack of availability of, insurance against risks of environmental damage or pollution. In addition, the cost of protection and indemnity insurance significantly increased during 2021.

In our operations, we use Teekay Corporation's thorough risk management program which includes, among other things, risk analysis tools, maintenance and assessment programs, a seafarers competence training program, seafarers workshops and membership in emergency response organizations. We believe we benefit from Teekay Corporation's commitment to safety and environmental protection as certain of its subsidiaries assist us in managing our vessel operations.

Teekay Corporation has achieved certification under the standards reflected in ISO 9001 for quality assurance, ISO 14001 for environment management systems, ISO 45001:2018, and the IMO's International Management Code for the Safe Operation of Ships and Pollution Prevention on a fully integrated basis.

Flag, Classification, Audits and Inspections

Our vessels are registered with reputable flag states, and the hull and machinery of all of our vessels have been "Classed" by one of the major classification societies and members of the International Association of Classification Societies Ltd (or *IACS*): DNV, Lloyd's Register of Shipping or the American Bureau of Shipping.

The applicable classification society certifies that the vessel's design and build conforms to the applicable class rules and meets the requirements of the applicable rules and regulations of the country of registry of the vessel and the international conventions to which that country is a signatory. The classification society also verifies throughout the vessel's life that it continues to be maintained as per those rules. To validate this, the vessels are surveyed by the classification society in accordance with the classification society rules, which in the case of our vessels follows a comprehensive five-year special survey cycle, renewed every fifth year. During each five-year period, the vessel undergoes annual and intermediate surveys, the scrutiny and intensity of which is primarily dictated by the age of the vessel.

In addition to class surveys, the vessel's flag state also verifies the condition of the vessel during annual flag state inspections, either independently or by additional authorization to class. Also, port state authorities of a vessel's port of call are authorized under international conventions to undertake regular and spot checks of vessels visiting their jurisdiction.

Processes followed onboard are audited by either the flag state or the classification society acting on behalf of the flag state to ensure that they meet the requirements of the ISM Code. DNV typically carries out this task. We also follow an internal process of internal audits undertaken annually at each office and vessel.

We follow a comprehensive inspections scheme supported by our sea staff, shore-based operational and technical specialists, and members of our FTO program. We typically carry out regular inspections, which help us to ensure that:

- our vessels and operations adhere to our operating standards;
- the structural integrity of the vessel is being maintained;
- machinery and equipment are being maintained to give reliable service;
- we are optimizing performance in terms of speed and fuel consumption; and
- our vessels' appearance supports our brand and meets customer expectations.

Our customers also often carry out vetting inspections under the Ship Inspection Report Program, which is a significant safety initiative introduced by the Oil Companies International Marine Forum to specifically address concerns about sub-standard vessels. The inspection results permit charterers to screen a vessel to ensure that it meets their general and specific risk-based shipping requirements.

We believe that the heightened environmental and quality concerns of insurance underwriters, regulators and charterers will generally lead to greater scrutiny, inspection and safety requirements on all vessels in the oil tanker markets and will accelerate the scrapping or phasing out of older vessels throughout these markets.

Overall, we believe that our well-maintained, and high-quality vessels provide us with a competitive advantage in the current environment of increasing regulation and customer emphasis on quality of service.

Regulations

General

Our business and the operation of our vessels are significantly affected by international conventions and national, state, and local laws and regulations in the jurisdictions in which our vessels operate, as well as in the country or countries of their registration. Because these conventions, laws and regulations change frequently, we cannot predict the ultimate cost of compliance or their impact on the resale price or useful life of our vessels. Additional conventions, laws and regulations may be adopted that could limit our ability to do business or increase the cost of our doing business and that may materially affect our operations. We are required by various governmental and quasi-governmental agencies to obtain permits, licenses, and certificates for our operations. Subject to the discussion below and to the fact that the kinds of permits, licenses and certificates required for the operations of the vessels we own will depend on several factors, we believe that we will be able to continue to obtain all permits, licenses and certificates material to the conduct of our operations.

International Maritime Organization

The IMO is the United Nations' agency for maritime safety and prevention of pollution. IMO regulations relating to pollution prevention for oil tankers have been adopted by many of the jurisdictions in which our tanker fleet operates. Under IMO regulations, and subject to limited exceptions, a tanker must be of double-hull construction as per the requirements set out in these regulations or be of another approved design ensuring the same level of protection against oil pollution. All of our tankers are double-hulled.

Many countries, but not the United States, have ratified and follow the liability regime adopted by the IMO and set out in the International Convention on Civil Liability for Oil Pollution Damage, 1969, as amended (or *CLC*). Under this convention, a vessel's registered owner is strictly liable for pollution damage caused in the territorial waters of a contracting state by the discharge of persistent oil (e.g., crude oil, fuel oil, heavy diesel oil or lubricating oil), subject to certain defenses. The right to limit liability to specified amounts that are periodically revised is forfeited under the CLC when the spill is caused by the owner's actual fault or when the spill is caused by the owner's intentional or reckless conduct. Vessels trading to contracting states must provide evidence of insurance covering the limited liability of the owner. In jurisdictions where the CLC has not been adopted, various legislative regimes or common law governs, and liability is imposed either based on fault or in a manner similar to the CLC.

IMO regulations also include the International Convention for Safety of Life at Sea (or *SOLAS*), including amendments to SOLAS implementing the International Ship and Port Facility Security Code (or *ISPS*), the ISM Code, and the International Convention on Load Lines of 1966. SOLAS provides rules for the construction of, and the equipment required for, commercial vessels and includes regulations for their safe operation. Flag states, which have ratified the convention and the treaty generally employ the classification societies, which have incorporated SOLAS requirements into their class rules, to undertake surveys to confirm compliance.

SOLAS and other IMO regulations concerning safety, including those relating to treaties on the training of shipboard personnel, lifesaving appliances, radio equipment and the global maritime distress and safety system, apply to our operations. Non-compliance with IMO regulations, including SOLAS, the ISM Code, ISPS and other regulations, may subject us to increased liability or penalties, may lead to decreases in available insurance coverage for affected vessels and may result in the denial of access to or detention in some ports. For example, the USCG and EU authorities have indicated that vessels not in compliance with the ISM Code will be prohibited from trading in U.S. and EU ports. The ISM Code requires vessel operators to obtain a safety management certification for each vessel they manage, evidencing the shipowner's development and maintenance of an extensive safety management system. Each of the existing vessels in our fleet is currently ISM Code-certified, and we obtain a safety management certificate for each newbuilding on delivery.

Annex VI to the IMO's International Convention for the Prevention of Pollution from Ships (*MARPOL*) (or *Annex VI*) sets limits on sulfur oxide and nitrogen oxide (or *NOx*) emissions from ship exhausts and prohibits emissions of ozone-depleting substances, emissions of volatile compounds from cargo tanks and the incineration of specific substances. Annex VI also includes a world-wide cap on the sulfur content of fuel oil and allows for special "emission control areas" (or *ECAs*) to be established with more stringent controls on sulfur emissions.

Annex VI provides for a three-tier reduction in NOx emissions from marine diesel engines, with the final tier (or *Tier III*) to apply to engines installed on vessels constructed on or after January 1, 2016, and which operate in the North American ECA or the U.S. Caribbean Sea ECA as well as ECAs designated in the future by the IMO. Tier III limits are 80% below Tier I and these cannot be achieved without additional means such as Selective Catalytic Reduction (or *SCR*). In October 2016 the IMO's Marine Environment Protection Committee (or *MEPC*) approved the designation of the North Sea (including the English Channel) and the Baltic Sea as ECAs for NOx emissions; these ECAs and the related amendments to Annex VI of MARPOL (with some exceptions) entered into effect on January 1, 2019. This requirement will be applicable for new ships constructed on or after January 1, 2021, if they visit the Baltic or the North Sea (including the English Channel) and requires the future trading area of a ship to be assessed at the contract stage. There are exemption provisions to allow ships with only Tier II engines, to navigate in a NOx Tier III ECA if the ship is departing from a shipyard where the ship is newly built or visiting a shipyard for conversion/repair/maintenance without loading/unloading cargoes.

Effective January 1, 2020, Annex VI imposed a global limit for sulfur in fuel oil used on board ships of 0.50% m/m (mass by mass), regardless of whether a ship is operating outside a designated ECA. To comply with this new standard, ships must utilize different fuels containing low or zero sulfur (e.g. LNG, low sulfur heavy fuel oil (or *LSHFO*), low sulfur marine gas oil (or *LSMGO*), biofuels or other compliant fuels), or utilize exhaust gas cleaning systems, known as "scrubbers". Amendments to the information to be included in bunker delivery notes relating to the supply of marine fuel oil to ships fitted with alternative mechanisms to address sulfur emission requirements (e.g. scrubbers) became effective January 1, 2019. We have implemented procedures to comply with the 2020 sulfur limit. We switched to burning compliant low sulfur fuel before the January 1, 2020 implementation date; we have not installed any scrubbers on our fleet. Although the IMO has issued ISO 8217:2017 and PAS 23263:19, at present, neither the IMO nor the International Organization for Standardization has implemented globally accepted quality standards for 0.50% m/m fuel oil. We intend, and where applicable, expect our charterers to procure 0.50% m/m fuel oil from top tier suppliers. However, until such time that a globally accepted quality standard is issued, the quality of 0.50% m/m fuel oil that is supplied to the entire industry (including in respect of our vessels) is inherently uncertain. Low quality or a lack of access to high-quality low sulfur fuel may lead to a disruption in our operations (including mechanical damage to our vessels), which could impact our business, financial condition, and results of operations.

As of March 1, 2018, amendments to Annex VI impose new requirements on ships of 5,000 gross tonnage and above to collect fuel oil consumption data for ships, as well as certain other data including proxies for transport work. Amendments to MARPOL Annex VI that make the data collection system for fuel oil consumption of ships mandatory were adopted at the 70th session of the MEPC held in October 2016 and entered into force on March 1, 2018. The amendments require operators to update the vessel's Ship Energy Efficiency Management Plan (or *SEEMP*) to include a part II describing the ship-specific methodology that will be used for collecting and measuring data for fuel oil consumption, distance travelled, hours underway, ensuring data quality is maintained and the processes that will be used to report the data. This has been verified as compliant on all ships for calendar year 2019 and 2020. A Confirmation of Compliance has been provided by the Ship's Flag State Administration / Recognized Organization on behalf of Flag State and is kept on board. Data collection for 2021 has been completed, and the verification of the data is ongoing by DNV, the authorized verifier. The process will be completed by the end of April 2022.

IMO regulations required that as of January 1, 2015, all vessels operating within ECAs worldwide recognized under MARPOL Annex VI must comply with 0.1% sulfur requirements. Certain modifications were necessary to optimize operation on LSMGO of equipment originally designed to operate on Heavy Fuel Oil (or *HFO*). Also, LSMGO is more expensive than HFO and this could impact the cost of operations. We are primarily exposed to increased fuel costs through our spot trading vessels, although our competitors bear a similar cost increase as this is a regulatory item applicable to all vessels. All required vessels in our fleet trading to and within regulated low sulfur areas comply with applicable fuel requirements.

The IMO has issued guidance regarding protecting against acts of piracy off the coast of Somalia. We comply with these guidelines.

IMO Guidance for countering acts of piracy and armed robbery is published by the IMO's Maritime Safety Committee (or *MSC*). MSC.1/Circ.1339 (Piracy and armed robbery against ships in waters off the coast of Somalia) outlines Best Management Practices for Protection against Somalia based Piracy. Specifically, MSC.1/Circ.1339 guides shipowners and ship operators, shipmasters, and crews on preventing and suppressing acts of piracy and armed robbery and was adopted by the IMO through Resolution MSC.324(89). The Best Management Practices (or *BMP*) is a joint industry publication by BIMCO, ICS, IGP&I Clubs, INTERTANKO and OCIMF. Version 5 is the latest BMP. Our fleet follows the guidance within BMP 5 when transiting in other regions with recognized threat levels for piracy and armed robbery, including West Africa.

The IMO's Ballast Water Management Convention entered into force on September 8, 2017. The convention stipulates two standards for discharged ballast water. The D-1 standard covers ballast water exchange while the D-2 standard covers ballast water treatment. The convention requires the implementation of either the D-1 or D-2 standard. There will be a transitional period from the entry into force to the International Oil Pollution Prevention (or *IOPP*) renewal survey in which ballast water exchange (reg. D-1) can be employed. Vessels will be required to meet the discharge standard D-2 by installing an approved BWTS. Besides the IMO convention, ships sailing in U.S. waters are required to employ a type approved BWTS which is compliant with USCG regulations. The USCG has approved several BWTS both nationally and internationally, out of which Alfa Laval (Sweden), Ocean Saver (Norway) and Sunrui (China) are under Teekay's approved list for retrofit. We estimate that the installation of an approved BWTS will cost approximately $1.5 million per vessel between the years 2022 and 2023. As at December 31, 2021, we have installed BWTS on 22 vessels in our fleet.

As per MSC. 338(91), requirements have been highlighted for audio and visual indicators for breathing apparatus which will alert the user before the volume of the air in the cylinder has been reduced to no less than 200 litres. This applies to ships constructed on or after July 1, 2014. Ships constructed before July 1, 2014 were required to comply no later than July 1, 2019. As of December 31, 2021, all of our vessels are in compliance with these requirements.

Cyber-related risks are operational risks that are appropriately assessed and managed as per the safety management requirements of the ISM Code. Cyber risks are required to be appropriately addressed in our safety management system no later than the first annual verification of our

Document of Compliance after January 1, 2021. The annual verification audit of our Document of Compliance was completed on July 23, 2021 where it was confirmed that cyber risks are appropriately addressed in accordance with ISM standards in the company's safety management system.

The Maritime Labour Convention (MLC) 2006 was adopted by the International Labour Conference at its 94th (Maritime) Session (2006), establishing minimum working and living conditions for seafarers. The convention entered into force August 20, 2013, with further amendments approved by the International Labour Conference at its 103rd Session (2014). The MLC establishes a single, coherent instrument embodying all up-to-date standards of existing international maritime labour conventions and recommendations, as well as the fundamental principles to be found in other international labour conventions. All of our maritime labour contracts comply with the MLC.

The IMO continues to review and introduce new regulations and as such, it is difficult to predict what additional requirements, if any, may be adopted by the IMO and what effect, if any, such regulations might have on our operations.

European Union (or EU)

The EU has adopted legislation that: bans from European waters manifestly sub-standard vessels (defined as vessels that have been detained twice by EU port authorities in the preceding two years); creates obligations on the part of EU member port states to inspect minimum percentages of vessels using these ports annually; provides for increased surveillance of vessels posing a high risk to maritime safety or the marine environment; and provides the EU with greater authority and control over classification societies, including the ability to seek to suspend or revoke the authority of negligent societies.

Two regulations that are part of the implementation of the Port State Control Directive came into force on January 1, 2011, and introduced a ranking system (published on a public website and updated daily) displaying shipping companies operating in the EU with the worst safety records. The ranking is judged upon the results of the technical inspections carried out on the vessels owned by a particular shipping company. Those shipping companies that have the most positive safety records are rewarded by subjecting them to fewer inspections, while those with the most safety shortcomings or technical failings recorded upon inspection will, in turn, be subject to a greater frequency of official inspections to their vessels.

The EU has, by way of Directive 2005/35/EC, as amended by Directive 2009/123/EC, created a legal framework for imposing criminal penalties in the event of discharges of oil and other noxious substances from ships sailing in its waters, irrespective of their flag. This relates to discharges of oil or other noxious substances from vessels. Minor discharges shall not automatically be considered as offences, except where repetition leads to deterioration in the quality of the water. The persons responsible may be subject to criminal penalties if they have acted with intent, recklessly, or with serious negligence, and the act of inciting, aiding and abetting a person to discharge a polluting substance may also lead to criminal penalties.

The EU has adopted a Directive requiring the use of low sulfur fuel. Since January 1, 2015, vessels have been required to burn fuel with sulfur content not exceeding 0.1% while within EU member states' territorial seas, exclusive economic zones and pollution control zones that are included in SOX Emission Control Areas. Other jurisdictions have also adopted similar regulations.

All ships above 5,000 gross tonnage calling EU waters are required to comply with EU monitoring, reporting and verification (or *MRV*) regulations. These regulations came into force on July 1, 2015 and aim to reduce greenhouse gas (or *GHG*) emissions within the EU. It requires ships carrying out maritime transport activities to or from European Economic Area (or *EEA*) ports to monitor and report information including verified data on their CO2 emissions from January 1, 2018. Data collection takes place on a per voyage basis and started from January 1, 2018. The reported CO2 emissions, together with additional data (e.g. cargo, energy efficiency parameters), are to be verified by independent verifiers and sent to a central database, managed by the European Maritime Safety Agency (or *EMSA*). Teekay Corporation signed an agreement with DNV for monitoring, verification and reporting as required by this regulation. We are presently using IMOS/Veslink forms which have a smooth interface with DNV. Emission reports for the vessels which have carried out EU voyages have been submitted in the THETIS Database for 2019 and 2020. Based on emission reports submitted in THETIS, a document of compliance has been issued and is placed on board. The data for 2021 has been submitted and is currently under verification by DNV, our authorized verifier. The review will be completed by end of April 2022 for all of our vessels. In addition to the EU-MRV data, from January 1, 2022, we have also started submitting data for UK-MRV which is a new requirement for all vessels calling UK ports and waters.

The EU Ship Recycling Regulation aims to prevent, reduce, and minimize accidents, injuries and other negative effects on human health and the environment when ships are recycled and the hazardous waste they contain is removed. The legislation applies to all ships flying the flag of an EU country and to vessels with non-EU flags that call at an EU port or anchorage. It sets out responsibilities for ship owners and recycling facilities both in the EU and in other countries. Each new ship must have onboard an inventory of the hazardous materials (such as asbestos, lead or mercury) it contains in either its structure or equipment. The use of certain hazardous materials is forbidden. Before a ship is recycled, its owner must provide the company carrying out the work with specific information about the vessel and prepare a ship recycling plan. Recycling may only take place at facilities listed on the EU 'List of facilities'.

The EU Ship Recycling Regulation generally entered into force on December 31, 2018, with certain provisions applicable from December 31, 2020. Compliance timelines are as follows: EU-flagged newbuildings were required to have on-board a verified Inventory of Hazardous Materials (or *IHM*) with a Statement of Compliance by December 31, 2018, existing EU-flagged vessels and non-EU-flagged vessels calling at EU ports are required to have on-board a verified IHM with a Statement of Compliance by December 31, 2020. We contracted a class-approved HazMat expert company, Poly NDT Pte Ltd., to assist in the preparation of an Inventory of Hazardous Materials and with obtaining Statements of Compliance for our vessels. The EU Commission adopted a European List of approved ship recycling facilities, as well as four further decisions dealing with certification and other administrative requirements set out in the regulation. In 2014, the Council Decision 2014/241/EU authorized EU countries having ships flying their flag or registered under their flag to ratify or to accede to the Hong Kong International Convention for the Safe and Environmentally Sound Recycling of Ships. The Hong Kong Convention is not yet ratified.

United States

The United States has enacted an extensive regulatory and liability regime for the protection and cleanup of the environment from oil spills, including discharges of oil cargoes, bunker fuels or lubricants, primarily through the Oil Pollution Act of 1990 (or *OPA 90*) and the Comprehensive Environmental Response, Compensation and Liability Act (or *CERCLA*). OPA 90 affects all owners, operators, and bareboat charterers whose vessels trade to the United States or its territories or possessions or whose vessels operate in United States waters, which include the U.S. territorial sea and the 200-mile exclusive economic zone around the United States. CERCLA applies to the discharge of "hazardous substances" rather than "oil" and imposes strict joint and several liability upon the owners, operators, or bareboat charterers of vessels for cleanup costs and damages arising from discharges of hazardous substances. We believe that petroleum products should not be considered hazardous substances under CERCLA, but additives to oil or lubricants used on vessels might fall within its scope.

Under OPA 90, vessel owners, operators and bareboat charterers are "responsible parties" and are jointly, severally and strictly liable (unless the oil spill results solely from the act or omission of a third party, an act of God or an act of war and the responsible party reports the incident and reasonably cooperates with the appropriate authorities) for all containment and clean-up costs and other damages arising from discharges or threatened discharges of oil from their vessels. These other damages are defined broadly to include:

- natural resources damages and the related assessment costs;
- real and personal property damages;
- net loss of taxes, royalties, rents, fees and other lost revenues;
- lost profits or impairment of earning capacity due to property or natural resources damage;
- net cost of public services necessitated by a spill response, such as protection from fire, safety, or health hazards; and
- loss of subsistence use of natural resources.

OPA 90 limits the liability of responsible parties in an amount it periodically updates. The liability limits do not apply if the incident was proximately caused by a violation of applicable U.S. federal safety, construction or operating regulations, including IMO conventions to which the United States is a signatory, or by the responsible party's gross negligence or willful misconduct, or if the responsible party fails or refuses to report the incident or to cooperate and assist in connection with the oil removal activities. Liability under CERCLA is also subject to limits unless the incident is caused by gross negligence, willful misconduct, or a violation of certain regulations. We currently maintain for each of our vessels pollution liability coverage in the maximum coverage amount of $1 billion per incident. A catastrophic spill could exceed the coverage available, which could harm our business, financial condition, and results of operations.

Under OPA 90, with limited exceptions, all newly built or converted tankers delivered after January 1, 1994 and operating in U.S. waters must be double-hulled. All of our tankers are double-hulled.

OPA 90 also requires owners and operators of vessels to establish and maintain with the USCG evidence of financial responsibility in an amount at least equal to the relevant limitation amount for such vessels under the statute. The USCG has implemented regulations requiring that an owner or operator of a fleet of vessels must demonstrate evidence of financial responsibility in an amount sufficient to cover the vessel in the fleet having the greatest maximum limited liability under OPA 90 and CERCLA. Evidence of financial responsibility may be demonstrated by insurance, surety bond, self-insurance, guaranty, or an alternative method subject to approval by the USCG. Under the self-insurance provisions, the shipowner or operator must have a net worth and working capital, measured in assets located in the United States against liabilities located anywhere in the world, that exceeds the applicable amount of financial responsibility. We have complied with the USCG regulations by using self-insurance for certain vessels and obtaining financial guaranties from a third party for the remaining vessels. If other vessels in our fleet trade into the United States in the future, we expect to obtain guaranties from third-party insurers.

OPA 90 and CERCLA permit individual U.S. states to impose their own liability regimes with regard to oil or hazardous substance pollution incidents occurring within their boundaries and some states have enacted legislation providing for unlimited strict liability for spills. Several coastal states require state-specific evidence of financial responsibility and vessel response plans. We intend to comply with all applicable state regulations in the ports where our vessels call.

Owners or operators of vessels, including tankers operating in U.S. waters, are required to file vessel response plans with the USCG, and their tankers are required to operate in compliance with their USCG approved plans. Such response plans must, among other things:

- address a "worst case" scenario and identify and ensure, through contract or other approved means, the availability of necessary private response resources to respond to a "worst-case discharge";
- describe crew training and drills; and
- identify a qualified individual with full authority to implement removal actions.

All our vessels have USCG-approved vessel response plans. Also, we conduct regular oil spill response drills as per the guidelines set out in OPA 90. The USCG has announced it intends to propose similar regulations requiring certain vessels to prepare response plans for the release of hazardous substances. Similarly, we also have California Vessel Contingency Plans onboard vessels which are likely to call ports in the State of California.

OPA 90 and CERCLA do not preclude claimants from seeking damages resulting from the discharge of oil and hazardous substances under other applicable law, including maritime tort law. The application of this doctrine varies by jurisdiction.

The U.S. Clean Water Act (or *the Clean Water Act*) also prohibits the discharge of oil or hazardous substances in U.S. navigable waters and imposes strict liability in the form of penalties for unauthorized discharges. The Clean Water Act imposes substantial liability for the costs of removal, remediation and damages, and complements the remedies available under OPA 90 and CERCLA discussed above.

Our vessels that discharge certain effluents, including ballast water, in U.S. waters must obtain a Clean Water Act permit from the Environmental Protection Agency (or *EPA*) titled the “Vessel General Permit” (or *VGP*) and comply with a range of effluent limitations, best management practices, reporting, inspections and other requirements. The current Vessel General Permit incorporates USCG requirements for ballast water exchange and includes specific technology-based requirements for vessels as well as an implementation schedule to require vessels to meet the ballast water effluent limitations by the first drydocking after January 1, 2016, depending on the vessel size. The Vessel Incidental Discharge Act (or *VIDA*) became effective on December 4, 2018 and establishes a new framework for the regulation of vessel incidental discharges under the CWA. In most cases, the future standards will be at least as stringent as the existing EPA 2013 VGP requirements and will be technology-based. Two years thereafter, the USCG is required to develop corresponding implementation, compliance, and enforcement regulations. These may include requirements governing the design, construction, testing, approval, installation and use of devices to achieve the EPA national standards of performance (or *NSPs*). Under VIDA, all provisions of the VGP remain in force and effect as currently written until the USCG regulations are finalized. Vessels that are constructed after December 1, 2013, are subject to the ballast water numeric effluent limitations. Several U.S. states have added specific requirements to the VGP and, in some cases, may require vessels to install ballast water treatment technology to meet biological performance standards. Every five years the VGP gets reissued, however, the provisions of the 2013 VGP, as currently written, will apply beyond 2018 until the EPA publishes new NSPs, and the USCG develops implementing regulations for those NSPs. This could take up to four years. On October 26, 2020, the EPA’s Notice of Proposed Rulemaking – Vessel Incidental Discharge National Standards of Performance – was published in the Federal Register for public comment. The proposed rule is aimed at reducing the environmental impact of discharges, such as ballast water, that are incidental to the normal operation of commercial vessels. When finalized, this new rule is expected to streamline the current patchwork of federal, state, and local requirements that apply to commercial vessels and better protect US waters.

Since January 1, 2014, the California Air Resources Board has required that vessels that burn fuel within 24 nautical miles of California burn fuel with 0.1% sulfur content or less.

Various states in the United States, including California, have implemented additional regulations relating to the environment and operation of vessels. The California Biofouling Management Plan requirements are as follows: developing and maintaining a Biofouling Management Plan, developing and maintaining a Biofouling Record Book, mandatory biofouling management of the vessel’s wetted surfaces, mandatory biofouling management for vessels that undergo an extended residency period (e.g. remain in the same location for 45 or more days). All vessels calling in California waters were required to submit the "Annual Marine Invasive Reporting Form" by October 1, 2017 and should have a CA-Biofouling management plan after a vessel’s first regularly scheduled out-of-water maintenance (e.g. dry dock) after January 1, 2018, or upon delivery on or after January 1, 2018.

China

China previously established ECAs in the Pearl River Delta, Yangtze River Delta and Bohai Sea, which took effect on January 1, 2016. The Hainan ECA took effect on January 1, 2019. From January 1, 2019, all the ECAs have merged, and the scope of Domestic Emission Controls Areas (or *DECAs*) were extended to 12 nautical miles from the coastline, covering the Chinese mainland territorial coastal areas as well as the Hainan Island territorial coastal waters. From January 1, 2019, all vessels navigating within the Chinese mainland territorial coastal DECAs and at berths are required to use marine fuel with a sulfur content of maximum 0.50% m/m. As per the new regulation, ships can also use alternative methods such as an Exhaust Gas Scrubber, LNG or other clean fuel that reduces the SOx to the same level or lower than the maximum required limits of sulfur when using fossil fuel in the DECA areas or when at berth. All the vessels without an exhaust gas cleaning system entering the emission control area are only permitted to carry and use the compliant fuel oil specified by the new regulation.

From July 1, 2019, vessels engaged on international voyages (except tankers) that are equipped to connect to shore power must use shore power if they berth for more than three hours (or for more than two hours for inland river control area) in berths with shore supply capacity in the coastal control areas.

From January 1, 2020, all vessels navigating within the Chinese mainland territorial coastal DECAs should use marine fuel with a maximum 0.5% m/m sulfur cap. All vessels entering China inland waterway emission control areas are to use fuel oil with a sulfur content not exceeding 0.1% m/m. Any vessel using or carrying non-compliant fuel oil due to the non-availability of compliant fuel oil is to submit a fuel oil non-availability report to the China Maritime Safety Administration (or C*MSA*) of the next arrival port before entering waters under the jurisdiction of China.

From March 1, 2020, all vessels entering waters under the jurisdiction of the People’s Republic of China are prohibited to carry fuel oil of sulfur content exceeding 0.50% m/m on board ships. Any vessel carrying non-compliant fuel oil in the waters under the jurisdiction of China is to:

- discharge the non-compliant fuel oil; or
- as permitted by the CMSA of the calling port, to retain the non-compliant fuel oil on board with a commitment letter stating it will not be used in waters under the jurisdiction of China.

New Zealand

New Zealand's Craft Risk Management Standard (or *CRMS*) requirements are based on the IMO's guidelines for the control and management of ships' biofouling to minimize the transfer of invasive aquatic species.

Marine pests and diseases brought in on vessel hulls (or *biofouling*) are a threat to New Zealand's marine resources. From May 15, 2018, all vessels arriving in New Zealand need to have a clean hull. Vessels staying up to 20 days and only visiting designated ports (places of first arrival) will be allowed a slight amount of biofouling. Vessels staying longer and visiting other places will only be allowed a slime layer and goose barnacles.

Republic of Korea

The Korean Ministry of Oceans and Fisheries announced an air quality control program that defines selected South Korean ports and areas as ECAs. The ECAs cover Korea's five major port areas: Incheon, Pyeongtaek & Dangjin, Yeosu & Gwangyang, Busan and Ulsan. From September 1, 2020, ships at berth or at anchor in the new Korean ECAs must burn fuel with a maximum sulfur content of 0.10%. Ships must switch to compliant fuel within one hour of mooring/anchoring and burn compliant fuel until not more than one hour before departure. From January 1, 2022, the requirements have been expanded, and the 0.10% sulfur limit will apply at all times while operating within the ECAs.

A Vessel Speed Reduction Program has also been introduced as a part of an air quality control program on a voluntary compliance basis to certain types of ships (crude, chemical and LNG carriers) calling at the ports of Busan, Ulsan, Yeosu, Gwangyang and Incheon.

India

On October 2, 2019, the Government of India urged its citizens and government agencies to take steps towards phasing out single-use plastics (or *SUP*). As a result, all shipping participants operating in Indian waters are required to contribute to the Indian government's goal of phasing out SUPs.

The Directorate General of Shipping, India (or *DGS*) has mandated certain policies as a result, and in order to comply with these required policies, all cargo vessels are required as of January 31, 2020 to prepare a vessel-specific Ship Execution Plan (or *SEP*) detailing the inventory of all SUP used on board the vessel and which has not been exempted by DGS. This SEP will be reviewed to determine the prohibition of SUP on the subject vessel.

Vessels will be allowed to use an additional 10% of SUP items in the SEP that have not been prohibited. Amendments to the finalized SEP are discouraged save for material corrections.

Foreign vessels visiting Indian ports are not allowed to use prohibited items while at a place or port in India. However, these items are allowed to be on board provided they are stored at identified locations. SEPs are also required to detail the prevention steps that will be implemented during a vessel's call at an Indian port to prevent unsanctioned usage of SUPs. This includes the preparation and use of a deck and official log entry identifying all SUP items on board the vessel.

Greenhouse Gas Regulation

In February 2005, the Kyoto Protocol to the United Nations Framework Convention on Climate Change (or the *Kyoto Protocol*) entered into force. Under the Kyoto Protocol, adopting countries are required to implement national programs to reduce emissions of GHGs. In December 2009, more than 27 nations, including the United States, entered into the Copenhagen Accord. The Copenhagen Accord is non-binding but is intended to pave the way for a comprehensive, international treaty on climate change. In December 2015 the Paris Agreement was adopted by a large number of countries at the 21st Session of the Conference of Parties (commonly known as COP 21, a conference of the countries which are parties to the United Nations Framework Convention on Climate Change; the COP is the highest decision-making authority of this organization). The Paris Agreement, which entered into force on November 4, 2016, deals with GHG emission reduction measures and targets from 2020 to limit the global temperature increases to well below 2˚ Celsius above pre-industrial levels. Although shipping was ultimately not included in the Paris Agreement, it is expected that the adoption of the Paris Agreement may lead to regulatory changes in relation to curbing GHG emissions from shipping.

In July 2011, the IMO adopted regulations imposing technical and operational measures for the reduction of GHG emissions. These new regulations formed a new chapter in MARPOL Annex VI and became effective on January 1, 2013. The new technical and operational measures include the "Energy Efficiency Design Index" (or the *EEDI*), which is mandatory for newbuilding vessels, and the "Ship Energy Efficiency Management Plan", which is mandatory for all vessels. In October 2016, the IMO's Marine Environment Protection Committee (or *MEPC*) adopted updated guidelines for the calculation of the EEDI. In October 2014, the IMO's MEPC agreed in principle to develop a system of data collection regarding fuel consumption of ships. In October 2016, the IMO adopted a mandatory data collection system under which vessels of 5,000 gross tonnages and above are to collect fuel consumption and other data and to report the aggregated data so collected to their flag state at the end of each calendar year. The new requirements entered into force on March 1, 2018.

All vessels are required to submit fuel consumption data to their respective administration/registered organizations for onward submission to the IMO for analysis and to help with decision making on future measures. The amendments require operators to update the vessel's SEEMP to include descriptions of the ship-specific methodology that will be used for collecting and measuring data for fuel oil consumption, distance travelled, hours underway and processes that will be used to report the data, to ensure data quality is maintained.

The vessels in our fleet were verified as compliant before December 31, 2018, with the first data collection period being for the 2019 calendar year. A Confirmation of Compliance was issued by the administration/registered organization, which must be kept on board the ship. The IMO also approved a roadmap for the development of a comprehensive IMO strategy on the reduction of GHG emissions from ships with an initial strategy adopted on April 13, 2018, and a revised strategy to be adopted in 2023. Furthermore, the MEPC adopted two other sets of amendments to MARPOL Annex VI related to carbon intensity regulations. The MEPC agreed on combining the technical and operational measures with an entry into force date on January 1, 2023. The Energy Efficiency Existing Ships Index (EEXI) will be implemented for existing ships as a technical measure to reduce CO2 emissions. The Carbon Intensity Index (CII) will be implemented as an operational carbon intensity measure to benchmark and improve efficiency. Regulations and frameworks are expected to be fully defined at the next MEPC meeting in June 2022. For Teekay vessels, we have calculated the EEXI and Engine Power Limiter (EPL) values for our vessels.
The EU has also indicated that it intends to propose an expansion of an existing EU emissions trading regime to include emissions of GHGs from vessels, and individual countries in the EU may impose additional requirements. The EU has adopted Regulation (EU) 2015/757 on the MRV of CO2 emissions from vessels (or the *MRV Regulation*), which entered into force on July 1, 2015. The MRV Regulation aims to quantify and reduce CO2 emissions from shipping. It lists the requirements on the MRV of carbon dioxide emissions and requires ship owners and operators to annually monitor, report and verify CO2 emissions for vessels larger than 5,000 gross tonnage calling at any EU and EFTA (Norway and Iceland) port (with a

few exceptions, such as fish-catching or fish-processing vessels). Data collection takes place on a per voyage basis and started on January 1, 2018. The reported CO2 emissions, together with additional data, such as cargo and energy efficiency parameters, are to be verified by independent verifiers and sent to a central inspection database hosted by the European Maritime Safety Agency to collate all the data applicable to the EU region. Companies responsible for the operation of large ships using EU ports are required to report their CO2 emissions. While the EU was considering a proposal for the inclusion of shipping in the EU Emissions Trading System as from 2021 (in the absence of a comparable system operating under the IMO) it appears that the decision to include shipping may be deferred until 2023.

In the United States, the EPA issued an “endangerment finding” regarding GHGs under the Clean Air Act. While this finding in itself does not impose any requirements on our industry, it authorizes the EPA to regulate GHG emissions directly through a rule-making process. Also, climate change initiatives are being considered in the United States Congress and by individual states. Any passage of new climate control legislation or other regulatory initiatives by the IMO, EU, the United States or other countries or states where we operate that restrict emissions of GHG could have a significant financial and operational impact on our business that we cannot predict with certainty at this time.

Many financial institutions that lend to the maritime industry have adopted the Poseidon Principles, which establish a framework for assessing and disclosing the climate alignment of ship finance portfolios. The Poseidon Principles set a benchmark for the banks who fund the maritime sector, which is based on the IMO GHG strategy. The IMO approved an initial GHG strategy in April 2018 to reduce GHG emissions generated from shipping activity, which represents a significant shift in climate ambition for a sector that currently accounts for 2%-3% of global carbon dioxide emissions. As a result, the Poseidon Principles are expected to enable financial institutions to align their ship finance portfolios with responsible environmental behavior and incentivize international shipping’s decarbonization.

Vessel Security

The ISPS was adopted by the IMO in December 2002 in the wake of heightened concern over worldwide terrorism and became effective on July 1, 2004. The objective of ISPS is to enhance maritime security by detecting security threats to ships and ports and by requiring the development of security plans and other measures designed to prevent such threats. Each of the existing vessels in our fleet currently complies with the requirements of ISPS and Maritime Transportation Security Act of 2002 (U.S. specific requirements). Procedures are in place to inform the Maritime Security Council Horn of Africa whenever our vessels are calling in the Indian Ocean Region or Maritime Domain Awareness for Trade - Gulf of Guinea when in West Coast of Africa. In order to mitigate the security risk, security arrangements are made which include boarding armed security teams (when vessels transit the Gulf of Aden) or arranging for security escort vessels (with 6-8 Nigerian Navy armed guards) from a distance of 195 Nautical miles for all Nigerian port calls. In addition, our vessels are also escorted through the Nigerian Exclusive Economic Zone (or *EEZ*) for calling at some ports of Cameroon and Equatorial Guinea, which are close to the Nigerian EEZ. Our vessels are fully compliant with all recommendations of Best Management practices for West Africa.

C. Organizational Structure

As of December 31, 2021, Teekay Corporation (NYSE: TK), directly or through its 100%-owned subsidiaries, Teekay Holdings Limited and Teekay Finance Limited, had a 29.8% economic interest and a 54.7% voting interest in us through its ownership of approximately 5.5 million shares of our Class A common stock and 4.6 million shares of our Class B common stock.

Our shares of Class A common stock entitle the holders thereof to one vote per share and our shares of Class B common stock entitle the holders thereof to five votes per share, subject to a 49% aggregate Class B common stock voting power maximum. Teekay Corporation currently holds a majority of the voting power of our common stock, and as such, we are controlled by Teekay Corporation.

Please read Exhibit 8.1 to this Annual Report for a list of our subsidiaries as of December 31, 2021.

D. Property, Plant and Equipment

Other than our vessels and related equipment, we do not have any material property.

Please see “Item 4. Information on the Company – B. Business Overview – Our Fleet” for a description of our vessels and “Item 18. Financial Statements: Note 9 – Long-Term Debt" and "Note 10 – Operating Leases and Obligations Related to Finance Leases” for information about major encumbrances against our vessels.

E. Taxation of the Company

United States Taxation

The following is a discussion of material U.S. federal income tax considerations applicable to us. This discussion is based upon provisions of the Code, legislative history, applicable U.S. Treasury Regulations (or *Treasury Regulations*), judicial authority and administrative interpretations, all as in effect on the date of this Annual Report, and which are subject to change, possibly with retroactive effect, or are subject to different interpretations. Changes in these authorities may cause the tax consequences to vary substantially from the consequences described below.

Taxation of Operating Income. A significant portion of our gross income will be attributable to the transportation of crude oil and related products. For this purpose, gross income attributable to transportation (or *Transportation Income*) includes income derived from, or in connection with, the use (or *hiring* or *leasing for use*) of a vessel to transport cargo, or the performance of services directly related to the use of any vessel to transport cargo, and thus includes income from time-charters and bareboat charters.

Fifty percent (50%) of Transportation Income that either begins or ends, but that does not both begin and end, in the United States (or *U.S. Source International Transportation Gross Income*) is considered to be derived from sources within the United States. Transportation Income that both

begins and ends in the United States (or *U.S. Source Domestic Transportation Gross Income*) is considered to be 100% derived from sources within the United States. Transportation Income exclusively between non-U.S. destinations is considered to be 100% derived from sources outside the United States. Transportation Income derived from sources outside the United States generally is not subject to U.S. federal income tax.

Based on our current operations, and the operations of our subsidiaries, a substantial portion of our Transportation Income is from sources outside the United States and not subject to U.S. federal income tax. In addition, we believe that we have not earned any U.S. Source Domestic Transportation Gross Income, and we expect that we will not earn a material amount of such income in future years. However, certain of our subsidiaries which have made special U.S. tax elections to be treated as partnerships or disregarded as entities separate from us for U.S. federal income tax purposes are potentially engaged in activities which could give rise to U.S. Source International Transportation Gross Income. Unless the exemption from U.S. taxation under Section 883 of the Code (or the *Section 883 Exemption*) applies, our U.S. Source International Transportation Gross Income generally is subject to U.S. federal income taxation under either the net basis and branch profits taxes or the 4% gross basis tax, each of which is discussed below.

The Section 883 Exemption. In general, the Section 883 Exemption provides that if a non-U.S. corporation satisfies the requirements of Section 883 of the Code and the Treasury Regulations thereunder (or the *Section 883 Regulations*), it will not be subject to the net basis and branch profits taxes or the 4% gross basis tax described below on its U.S. Source International Transportation Gross Income. As discussed below, we believe that under our current ownership structure, the Section 883 Exemption will apply and we will not be taxed on our U.S. Source International Transportation Gross Income. The Section 883 Exemption does not apply to U.S. Source Domestic Transportation Gross Income.

A non-U.S. corporation will qualify for the Section 883 Exemption if, among other things, it (i) is organized in a jurisdiction outside the United States that grants an exemption from tax to U.S. corporations on international Transportation Gross Income (or an *Equivalent Exemption*), (ii) meets one of three ownership tests (or *Ownership Tests*) described in the Section 883 Regulations, and (iii) meets certain substantiation, reporting and other requirements (or the *Substantiation Requirements*).

We are organized under the laws of the Republic of the Marshall Islands. The U.S. Treasury Department has recognized the Republic of the Marshall Islands as a jurisdiction that grants an Equivalent Exemption. We also believe that we will be able to satisfy the Substantiation Requirements necessary to qualify for the Section 883 Exemption. Consequently, our U.S. Source International Transportation Gross Income (including for this purpose, our share of any such income earned by our subsidiaries that have properly elected to be treated as partnerships or disregarded as entities separate from us for U.S. federal income tax purposes) will be exempt from U.S. federal income taxation provided we satisfy one of the Ownership Tests. We believe that we should satisfy one of the Ownership Tests because our stock is primarily and regularly traded on an established securities market in the United States within the meaning of Section 883 of the Code and the Section 883 Regulations. We can give no assurance, however, that changes in the ownership of our stock subsequent to the date of this report will permit us to continue to qualify for the Section 883 exemption.

Net Basis Tax and Branch Profits Tax. If the Section 883 Exemption does not apply, our U.S. Source International Transportation Gross Income may be treated as effectively connected with the conduct of a trade or business in the United States (or *Effectively Connected Income*) if we have a fixed place of business in the United States and substantially all of our U.S. Source International Transportation Gross Income is attributable to regularly scheduled transportation or, in the case of income derived from bareboat charters, is attributable to a fixed place of business in the United States. Based on our current operations, none of our potential U.S. Source International Transportation Gross Income is attributable to regularly scheduled transportation or is derived from bareboat charters attributable to a fixed place of business in the United States. As a result, we do not anticipate that any of our U.S. Source International Transportation Gross Income will be treated as Effectively Connected Income. However, there is no assurance that we will not earn income pursuant to regularly scheduled transportation or bareboat charters attributable to a fixed place of business in the United States in the future, which will result in such income being treated as Effectively Connected Income.

U.S. Source Domestic Transportation Gross Income generally will be treated as Effectively Connected Income. However, we do not anticipate that a material amount of our income has been or will be U.S. Source Domestic Transportation Gross Income.

Any income we earn that is treated as Effectively Connected Income would be subject to U.S. federal corporate income tax (which statutory rate as of the end of 2021 was 21%), and a 30% branch profits tax imposed under Section 884 of the Code. In addition, a branch interest tax could be imposed on certain interest paid or deemed paid by us.

On the sale of a vessel that has produced Effectively Connected Income, we generally would be subject to the net basis and branch profits taxes with respect to our gain recognized up to the amount of certain prior deductions for depreciation that reduced Effectively Connected Income. Otherwise, we would not be subject to U.S. federal income tax with respect to a gain realized on the sale of a vessel, provided the sale is considered to occur outside of the United States under U.S. federal income tax principles.

The 4% Gross Basis Tax. If the Section 883 Exemption does not apply and we are not subject to the net basis and branch profits taxes described above, we will be subject to a 4% U.S. federal income tax on our U.S. Source International Transportation Gross Income, without benefit of deductions. For 2021, we estimate that if the Section 883 Exemption and the net basis tax did not apply, the U.S. federal income tax on such U.S. Source International Transportation Gross Income would have been approximately $5.6 million. If the Section 883 Exemption does not apply, the amount of such tax for which we are liable in any year will depend upon the amount of income we earn from voyages into or out of the United States in such year, however, which is not within our complete control.

Marshall Islands Taxation

Because we and our controlled affiliates do not, and we do not expect that we or they will, conduct business, operations, or transactions in the Republic of the Marshall Islands, neither we nor our controlled affiliates are subject to income, capital gains, profits or other taxation under current Marshall Islands law, other than taxes, fines, or fees due to (i) the incorporation, dissolution, continued existence, merger, domestication (or similar concepts) of legal entities registered in the Republic of the Marshall Islands, (ii) filing certificates (such as certificates of incumbency, merger, or re-domiciliation) with the Marshall Islands registrar, (iii) obtaining certificates of good standing from, or certified copies of documents filed with, the

Marshall Islands registrar, (iv) compliance with Marshall Islands law concerning vessel ownership, such as tonnage tax, or (v) non-compliance with economic substance regulations or with requests made by the Marshall Islands Registrar of Corporations relating to our books and records and the books and records of our subsidiaries. As a result, distributions by our controlled affiliates to us are not subject to Marshall Islands taxation.

Other Taxation

We and our subsidiaries are subject to taxation in certain non-U.S. jurisdictions because we or our subsidiaries are either organized, or conduct business or operations, in such jurisdictions. In other non-U.S. jurisdictions, we and our subsidiaries rely on statutory exemptions from tax. However, we cannot assure that any statutory exemptions from tax on which we or our subsidiaries rely will continue to be available as tax laws in those jurisdictions may change or we or our subsidiaries may enter into new business transactions relating to such jurisdictions, which could affect our or our subsidiaries' tax liability.

Item 4A. Unresolved Staff Comments

None.

Item 5. Operating and Financial Review and Prospects

The following discussion should be read in conjunction with the consolidated financial statements and notes thereto appearing elsewhere in this report.

In addition, refer to item 5 in our Annual Report on Form 20-F for the year ended December 31, 2020 for our discussion and analysis comparing financial condition and results of operations from 2020 to 2019.

Management's Discussion and Analysis of Financial Condition and Results of Operations

General

We were formed in October 2007 by Teekay Corporation (NYSE: TK), a leading provider of international crude oil and other marine transportation services, and we completed our initial public offering in December 2007. Our business is to own and operate crude oil and product tankers, and we employ a chartering strategy that seeks to capture upside opportunities in the tanker spot market while using fixed-rate time charters and full service lightering (or *FSL*) contracts to reduce potential downside risks. Our mix of vessels trading in the spot market, or subject to fixed-rate time charters will change from time to time. In addition to our core business, we also provide ship-to-ship (or *STS*) support services, along with our tanker commercial management and technical management operations. We believe this improves our ability to manage the cyclicality of the tanker market through the less volatile cash flows generated by these operational areas. Historically, the tanker industry has experienced volatility in profitability due to changes in the supply of, and demand for, tanker capacity. Tanker supply and demand are each influenced by several factors beyond our control.

Teekay Corporation holds a majority of the voting power of our common stock, which includes Class A common stock and Class B common stock.

Significant Developments in 2021 and Early 2022

Conflict in Ukraine

In late February 2022, the Russian Federation invaded Ukraine. This follows Russia's involvement in divesting control by Ukraine of the Crimea region and certain parts of south-eastern Ukraine starting in 2014. In response to both events, the United States, several European Union nations, and other countries announced a series of sanctions and executive orders against citizens, entities, and activities connected to Russia and, with respect to the sanctions and orders announced in 2022, Belarus. The sanctions imposed following the 2022 invasion have been numerous and significant in scope. In addition, the United States and several other countries have announced prohibitions on the importation of Russian oil or intentions to cut back on their reliance on Russian oil. Furthermore, several of the world's largest oil and gas companies, pension and wealth funds and other asset managers have announced divestments of Russian holdings and assets, including those related to the crude oil and petroleum products industries. As at the date of this Annual Report, the conflict is ongoing and, as a result, additional sanctions and executive orders may be implemented that could further impact the trade of crude oil and petroleum products, as well as the supply of Russian oil to the global market and the demand for, and price of, oil and petroleum products.

Novel Coronavirus (COVID-19) Pandemic

The COVID-19 global pandemic resulted in a significant decline in global demand for oil during 2020; although oil demand partially recovered in 2021, new outbreaks may continue to have a negative impact on oil demand in the future. As our business is primarily the transportation of crude oil and refined petroleum products on behalf of our customers, any significant decrease in demand for the cargo we transport could adversely affect demand for our vessels and services.

For the year ended December 31, 2021, we did not experience any material business interruptions as a result of the COVID-19 global pandemic. Spot tanker rates have come under pressure since mid-May 2020 as a result of significantly reduced oil demand due to the COVID-19 global pandemic and the subsequent decision by the OPEC+ group of oil producers to implement record oil supply cuts. Reduced oil production from other oil producing nations due to the impact of the COVID-19 global pandemic, as well as the unwinding of floating storage and the delivery of newbuilding vessels to the world tanker fleet, has also contributed to the weakness in tanker rates. The COVID-19 global pandemic was also a contributing factor to the write-down of certain tankers as described in "Item 18 – Financial Statements: Note 19 - Write-down and Loss on Sale of

Assets", and the reduction in certain tax accruals as described in "Item 18 – Financial Statements: Note 21 - Income Tax Recovery (Expense)" of this Annual Report. We continue to monitor the potential impact of the COVID-19 global pandemic on us and our industry, including counterparty risk associated with our vessels under contract and the impact on potential vessel impairments. We have also introduced a number of measures to protect the health and safety of the crews on our vessels, as well as our onshore staff.

Effects of the COVID-19 global pandemic may include, among others: deterioration of worldwide, regional or national economic conditions and activity and of demand for oil, including due to a potential slowdown in oil demand due to a resurgence of COVID-19 cases and variants in many regions and the potential for continued or renewed restrictions and lockdowns; operational disruptions to us or our customers due to worker health risks and the effects of regulations, directives or practices implemented in response to the pandemic (such as travel restrictions for individuals and vessels and quarantining and physical distancing); potential delays in (a) the loading and discharging of cargo on or from our vessels, (b) vessel inspections and related certifications by class societies, customers or government agencies, (c) maintenance, modifications or repairs to, or dry docking of, our existing vessels due to worker health or other business disruptions, and (d) the timing of crew changes; reduced cash flow and financial condition, including potential liquidity constraints; potential reduced access to capital as a result of any credit tightening generally or due to declines in global financial markets; potential reduced ability to opportunistically sell any of our vessels on the second-hand market, either as a result of a lack of buyers or a general decline in the value of second-hand vessels; potential decreases in the market values of our vessels and any related impairment charges or breaches relating to vessel-to-loan financial covenants; and potential deterioration in the financial condition and prospects of our customers or business partners.

Given the dynamic nature of the pandemic, including the development of variants of the virus that cause COVID-19 and the levels of effectiveness and delivery of vaccines and other actions to contain or treat the virus, the duration of any potential business disruption and the related financial impact and effects on us and our suppliers, customers and industry, cannot be reasonably estimated at this time and could materially affect our business, results of operations and financial condition. Please read “Item 3 - Key Information - Risk Factors” for additional information about potential risks of the COVID-19 global pandemic on our business.

Vessel Sales

In February 2021, we agreed to sell two Aframax tankers for a total price of $32.0 million. Both tankers were delivered to their new owners in March 2021.

In August 2021, we agreed to sell one Aframax tanker for $11.7 million. The tanker was delivered to its new owner in September 2021.

In November 2021, we agreed to sell one Aframax tanker for $13.0 million. The tanker was delivered to its new owner in December 2021.

During the first quarter of 2022, we agreed to sell one Suezmax tanker and two Aframax tankers for a total price of $43.6 million. The Suezmax tanker was delivered to its new owner in February 2022 and the Aframax tankers are expected to be delivered to their new owners in April 2022.

Vessel Purchases

In May 2021, we completed the purchases of two Suezmax tankers previously under the sale-leaseback arrangements described in "Item 18 - Financial Statements: Note 10 - Operating Leases and Obligations Related to Finance Leases" of this Annual Report, for a total cost of $56.7 million, using available cash and an undrawn credit facility.

In September 2021, we completed the purchases of six Aframax tankers previously under the sale-leaseback arrangements described in "Item 18 - Financial Statements: Note 10 - Operating Leases and Obligations Related to Finance Leases" of this Annual Report, for a total cost of $128.8 million, using available cash and an undrawn credit facility.

Time Chartered-in Vessels

In June 2021 and July 2021, we entered into time charter-in contracts for a LR2 product tanker and an Aframax tanker, and entered into a new time charter-in contract for an existing time chartered-in Aframax tanker, for terms of 18 to 24 months at an average rate of $17,800 per day. Each of the charters provides us with the option to extend for an additional 12 months at an average rate of $19,800 per day. The new time charter-in contract for the existing time chartered-in Aframax tanker commenced in August 2021, and the LR2 product tanker and Aframax tanker were delivered to us in September 2021 and November 2021, respectively.

Sale-leaseback Financing Transactions

In September 2021, we completed a $72.8 million sale-leaseback financing transaction relating to two Suezmax tankers and two Aframax tankers. Each vessel is leased on a bareboat charter for eight years, with purchase options available commencing at the end of the second year.

In November 2021, we completed a $68.9 million sale-leaseback financing transaction relating to four Aframax tankers. Each vessel is leased on a bareboat charter for seven years, with purchase options available throughout the lease terms and a purchase obligation at the end of the leases.

In March 2022, we completed a $177.3 million sale-leaseback financing transaction relating to eight Suezmax tankers. The vessels are leased on bareboat charters ranging from six to nine-year terms, respectively, with purchase options available commencing at the end of the second year.

Time Chartered-out Vessels

In December 2021, we entered into a time charter-out contract for one Aframax tanker with a one-year term at a daily rate of $18,000. This time charter-out contract commenced in late-December 2021.

Important Financial and Operational Terms and Concepts

We use a variety of financial and operational terms and concepts when analyzing our performance. These include the following:

Revenues. Revenues primarily include revenues from time charters, voyage charters and full service lightering and lightering support services. Revenues are affected by hire rates and the number of days a vessel operates. Revenues are also affected by the mix of our business between time charters and voyage charters and to a lesser extent, whether our vessels are subject to a revenue sharing agreement (or *RSA*). Hire rates for voyage charters are more volatile, as they are typically tied to prevailing market rates at the time of a voyage. Our charters are explained further below.

Voyage Expenses. Voyage expenses are all expenses unique to a particular voyage, including any fuel expenses, port fees, cargo loading and unloading expenses, canal tolls, agency fees and commissions. Voyage expenses are typically paid by the shipowner under voyage charters and the customer under time charters, except when the vessel is off hire during the term of a time charter, in which case, the shipowner pays voyage expenses.

Net Revenues. Net revenues represents (loss) income from operations before vessel operating expenses, time-charter hire expenses, depreciation and amortization, general and administrative expenses, write-down and loss on sale of assets, and restructuring charges. This is a non-GAAP financial measure; for more information about this measure, please read "Item 5 - Operating and Financial Review and Prospects - Non-GAAP Finance Measures".

Vessel Operating Expenses. We are responsible for vessel operating expenses, which include crewing, repairs and maintenance, insurance, stores, lube oils and communication expenses. The two largest components of our vessel operating expenses are crew costs and repairs and maintenance. We expect these expenses to increase as our fleet matures and to the extent that it expands.

(Loss) Income from Vessel Operations. To assist us in evaluating our operations, we analyze the loss or income we receive after deducting operating expenses, but prior to interest expense, interest income, realized and unrealized gains or losses on derivative instruments, equity income or losses, and other income or expenses.

Dry Docking. We must periodically dry dock each of our vessels for inspection, repairs and maintenance and any modifications to comply with industry certification or governmental requirements. Generally, we dry dock each of our vessels every two and a half to five years, depending upon the age of the vessel. We capitalize a substantial portion of the costs incurred during dry docking and amortize those costs on a straight-line basis from the completion of a dry docking over the estimated useful life of the dry dock. We expense, as incurred, costs for routine repairs and maintenance performed during dry dockings that do not improve or extend the useful lives of the assets. The number of dry dockings undertaken in a given period and the nature of the work performed determine the level of dry docking expenditures.

Depreciation and Amortization. Our depreciation and amortization expense typically consists of charges related to the depreciation of the historical cost of our fleet (less an estimated residual value) over the estimated useful lives of our vessels, charges related to the amortization of dry docking expenditures over the estimated number of years to the next scheduled dry docking, and charges related to the amortization of our intangible assets over the estimated useful life of 10 years.

Time-Charter Equivalent (TCE) Rates. Bulk shipping industry freight rates are commonly measured in the shipping industry at the net revenues level in terms of “time-charter equivalent” (or *TCE*) rates, which represent net revenues divided by revenue days. We calculate TCE rates as net revenue per revenue day before costs to commercially manage our vessels, and off-hire bunker expenses.

Revenue Days. Revenue days are the total number of calendar days our vessels were in our possession during a period, less the total number of off-hire days during the period associated with major repairs or modifications, dry dockings, or special or intermediate surveys. Consequently, revenue days represents the total number of days available for the vessel to earn revenue. Idle days, which are days when the vessel is available for the vessel to earn revenue yet is not employed, are included in revenue days. We use revenue days to explain changes in our net revenues between periods.

Average Number of Ships. Historical average number of ships consists of the average number of vessels that were in our fleet during a period. We use average number of ships primarily to highlight changes in vessel operating expenses and depreciation and amortization.

Our Charters

We generate revenues by charging customers for the transportation of their crude oil using our vessels. Historically, these services generally have been provided under the following basic types of contractual relationships:

- Voyage charters are charters for shorter intervals that are priced on a current or spot market rate; and
- Time charters, whereby vessels are chartered to customers for a fixed period of time at rates that are generally fixed, but may contain a variable component based on inflation, interest rates or current market rates.

The table below illustrates the primary distinctions among these types of charters and contracts:

	Voyage Charter	Time Charter
Typical contract length	Single voyage	One year or more
Hire rate basis [1]	Varies	Daily
Voyage expenses [2]	We pay	Customer pays
Vessel operating expenses [3]	We pay	We pay
Off hire [4]	Customer does not pay	Customer does not pay

(1) Hire rate refers to the basic payment from the charterer for the use of the vessel.

(2) Voyage expenses are all expenses unique to a particular voyage, including any fuel expenses, port fees, cargo loading and unloading expenses, canal tolls, agency fees and commissions.

(3) Vessel operating expenses include crewing, repairs and maintenance, insurance, stores, lube oils and communication expenses.

(4) Off hire refers to the time a vessel is not available for service.

Summary Financial Data

Set forth below is summary consolidated financial and other data of Teekay Tankers Ltd. and its subsidiaries for fiscal years 2020 and 2021, which have been derived from our consolidated financial statements. The following table should be read together with, and is qualified in its entirety by reference to, the consolidated financial statements and accompanying notes for the years ended December 31, 2021 and 2020 (which are included herein).

	Year Ended December 31,	
(in thousands of U.S. dollars, except share and fleet data)	**2021**	**2020**
GAAP Financial Comparison:		
Income Statement Data:		
Revenues	542,367	886,434
(Loss) income from operations	(194,095)	141,573
Net (loss) income	(242,372)	87,317
(Loss) earnings per share - diluted	(7.16)	2.57
Balance Sheet Data (at end of year):		
Cash and cash equivalents	50,572	97,232
Total vessels and equipment [1]	1,351,255	1,557,829
Total debt [2]	639,772	613,004
Total equity	838,412	1,078,902
Non GAAP Financial Comparison: [3]		
Net revenues	227,246	589,209
EBITDA	(103,310)	262,138
Adjusted EBITDA	3,016	335,647
Fleet Data:		
Average number of tankers [4]		
Suezmax	26.0	26.5
Aframax	16.2	19.1
Product	9.4	11.0
VLCC	0.5	0.5

(1) Total vessels and equipment consist of (a) our vessels, at cost less accumulated depreciation, (b) vessels related to finance leases, at cost less accumulated depreciation, and (c) operating lease right-of-use assets.

(2) Total debt includes short-term debt, current and long-term portion of long-term debt, and current and long-term portion of obligations related to finance leases.

(3) Net revenues, EBITDA and Adjusted EBITDA are non-GAAP financial measures. An explanation of the usefulness and purpose of each measure as well as a reconciliation to the most directly comparable financial measure calculated and presented in accordance with GAAP are contained with the section "Non-GAAP Financial Measures" at the end of this Item 5 - Operating and Financial Review and Prospects.

(4) Average number of tankers consists of the average number of vessels that were in our possession during a period, including time-chartered in vessels, and the vessel owned by our High-Q Investment Ltd. (or *High-Q*) joint venture with Wah Kwong Maritime Transport Holdings Ltd.

Items You Should Consider When Evaluating Our Results of Operations

You should consider the following factors when evaluating our historical financial performance and assessing our future prospects:

- **Our voyage revenues are affected by cyclicality in the tanker markets.** The cyclical nature of the tanker industry causes significant increases or decreases in the revenue we earn from our vessels, particularly those we trade in the spot market.

- **Tanker rates also fluctuate based on seasonal variations in demand**. Tanker markets are typically stronger in the winter months as a result of increased oil consumption in the northern hemisphere but weaker in the summer months as a result of lower oil consumption in the northern hemisphere and increased refinery maintenance. In addition, unpredictable weather patterns during the winter months tend to disrupt vessel scheduling, which historically has increased oil price volatility and oil trading activities in the winter months. As a result, revenues generated by our vessels have historically been weaker during the quarters ended June 30 and September 30, and stronger in the quarters ended December 31 and March 31.

- **The COVID-19 pandemic could have material adverse effects on our business, results of operations, or financial condition.** For the year ended December 31, 2021, we did not experience any material business interruptions as a result of the COVID-19 global pandemic. Please refer to "Significant Developments in 2021 and Early 2022" above for additional information and read "Item 3 - Key Information - Risk Factors" for additional information about the potential risks of the COVID-19 global pandemic on our business.

- **Our U.S. Gulf lightering business competes with alternative methods of delivering crude oil to ports and exports to offshore for consolidation onto larger vessels, which may limit our earnings in this area of our operations.** Our U.S. Gulf lightering business faces competition from alternative methods of delivering crude oil shipments to port and exports to offshore for consolidation onto larger vessels, including Louisiana Offshore Oil Platform and deep water terminals in Corpus Christi and Houston, Texas which can partially load Very Large Crude Carriers (or *VLCCs*). While we believe that lightering offers advantages over alternative methods of delivering crude oil to and from U.S. Gulf ports, our lightering revenues may be limited due to the availability of alternative methods.

- **Vessel operating and other costs are facing industry-wide cost pressures**. The shipping industry continues to forecast a shortfall in qualified personnel. We will continue to focus on our manning and training strategies to meet future needs. In addition, factors such as client demands for enhanced training and physical equipment, pressure on commodity and raw material prices, an increasing cost of freight, as well as changes in regulatory requirements could also contribute to operating expenditure increases. We continue to take action aimed at improving operational efficiencies, and to temper the effect of inflationary and other price escalations; however, increases to operational costs may well occur in the future.

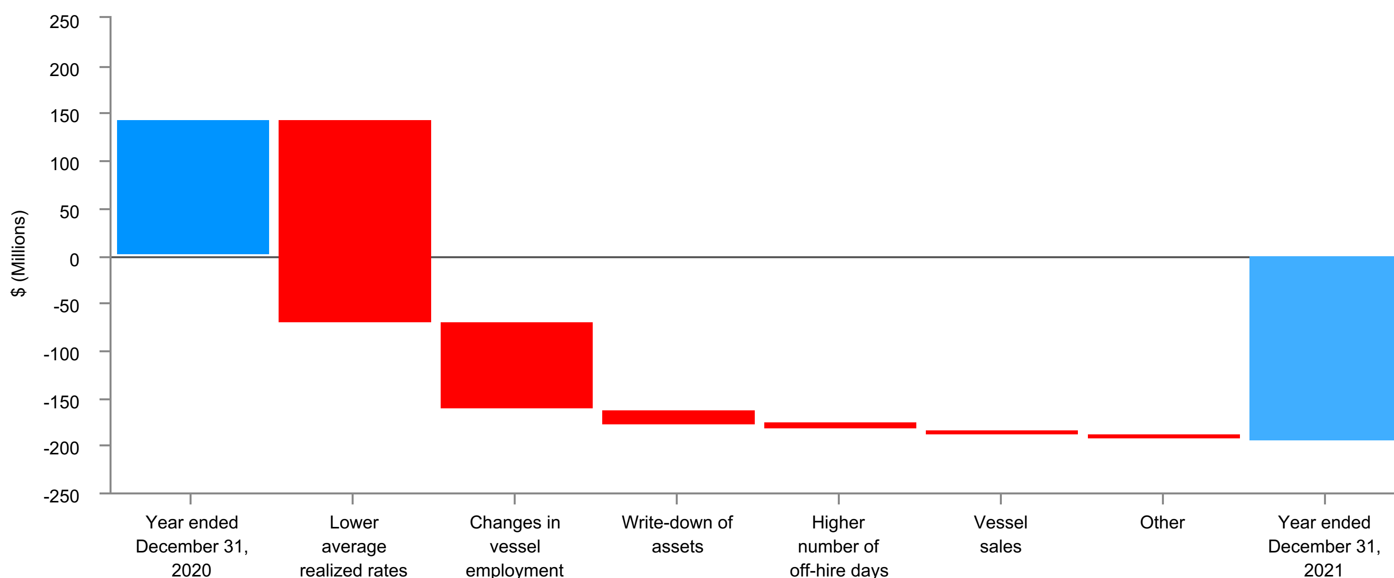
- **The amount and timing of vessel dry dockings and major modifications can significantly affect our revenues between periods**. Our vessels are normally off hire when they are being dry docked. We had 10 vessels dry dock in 2021, compared to 11 vessels which dry docked in 2020. During the fourth quarter of 2021, an additional four vessels were off hire while installing ballast water treatment systems (or *BWTS*). The total number of off-hire days relating to dry dockings and BWTS installations during the years ended December 31, 2021 and 2020 were 611 and 520, respectively. For our current fleet, there are 10 owned and leased vessels scheduled to dry dock in 2022, as well as three owned and leased vessels scheduled for BWTS installation, without dry docking, in 2022.

Results of Operations

In accordance with GAAP, we report gross revenues in our consolidated statements of (loss) income and include voyage expenses among our operating expenses. However, shipowners base economic decisions regarding the deployment of their vessels upon anticipated TCE rates, which represent net revenues (or (loss) income from operations before vessel operating expenses, time-charter hire expenses, depreciation and amortization, general and administrative expenses, write-down and loss on sale of assets, and restructuring charges), which includes voyage expenses, divided by revenue days; in addition, industry analysts typically measure bulk shipping freight and hire rates in terms of TCE rates. This is because under time charter-out contracts, the customer usually pays the voyage expenses, while under voyage charters the ship-owner usually pays the voyage expenses, which typically are added to the hire rate at an approximate cost (as is also described in "Our Charters" above). Accordingly, the discussion of revenue below focuses on net revenues and TCE rates (both of which are non-GAAP financial measures) where applicable.

Summary

Our consolidated loss from operations was $194.1 million for the year ended December 31, 2021 compared to income from operations of $141.6 million for the year ended December 31, 2020. The primary reasons for this decrease are as follows:



- a net decrease of $213.3 million as a result of lower overall average realized spot TCE rates earned by our Suezmax tankers, Aframax tankers and LR2 product tankers, as well as lower earnings from our FSL dedicated vessels;
- a net decrease of $91.0 million due to various vessels on time-charter out contracts earning lower fixed rates during the first half of 2021 compared to the spot rates realized during the first half of 2020 and various vessels returning from time-charter out contracts earning lower spot rates during 2021 compared to previous fixed rates;
- a net decrease of $14.5 million due to write-downs related to two tankers that were held for sale, two tankers that were sold, and the impairment of seven tankers and one right-of-use asset during 2021 due to a weaker near-term tanker market outlook and a reduction in certain charter rates as a result of the economic environment, compared to the impairment of nine tankers and four right-of-use assets during 2020;
- a decrease of $7.3 million due to more off-hire days and off-hire bunker expenses related to increased dry dockings, BWTS installations, and vessel repairs, as well as higher overall bunker costs in 2021 compared to 2020; and
- a decrease of $4.6 million due to the sale of three Suezmax tankers in the first quarter of 2020 and four Aframax tankers during 2021.

On April 30, 2020, we completed the sale of the non-U.S. portion of our STS support services business, as well as our LNG terminal management business. Following this sale, we have only one reportable segment. For periods prior to the sale, we managed our business and analyzed and reported our results of operations on the basis of two reportable segments: the tanker segment and the STS transfer segment. The segment information for all periods has been adjusted to be consistent with the segment presentation after the sale. Please read “Item 18 - Financial Statements: Note 4 - Segment Reporting” of this Annual Report.

Details of the changes to our results of operations for each of our segments for the years ended December 31, 2021 and 2020 are provided below.

Year Ended December 31, 2021 versus Year Ended December 31, 2020

Tanker Segment

Our tanker segment consists of crude oil and product tankers that (i) are subject to long-term, fixed-rate time-charter contracts (which have an original term of one year or more), (ii) operate in the spot tanker market, or (iii) are subject to time-charters that are priced on a spot market basis or are short-term, fixed-rate contracts (which have original terms of less than one year), including those employed on FSL contracts. In addition, our tanker segment also includes our US-based STS support services.

The following table presents the operating results of our tanker segment for the years ended December 31, 2021 and 2020 and compares net revenues, a non-GAAP financial measure, for those periods to (loss) income from operations, the most directly comparable GAAP financial measure.

	Year Ended December 31,		
(in thousands of U.S. dollars, except percentages)	2021	2020	% Change
Revenues	542,367	879,442	(38)%
Voyage expenses	(315,121)	(297,225)	6%
Net revenues	227,246	582,217	(61)%
Vessel operating expenses	(165,375)	(178,293)	(7)%
Time-charter hire expenses	(13,799)	(36,341)	(62)%
Depreciation and amortization	(106,084)	(116,719)	(9)%
General and administrative expenses (1)	(43,715)	(38,379)	14%
Write-down and loss on sale of assets	(92,368)	(72,527)	27%
Restructuring charges	—	(1,398)	(100)%
(Loss) income from operations	(194,095)	138,560	(240)%
Equity (loss) income	(14,107)	5,100	(377)%

(1) Includes direct general and administrative expenses and indirect general and administrative expenses (allocated to each segment based on estimated use of corporate resources). See the discussion under “Other Operating Results” below.

Net Revenues. Net revenues were $227.2 million for the year ended December 31, 2021 compared to $582.2 million for the year ended December 31, 2020. The decrease was primarily due to:

- a net decrease of $198.1 million due to lower overall average realized spot rates earned by our Suezmax tankers, Aframax tankers and LR2 product tankers in 2021 compared to 2020;
- a decrease of $91.0 million primarily due to various vessels on time-charter out contracts earning lower fixed rates during the first half of 2021 compared to the spot rates realized during the first half of 2020 and various vessels returning from time-charter out contracts earning lower spot rates during 2021 compared to previous fixed rates;
- a net decrease of $40.5 million primarily due to the sale of three Suezmax tankers during the first quarter of 2020 and the sale of four Aframax tankers during 2021, as well as the redeliveries of three Aframax and two LR2 in-chartered tankers to their owners during the first quarter of 2020, the fourth quarter of 2020 and the first quarter of 2021, partially offset by the addition of one Aframax in-chartered tanker and one LR2 in-chartered tanker that were delivered to us during the second half of 2021;
- a decrease of $14.0 million primarily due to lower net results from our FSL activities resulting from lower overall average FSL spot rates in 2021 compared to 2020;
- a decrease of $7.3 million primarily due to more off-hire days and off-hire bunker expenses related to increased dry dockings, BWTS installations, and vessel repairs, as well as higher overall bunker costs in 2021 compared to 2020;
- a decrease of $2.1 million due to lower revenue earned from our responsibilities in employing the vessels subject to the RSAs in 2021 compared to 2020; and
- a decrease of $2.1 million due to one fewer calendar day in 2021 compared to 2020.

Vessel Operating Expenses. Vessel operating expenses were $165.4 million for the year ended December 31, 2021 compared to $178.3 million for the year ended December 31, 2020. The decrease was primarily due to a reduction of $8.2 million due to the sale of seven tankers during 2020 and 2021, as well as a net reduction of $4.7 million mainly due to the scope of repair and planned maintenance activities in 2021 compared to 2020, as well as lower expenditures for ship management costs in 2021.

Time-charter Hire Expenses. Time-charter hire expenses were $13.8 million for the year ended December 31, 2021 compared to $36.3 million for the year ended December 31, 2020. The decrease was primarily due to a reduction of $21.3 million related to the redeliveries of eight chartered-in vessels during 2020 and 2021, including five tankers and three lightering support vessels, partially offset by the delivery of four chartered-in vessels during the second half of 2020 and 2021, including two tankers and two lightering support vessels, a decrease of $0.8 million due to the impairments of certain operating lease right-of-use assets related to chartered-in vessels, as well as a decrease of $0.5 million due to a lower daily charter rate for one chartered-in vessel as part of its new contract, which was entered into during the third quarter of 2021.

Depreciation and Amortization. Depreciation and amortization was $106.1 million for the year ended December 31, 2021 compared to $116.7 million for the year ended December 31, 2020. The decrease was primarily due to a reduction of $7.6 million related to the impairments of 14 tankers during the second half of 2020 and first half of 2021, a decrease of $5.6 million related to the sale of four Aframax tankers during 2021, partially offset by an increase of $2.6 million primarily due to depreciation related to capitalized expenditures for vessels which dry docked during 2020 and 2021.

Write-down and Loss on Sale of Assets. The write-down and loss on sale of assets of $92.4 million for the year ended December 31, 2021 was due to:

- the impairments recorded on three Suezmax tankers, three LR2 tankers and one Aframax tanker primarily due to a weaker near-term tanker market outlook and a reduction in certain charter rates, resulting from the economic climate to which the COVID-19 global pandemic is a contributing factor, which resulted in a write-down of $85.0 million during the year ended December 31, 2021;
- the write-downs of one Aframax tanker and one Suezmax tanker by $4.6 million to their estimated and agreed sales prices, respectively;
- the sale of two Aframax tankers during the second half of 2021, which resulted in an aggregate net loss of $2.1 million; and
- the impairment recorded on one of our operating lease right-of-use assets resulting from a decline in short-term time charter rates, which resulted in a write-down of $0.7 million during the year ended December 31, 2021.

The write-down and loss on the sale of assets of $72.5 million for the year ended December 31, 2020 was due to:

- the impairments recorded on nine of our Aframax tankers primarily due to a decline in spot tanker rates, short-term time charter rates, and vessel values resulting from the economic climate to which the COVID-19 global pandemic was a contributing factor, which resulted in a write-down of $65.4 million;
- the impairments recorded on our operating lease right-of-use assets primarily due to a reduction in short-term time charter rates, which resulted in a write-down of $2.9 million;
- the sale of three Suezmax tankers in the first quarter of 2020, which resulted in an aggregate net loss of $2.6 million; and
- the write-down of two Aframax tankers by $1.6 million to their estimated sales prices.

Restructuring Charges. Restructuring charges of $1.4 million for the year ended December 31, 2020 were related to estimated severance costs resulting from organizational changes to our tanker services and operations, partially related to the sale of the non-U.S. portion of our ship-to-ship support services business in April 2020.

Equity (Loss) Income. Equity loss was $14.1 million for the year ended December 31, 2021 compared to equity income of $5.1 million for the year ended December 31, 2020. The decrease for the year ended December 31, 2021 was primarily due to a write-down of our investment in the High-Q joint venture, in which we have a 50% ownership interest, mainly resulting from a decline in value of the VLCC as a result of the current tanker market to which the COVID-19 global pandemic has been a contributing factor, as well as lower spot rates realized by the VLCC, which has been trading in a third-party managed VLCC pooling arrangement.

Please refer to "Item 18 – Financial Statements: Note 5 – Investment in and Advances to Equity-Accounted Joint Venture".

Tanker Market

Spot tanker rates fell to multi-decade lows in 2021 as the COVID-19 global pandemic and ongoing OPEC+ production cuts had a negative impact on tanker demand. As per the International Energy Agency (or *IEA*), global oil demand grew by 5.5 million barrels per day (or *mb/d*) to 96.4 mb/d in 2021. Although this was a significant rebound compared to demand of 90.9 mb/d in 2020, it still left global oil demand approximately 3 mb/d below pre-COVID-19 levels. The emergence of new COVID-19 variants dampened both mobility and oil demand at times during the year as countries periodically implemented new restrictions in order to stop the spread. This was most evident during the second and third quarters of 2021, with the emergence of the Delta variant and at the end of the year with the emergence of the Omicron variant.

Global oil production failed to keep pace with demand in 2021, registering growth of just 1.5 mb/d to 95.3 mb/d. This was largely due to restrained supply from the OPEC+ group of producers as part of their strategy to reduce global oil inventories and give support to oil prices. In this respect, OPEC+ was largely successful; by the end of 2021, OECD oil inventories had fallen to their lowest level in seven years and by January 2022 oil prices had rebounded to $91 per barrel, the highest since October 2014. This proved to be very negative for the tanker market, as oil inventory drawdowns took away from tanker demand while higher oil prices led to an increase in bunker fuel costs. Tanker demand did start to improve in the latter half of 2021, with OPEC+ announcing that they would unwind remaining production cuts at a rate of 0.4 mb/d per month from August 2021 onwards. However, this had only a marginal impact on rates during the fourth quarter of 2021.

Looking ahead, global oil demand is expected to increase by 2.1 mb/d year-on-year in 2022 as per the IEA. However, the potential for further outbreaks of COVID-19, the impact of economic sanctions against Russia due to its invasion of Ukraine, and high global energy prices make this outlook highly uncertain. Global oil production is set to increase during 2022 as the OPEC+ group plans to unwind its remaining crude oil supply cuts by September 2022 while non-OPEC+ production is set to increase due to higher supply from the U.S., Canada, and Brazil. However, the potential for large-scale disruptions to Russian oil production as a result of sanctions could offset some of these gains. Sanctions against Russia could also lead to the rerouting of crude oil cargoes, which may be positive for tanker tonne-mile demand if it leads to an increase in average voyage distances, particularly in the Aframax and Suezmax sectors. Finally, the potential lifting of Iranian sanctions could alter tanker demand dynamics in the coming months depending on future developments.

Tanker fleet supply fundamentals continue to look very positive due to a lack of newbuild ordering, a diminishing tanker orderbook, and higher scrapping. As of January 2022, the tanker orderbook stood at 7.3 percent of the existing fleet size, which is the lowest since 1996 and well below the long-term average of around 20 percent. The level of newbuild orders remains very low, with just 3.4 million deadweight tons (or *mdwt*) placed in the second half of 2021, the lowest level of new orders placed in a six-month period since the first half of 2009. We expect that the level of new tanker orders will remain low in the near-term due to rising newbuild prices, which are currently at a 12 year high, and ongoing uncertainty over vessel technology. Tanker scrapping has picked up in recent months with 9.5 mdwt removed in the second half of 2021, the highest level since the first half of 2018. For 2021 as a whole, around 15 mdwt of tankers were scrapped versus only 3.5 mdwt in 2020. We expect the level of tanker scrapping to remain elevated in 2022 due to the combination of an aging world tanker fleet, weak freight rates in recent quarters, and high tanker

scrap prices. We are currently forecasting around 2 percent tanker fleet growth in 2022 followed by less than 1 percent in 2023 and potentially negative fleet growth in 2024 when ship removals are expected to outweigh new deliveries into the fleet.

In summary, we expect that spot tanker rates will recover from the multi-decade lows seen in 2021 due to a continued recovery in both oil demand and supply during the course of 2022. However, Russia's recent invasion of Ukraine has introduced a high level of uncertainty to the market outlook, and we expect rates to be volatile in 2022 as the market adjusts to changing conditions. The outlook for 2023 appears positive, as very low levels of tanker fleet growth and a continued recovery in oil demand are expected to lead to higher tanker fleet utilization, and therefore improved spot tanker rates.

Fleet and TCE Rates

As at December 31, 2021, we owned and leased 48 double-hulled oil tankers and time-chartered in two Aframax tankers and one LR2 tanker. We also owned a 50% interest in one VLCC tanker, the results of which are included in equity (loss) income.

As defined and discussed above, we calculate TCE rates as net revenue per revenue day before costs to commercially manage our vessels, and off-hire bunker expenses. The following tables outline the average TCE rates earned by vessels for 2021 and 2020:

	Tanker Segment — Year Ended December 31, 2021					
	Revenues [(1)(5)] (in thousands)	**Voyage Expenses** [(2)(5)] (in thousands)	**Adjustments** [(3)] (in thousands)	**TCE Revenues** (in thousands)	**Revenue Days**	**Average TCE per Revenue Day** [(3)]
Voyage-charter contracts - Suezmax	$ 259,075	$ (176,203)	$ 1,810	$ 84,682	8,786	$ 9,639
Voyage-charter contracts - Aframax [(4)]	$ 135,824	$ (88,294)	$ 792	$ 48,322	4,766	$ 10,137
Voyage-charter contracts - LR2 [(4)(5)]	$ 90,718	$ (58,932)	$ 1,529	$ 33,315	2,990	$ 11,144
Time-charter out contracts - Suezmax	$ 20,390	$ (675)	$ (219)	$ 19,496	436	$ 44,678
Time-charter out contracts - Aframax	$ 22,341	$ (742)	$ 268	$ 21,867	937	$ 23,352
Time-charter out contracts - LR2	$ 3,428	$ 24	$ (72)	$ 3,380	118	$ 28,534
Total	$ 531,776	$ (324,822)	$ 4,108	$ 211,062	18,033	$ 11,704

(1) Excludes $5.5 million of revenues related to the U.S. portion of our STS support services operations, $3.3 million of revenue earned from our responsibilities in employing the vessels subject to the RSAs and $1.5 million of bunker commissions earned.

(2) Includes $9.8 million of operating expenses related to providing lightering support services to our FSL operations.

(3) Adjustments primarily include off-hire bunker expenses, which are excluded from Average TCE per Revenue Day.

(4) Includes $52.2 million of revenues and $34.0 million of voyage expenses related to our FSL operations, which includes $9.8 million of operating expenses referenced in note (2) above related to FSL operations.

(5) Excludes $0.3 million of revenues and $0.1 million of voyage expenses related to a risk-sharing agreement that was entered into during the first quarter of 2019 for one time charter-in contract, which ended in the first quarter of 2021.

	Tanker Segment — Year Ended December 31, 2020					
	Revenues [(1)(5)] (in thousands)	**Voyage Expenses** [(2)(5)] (in thousands)	**Adjustments** [(3)] (in thousands)	**TCE Revenues** (in thousands)	**Revenue Days**	**Average TCE per Revenue Day** [(3)]
Voyage-charter contracts - Suezmax	$ 340,535	$ (125,547)	$ 3,629	$ 218,617	6,544	$ 33,405
Voyage-charter contracts - Aframax [(4)(5)]	$ 254,699	$ (114,171)	$ (87)	$ 140,441	6,255	$ 22,452
Voyage-charter contracts - LR2 [(4)(5)]	$ 137,023	$ (60,456)	$ 1,594	$ 78,161	3,502	$ 22,318
Time-charter out contracts - Suezmax	$ 107,543	$ (3,653)	$ (801)	$ 103,089	2,623	$ 39,298
Time-charter out contracts - Aframax	$ 13,262	$ (354)	$ 37	$ 12,945	548	$ 23,644
Time-charter out contracts - LR2	$ 6,793	$ (190)	$ 76	$ 6,679	242	$ 27,605
Total	$ 859,855	$ (304,371)	$ 4,448	$ 559,932	19,714	$ 28,402

(1) Excludes $5.1 million of revenue earned from our responsibilities in employing the vessels subject to the RSAs, $4.0 million of revenues related to the U.S. portion of our STS support services operations, $1.9 million of bunker commissions earned and a $1.1 million reduction of taxes recoverable from one of our customers.

(2) Includes $12.3 million of operating expenses related to providing lightering support services to our FSL operations.

(3) Adjustments primarily include off-hire bunker expenses, early exit fees incurred during the second quarter of 2020 for vessels that left the RSAs without sufficient notice and a redelivery fee received related to one time-charter out Suezmax tanker during the fourth quarter of 2020, which are excluded from Average TCE per Revenue Day.

(4) Includes $90.2 million of revenues and $45.0 million of voyage expenses related to our FSL operations, which includes $12.3 million of operating expenses referenced in note (2) above related to FSL operations.

(5) Excludes $9.5 million of revenues and $5.1 million of voyage expenses related to risk-sharing agreements that were entered into during the first quarter of 2019 for two time charter-in contracts, one of which ended in the first quarter of 2020.

Ship-to-ship Transfer Segment

Our STS transfer segment consisted of our non-U.S. lightering support services, as well as our LNG terminal management consultancy, procurement and other related services, which was sold in April 2020.

The following table presents the operating results for our STS transfer segment for the years ended December 31, 2021 and 2020.

	Year Ended December 31,		
(in thousands of U.S. dollars, except percentages)	2021	2020	% Change
Revenues	—	6,992	(100)%
Vessel operating expenses	—	(5,940)	(100)%
Depreciation and amortization	—	(493)	(100)%
General and administrative expenses (1)	—	(627)	(100)%
Gain on sale of assets	—	3,081	(100)%
Income from operations	—	3,013	(100)%

(1) Includes direct general and administrative expenses and indirect general and administrative expenses (allocated to each segment based on estimated use of corporate resources). See the discussion under “Other Operating Results” below.

Revenues, Vessel Operating Expenses, Depreciation and Amortization. Revenues, vessel operating expenses, and depreciation and amortization were $nil for the year ended December 31, 2021 due to the sale of the non-U.S. portion of our STS support services business as well as our LNG terminal management business during the second quarter of 2020.

Gain on Sale of Assets. The gain on the sale of assets of $3.1 million for the year ended December 31, 2020 was due to the gain on the sale of the non-U.S. portion of our STS support services business as well as our LNG terminal management business during the second quarter of 2020.

Other Operating Results

The following table compares our other operating results for the years ended December 31, 2021 and 2020:

	Year Ended December 31,	
(in thousands of U.S. dollars)	2021	2020
General and administrative expenses	(43,715)	(39,006)
Interest expense	(35,031)	(51,525)
Interest income	122	1,199
Realized and unrealized gain (loss) on derivative instruments	564	(2,220)
Other (expense) income	(1,756)	473
Income tax recovery (expense)	1,931	(7,283)

General and Administrative Expenses. General and administrative expenses were $43.7 million for the year ended December 31, 2021 compared to $39.0 million for the year ended December 31, 2020. The increase was primarily due to higher information technology-related costs, as well as higher administrative, strategic management, and other fees incurred under our management agreement with Teekay primarily resulting from increased time spent providing these services during the year ended December 31, 2021, and unfavorable foreign currency exchange rate fluctuations.

Interest Expense. Interest expense was $35.0 million for the year ended December 31, 2021 compared to $51.5 million for the year ended December 31, 2020. The decrease was primarily due to lower principal balances and interest rates associated with our finance lease obligations and loan facilities in 2021 compared to 2020, mainly resulting from the completion of new sale-leaseback transactions for eight vessels, which were repurchased under their previous sale-leaseback agreements during 2021; the sale of two Aframax tankers, previously under sale-leaseback arrangements, during the first quarter of 2021; as well as the debt refinancings completed in 2020. In addition, overall lower average LIBOR rates and the write-off of previously capitalized loan costs associated with the debt refinancings in the prior period also contributed to the decrease.

Realized and Unrealized Gain (Loss) on Derivative Instruments. Realized and unrealized gain on derivative instruments was $0.6 million for the year ended December 31, 2021 compared to a loss of $2.2 million for the year ended December 31, 2020.

In March 2020, we entered into a new interest rate swap with a notional amount of $50.0 million and a fixed rate of approximately 0.8%, which is scheduled to mature in December 2024. We incurred a realized loss of $0.3 million during the year ended December 31, 2021, compared to a gain of $0.5 million during the prior year, primarily due to lower average LIBOR rates.

As a result of changes in the long-term forward LIBOR rates, we recognized an unrealized gain of $1.4 million during the year ended December 31, 2021, compared to an unrealized loss of $1.5 million during the prior year under the interest rate swap agreements.

We use forward freight agreements (or *FFAs*) to increase or decrease our exposure to spot market rates, within defined limits. We incurred a realized loss of $0.6 million during the year ended December 31, 2021, compared to a realized loss of $1.2 million and an unrealized gain of $0.1 million during the prior year under the FFAs.

Other (Expense) Income. Other expense was $1.8 million for the year ended December 31, 2021, compared to other income of $0.5 million for the year ended December 31, 2020. The decrease in other income was primarily due to premiums paid in relation to the repurchase of eight vessels, previously under sale-leaseback arrangements, during 2021, as well as the amortization of a previously deferred gain during the prior period, partially offset by changes in foreign currency exchange rates related to our accrued tax balances.

Income Tax Recovery (Expense). Income tax recovery was $1.9 million for the year ended December 31, 2021 compared to an expense of $7.3 million for the year ended December 31, 2020. The decrease in expense was primarily due to lower freight taxes recognized in a certain jurisdiction, with higher freight taxes recognized in the prior period due to the uncertainty surrounding a tax law change and the limited transparency into the actions of the tax authority in this jurisdiction, as well as higher recoveries related to the expiry of the statute of limitations in certain jurisdictions during the year ended December 31, 2021, partially offset by a reversal of $15.2 million of freight tax liabilities in 2020 as a result of an agreement with a tax authority, which was based in part on an initiative of the tax authority in response to the COVID-19 global pandemic and included the waiver of interest and penalties on unpaid taxes. For additional information, please read "Item 18 - Financial Statements: Note 21 - Income Tax Recovery (Expense)" of this Annual Report.

Liquidity and Capital Resources

Sources and Uses of Capital

We generate cash flows primarily from chartering out our vessels. We employ a chartering strategy that seeks to capture upside opportunities in the tanker spot market while using fixed-rate time charters and full service lightering contracts to reduce potential downside risks. Our short-term charters and spot market tanker operations contribute to the volatility of our net operating cash flow, and thus may impact our ability to generate sufficient cash flows to meet our short-term liquidity needs. Historically, the tanker industry has been cyclical, experiencing volatility in profitability and asset values resulting from changes in the supply of, and demand for, vessel capacity. In addition, tanker spot markets historically have exhibited seasonal variations in charter rates. Tanker spot markets are typically stronger in the winter months as a result of increased oil consumption in the northern hemisphere and unpredictable weather patterns that tend to disrupt vessel scheduling. There can be other factors that override typical seasonality, such as was the case during the year ended December 31, 2021, when lower oil demand as a result of the COVID-19 global pandemic, a constrained oil supply resulting from production cuts, the return of ships from floating storage, and the delivery of newbuilding vessels to the world tanker fleet contributed to weak tanker rates. While exposure to the volatile spot market is the largest potential cause for changes in our net operating cash flow from period to period, variability in our net operating cash flow also reflects changes in interest rates, fluctuations in working capital balances, the timing and the amount of dry-docking expenditures, repairs and maintenance activities, the average number of vessels in service, including chartered-in vessels, and vessel acquisitions or vessel dispositions, among other factors. The number of vessel dry dockings varies each period depending on vessel maintenance schedules.

Our other primary sources of cash are long-term bank borrowings and other debt, lease or equity financings, and to a lesser extent, the proceeds from the sales of our older vessels.

Our obligations related to finance leases are described in "Item 18 – Financial Statements: Note 10 - Operating Leases and Obligations Related to Finance Leases", our revolving credit facility and term loan are described in "Item 18 – Financial Statements: Note 9 - Long Term Debt" and our working capital loan is described in "Item 18 – Financial Statements: Note 8 - Short Term Debt" of this Annual Report. Our working capital loan requires us to maintain a minimum threshold of paid-in capital contribution and retained distributions of participants in the RSAs. Our revolving credit facility and term loan contain covenants and other restrictions that we believe are typical of debt financing collateralized by vessels, including those that restrict the relevant subsidiaries from: incurring or guaranteeing additional indebtedness; making certain negative pledges or granting certain liens; and selling, transferring, assigning or conveying assets. Our revolving credit facility, term loan and obligations related to finance leases require us to maintain financial covenants. The terms of and compliance with these financial covenants are described in further detail in "Item 18 – Financial Statements: Note 9 - Long Term Debt" and in "Item 18 – Financial Statements: Note 10 - Operating Leases and Obligations Related to Finance Leases" included in this Annual Report. If we do not meet these financial or other covenants, the lender may declare our obligations under the agreements immediately due and payable and terminate any further loan commitments, which would significantly affect our short-term liquidity requirements. As at December 31, 2021, we were in compliance with all covenants under our revolving credit facility, term loan, working capital loan and obligations related to finance leases. As at December 31, 2021, our revolving credit facility, term loan, working capital loan and obligations related to certain finance leases required us to make interest payments based on LIBOR plus a margin. In January 2022, the interest reference rate LIBOR was replaced by the Secured Overnight Financing Rate (or *SOFR*) for our working capital loan. Significant increases in interest rates could adversely affect our results of operations and our ability to service our debt. From time to time, we use interest rate swaps to reduce our exposure to market risk from changes in interest rates. Our current interest rate swap position is described in further detail in "Item 18 – Financial Statements: Note 11 - Derivative Instruments" and the extent of our exposure to changes in interest rates is described in further detail in "Item 11 - Quantitative and Qualitative Disclosures About Market Risk" of this Annual Report.

Our primary uses of cash include the payment of operating expenses, the payments of time-charter hire, dry-docking expenditures, costs associated with modifications to our vessels, debt servicing costs, scheduled repayments of long-term debt, scheduled repayments of our obligations related to finance leases, as well as funding our other working capital requirements. In addition, we may use cash to acquire new or second-hand vessels to grow the size of our fleet. The timing of the acquisition of vessels depends on a number of factors, including newbuilding

prices, second-hand vessel values, the age, condition and size of our existing fleet, the commercial outlook for our vessels and other considerations. As such, vessel acquisition activity may vary significantly from year to year.

Cash Flows

The following table summarizes our consolidated cash and cash equivalents (used for) provided by operating, financing and investing activities for the periods presented:

	Year Ended December 31,	
(in thousands of U.S. dollars)	2021	2020
Net cash flow (used for) provided by operating activities	(107,312)	347,943
Net cash flow provided by (used for) financing activities	21,951	(416,104)
Net cash flow provided by investing activities	38,143	74,517

Net Operating Cash Flow

Net cash flow provided by operating activities decreased by $455.3 million for the year ended December 31, 2021, compared to the prior year. This decrease was primarily due to:

- a decrease of $315.0 million in cash inflows primarily due to lower operating earnings resulting from lower average realized spot tanker rates, certain vessels on time-charter out contracts earning lower rates than spot rates realized during the first half of 2020, certain vessels returning from time-charter out contracts earning lower spot rates during 2021 compared to previous fixed rates, more off-hire days and off-hire bunker expenses, higher overall bunker costs, as well as the sale of seven vessels during 2020 and 2021;
- a decrease of $137.9 million due to an increase in cash outflows related to changes in net working capital; and
- a decrease of $2.3 million due to an increase in cash outflows related to expenditures for dry-docking activities during the year ended December 31, 2021.

Net Financing Cash Flow

Net cash flow used for financing activities decreased by $438.1 million for the year ended December 31, 2021, compared to the prior year. This decrease was primarily due to:

- a decrease of $395.7 million in cash outflows due to a net decrease in prepayments and repayments on our revolving credit facility and term loan during the year ended December 31, 2021; and
- a decrease of $55.0 million in cash outflows due to a decrease in net repayments on our working capital facility during the year ended December 31, 2021;

partially offset by:

- a net increase of $12.6 million in cash outflows primarily due to the repurchase of two Suezmax tankers and six Aframax tankers, previously under sale-leaseback arrangements, during the second and third quarters of 2021, partially offset by an increase in cash inflows resulting from sale-leaseback transactions completed in September 2021 and November 2021 relating to these eight tankers, as well as a decrease in scheduled repayments on our finance lease obligations during the year ended December 31, 2021.

Net Investing Cash Flow

Net cash flow provided by investing activities decreased by $36.4 million for the year ended December 31, 2021, compared to the prior year. This decrease was primarily due to:

- a decrease of $27.8 million in cash inflows resulting from the proceeds received from the sale of four Aframax tankers during the year ended December 31, 2021 compared to proceeds received from the sale of three Suezmax tankers and the sale of the non-U.S. portion of our STS support services business as well as our LNG terminal management business during the year ended December 31, 2020;
- a decrease of $5.4 million due to an increase in cash outflows due to higher capital expenditures for the fleet during the year ended December 31, 2021; and
- a decrease of $3.2 million in cash inflows due to lower loan repayments from our joint venture during the year ended December 31, 2021.

Liquidity

Our primary sources of liquidity are cash and cash equivalents, net operating cash flow, our undrawn credit facilities, and capital raised through financing transactions. Our cash management policies have the primary objectives of minimizing both the probability of loss and return volatility as well as ensuring securities purchased can be sold readily and efficiently. A further objective is ensuring an appropriate return. The nature and extent of amounts that can be borrowed under our revolving credit facility and working capital loan is described in "Item 18 – Financial Statements: Note 9 - Long-Term Debt" and in "Item 18 – Financial Statements: Note 8 - Short-Term Debt" of this Annual Report.

With a current focus on building net asset value through balance sheet delevering and reducing our cost of capital, dividend payments are subject to the discretion of our Board of Directors.

Our total consolidated liquidity, including cash, cash equivalents and undrawn credit facilities, decreased by $227.8 million during the year ended December 31, 2021 from $372.6 million at December 31, 2020 to $144.8 million at December 31, 2021. The decrease during the year ended December 31, 2021 was primarily a result of a $184.1 million payment for the repurchase of two Suezmax tankers and six Aframax tankers that were previously under sale-leaseback arrangements, $107.3 million of net operating cash outflow, $93.4 million of scheduled reductions in the maximum capacity of our revolving credit facility, $35.1 million of scheduled repayments of long-term debt and obligations related to finance leases, and $21.4 million of capital upgrades for vessels and equipment, partially offset by a $140.2 million sale-leaseback transaction, $58.1 million received from the sale of four Aframax tankers and a $13.4 million increase in the borrowing capacity of our working capital facility, the size of which will fluctuate from period to period based on changes in outstanding working capital balances.

We anticipate that our liquidity at December 31, 2021, combined with cash we expect to generate for the 15 months following such date, as well as the liquidity generated from the sale of one tanker and the completion of the sale-leaseback of eight vessels during the first quarter of 2022, and the expected sale of two tankers during the second quarter of 2022, as described in "Item 18 - Financial Statements: Note 22 – Subsequent Events" of this Annual Report, will be sufficient to meet our cash requirements for at least one-year period following the date of this Annual Report. In coming to this determination, we have assumed the low spot charter rates that Teekay Tankers vessels earned during 2021 will continue through the first half of 2022, with a spot rate recovery anticipated to begin in the latter half of 2022. In addition, while our liquidity assessment assumes that the working capital loan will continually be extended past the maturity date, currently May 2022, should the lender give notice in writing that no further extensions shall occur, we expect our liquidity will continue to be sufficient for at least the one-year period following the date of this Annual Report.

Our term loan matures in August 2023 and our revolving credit facility matures in December 2024, and based on the amounts outstanding at December 31, 2021, we will need to refinance $33.7 million in 2023 and $148.2 million in 2024 related to these two credit facilities. Our ability to refinance these facilities will depend upon, among other things, the estimated market value of our vessels, our financial condition and the condition of credit markets at such time. In addition, at December 31, 2021 we did not have any capital commitments related to the acquisition of new or second-hand vessels. However, approximately 30% of our fleet is currently aged 15 years and older and as such we may need to begin the process of fleet renewal in the coming years. We expect that any fleet renewal expenditures will rely upon undrawn revolving credit facilities and new financing arrangements, including bank borrowings, finance leases and potentially the issuance of debt and equity securities.

The following table summarizes our contractual obligations as at December 31, 2021.

(in millions of U.S. dollars)	Total	2022	2023	2024	2025	2026	Beyond 2026
U.S. Dollar-Denominated Obligations							
Scheduled repayments of revolving facility, term loan and other debt	167.6	40.8	73.7	53.1	—	—	—
Repayments at maturity of revolving facility and term loan	181.9	—	33.7	148.2	—	—	—
Scheduled repayments of obligations related to finance leases (1)	295.8	27.3	28.1	29.0	29.9	30.8	150.7
Chartered-in vessels (operating leases) (2)(3)	81.2	24.8	18.2	6.8	6.8	6.8	17.8
Total	726.5	92.9	153.7	237.1	36.7	37.6	168.5

(1) Excludes scheduled repayments of obligations related to the sale-leaseback financing transaction completed in March 2022.

(2) Includes one Aframax tanker expected to be delivered to us in late-2022 under a seven-year time charter-in contract.

(3) Excludes payments required if we exercise options to extend the terms of in-chartered leases signed as of December 31, 2021.

Other risks and uncertainties related to our liquidity include changes to income tax legislation or the resolution of uncertain tax positions relating to freight tax liabilities as outlined in "Item 18 – Financial Statements: Note 21 – Income Tax Recovery (Expense)" of this Annual Report, which could have a significant financial impact on our business, which we cannot predict with certainty at this time. In addition, as at December 31, 2021, the High-Q joint venture had a loan outstanding with a financial institution with a balance of $28.1 million, and we guarantee 50% of the outstanding loan balance. Finally, passage of any climate control legislation or other regulatory initiatives that restrict emissions of greenhouse gases could have a significant financial and operational impact on our business, which we cannot predict with certainty at this time. Such regulatory measures could increase our costs related to operating and maintaining our vessels and require us to install new emission controls, acquire allowances or pay taxes related to our greenhouse gas emissions, or administer and manage a greenhouse gas emissions program. In addition, increased regulation of greenhouse gases may, in the long-term, lead to reduced demand for oil and reduced demand for our services.

Critical Accounting Estimates

We prepare our consolidated financial statements in accordance with GAAP, which requires us to make estimates in the application of our accounting policies based on our best assumptions, judgments and opinions. On a regular basis, management reviews the accounting policies, assumptions, estimates and judgments to ensure that our consolidated financial statements are presented fairly and in accordance with GAAP.

However, because future events and their effects cannot be determined with certainty, actual results could differ from our assumptions and estimates, and such differences could be material. Accounting estimates and assumptions discussed in this section are those that we consider to be the most critical to an understanding of our financial statements because they inherently involve significant judgments and uncertainties. For a further description of our material accounting policies, please read "Item 18 – Financial Statements: Note 1 – Summary of Significant Accounting Policies" included in this Annual Report.

Revenue Recognition

Description. We recognize voyage revenue on either a load-to-discharge or discharge-to-discharge basis. Voyage revenues are recognized ratably from the beginning of when product is loaded to when it is discharged (unloaded) if using a load-to-discharge basis, or from when product is discharged at the end of the prior voyage to when it is discharged after the current voyage, if using a discharge-to-discharge basis. However, we do not begin recognizing revenue for any of our vessels until a charter has been agreed to by the customer and us, even if the vessel has discharged its cargo and is sailing to the anticipated load port on its next voyage.

Judgments and Uncertainties. Whether to use the load-to-discharge basis or the discharge-to-discharge basis depends on whether the customer directs the use of the vessel throughout the period of use, pursuant to the terms of the voyage charter. This is a matter of judgement. However, we believe that if the customer has the right to direct the vessel to different load and discharge ports, among other things, a voyage charter contract contains a lease, and the lease term begins on the later of the vessel's last discharge or inception of the voyage charter contract. As such, in this case revenue is recognized on a discharge-to-discharge basis. Otherwise, it is recognized on a load-to-discharge basis. As at December 31, 2021, 2020 and 2019, revenue from voyages then in progress were recognized on a discharge-to-discharge basis.

Effect if Actual Results Differ from Assumptions. If our assessment of whether the customer directs the use of the vessel through-out the period of use is not consistent with actual results, then the period over which voyage revenue is recognized would be different and as such our revenues could be overstated or understated for any given period by the amount of such difference. Had revenue from voyages in progress been recognized on a load-to-discharge basis our loss from operations for the year ended December 31, 2021 would have increased by $1.6 million.

Vessel Depreciation

Description. The carrying value of each of our vessels represents its original cost at the time of delivery or purchase less depreciation and impairment charges. We depreciate the original cost, less an estimated residual value, of our vessels on a straight-line basis over each vessel's estimated useful life. The carrying values of our vessels may not represent their market value at any point in time because the market prices of second-hand vessels tend to fluctuate with changes in charter rates and the cost of newbuildings, among other factors. Both charter rates and newbuilding costs tend to be cyclical in nature.

Judgments and Uncertainties. For the years ended December 31, 2021, 2020 and 2019, depreciation was calculated using an estimated useful life of 25 years, commencing on the date the vessel is delivered from the shipyard. The estimated useful life of our vessels involves an element of judgment, which takes into account design life, commercial considerations and regulatory restrictions.

Effect if Actual Results Differ from Assumptions. The actual life of a vessel may be different than the estimated useful life, with a shorter actual useful life resulting in an increase in depreciation expense and potentially resulting in an impairment loss. A longer actual useful life will result in a decrease in depreciation expense. Had we depreciated our vessels using an estimated useful life of 20 years instead of 25 years effective December 31, 2020, our depreciation for the year ended December 31, 2021 would have increased by approximately $55.9 million.

Vessel Impairment

Description. We review vessels and equipment for impairment whenever events or circumstances indicate the carrying value of an asset, including the carrying value of the charter contract, if any, under which the vessel is employed, may not be recoverable. This occurs when the asset's carrying value is greater than the future undiscounted cash flows the asset is expected to generate over its remaining useful life. If the estimated future undiscounted cash flows of an asset exceed the asset's carrying value, no impairment is recognized even though the fair value of the asset may be lower than its carrying value. If the estimated future undiscounted cash flows of an asset are less than the asset's carrying value and the fair value of the asset is less than its carrying value, the asset is written down to its fair value. Fair value is determined based on appraised values or discounted cash flows. In cases where an active second-hand sale and purchase market exists, an appraised value is generally the amount we would expect to receive if we were to sell the vessel. The appraised values are provided by third parties where available or prepared by us based on second-hand sale and purchase market data. In cases where an active second-hand sale and purchase market does not exist, or in certain other cases, fair value is calculated as the net present value of estimated future cash flows, which, in certain circumstances, will approximate the estimated market value of the vessel. For a vessel under charter, the discounted cash flows from that vessel may exceed its market value, as market values may assume the vessel is not employed on an existing charter.

Judgments and Uncertainties. Our estimates of future undiscounted cash flows used to determine whether a vessel's carrying value is recoverable involve assumptions about future charter rates, vessel utilization, operating expenses, dry-docking expenditures, vessel residual values, the probability of the vessel being sold and the remaining estimated life of our vessels. Our estimated charter rates are based on rates under existing vessel contracts and market rates at which we expect we can re-charter our vessels. Such market rates for the first three years are based on prevailing market 3-year time-charter rates and thereafter, a 10-year historical average of actual spot charter rates earned by our vessels, adjusted to exclude years which management has determined are outliers. We consider as outliers those years that have been impacted by rare events or circumstances that have distorted the historical 10-year trailing average to such a degree that this average is not representative of what a reasonable outlook would be if we do not exclude such years. We have identified such events in the current 10-year historical period as at December 31, 2021, which has resulted in the exclusion of the years 2012, 2013 and 2021 from our averages. Our estimated charter rates are discounted for the years when the vessel age is 15 years and older, as compared to the estimated charter rates for years when the vessel is younger than 15 years. Such discounts primarily reflect expectations of lower utilization for older vessels.

Our estimates of vessel utilization, including estimated off-hire time, are based on historical experience. Our estimates of operating expenses and dry-docking expenditures are based on historical operating and dry-docking costs as well as our expectations of future inflation, operating and maintenance requirements, and our vessel maintenance strategy. Vessel residual values are a product of a vessel's lightweight tonnage and an estimated scrap rate per tonne. The probability of a vessel being sold is based on our current plans and expectations. The remaining estimated lives of our vessels used in our estimates of future cash flows are consistent with those used in the calculations of depreciation.

In our experience, certain assumptions relating to our estimates of future cash flows are more predictable by their nature, including estimated revenue under existing contract terms, on-going operating costs and remaining vessel life. Certain assumptions relating to our estimates of future cash flows require more judgement and are inherently less predictable, such as future charter rates beyond the firm period of existing contracts, the probability and timing of vessels being sold and vessel residual values, due to their volatility. We believe that the assumptions used to estimate future cash flows of our vessels are reasonable at the time they are made. We can make no assurances, however, as to whether our estimates of future cash flows, particularly future vessel charter rates or vessel values, will be accurate.

Effect if Actual Results Differ from Assumptions. If we conclude that a vessel or equipment is impaired, we recognize a loss in an amount equal to the excess of the carrying value of the asset over its fair value at the date of impairment. The written-down amount becomes the new lower cost basis and will result in a lower annual depreciation expense than for periods before the vessel impairment. Consequently, any changes in our estimates of future undiscounted cash flows may result in a different conclusion as to if a vessel or equipment is impaired, leading to a different impairment amount, including no impairment, and a different future annual depreciation expense.

Consistent with our methodology and disclosures in prior years, the table below presents the aggregate market values and carrying values of our vessels that we have determined have a market value that is less than their carrying value as of December 31, 2021. While the market values of these vessels are below their carrying values, no impairment has been recognized on any of these vessels during the fourth quarter of 2021 as the estimated future undiscounted cash flows relating to such vessels are greater than their carrying values and GAAP does not allow an impairment to be recognized under this circumstance.

We consider the vessels reflected in the following table to be at a higher risk of future impairment as compared to other vessels in our fleet. This table is disaggregated for vessels which have estimated future undiscounted cash flows that are marginally or significantly greater than their respective carrying values. The recognition of an impairment in the future may be more likely for those vessels that have estimated future undiscounted cash marginally greater than their respective carrying values. Vessels with estimated future cash flows significantly greater than their respective carrying values do not necessarily represent vessels that would likely be impaired in the next twelve months. The recognition of an impairment in the future for those vessels may primarily depend upon our deciding to dispose of the vessel instead of continuing to operate it. In deciding whether to dispose of a vessel, we determine whether it is economically preferable to sell the vessel or continue to operate it. This assessment includes an estimation of the net proceeds expected to be received if the vessel is sold in its existing condition compared to the present value of the vessel's estimated future revenue, net of operating costs. Such estimates are based on the terms of the existing charter, charter market outlook, estimated future vessel values, and estimated operating costs, given a vessel's type, condition and age. In addition, we typically do not dispose of a vessel that is servicing a customer contract.

Aframax, Suezmax and Product Tankers (in thousands of U.S. dollars, except number of vessels)	**Number of Vessels**	**Market Values (1)**	**Carrying Values**
Tankers (2)	10	206,900	329,150
Tankers (3)	25	626,000	810,634
Total	**35**	**832,900**	**1,139,784**

(1) Market values are determined using reference to second-hand market comparables. Since vessel values can be volatile, our estimates of market value shown above may not be indicative of either the current or future prices we could obtain if we sold any of the vessels.

(2) Undiscounted cash flows are marginally greater than the carrying values.

(3) Undiscounted cash flows are significantly greater than the carrying values.

Our estimates of future cash flows are more sensitive to changes in certain assumptions, such as future charter rates. For example, for those ten vessels in the table above where the undiscounted cash flows are marginally greater than the carrying values, if at December 31, 2021, the 3-year time-charter rates were reduced by either 5% or 10%, none of those ten vessels would have been impaired. If at December 31, 2021, the 10-year historical average of actual spot charter rates earned by our vessels, adjusted to exclude years which management has determined as outliers, was reduced by either 5% or 10%, nil or six, respectively, of the ten vessels would have been impaired, resulting in an impairment of $nil or $85.2 million, respectively. For those 25 vessels in the table above where the undiscounted cash flows are significantly greater than the carrying values, even if, at December 31, 2021, the 3-year time-charter rates or the 10-year historical average of actual spot charter rates earned by our vessels, adjusted to exclude years which management has determined as outliers, was reduced by 5% or 10%, none of those 25 vessels would have been impaired.

Taxes

Description. The expenses we recognize relating to taxes are based on our income, statutory tax rates and our interpretations of the tax regulations in the various jurisdictions in which we operate. We review our tax positions quarterly and adjust the balances as new information becomes available.

Judgments and Uncertainties. We recognize the tax benefits of uncertain tax positions only if it is more-likely-than-not that a tax position taken or expected to be taken in a tax return will be sustained upon examination by the taxing authorities, including resolution of any related appeals or

litigation processes, based on the technical merits of the position. Tax laws are complex and subject to different interpretations by the taxpayer and respective governmental taxing authorities. Significant judgment is required in evaluating uncertainties.

Effect if Actual Results Differ from Assumptions. If we determined that an uncertain tax position was sustained upon examination, and such amount was in excess of the net amount previously recognized, we would increase our net income or decrease our net loss in the period such determination was made. Likewise, if we determined that an uncertain tax position was not sustained upon examination, we would typically decrease our net income or increase our net loss in the period such determination was made. See “Item 18 - Financial Statements: Note 21 - Income Tax Recovery (Expense)”. As at December 31, 2021, the total amount of recognized uncertain tax liabilities was $45.6 million (December 31, 2020 - $49.1 million). If the uncertainty about these freight tax liabilities is resolved in the Company's favor, we would concurrently reverse these liabilities.

Impairment of Investment in Equity-Accounted Joint Venture

Description. We evaluate our investment in our equity-accounted joint venture for impairment when events or circumstances indicate that the estimated fair value of such investment may have experienced an other-than-temporary decline in value below its carrying value. If this is the case, the carrying value of the investment in equity-accounted joint venture is written down to its estimated fair value and the resulting impairment is recognized in our consolidated statement of (loss) income.

Judgments and Uncertainties. The process of evaluating the potential impairment of investments in equity-accounted joint ventures requires significant judgment in determining whether the estimated value of an investment in an equity-accounted joint venture has declined below its carrying value and if so, whether this is an other-than-temporary decline in value. Such judgments include, among other things, estimates of future charter rates, operating expenses, vessel values and timing of vessel sales. In determining whether an impairment of an equity method investment is other-than-temporary, factors to consider include the length of time and extent to which the fair value of the investment is less than its carrying value; the financial condition and near-term prospects of the equity method investee, including recent operating losses or specific events that may negatively influence the future earnings potential of the investee; and the intent and ability of the holder to retain its investment in the investee for a period of time sufficient to allow for any anticipated recovery in market value. As at December 31, 2021, we conducted an impairment test for our investment in the High-Q Joint Venture and determined that its estimated fair value had declined below its carrying value, and it was determined that such decline was other-than-temporary.

Effect if Actual Results Differ from Assumptions. If we determine that an investment in an equity-accounted joint venture is impaired, we recognize a loss in an amount equal to the excess of the carrying value of the investment over its estimated fair value at the date of impairment. The written-down amount becomes the new lower cost basis of the investment. In addition, we may assign the impairment to individual assets held by the equity-accounted joint venture, such as vessels and equipment, and this would result in an increase in our proportionate share of earnings of the joint venture in future periods due to lower depreciation expense of the vessels and equipment of the equity-accounted joint venture. Consequently, differences in conclusions about whether an investment in an equity-accounted joint venture is impaired and the amount of such impairment may result in a different impairment amount, including no impairment, and a different equity (loss) income in future periods. Had we determined that the decline in the estimated fair value of our investment in the High-Q Joint Venture below its carrying value was not other-than-temporary, a write-down of $11.6 million would not have been recognized for the year ended December 31, 2021.

Non-GAAP Financial Measures

Net Revenues

Net revenues is a non-GAAP financial measure. Consistent with general practice in the shipping industry, we use “net revenues” (defined as (loss) income from operations before vessel operating expenses, time-charter hire expenses, depreciation and amortization, general and administrative expenses, write-down and loss on sale of assets, and restructuring charges) as a measure of equating revenues generated from voyage charters to revenues generated from time charters, which assists us in making operating decisions about the deployment of our vessels and their performance. Since, under time charters, the charterer pays the voyage expenses, whereas under voyage charters, the ship-owner pays these expenses, we include voyage expenses in net revenues. Some voyage expenses are fixed, and the remainder can be estimated. If we, as the ship owner, pay the voyage expenses, we typically pass the approximate amount of these expenses on to our customers by charging higher rates under the contract to them. As a result, although revenues from different types of contracts may vary, the net revenues are comparable across the different types of contracts. We principally use net revenues because it provides more meaningful information to us than (loss) income from operations, the most directly comparable GAAP financial measure. Net revenues is also widely used by investors and analysts in the shipping industry for comparing financial performance between companies and to industry averages. The following table reconciles net revenues with (loss) income from operations.

(in thousands of U.S. Dollars)	Years Ended December 31, 2021	2020
(Loss) income from operations	(194,095)	141,573
Restructuring charges	—	1,398
Write-down and loss on sale of assets	92,368	69,446
General and administrative expenses	43,715	39,006
Depreciation and amortization	106,084	117,212
Time-charter hire expenses	13,799	36,341
Vessel operating expenses	165,375	184,233
Net revenues	227,246	589,209

EBITDA and Adjusted EBITDA

EBITDA and Adjusted EBITDA are non-GAAP financial measures. EBITDA represents net (loss) income before interest, taxes, depreciation and amortization. Adjusted EBITDA represents EBITDA before foreign exchange (gain) loss, write-down and loss on sale of assets, realized loss (gain) on interest rate swaps, unrealized (gain) loss on derivative instruments, certain other expenses, fair value adjustment of the equity-accounted for joint venture and share of the above items in non-consolidated equity-accounted for joint venture. EBITDA and Adjusted EBITDA are used as supplemental financial performance measures by management and by external users of our financial statements, such as investors. EBITDA and Adjusted EBITDA assist our management and investors by increasing the comparability of our fundamental performance from period to period and against the fundamental performance of other companies in our industry that provide EBITDA or Adjusted EBITDA-based information. This increased comparability is achieved by excluding the potentially disparate effects between periods or companies of interest expense, taxes, depreciation or amortization (or other items in determining Adjusted EBITDA), which items are affected by various and possibly changing financing methods, capital structure and historical cost basis and which items may significantly affect net (loss) income between periods. We believe that including EBITDA and Adjusted EBITDA benefits investors in (a) selecting between investing in us and other investment alternatives and (b) monitoring our ongoing financial and operational strength and health in order to assess whether to continue to hold our equity.

Neither EBITDA nor Adjusted EBITDA should be considered an alternative to net (loss) income, operating (loss) income, or any other measure of financial performance presented in accordance with GAAP. EBITDA and Adjusted EBITDA exclude some items that affect net (loss) income and operating (loss) income, and these measures may vary among other companies. Therefore, EBITDA and Adjusted EBITDA as presented below may not be comparable to similarly titled measures of other companies.

The following table reconciles our consolidated EBITDA and Adjusted EBITDA to net (loss) income.

(in thousands of U.S. Dollars)	Years Ended December 31, 2021	2020
Reconciliation of "EBITDA" and "Adjusted EBITDA" to "Net (loss) income"		
Net (loss) income	(242,372)	87,317
Depreciation and amortization	106,084	117,212
Interest expense, net of interest income	34,909	50,326
Income tax (recovery) expense	(1,931)	7,283
EBITDA	(103,310)	262,138
Foreign exchange (gain) loss (i)	(302)	734
Write-down and loss on sale of assets	92,368	69,446
Realized loss (gain) on interest rate swaps	296	(481)
Unrealized (gain) loss on derivative instruments	(1,432)	1,459
Other expense (ii)	1,565	—
Fair value adjustment of equity-accounted for joint venture	11,584	—
Adjustments related to equity-accounted for joint venture (iii)	2,247	2,351
Adjusted EBITDA	3,016	335,647

(i) Foreign exchange (gain) loss includes an unrealized gain of $0.3 million in 2021 (2020 - loss of $0.5 million).

(ii) The amount recorded for the year ended December 31, 2021 relates to the premium paid in relation to the repurchase of six sale-leaseback vessels as part of the exercise of early purchase options.

(iii) The following table reflects certain non-GAAP adjustments to the results of our equity-accounted for joint venture. The adjusted results should not be considered as an alternative to any measure of financial performance presented in accordance with GAAP. Adjustments to equity-accounted for investments include some, but not all, items that affect equity (loss) income and these measures and adjustments may vary among other companies and may not be comparable to adjustments to similarly titled measures of other companies. It should be noted that this measure includes the Adjusted EBITDA from our equity-accounted for joint venture. We do not have control over the operations, nor do we have any legal claim to the revenue and expenses of our equity-accounted for joint venture.

Adjustments relating to equity (loss) income from our equity-accounted joint venture are as follows:

	Years Ended December 31,	
(in thousands of U.S. Dollars)	2021	2020
Depreciation and amortization	1,902	1,902
Interest expense, net of interest income	345	449
Adjustments related to equity-accounted for joint venture	2,247	2,351

Item 6. Directors, Senior Management and Employees

Our Board of Directors and executive officers oversee and supervise our operations. Subject to this oversight and supervision, our operations are managed generally by our Manager.

Our President and Chief Executive Officer, Kevin Mackay, and our Chief Financial Officer, Stewart Andrade, allocate their time between managing our business and affairs as such officers and the business and affairs of Teekay Corporation. Mr. Mackay is a member of the senior leadership team of Teekay Corporation, while Mr. Andrade is employed by a subsidiary of Teekay Corporation. The amount of time Mr. Mackay and Mr. Andrade allocate between our business and the businesses of Teekay Corporation and other subsidiaries of Teekay Corporation varies from time to time depending on the various circumstances and needs of the businesses, such as the relative levels of strategic activities of the businesses.

Our officers and certain individuals providing services to us or our subsidiaries may face a conflict regarding the allocation of their time between our business and the other business interests of Teekay Corporation or its affiliates. We intend to seek to cause our officers to devote as much time to the management of our business and affairs as is necessary for the proper conduct thereof.

Please also read "Item 7 – Major Shareholders and Related Party Transactions - Related Party Transactions".

Directors and Executive Officers of Teekay Tankers Ltd.

The following table lists the directors and executive officers of Teekay Tankers Ltd. and their ages as of December 31, 2021.

Name	Age	Position
Stewart Andrade	49	Chief Financial Officer
Peter Antturi	63	Director (3)(7)
Sai W. Chu	55	Director (1)(2)(3)
Richard T. du Moulin	75	Director (4)(5)(6)
Kenneth Hvid	53	Chair
Kevin Mackay	53	President and Chief Executive Officer
David Schellenberg	58	Director (4)

(1) Chair of Audit Committee.

(2) Member of Conflicts Committee.

(3) Member of Nominating and Corporate Governance Committee.

(4) Member of Audit Committee.

(5) Chair of Conflicts Committee.

(6) Chair of Nominating and Corporate Governance Committee.

(7) Appointed on June 10, 2021.

Certain biographical information about each of the individuals included in the table above is set forth below.

Stewart Andrade was appointed as Chief Financial Officer of Teekay Tankers Ltd. in 2017. He joined Teekay in 2002 and has worked in a variety of roles and has been responsible for executing a number of strategic transactions, including acquisitions and the establishment of joint ventures, to grow Teekay Tankers Ltd. into one of the world's leading tanker companies. Mr. Andrade is also responsible for Strategy and Business Development for Teekay's tanker business, a role he has held since 2015. Prior to joining Teekay, Mr. Andrade worked in Ernst and Young's consulting practice providing advisory services to a variety of Canadian and international organizations. Mr. Andrade is a Canadian Chartered Professional Accountant.

Peter Antturi joined the board of Teekay Tankers Ltd. in June 2021 and brings over 30 years of financial and operational experience in the shipping industry to this role. He has also served on the board of Teekay Corporation since 2019. Additionally, Mr. Antturi serves as an executive officer and director of Teekay Corporation's largest shareholder, Resolute Investments, Ltd. (*Resolute*), as well as other subsidiaries and affiliates of Kattegat

Limited, a parent company of Resolute. Mr. Antturi previously worked with Teekay from 1991 through 2005, serving as President of Teekay's shuttle tanker division, as Senior Vice President, Chief Financial Officer and Controller and in other finance and accounting positions. Prior to joining Teekay, Mr. Antturi held various accounting and finance roles in the shipping industry since 1985.

Sai W. Chu joined the board of Teekay Tankers Ltd. in May 2019 and currently serves as the Chair of its Audit Committee. Mr. Chu brings extensive financial experience to Teekay Tankers Ltd. with over 30 years of finance, operations and strategy experience primarily with public companies in shipping, specialty finance, utilities and technology. From 2007 to 2015, he served as Chief Financial Officer of Seaspan Corporation (NYSE: SSW), a containership lessor, and prior to that he served in various financial roles within its related companies. From 1994 to 2004, he held financial roles with other companies, including BC Gas Inc. (now Fortis Inc.). He is currently Chief Financial Officer of EarthDaily Analytics Corp., a big data company specialized in satellite imaging, data services and geo-analytics with global operations, after previously serving as the Chief Financial Officer of its predecessor company since 2017. Mr. Chu is a member of the Advisory Board of Maritime Partners LLC, a Jones Act-focused leasing platform, and is a founding board member of Canada's Digital Technology Supercluster, where he currently serves on the Finance and Audit Committee. He is also currently an advisor to A2Z Capital Inc., a private equity firm. Mr. Chu is a member of the Chartered Professional Accountants of Canada.

Richard T. du Moulin joined the board of Teekay Tankers Ltd. in 2007. Mr. du Moulin is currently the President of Intrepid Shipping L.L.C., a position he has held since he founded the company in 2002. From 1998 to 2002, Mr. du Moulin served as Chairman and Chief Executive Officer of Marine Transport Corporation. Mr. du Moulin is a member of the Board of Trustees and Chairman Emeritus of the Seamen's Church Institute of New York and New Jersey. Mr. du Moulin currently serves as an advisor to Hudson Structured Capital Management, a private equity firm, and as Chairman of Pangaea Logistics Solutions, Ltd., a dry bulk shipping company. He also served as Chairman of Intertanko, the leading trade organization for the tanker industry, from 1996 to 1999 and previously also served as a director of Globe Wireless L.L.C. and Tidewater, Inc.

Kenneth Hvid joined the board of Teekay Tankers Ltd. in 2017 and was appointed as its Chair in June 2019. Mr. Hvid joined the board of Teekay Corporation in June 2019 and has served as its President and Chief Executive Officer since 2017. Mr. Hvid served as a director of Teekay GP L.L.C., the general partner of Teekay LNG Partners L.P. (now known as Seapeak LLC) from September 2018 to January 2022, having previously served as a director from 2011 to 2015 and as its Chair since May 2019 until January 2022. He joined Teekay Corporation in 2000 and was promoted to Senior Vice President, Teekay Gas Services in 2004 and to President of the Teekay Navion Shuttle Tankers and Offshore division in 2006. He served as Teekay Corporation's Chief Strategy Officer and Executive Vice President from 2011 to 2015. He also served as a director of Altera Infrastructure GP L.L.C. (formerly known as Teekay Offshore GP L.L.C.) from 2011 to June 2020, and as President and Chief Executive Officer of Teekay Offshore Group Ltd. from 2015 to 2016. Mr. Hvid has 30 years of global shipping experience, 12 of which were spent with A.P. Moller in Copenhagen, San Francisco and Hong Kong. In 2007, Mr. Hvid joined the board of Gard P. & I. (Bermuda) Ltd.

Kevin Mackay was appointed as President and Chief Executive Officer of Teekay Tankers Ltd. in 2014 and leads a global network of commercial offices in Asia, Europe and North America, with the responsibility of marketing Teekay's fleet of conventional tankers. Mr. Mackay joined Teekay Tankers Ltd. from Phillips 66, where he headed the global marine business unit and was responsible for all aspects of marine transportation, including chartering, operations, demurrage, strategy and freight trading, business improvement and marine risk management. He held a similar role as the General Manager, Commercial Marine, at ConocoPhillips from 2009 to 2012 before the formation of Phillips 66. Mr. Mackay started his career working for Neptune Orient Lines in Singapore from 1991 to 1995. He then joined AET Inc. Limited (*AET*) (formerly American Eagle Tankers Inc.) in Houston, where he ultimately was the Regional Director – Americas, Senior Vice President, responsible for AET's business in the Americas. Mr. Mackay holds a B.Sc. (Econ) Honours from the London School of Economics & Political Science.

David Schellenberg joined the board of Teekay Tankers Ltd. in June 2019. Mr. Schellenberg joined the board of Teekay Corporation in 2017 and was appointed as its Chair in June 2019. He is a member of the Audit Committees of both Teekay Tankers Ltd. and Teekay Corporation. Mr. Schellenberg also served as a director of Teekay GP L.L.C., the general partner of Teekay LNG Partners L.P. (now known as Seapeak LLC), from 2019 until January 2022. Mr. Schellenberg brings over 25 years of financial and operating leadership experience to these roles. He is currently a Managing Director and Principal with Highland West Capital, a private equity firm in Vancouver, Canada. Prior to that, Mr. Schellenberg was with specialty aviation and aerospace businesses, Conair Group and its subsidiary Cascade Aerospace, from 2000 to 2013, serving as President and Chief Executive Officer from 2007 to 2013. Mr. Schellenberg also acted as a Managing Director in the Corporate Office of the Jim Pattison Group, Canada's second largest private company, from 1991 to 2000. Mr. Schellenberg is a member of the Young Presidents' Organization, holds an MBA and is a Fellow of the Chartered Professional Accountants of Canada (FCPA, FCA).

Compensation of Directors and Senior Management

Executive Compensation

The compensation of our executive officers that are employees of Teekay Corporation or other subsidiaries thereof (other than any awards under our long-term incentive plan described below) is set and paid by Teekay Corporation or its subsidiaries. In addition to any awards to our executive officers under our long-term incentive plan, we reimburse Teekay Corporation for time spent by our executive officers on our management matters. This reimbursement is a component of the management fee we pay our Manager pursuant to the Management Agreement. For the year ended December 31, 2021, the aggregate amount of executive officer compensation was $2.7 million (2020: $2.5 million; 2019: $2.3 million), a majority of which is paid by us to Teekay. Teekay Corporation's annual bonus plan, in which each of our executive officers participates, considers both company performance and team performance.

Compensation of Directors

Officers of Teekay Corporation who serve as our directors do not receive additional compensation for their service as directors. Each of our non-employee directors receives compensation for attending meetings of the Board of Directors, as well as committee meetings. Non-employee directors receive an annual cash fee of $60,000 and an annual award of $75,000 paid by way of a grant of restricted stock units or, in certain years, restricted stock units or stock options, at the director's choice. In addition, certain members of the Audit Committee each receive a committee cash fee of $7,500 per year, and the chair of the Audit Committee receives a fee of $17,000 per year for serving in that role. Members of the Conflicts

Committee each receive a committee fee of $7,500 per year, and the chair of the Conflicts Committee receives a fee of $12,500 per year for serving in that role. Members of the Nominating and Corporate Governance Committee receive a committee fee of $5,000 per year, and the chair of the Nominating and Corporate Governance Committee receives a fee of $10,000 per year for serving in that role. In addition, each director is reimbursed for out-of-pocket expenses in connection with attending meetings of the Board of Directors and committees. Each director is fully indemnified by us for actions associated with being a director to the extent permitted under Marshall Islands law.

During 2021, our four non-employee directors received an aggregate of $270,750 in cash fees for their services as directors (2020: $242,006; 2019: $397,870). In addition, each non-employee director received a $75,000 annual award for 2021 to be paid by way of a grant of restricted stock units, granted under our 2007 Long-Term Incentive Plan pursuant to this annual retainer. During 2021, we granted nil stock options (2020: 0; 2019: 58,843) and 16,772 restricted stock units (2020: 13,125; 2019: 19,918) to non-employee directors. The stock options and restricted stock units vest immediately.

Long-Term Incentive Program

In the year ended December 31, 2021, we granted under our 2007 Long-Term Incentive Plan (i) no options to acquire shares of Class A common stock (2020: 0; 2019: 218,223) and (ii) 111,067 restricted stock units (2020: 185,022; 2019: 99,056) to officers and employees of the Company and to certain employees of Teekay Corporation's subsidiaries that provide services to us. Each option under the plans has a 10-year term and vests equally over three years from the grant date. Each restricted stock unit is equal in value to one share of our Class A common stock plus reinvested dividends from the grant date to the vesting date. Upon vesting, the value of the restricted stock unit awards is paid to each recipient in the form of shares of Class A common stock. We intend to satisfy these grants by issuing shares from authorized capital. Please read "Item 18 – Financial Statements: Note 13 – Capital Stock".

Board Practices

Our Board consists of five members. Directors are appointed to serve for a one-year term and until their successors are appointed or until they resign or are removed. Arthur Bensler did not stand for re-election at the 2021 annual meeting and retired from the Board at such time, and Peter Antturi was nominated as a replacement director nominee and was subsequently elected to the Board at the annual meeting.

There are no service contracts between us and any of our directors providing for benefits upon termination of their employment or service.

The Board has determined that each of our directors, other than Kenneth Hvid, the President and Chief Executive Officer of Teekay Corporation, has no material relationship with us (either directly or as a partner, shareholder or officer of an organization that has a relationship with us) and is independent within the meaning of our director independence standards, which reflect the New York Stock Exchange (or *NYSE*) director independence standards as currently in effect and as they may be changed from time to time.

The Board has adopted Corporate Governance Guidelines that address, among other things, director qualification standards, director functions and responsibilities, director access to management, director compensation and management succession. This document is available under "Investors - Teekay Tankers Ltd. - Governance" from the home page of our website at *www.teekay.com.*

The NYSE does not require a company like ours, which is a "foreign private issuer" and of which more than 50% of the voting power is held by another company, to have a majority of independent directors on the Board of Directors or to establish compensation or nominating/corporate governance committees composed of independent directors.

The Board has the following three committees: Audit Committee, Conflicts Committee, and Nominating and Corporate Governance Committee. The membership of these committees and the function of each of the committees are described below. Each of the committees is currently comprised of independent members and operates under a written charter adopted by the Board. All of the committee charters are available under "Investors - Teekay Tankers Ltd. - Governance" from the home page of our website at *www.teekay.com.* During 2021, the Board held five meetings. Each director attended all Board meetings. The members of the Audit Committee, Conflicts Committee and Nominating and Corporate Governance Committee attended all meetings.

Our Audit Committee is composed entirely of directors who satisfy applicable NYSE and SEC audit committee independence standards. Our Audit Committee is comprised of Sai W. Chu (Chair), Richard du Moulin and David Schellenberg. All members of the committee are financially literate and the Board has determined that Mr. Chu qualifies as an audit committee financial expert.

The Audit Committee assists the Board in fulfilling its responsibilities for general oversight of:

- the integrity of our consolidated financial statements;
- our compliance with legal and regulatory requirements;
- the independent auditors' qualifications and independence; and
- the performance of our internal audit function and independent auditors.

Our Conflicts Committee is composed entirely of directors who satisfy the heightened NYSE and SEC independence standards applicable to Audit Committee membership. The Conflicts Committee is comprised of Richard du Moulin (Chair) and Sai W. Chu. The Conflicts Committee:

- reviews specific matters that the Board believes may involve conflicts of interest between us and our controlling shareholder, Teekay Corporation, or its affiliates (other than us), or represent material related-party transactions, including transactions between us and our or Teekay Corporation's officers or directors or their affiliates; and

- determines if the resolution of any such conflict of interest is fair and reasonable to us and recommends to the Board action to be taken with respect to any such matter.

The Board is not obligated to seek approval of the Conflicts Committee on any matter and may determine the resolution of any conflict of interest itself.

Our Nominating and Corporate Governance Committee is comprised entirely of directors who satisfy the general NYSE independence standards. Our Nominating and Corporate Governance Committee is comprised of Richard du Moulin (Chair), Peter Antturi and Sai W. Chu.

The Nominating and Corporate Governance Committee:

- identifies individuals qualified to become Board members and recommends to the Board nominees for election as directors;
- maintains oversight of the operation and effectiveness of the Board and our corporate governance;
- develops, updates and recommends to the Board corporate governance principles and policies applicable to us, and monitors compliance with these principles and policies;
- discharges responsibilities of the Board relating to its compensation;
- exercises overall responsibility for approving and evaluating our incentive compensation and equity-based plans; and
- oversees the evaluation of the Board and its committees.

The Board's Role in Oversight of Environmental, Social and Corporate Governance

Our Corporate Governance Guidelines outline the Board’s role in oversight of our health, safety and environmental performance and our performance on sustainability and diversity efforts. In addition, the Board is responsible for evaluating and overseeing compliance with our policies, practices and contributions made in fulfillment of our social responsibilities and commitment to sustainability.

Crewing and Staff

Our Manager provides us with some of our staff, while others are employed directly by our subsidiaries. Our executive officers have the authority to hire additional staff as they deem necessary.

As of December 31, 2021, approximately 1,900 seagoing staff served on our owned and leased vessels. The majority of our subsidiaries employ seagoing staff directly. These crews serve on the vessels pursuant to service agreements between our Manager, acting on our behalf, and those subsidiaries.

Teekay Corporation and its affiliates regard attracting and retaining motivated seagoing personnel as a top priority. Teekay Corporation has entered into a Collective Bargaining Agreement with the Philippine Seafarers’ Union, an affiliate of the International Transport Workers’ Federation (or *ITF*), and a Special Agreement with ITF London, which covers substantially all of the officers and seafarers that operate our vessels. We believe that Teekay Corporation’s relationships with these labor unions are good.

We believe that Teekay Corporation’s commitment to training is fundamental to the development of the highest caliber of seafarers for marine operations. Teekay Corporation’s cadet training approach is designed to balance academic learning with hands-on training at sea. Teekay Corporation has relationships with training institutions in Australia, Canada, Croatia, India, Latvia, the Philippines, South Africa and the United Kingdom. After receiving formal instruction at one of these institutions, a cadet’s training continues on-board vessels. Teekay Corporation also has a career development plan that was devised to ensure a continuous flow of qualified officers who are trained on its vessels and familiarized with its operational standards, systems and policies. We believe that high-quality crewing and training policies will play an increasingly important role in distinguishing larger independent shipping companies that have in-house or affiliate capabilities from smaller companies that must rely on outside ship managers and crewing agents on the basis of customer service and safety.

Share Ownership

The following table sets forth certain information regarding beneficial ownership, as of December 31, 2021, of our Class A common stock by our directors and executive officers as a group. None of these persons beneficially owns any of our Class B common stock. The information is not necessarily indicative of beneficial ownership for any other purpose. Under SEC rules a person or entity beneficially owns any shares that the person or entity (a) has or shares voting or investment power or (b) has the right to acquire as of March 1, 2022 (60 days after December 31, 2021) through the exercise of any stock option or other right. Unless otherwise indicated, each person has sole voting and investment power (or shares such powers with his or her spouse) with respect to the shares set forth in the following table. Information for all persons listed below is based on information delivered to us.

Identity of Person or Group	Class A Common Stock	Percent of Class A Common Stock Owned	Percent of Total Class A and Class B Common Stock Owned
All directors and executive officers as a group (7 persons) [(1)]	545,016	1.9%	1.6%

(1) Excludes shares of Class A and Class B common stock beneficially owned by Teekay Corporation, which controls us. Please read "Item 7 – Major Shareholders and Related Party Transactions".

Item 7. Major Shareholders and Related Party Transactions

A. Major Shareholders

The following table sets forth information regarding the beneficial ownership, as of March 1, 2022, of our Class A and Class B common stock by each entity or group we know to beneficially own more than 5% of the outstanding shares of our Class A common stock or our Class B common stock. Information for certain holders is based on their latest filings with the SEC. The number of shares beneficially owned by each entity or group is determined under SEC rules and the information is not necessarily indicative of beneficial ownership for any other purpose. Under SEC rules a person or entity beneficially owns any shares as to which the person or entity has or shares voting or investment power. In addition, an entity or group beneficially owns any shares that the entity or group has the right to acquire as of April 30, 2022 (60 days after March 1, 2022) through the exercise of any stock option or other right. Unless otherwise indicated, each entity or group listed below has sole voting and investment power with respect to the shares set forth in the following table.

Identity of Person or Group	Class A Common Stock	Percent of Class A Common Stock Owned [2]	Class B Common Stock	Percent of Class B Common Stock Owned	Percent of Total Class A and Class B Common Stock Owned [2]
Teekay Corporation [1]	5,942,735	20.4%	4,625,997	100.0%	31.3%

(1) The voting power represented by shares beneficially owned by Teekay Corporation is 11.4% for its Class A common stock, 44.2% for its Class B common stock and 55.6% for its total Class A and Class B common stock.

(2) Based on 29.2 million Class A common shares and 4.6 million Class B common shares outstanding as of February 7, 2022.

Our Class B common stock entitles the holder thereof to five votes per share, subject to a 49% aggregate Class B common stock voting power maximum, while our Class A common stock entitles the holder thereof to one vote per share. Except as otherwise provided by the Marshall Islands Business Corporations Act, holders of shares of our Class A common stock and Class B common stock vote together as a single class on all matters submitted to a vote of shareholders, including the election of directors. Teekay Corporation currently controls all of our outstanding Class B common stock and 5,942,735 shares of our Class A common stock. Because of our dual-class structure, Teekay Corporation may continue to control all matters submitted to our shareholders for approval even if it and its affiliates come to own significantly less than 50% of our outstanding shares of capital stock. Shares of our Class B common stock will convert into shares of our Class A common stock on a one-for-one basis upon certain transfers thereof or if the aggregate number of outstanding shares of Class A common stock and Class B common stock beneficially owned by Teekay Corporation and its affiliates falls below 15% of the aggregate number of outstanding shares of our common stock.

We are controlled by Teekay Corporation. We are not aware of any arrangements, the operation of which may at a subsequent date result in a change in control of us.

B. Related Party Transactions

Please read "Item 18 – Financial statements: Note 14 - Related Party Transactions" for additional information about these and various other related–party transactions.

Relationship with Teekay Corporation

Control

Through its ownership of our capital stock, Teekay Corporation controls us. Please read “Major Shareholders” above.

Business Opportunities

Under a contribution, conveyance and assumption agreement entered into in connection with our initial public offering in December 2007, Teekay Corporation and we agreed that Teekay Corporation and its other affiliates may pursue any Business Opportunity (as defined below) of which it, they or we become aware. Business Opportunities may include, among other things, opportunities to charter-out, charter-in or acquire oil tankers or to acquire tanker businesses.

Pursuant to the contribution, conveyance and assumption agreement, we agreed that:

- Teekay Corporation and its other affiliates may engage in the same or similar activities or lines of business as us, and that we will not be deemed to have an interest or expectancy in any business opportunity, transaction or other matter (each a *Business Opportunity*) in which Teekay Corporation or any of its other affiliates engages or seeks to engage merely because we engage in the same or similar activities or lines of business as that related to such Business Opportunity;

- if Teekay Corporation or any of its other affiliates acquires knowledge of a potential Business Opportunity that may be deemed to constitute a corporate opportunity of both Teekay Corporation and us, then (i) none of Teekay Corporation, our Manager or any of their officers or directors will have any duty to communicate or offer such Business Opportunity to us and (ii) Teekay Corporation may pursue or acquire such Business Opportunity for itself or direct such Business Opportunity to another person or entity; and
- any Business Opportunity of which our Manager or any person who is an officer or director of Teekay Corporation (or any of its other affiliates) and of us becomes aware shall be a Business Opportunity of Teekay Corporation.

If Teekay Corporation or its other affiliates no longer beneficially own shares representing at least 20% of the total voting power of our outstanding capital stock, and no person who is an officer or director of us is also an officer or director of Teekay Corporation or its other affiliates, then the business opportunity provisions of the contribution, conveyance and assumption agreement will terminate.

Our articles of incorporation also renounce in favor of Teekay Corporation business opportunities that may be attractive to both Teekay Corporation and us. This provision likewise effectively limits the fiduciary duties that we or our shareholders otherwise may be owed regarding these business opportunities by our directors and officers who also serve as directors or officers of Teekay Corporation or its other affiliates.

Teekay Tankers' Executive Officers and Certain of its Directors

Kevin Mackay, who has served since June 2014 as our President and Chief Executive Officer, is also a member of the executive team of Teekay Corporation.

Stewart Andrade, our Chief Financial Officer, is also the Vice President, Strategy and Business Development of Teekay Corporation.

Kenneth Hvid, our Chair of the Board, is President and Chief Executive Officer of Teekay Corporation and a member of its Board of Directors.

David Schellenberg, a member of our Board of Directors, is the Chair of the Board of Directors of Teekay Corporation.

Peter Antturi, a member of our Board of Directors, is a member of Teekay Corporation's Board of Directors and serves as an executive officer and director of Teekay Corporation's largest shareholder, Resolute Investments, Ltd. (or *Resolute*), as well as other subsidiaries and affiliates of Kattegat Limited, a parent company of Resolute.

Because our executive officers are employees of Teekay Corporation subsidiaries other than us, their compensation (other than any awards under our long-term incentive plan) is set and paid by Teekay Corporation or such other applicable subsidiaries. Pursuant to an agreement with Teekay Corporation, we have agreed to reimburse Teekay Corporation or its applicable subsidiaries for time spent by our executive officers on our management matters.

Acquisitions and Divestment

In May 2017, we completed the acquisition from a subsidiary of Teekay Corporation of the remaining 50% interest in Teekay Tanker Operations Ltd. (or *TTOL*), which owns tanker commercial management and technical management operations.

In July 2015, we acquired our STS transfer business from a company jointly owned by Teekay Corporation and a Norway-based marine transportation company, I.M. Skaugen SE. In addition to full service lightering and lightering support, this company also provided consultancy and LNG terminal management services. On April 30, 2020, we completed the sale of the non-U.S. portion of our STS business and our LNG terminal management business. Following the sale, our remaining STS support operations were integrated into our tanker business. Please read "Item 18 - Financial Statements: Note 4 - Segment Reporting" and "Item 18 - Financial Statements: Note 19 - Write-down and Loss on Sale of Assets".

In January 2014, we and Teekay Corporation jointly created TIL, for it to opportunistically acquire, operate, and sell modern second-hand tankers, and TIL completed a private equity placement in which we and Teekay Corporation co-invested. In addition, we each received a stock purchase warrant to acquire up to an additional 750,000 shares of TIL's common stock. In November 2017, we completed a merger with TIL by acquiring all of the remaining 27.0 million issued and outstanding common shares of TIL, by way of a share-for-share exchange resulting in TIL becoming our wholly-owned subsidiary. The warrant was canceled upon the completion of such transaction.

Registration Rights Agreement

In connection with our initial public offering, we entered into a registration rights agreement with Teekay Corporation pursuant to which we granted Teekay Corporation and its affiliates certain registration rights with respect to shares of our Class A and Class B common stock owned by them. Pursuant to the agreement, Teekay Corporation has the right, subject to certain terms and conditions, to require us, on up to three separate occasions, to register under the U.S. Securities Act of 1933, as amended, shares of Class A common stock, including Class A common stock issuable upon conversion of Class B common stock, held by Teekay Corporation and its affiliates for offer and sale to the public (including by way of underwritten public offering) and incidental or "piggyback" rights permitting participation in certain registrations of our common stock. We have agreed to pay all registration expenses, including the reasonable fees and expenses of one counsel on behalf of the holders of the securities to be registered, but excluding any underwriting discounts or commissions attributable to the sale of shares of Class A common stock.

Management Agreement

In connection with our initial public offering in December 2007, we entered into a long-term management agreement (or *Management Agreement*) with our Manager, which currently is Teekay Corporation's subsidiary, Teekay Services Limited, as successor by novation and assignment from Teekay Shipping Ltd., which in turn was successor by merger to the initial manager, Teekay Tankers Management Services Ltd.

Pursuant to the Management Agreement, the Manager has agreed to provide the following types of services to us: commercial (primarily vessel chartering), technical (primarily vessel maintenance and crewing), administrative (primarily accounting, legal and financial) and strategic (primarily advising on acquisitions, strategic planning and general management of the business). Since commencement of the Management Agreement, the Manager subcontracted to subsidiaries of TTOL to provide to us, through its subsidiaries or affiliates, commercial management and technical services for most of our fleet. In August 2014, we purchased from Teekay Corporation a 50% interest in TTOL and in May 2017 we acquired the remaining 50% interest in TTOL.

The following discussion describes certain provisions of the Management Agreement, as it has been amended.

Compensation of the Manager

Management Fees. In return for services under the Management Agreement, we pay our Manager the following management fees:

- *Commercial services fee*. Prior to October 1, 2018, we paid a commercial services fee equal to 1.25% of the gross revenue attributable to the vessels our Manager commercially managed for us and which operated under time charters or were spot traded (excluding vessels participating in the RSAs). Subsequent to our acquisition of the remaining 50% interest in TTOL in May 2017, our share of the Manager's commercial management fees has been eliminated. Commencing October 1, 2018, we elected to provide our own commercial services, effectively eliminating the prior subcontracting arrangement between our Manager and TTOL.

- *Technical services fee*. Prior to October 1, 2018, we paid an annual fee per vessel for technical services our Manager provided to us. Commencing October 1, 2018, we elected to provide our own technical services, effectively eliminating the prior subcontracting arrangement between our Manager and TTOL.

- *Administrative and strategic services fees*. We pay fees that reimburse our Manager for its related direct and indirect expenses in providing administrative and strategic services and which include a profit margin based on the most recent transfer pricing study performed by an independent, nationally recognized accounting firm with respect to similar services.

For additional information about these services and fee, please see "Item 18 – Financial Statements: Note 14 – Related Party Transactions".

Performance Fee. In order to provide our Manager with an incentive to improve the results of our operations and financial condition, the Management Agreement also provides for payment of a performance fee in certain circumstances, in addition to the basic fees described above. Our Manager generally is entitled to payment of a performance fee equal to 20% of the Gross Cash Available for Distribution (as defined in the Management Agreement) if in a given fiscal year this figure exceeds $25.60 per share of our common stock, (subject to adjustment for stock dividends, splits, combinations and similar events, and based on the weighted-average number of shares outstanding for the year) (or the *Incentive Threshold*).

We maintain an internal account (or the *Cumulative Dividend Account*) that reflects, on an aggregate basis, the amount by which our dividends for a fiscal year are greater or less than the $21.20 per share annual incentive baseline. The Cumulative Dividend Account is intended to ensure that our shareholders receive an equivalent of at least $21.20 per share in annualized dividends before any performance fee is paid. If Gross Cash Available for Distribution per share exceeds the Incentive Threshold in a particular fiscal year, we will only pay our Manager a performance fee if the Cumulative Dividend Account is zero or positive; if there is a deficit in the Cumulative Dividend Account, the performance fee may be reduced. Following the end of each five-year period, commencing January 1, 2013, the Cumulative Dividend Account balance is reset to zero. We paid no performance fees to our Manager in 2021, 2020 or 2019.

Term and Termination Rights. Subject to certain termination rights, the initial term of the Management Agreement will expire on December 31, 2022. If not terminated, the Management Agreement will automatically renew for a five-year period and thereafter be extended in additional five-year increments if we do not provide notice of termination in the fourth quarter of the year immediately preceding the end of the respective term.

If we or the Manager elects to terminate the Management Agreement under certain circumstances, our Manager will receive a payment (the *Termination Payment*) in an amount equal to the aggregate performance fees payable for the immediately preceding five fiscal years. Any such Termination Payment will be paid to our Manager in four quarterly installments over the course of the fiscal year following termination.

The Management Agreement will terminate automatically if we experience any of certain types of changes of control. Upon any such termination, we will be required to pay our Manager the Termination Payment in a single installment.

TIL Management Agreement

In January 2014, TIL entered into a long-term management agreement with our Manager, pursuant to which our Manager agreed to provide to TIL commercial, technical, administrative and corporate services and personnel, including TIL's executive officers, in exchange for management services fees and reimbursement of expenses. In connection with our acquisition of TIL in November 2017, our Manager waived the management services fees payable under the TIL management agreement to the extent such fees exceeded the fees payable under the existing Management Agreement between us and the Manager, but the Manager did not waive the transaction fee that is payable in the event of any sale of vessels owned by TIL subsidiaries as of date of the TIL merger, which fee is equal to 1.0% of the aggregate consideration payable to us, TIL or its subsidiaries pursuant to a sale contract.

Item 8. Financial Information

Consolidated Financial Statements and Notes

Please see "Item 18 – Financial Statements" for additional information required to be disclosed under this Item.

Legal Proceedings

From time to time we have been, and we expect to continue to be, subject to legal proceedings and claims in the ordinary course of our business, principally personal injury and property casualty claims. Such claims, even if lacking merit, could result in the expenditure of significant financial and managerial resources. We are not aware of any legal proceedings or claims that we believe will have, individually or in the aggregate, a material adverse effect on our financial condition or results of operations.

Dividend Policy

With a current focus on building net asset value through balance sheet delevering and reducing our cost of capital, in November 2019, our dividend policy was revised such that, dividend payments are now subject to the discretion of our Board of Directors. The timing and amount of dividends, if any, will depend, among other things, on our results of operations, financial condition, cash requirements, the requirements of Marshall Islands law, restrictions in financing agreements and other factors deemed relevant by our Board of Directors.

Significant Changes

Please read "Item 5 – Operating and Financial Review and Prospects: Management's Discussion and Analysis of Financial Condition and Results of Operations – Significant Developments in 2021 and Early 2022" and "Item 18 – Financial Statements: Note 22 - Subsequent Events" for descriptions of significant changes that have occurred since December 31, 2021.

Item 9. The Offer and Listing

Our Class A common stock is listed on the NYSE under the symbol "TNK". Our Class B common stock is held entirely by Teekay and is not listed on any stock exchange.

Item 10. Additional Information

Articles of Incorporation and Bylaws

Our Amended and Restated Articles of Incorporation, as amended on November 27, 2017, July 6, 2018 and November 20, 2019 (or our *Articles of Incorporation*), have been filed as Exhibit 1.1 to our Annual Report on Form 20-F for the year ended December 31, 2019 (File No. 001-33867), filed with the SEC on April 15, 2020, and our Amended and Restated Bylaws (or our *Bylaws*) have been filed as Exhibit 3.2 to Amendment No. 1 to our Registration Statement on Form F-1 (File No. 333-147798), filed with the SEC on December 11, 2007, and are each hereby incorporated by reference into this Annual Report.

The rights, preferences and restrictions attaching to each class of our capital stock are described in Exhibit 2.1 (entitled "Description of Securities Registered Under Section 12 of the Exchange Act") to our Annual Report on Form 20-F (File No. 1-33867), filed with the SEC on April 15, 2020, and are hereby incorporated by reference into this Annual Report.

There are no limitations on the rights to own securities, including the rights of non-resident or foreign shareholders to hold or exercise voting rights on the securities imposed by the laws of the Republic of The Marshall Islands or by our Articles of Incorporation or Bylaws.

Material Contracts

The contracts included as exhibits to this annual report are the contracts we consider to be both material and not entered into in the ordinary course of business. Descriptions of our credit facility is included in "Item 18 – Financial Statements: Note 9 - Long-Term Debt."

Exchange Controls and Other Limitations Affecting Security Holders

We are not aware of any governmental laws, decrees or regulations, including foreign exchange controls, in the Republic of the Marshall Islands that restrict the export or import of capital or that affect the remittance of dividends, interest or other payments to holders of our securities that are non-resident and not citizens and otherwise not conducting business or transactions in the Marshall Islands.

We are not aware of any limitations on the right of non-resident or foreign owners to hold or vote our securities imposed by the laws of the Republic of the Marshall Islands or our Articles of Incorporation and Bylaws.

Material United States Federal Income Tax Considerations

The following is a discussion of certain material U.S. federal income tax considerations that may be relevant to shareholders. This discussion is based upon provisions of the Internal Revenue Code of 1986, as amended (or *the Code*), legislative history, applicable U.S. Treasury Regulations

(or *Treasury Regulations*), judicial authority and administrative interpretations, all as in effect on the date of this Annual Report, and which are subject to change, possibly with retroactive effect, or are subject to different interpretations. Changes in these authorities may cause the tax consequences to vary substantially from the consequences described below. Unless the context otherwise requires, references in this section to "we," "our" or "us" are references to Teekay Tankers Ltd.

This discussion is limited to shareholders who hold their common stock as a capital asset for tax purposes. This discussion does not address all tax considerations that may be important to a particular shareholder in light of the shareholder's circumstances, or to certain categories of shareholders that may be subject to special tax rules, such as:

- dealers in securities or currencies,
- traders in securities that have elected the mark-to-market method of accounting for their securities,
- persons whose functional currency is not the U.S. dollar,
- persons holding our common stock as part of a hedge, straddle, conversion or other "synthetic security" or integrated transaction,
- certain U.S. expatriates,
- financial institutions,
- insurance companies,
- persons subject to the alternative minimum tax,
- persons that actually or under applicable constructive ownership rules own 10% or more of our stock (by vote or value), and
- entities that are tax-exempt for U.S. federal income tax purposes.

If a partnership (including any entity or arrangement treated as a partnership for U.S. federal income tax purposes) holds our common stock, the tax treatment of a partner generally will depend upon the status of the partner and the activities of the partnership. Partners in partnerships holding our common stock should consult their tax advisors to determine the appropriate tax treatment of the partnership's ownership of our common stock.

This discussion does not address any U.S. estate tax considerations or tax considerations arising under the laws of any state, local or non-U.S. jurisdiction. Each shareholder is urged to consult its tax advisor regarding the U.S. federal, state, local, non-U.S. and other tax consequences of the ownership or disposition of our common stock.

United States Federal Income Taxation of U.S. Holders

As used herein, the term U.S. Holder means a beneficial owner of our common stock that is, for U.S. federal income tax purposes: (i) a U.S. citizen or U.S. resident alien (or a U.S. Individual Holder), (ii) a corporation or other entity taxable as a corporation, that was created or organized under the laws of the United States, any state thereof or the District of Columbia, (iii) an estate whose income is subject to U.S. federal income taxation regardless of its source, or (iv) a trust that either is subject to the supervision of a court within the United States and has one or more U.S. persons with authority to control all of its substantial decisions or has a valid election in effect under applicable Treasury Regulations to be treated as a U.S. person.

Distributions

We are taxed as a corporation for U.S. federal income tax purposes. Subject to the discussion of passive foreign investment companies (or *PFICs*) below, any distributions made by us with respect to our common stock to a U.S. Holder generally will constitute dividends, which may be taxable as ordinary income or "qualified dividend income" as described in more detail below, to the extent of our current and accumulated earnings and profits allocated to the U.S. Holder's common stock, as determined under U.S. federal income tax principles. Distributions in excess of our current and accumulated earnings and profits allocated to the U.S. Holder's common stock will be treated first as a non-taxable return of capital to the extent of the U.S. Holder's tax basis in our common stock and thereafter as capital gain, which will be either long-term or short-term capital gain depending upon whether the U.S. Holder has held the common stock for more than one year. U.S. Holders that are corporations for U.S. federal income tax purposes generally will not be entitled to claim a dividends received deduction with respect to any distributions they receive from us. For purposes of computing allowable foreign tax credits for U.S. federal income tax purposes, dividends received with respect to our common stock will be treated as foreign source income and generally will be treated as "passive category income."

Subject to holding period requirements and certain other limitations, dividends received with respect to our common stock by a U.S. Holder who is an individual, trust or estate (or a *Non-Corporate U.S. Holder*) will be treated as "qualified dividend income" that is taxable to such Non-Corporate U.S. Holder at preferential capital gain tax rates provided that we are not classified as a PFIC for the taxable year during which the dividend is paid or the immediately preceding taxable year (we intend to take the position that we are not now and have never been, classified as a PFIC, as discussed below). Any dividends received with respect to our common stock not eligible for these preferential rates will be taxed as ordinary income to a Non-Corporate U.S. Holder.

Special rules may apply to any "extraordinary dividend" paid by us. Generally, an extraordinary dividend is a dividend with respect to a share of common stock if the amount of the dividend is equal to or in excess of 10% of a common stockholder's adjusted tax basis (or fair market value in certain circumstances) in such common stock. In addition, extraordinary dividends include dividends received within a one-year period that, in the aggregate, equal or exceed 20% of a stockholder's adjusted tax basis (or fair market value in certain circumstances). If we pay an "extraordinary dividend" on our common stock that is treated as "qualified dividend income," then any loss recognized by a Non-Corporate U.S. Holder from the sale or exchange of such common stock will be treated as long–term capital loss to the extent of the amount of such dividend.

Certain Non-Corporate U.S. Holders are subject to a 3.8% tax on certain investment income, including dividends. Non-Corporate U.S. Holders should consult their tax advisors regarding the effect, if any, of this tax on their ownership of our common stock.

Sale, Exchange or Other Disposition of Common Stock

Subject to the discussion of PFICs below, a U.S. Holder generally will recognize capital gain or loss upon a sale, exchange or other disposition of our common stock in an amount equal to the difference between the amount realized by the U.S. Holder from such sale, exchange or other disposition and the U.S. Holder's tax basis in such stock. Subject to the discussion of extraordinary dividends above, such gain or loss generally will be treated as (i) long–term capital gain or loss if the U.S. Holder's holding period is greater than one year at the time of the sale, exchange or other disposition, or short term capital gain or loss otherwise and (ii) U.S. source gain or loss, as applicable, for foreign tax credit purposes. Non-Corporate U.S. Holders may be eligible for preferential rates of U.S. federal income tax in respect of long-term capital gains. A U.S. Holder's ability to deduct capital losses is subject to certain limitations.

Certain Non-Corporate U.S. Holders are subject to a 3.8% tax on certain investment income, including capital gains from the sale or other disposition of stock. Non-Corporate U.S. Holders should consult their tax advisors regarding the effect, if any, of this tax on their disposition of our common stock.

Consequences of Possible PFIC Classification

A non-U.S. entity treated as a corporation for U.S. federal income tax purposes will be treated as a PFIC in any taxable year in which, after taking into account the income and assets of the corporation and, pursuant to a "look through" rule, any other corporation or partnership in which the corporation directly or indirectly owns at least 25% of the stock or equity interests (by value) and any partnership in which the corporation directly or indirectly owns less than 25% of the equity interests (by value) to the extent the corporation satisfies an "active partner" test and does not elect out of "look through" treatment, either: (i) at least 75% of its gross income is "passive" income; or (ii) at least 50% of the average value of its assets is attributable to assets that produce or are held for the production of passive income. For purposes of these tests, "passive income" includes dividends, interest, gains from the sale or exchange of investment property and rents and royalties other than rents and royalties that are received from unrelated parties in connection with the active conduct of a trade or business. By contrast, income derived from the performance of services does not constitute "passive income."

There are legal uncertainties involved in determining whether the income derived from our and our look-through subsidiaries' time-chartering activities constitutes rental income or income derived from the performance of services, including legal uncertainties arising from the decision in *Tidewater Inc. v. United States*, 565 F.3d 299 (5th Cir. 2009), which held that income derived from certain time-chartering activities should be treated as rental income rather than services income for purposes of a foreign sales corporation provision of the Code. However, the IRS stated in an Action on Decision (*AOD 2010-01*) that it disagrees with, and will not acquiesce to, the way that the rental versus services framework was applied to the facts in the *Tidewater* decision, and in its discussion stated that the time charters at issue in *Tidewater* would be treated as producing services income for PFIC purposes. The IRS's statement with respect to *Tidewater* cannot be relied upon or otherwise cited as precedent by taxpayers. Consequently, in the absence of any binding legal authority specifically relating to the statutory provisions governing PFICs, there can be no assurance that the IRS or a court would not follow the *Tidewater* decision in interpreting the PFIC provisions of the Code. Moreover, the market value of our stock may be treated as reflecting the value of our assets at any given time. Therefore, a decline in the market value of our stock, which is not within our control, may impact the determination of whether we are a PFIC. Nevertheless, based on our and our look-through subsidiaries' current assets and operations, we intend to take the position that we are not now and have never been a PFIC. No assurance can be given, however, that the IRS or a court of law, will accept our position or that we would not constitute a PFIC for the 2022 taxable year or for any future taxable year if there were to be changes in our or our look-through subsidiaries' assets, income or operations.

As discussed more fully below, if we were to be treated as a PFIC for any taxable year, a U.S. Holder generally would be subject to different taxation rules depending on whether the U.S. Holder makes a timely and effective election to treat us as a "qualified electing fund" (or a *QEF election*). As an alternative to making a QEF election, a U.S. Holder should be able to make a "mark–to–market" election with respect to our common stock, as discussed below.

Taxation of U.S. Holders Making a Timely QEF Election. A U.S. Holder who makes a timely QEF election (or an *Electing Holder*) must report the Electing Holder's pro rata share of our ordinary earnings and net capital gain, if any, for each taxable year for which we are a PFIC that ends with or within the Electing Holder's taxable year, regardless of whether or not the Electing Holder received distributions from us in that year. Such income inclusions would not be eligible for the preferential tax rates applicable to qualified dividend income. The Electing Holder's adjusted tax basis in our common stock will be increased to reflect taxed but undistributed earnings and profits. Distributions of earnings and profits that were previously taxed will result in a corresponding reduction in the Electing Holder's adjusted tax basis in our common stock and will not be taxed again once distributed. An Electing Holder generally will recognize capital gain or loss on the sale, exchange or other disposition of our common stock. A U.S. Holder makes a QEF election with respect to any year that we are a PFIC by filing IRS Form 8621 with the U.S. Holder's timely filed U.S. federal income tax return (including extensions).

If a U.S. Holder has not made a timely QEF election with respect to the first year in the U.S. Holder's holding period of our common stock during which we qualified as a PFIC, the U.S. Holder may be treated as having made a timely QEF election by filing a QEF election with the U.S. Holder's timely filed U.S. federal income tax return (including extensions) and, under the rules of Section 1291 of the Code, a "deemed sale election" to include in income as an "excess distribution" (described below) the amount of any gain that the U.S. Holder would otherwise recognize if the U.S. Holder sold the U.S. Holder's common stock on the "qualification date." The qualification date is the first day of our taxable year in which we qualified as a "qualified electing fund" with respect to such U.S. Holder. In addition to the above rules, under very limited circumstances, a U.S. Holder may make a retroactive QEF election if the U.S. Holder failed to file the QEF election documents in a timely manner. If a U.S. Holder makes a timely QEF election for one of our taxable years, but did not make such election with respect to the first year in the U.S. Holder's holding period of our common stock during which we qualified as a PFIC and the U.S. Holder did not make the deemed sale election described above, the U.S. Holder also will be subject to the more adverse rules described below.

A U.S. Holder's QEF election will not be effective unless we annually provide the U.S. Holder with certain information concerning our income and gain, calculated in accordance with the Code, to be included with the U.S. Holder's U.S. federal income tax return. We have not provided our U.S. Holders with such information in prior taxable years and we do not intend to provide such information in the current taxable year as we have not been and do not expect to be treated as a PFIC for 2022. Accordingly, U.S. Holders will not be able to make an effective QEF election at this time. If we determine that we are or will be a PFIC for any taxable year, we will provide U.S. Holders with the information necessary to make an effective QEF election with respect to our common stock.

Taxation of U.S. Holders Making a "Mark–to–Market" Election. If we were to be treated as a PFIC for any taxable year and, as we anticipate, our Class A common stock were treated as "marketable stock," then, as an alternative to making a QEF election, a U.S. Holder would be allowed to make a "mark-to-market" election with respect to our Class A common stock, provided the U.S. Holder completes and files IRS Form 8621 in accordance with the relevant instructions and related Treasury Regulations. If that election is made for the first year a U.S. Holder holds or is deemed to hold our Class A common stock and for which we are a PFIC, the U.S. Holder generally would include as ordinary income in each taxable year that we are a PFIC the excess, if any, of the fair market value of the U.S. Holder's Class A common stock at the end of the taxable year over the U.S. Holder's adjusted tax basis in the Class A common stock.

The U.S. Holder also would be permitted an ordinary loss in respect of the excess, if any, of the U.S. Holder's adjusted tax basis in the Class A common stock over the fair market value thereof at the end of the taxable year that we are a PFIC, but only to the extent of the net amount previously included in income as a result of the mark-to-market election. A U.S. Holder's tax basis in our Class A common stock would be adjusted to reflect any such income or loss recognized. Gain recognized on the sale, exchange or other disposition of our Class A common stock in taxable years that we are a PFIC would be treated as ordinary income, and any loss recognized on the sale, exchange or other disposition of our Class A common stock in taxable years that we are a PFIC would be treated as ordinary loss to the extent that such loss does not exceed the net mark-to-market gains previously included in income by the U.S. Holder. Because the mark-to-market election only applies to marketable stock, it would not apply to a U.S. Holder's indirect interest in any of our subsidiaries that were also determined to be PFICs.

If a U.S. Holder makes a mark-to-market election for one of our taxable years and we were a PFIC for a prior taxable year during which such U.S. Holder held our Class A common stock and for which (i) we were not a QEF with respect to such U.S. Holder and (ii) such U.S. Holder did not make a timely mark-to-market election, such U.S. Holder would also be subject to the more adverse rules described below in the first taxable year for which the mark-to-market election is in effect and also to the extent the fair market value of the U.S. Holder's Class A common stock exceeds the U.S. Holder's adjusted tax basis in the Class A common stock at the end of the first taxable year for which the mark-to-market election is in effect.

Taxation of U.S. Holders Not Making a Timely QEF or Mark–to–Market Election. If we were to be treated as a PFIC for any taxable year, a U.S. Holder who does not make either a QEF election or a "mark–to–market" election for that year (a *Non-Electing Holder*) would be subject to special rules resulting in increased tax liability with respect to (i) any "excess distribution" (i.e., the portion of any distributions received by the Non–Electing Holder on our common stock in a taxable year in excess of 125% of the average annual distributions received by the Non–Electing Holder in the three preceding taxable years, or, if shorter, the Non–Electing Holder's holding period for our common stock), and (ii) any gain realized on the sale, exchange or other disposition of our common stock. Under these special rules:

- the excess distribution or gain would be allocated ratably over the Non-Electing Holder's aggregate holding period for our common stock;
- the amount allocated to the current taxable year and any taxable year prior to the taxable year we were first treated as a PFIC with respect to the Non-Electing Holder would be taxed as ordinary income in the current taxable year;
- the amount allocated to each of the other taxable years would be subject to U.S. federal income tax at the highest rate of tax in effect for the applicable class of taxpayer for that year; and
- an interest charge for the deemed deferral benefit would be imposed with respect to the resulting tax attributable to each such other taxable year.

Additionally, for each year during which a U.S. Holder holds our common stock, we are a PFIC, and the total value of all PFIC stock that such U.S. Holder directly or indirectly holds exceeds certain thresholds, such U.S. Holder will be required to file IRS Form 8621 with its annual U.S. federal income tax return to report its ownership of our common stock. In addition, if a Non–Electing Holder who is an individual, dies while owning our common stock, such Non-Electing Holder's successor generally would not receive a step–up in tax basis with respect to such common stock.

U.S. Holders are urged to consult their tax advisors regarding the PFIC rules, including the PFIC annual reporting requirements, as well as the applicability, availability and advisability of, and procedure for, making QEF, Mark-to-Market and other available elections with respect to us, and the U.S. federal income tax consequences of making such elections.

U.S. Return Disclosure Requirements for U.S. Individual Holders

U.S. Individual Holders who hold certain specified foreign financial assets, including stock in a foreign corporation that is not held in an account maintained by a financial institution with an aggregate value in excess of $50,000 on the last day of a taxable year, or $75,000 at any time during that taxable year, may be required to report such assets on IRS Form 8938 with their U.S. federal income tax return for that taxable year. This reporting requirement does not apply to U.S. Individual Holders who report their ownership of our common stock under the PFIC annual reporting rules described above. Penalties apply for failure to properly complete and file IRS Form 8938. U.S. Individual Holders are encouraged to consult with their tax advisors regarding the possible application of this disclosure requirement to their investment in our common stock.

United States Federal Income Taxation of Non-U.S. Holders

A beneficial owner of our common stock (other than a partnership, including any entity or arrangement treated as a partnership for U.S. federal income tax purposes) that is not a U.S. Holder is a Non-U.S. Holder.

Distributions

In general, a Non-U.S. Holder will not be subject to U.S. federal income tax on distributions received from us with respect to our common stock unless the distributions are effectively connected with the Non-U.S. Holder's conduct of a trade or business within the United States (and, if required by an applicable income tax treaty, are attributable to a permanent establishment that the Non-U.S. Holder maintains in the United States). If a Non-U.S. Holder is engaged in a trade or business within the United States and the distributions are deemed to be effectively connected to that trade or business (and, if required by an applicable income tax treaty, are attributable to a permanent establishment that the Non-U.S. Holder maintains in the United States), the Non-U.S. Holder generally will be subject to U.S. federal income tax on those distributions in the same manner as if it were a U.S. Holder. In addition, a Non-U.S. Holder that is a foreign corporation for U.S. federal income tax purposes may be subject to branch profits tax at a rate of 30% (or lower applicable treaty rate) on the after-tax earnings and profits attributable to such distributions.

Sale, Exchange or Other Disposition of Common Stock

In general, a Non-U.S. Holder is not subject to U.S. federal income tax on any gain resulting from the disposition of our common stock unless (i) such gain is effectively connected with the Non-U.S. Holder's conduct of a trade or business within the United States (and, if required by an applicable income tax treaty, is attributable to a permanent establishment that the Non-U.S. Holder maintains in the United States) or (ii) the Non-U.S. Holder is an individual who is present in the United States for 183 days or more during the taxable year in which such disposition occurs and meets certain other requirements. If a Non-U.S. Holder is engaged in a trade or business within the United States and the disposition of our common stock is deemed to be effectively connected to that trade or business (and, if required by an applicable income tax treaty, are attributable to a permanent establishment that the Non-U.S. Holder maintains in the United States), the Non-U.S. Holder generally will be subject to U.S. federal income tax on the resulting gain in the same manner as if it were a U.S. Holder. In addition, a Non-U.S. Holder that is a foreign corporation for U.S. federal income tax purposes may be subject to branch profits tax at a rate of 30% (or lower applicable treaty rate) on the after-tax earnings and profits attributable to such gain.

Information Reporting and Backup Withholding

In general, distributions taxable as dividends with respect to, or the proceeds from a sale, redemption or other taxable disposition of, our common stock held by a Non–Corporate U.S. Holder will be subject to information reporting requirements, unless such distribution taxable as a dividend is paid and received outside the United States by a non-U.S. payor or non-U.S. middleman (within the meaning of U.S. Treasury Regulations), or such proceeds are effected through an office outside the U.S. of a broker that is considered a non-U.S. payor or non-U.S. middleman (within the meaning of U.S. Treasury Regulations). These amounts also generally will be subject to backup withholding if the Non-Corporate U.S. Holder:

- fails to timely provide an accurate taxpayer identification number;
- is notified by the IRS that it has failed to report all interest or distributions required to be shown on its U.S. federal income tax returns; or
- in certain circumstances, fails to comply with applicable certification requirements.

Information reporting and backup withholding generally will not apply to distributions taxable as dividends on our units to a Non-U.S. Holder if such dividend is paid and received outside the United States by a non-U.S. payor or non-U.S. middleman (within the meaning of U.S. Treasury Regulations) or the Non-U.S. Holder properly certifies under penalties of perjury as to its non-U.S. status (generally on IRS Form W-8BEN, W-8BEN-E, W-8ECI or W-8EXP, as applicable) and certain other conditions are met or the Non-U.S. Holder otherwise establishes an exemption.

Payment of proceeds to a Non-U.S. Holder from a sale, redemption or other taxable disposition of our units to or through the U.S. office of a broker, or through a broker that is considered a U.S. payor or U.S. middleman (within the meaning of U.S. Treasury Regulations), generally will be subject to information reporting and backup withholding, unless the Non-U.S. Holder properly certifies under penalties of perjury as to its non-U.S. status (generally on IRS Form W-8BEN, W-8BEN-E, W-8ECI or W-8EXP, as applicable) and certain other conditions are met or the Non-U.S. Holder otherwise establishes an exemption.

Backup withholding is not an additional tax. Rather, a Non-Corporate U.S. Holder or Non-U.S. Holder generally may obtain a credit for any amount withheld against its liability for U.S. federal income tax (and obtain a refund of any amounts withheld in excess of such liability) by accurately completing and timely filing a U.S. federal income tax return with the IRS.

Non-United States Tax Considerations

Marshall Islands Tax Considerations

Because we and our subsidiaries do not, and do not expect that we or they will, conduct business, transactions or operations in the Republic of the Marshall Islands, and because all documentation related to issuance of shares of our common stock was and is expected to be executed outside of the Republic of the Marshall Islands, under current Marshall Islands law, holders of our common stock that are not citizens of and do not reside in, maintain offices in, or engage in business, operations, or transactions in the Republic of the Marshall Islands will not be subject to Marshall Islands taxation or withholding on dividends that we make to our shareholders. In addition, such shareholders will not be subject to Marshall Islands stamp, capital gains or other taxes on the purchase, ownership or disposition of our common stock, and they will not be required by the Republic of the Marshall Islands to file a tax return relating to the common stock.

It is the responsibility of each shareholder to investigate the legal and tax consequences, under the laws of pertinent jurisdictions, including the Marshall Islands, of such shareholder's investment in us. Accordingly, each shareholder is urged to consult a tax counsel or other advisor with regard to those matters. Further, it is the responsibility of each shareholder to file all state, local and non-U.S., as well as U.S. federal tax returns that may be required of such shareholder.

Documents on Display

Documents concerning us that are referred to herein may be accessed on our website under "Investors - Teekay Tankers Ltd. - Financials & Presentations" from the home page of our website at *www.teekay.com* or may be inspected at our principal executive offices at 4th Floor, Belvedere Building, 69 Pitts Bay Road, Hamilton, HM 08, Bermuda. Those documents electronically filed via the SEC's Electronic Data Gathering, Analysis, and Retrieval (or *EDGAR*) system may also be obtained from the SEC's website at *www.sec.gov*, free of charge.

Item 11. Quantitative and Qualitative Disclosures About Market Risk

We are exposed to market risk from foreign currency fluctuations, changes in interest rates and changes in spot tanker market rates. We have not used foreign currency forward contracts to manage foreign currency fluctuation, but we may do so in the future. We use interest rate swaps to manage interest rate risks. We do not use these financial instruments for trading or speculative purposes.

Foreign Currency Fluctuation Risk

Our primary economic environment is the international shipping market. Transactions in this market generally utilize the U.S. Dollar. Consequently, virtually all our revenues and the majority of our operating costs are in U.S. Dollars. We incur certain voyage expenses, vessel operating expenses, dry-docking expenditures and general and administrative expenses in foreign currencies, the most significant of which are the Singaporean Dollar, Euro, British Pound, Canadian Dollar and Japanese Yen. There is a risk that currency fluctuations will have a negative effect on the value of cash flows. We did not enter into forward contracts as a hedge against changes in certain foreign exchange rates during 2021 or 2020.

Interest Rate Risk

We are exposed to the impact of interest rate changes primarily through our floating-rate borrowings that require us to make interest payments based on LIBOR or SOFR plus a margin. Significant increases in interest rates could adversely affect operating margins, results of operations and our ability to service our debt. From time to time, we use interest rate swaps to reduce our exposure to market risk from changes in interest rates. The principal objective of these contracts is to minimize the risks and costs associated with our floating-rate debt.

We are exposed to credit loss in the event of non-performance by the counterparties to the interest rate swap agreements. In order to minimize counterparty risk, we only enter into derivative transactions with counterparties that are rated A- or better by Standard & Poor's or A3 or better by Moody's at the time of the transactions. In addition, to the extent possible and practical, interest rate swaps are entered into with different counterparties to reduce concentration risk.

The table below provides information about financial instruments as at December 31, 2021, that are sensitive to changes in interest rates, including our debt, obligations related to finance leases and interest rate swap. For debt and obligations related to finance leases, the table presents principal cash flows and related weighted-average interest rates by expected maturity dates. For the interest rate swap, the table presents the notional amount and interest rate by the expected contractual maturity date. The expected contractual maturity date does not reflect potential prepayments of long-term debt and obligations related to finance leases.

	2022	2023	2024	2025	2026	Thereafter	Total	Fair Value Asset / (Liability)	Rate [(1)]
(in millions of U.S. dollars, except percentages)									
U.S. Dollar Denominated Obligations									
Short-term debt:									
Variable Rate [(2)]	25.0	—	—	—	—	—	25.0	(25.0)	3.6 %
Long-term debt:									
Variable Rate [(3)]	15.8	107.4	201.3	—	—	—	324.5	(325.5)	2.5 %
Obligations related to finance leases									
Variable Rate [(3)]	15.1	15.1	15.1	15.1	15.1	61.7	137.2	(137.2)	3.0 %
Fixed Rate	12.2	13.0	13.9	14.8	15.7	89.0	158.6	(169.2)	6.3 %
Interest rate swap									
Contract Amount [(3)]	—	—	50.0	—	—	—	50.0	0.6	0.8 %

(1) Rate refers to the interest rate for our short-term debt, the weighted-average interest rate for our long-term debt and obligations related to finance leases, including the margin we pay on our variable-rate debt which, as of December 31, 2021, ranged from 2.25% to 3.50%, the weighted-average interest rate implicit in our obligations related to fixed-rate finance leases at the inception of the leases and the fixed pay rate for our interest rate swap agreement.

(2) Interest payments on our short-term debt were based on LIBOR up to and including December 31, 2021. From January 2022, interest payments are based on SOFR.

(3) Interest payments on our long-term debt, obligations related to variable-rate finance leases and interest rate swap are based on LIBOR. The average variable rate paid to us under our interest rate swap is set quarterly at the three-month LIBOR.

Spot Tanker Market Rate Risk

The cyclical nature of the tanker industry causes significant increases or decreases in the revenue that we earn from our vessels, particularly those that trade in the spot tanker market. From time to time we may use forward freight agreements as a tool to protect against changes in spot tanker market rates. Forward freight agreements are contracts used to buy or sell a fixed volume of freight on specified trade routes. Forward freight agreements settle in cash based on the difference between the contracted charter rate and the average rate of an identified index.

Item 12. Description of Securities Other than Equity Securities

Not applicable.

Part II

Item 13. Defaults, Dividend Arrearages and Delinquencies

None.

Item 14. Material Modifications to the Rights of Security Holders and Use of Proceeds

Not applicable.

Item 15. Controls and Procedures

We maintain disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (or the *Exchange Act*)) that are designed to ensure that (i) information required to be disclosed in our reports that are filed or submitted under the Exchange Act, are recorded, processed, summarized, and reported within the time periods specified in the Securities and Exchange Commission's rules and forms, and (ii) information required to be disclosed by us in the reports we file or submit under the Exchange Act is accumulated and communicated to our management, including the principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

We conducted an evaluation of our disclosure controls and procedures under the supervision and with the participation of the Chief Executive Officer and Chief Financial Officer. Based on the evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures are effective as of December 31, 2021.

The Chief Executive Officer and Chief Financial Officer do not expect that our disclosure controls or internal controls will prevent all errors and all fraud. Although our disclosure controls and procedures were designed to provide reasonable assurance of achieving their objectives, a control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within us have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the control. The design of any system of controls also is based partly on certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions.

Management's Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting for us.

Our internal controls are designed to provide reasonable assurance as to the reliability of our financial reporting and the preparation and presentation of the consolidated financial statements for external purposes in accordance with accounting principles generally accepted in the United States. Our internal control over financial reporting include those policies and procedures that: (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of our assets; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of the financial statements in accordance with U.S. generally accepted accounting principles, and that our receipts and expenditures are being made in accordance with authorizations of management and the directors; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on the financial statements.

We conducted an evaluation of the effectiveness of our internal control over financial reporting based upon the framework in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. This evaluation included review of the documentation of controls, evaluation of the design effectiveness of controls, testing of the operating effectiveness of controls and a conclusion on this evaluation.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements even when determined to be effective and can only provide reasonable assurance with respect to financial statement preparation and presentation. Also, projections of any

evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate. However, based on the evaluation, management determined that internal control over financial reporting was effective as of December 31, 2021.

Our independent auditors, KPMG LLP, an independent registered public accounting firm, have audited the accompanying consolidated financial statements and our internal control over financial reporting. Their attestation report on the effectiveness of our internal control over financial reporting can be found on page F-2 of this Annual Report.

Changes in Internal Control over Financial Reporting

There have been no changes in our internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act) during the year ended December 31, 2021 that have materially affected or are reasonably likely to materially affect our internal control over financial reporting.

Item 16A. Audit Committee Financial Expert

The Board of Directors has determined that Director and Chair of the Audit Committee, Sai W. Chu, qualifies as an audit committee financial expert and is independent under applicable NYSE and SEC standards.

Item 16B. Code of Ethics

We have adopted a Standards of Business Conduct Policy for all our employees and directors. This document is available under “Investors – Teekay Tankers Ltd. - Governance” from the home page of our website (www.teekay.com). We also intend to disclose, under the “Investors – Teekay Tankers Ltd. - Governance” section of our website (www.teekay.com), any waivers to or amendments of our Standards of Business Conduct Policy that benefit our directors and executive officers.

Item 16C. Principal Accountant Fees and Services

Our principal accountant for 2021 and 2020 was KPMG LLP, an independent registered public accounting firm. The following table shows the fees we were billed for audit services provided by KPMG LLP.

Fees (in thousands of U.S. dollars)	**2021**	**2020**
Audit Fees [(1)]	817	646
Audit-Related Fees [(2)]	7	7
Total	824	653

(1) Audit fees represent fees for professional services provided in connection with the audit of our consolidated financial statements and effectiveness of internal control over financial reporting, review of our quarterly consolidated financial statements, as well as other professional services in connection with the review of our regulatory filings.

(2) Audit-related fees consisted of attestation services for regulatory requirements.

No other services were provided to us by the auditors during 2021 or 2020.

The Audit Committee of our Board of Directors has the authority to pre-approve permissible audit-related and non-audit services not prohibited by law to be performed by our independent auditors and any associated fees. Engagements for proposed services either may be separately pre-approved by the Audit Committee or entered into pursuant to detailed pre-approval policies and procedures established by the Audit Committee, as long as the Audit Committee is informed on a timely basis of any engagement entered into on that basis. The Audit Committee separately pre-approved all engagements and fees paid to our principal accountants in 2021 and 2020.

Item 16D. Exemptions from the Listing Standards for Audit Committees

Not applicable.

Item 16E. Purchases of Equity Securities by the Issuer and Affiliated Purchasers

Not applicable.

Item 16F. Change in Registrant’s Certifying Accountant

Not applicable.

Item 16G. Corporate Governance

As a "foreign private issuer" and “controlled company” under SEC rules, we are not required to comply with certain corporate governance rules and practices followed by other U.S. companies that are not controlled companies under the NYSE listing standards. The following is the significant way in which our corporate governance practices differ from those followed by U.S. controlled companies listed on the NYSE:

- As a "foreign private issuer", we are not required to obtain shareholder approval prior to the adoption of equity compensation plans or certain equity issuances, including, among others, issuing 20% or more of our outstanding common shares or voting power in a transaction.

There are no other significant ways in which our corporate governance practices differ from those followed by U.S. controlled companies under the listing requirements of the NYSE.

Item 16H. Mine Safety Disclosure

Not applicable.

Part III

Item 17. Financial Statements

Not applicable.

Item 18. Financial Statements

The following financial statements, together with the related reports of KPMG LLP, Independent Registered Public Accounting Firm, thereon are filed as part of this Annual Report:

	Page
Reports of Independent Registered Public Accounting Firm	F-1 – F-2
Consolidated Financial Statements	
Consolidated Statements of (Loss) Income	F-3
Consolidated Balance Sheets	F-4
Consolidated Statements of Cash Flows	F-5
Consolidated Statements of Changes in Equity	F-6
Notes to the Consolidated Financial Statements	F-7 – F-28

All schedules for which provision is made in the applicable accounting regulations of the SEC are not required, are inapplicable or have been disclosed in the Notes to the Consolidated Financial Statements and therefore have been omitted.

Item 19. Exhibits

The following exhibits are filed as part of this Annual Report:

1.1	Amended and Restated Articles of Incorporation of Teekay Tankers Ltd., as amended [(1)]
1.2	Amended and Restated Bylaws of Teekay Tankers Ltd. [(1)]
2.1	Description of Securities Registered Under Section 12 of the Exchange Act. [(1)]
4.1	Contribution, Conveyance and Assumption Agreement (relating to the pursuit by Teekay Corporation and its affiliates of certain business opportunities). [(2)]
4.2	Deed of Novation and Amendment dated as of November 1, 2021, with respect to the Management Agreement, as amended or supplemented by Amendment No. 1 dated as of May 7, 2009, Amendment No. 2 dated as of September 21, 2010, Amendment No. 3 dated as of January 1, 2011, Addendum to Management Agreement dated March 23, 2016, Amendment No. 4(a) dated as of August 18, 2016, Amendment No.4 dated as of March 31, 2019 and the Second Addendum to Management Agreement dated effective January 1, 2020.
4.3	Gross Revenue Sharing Pool Agreement dated as of December 2007 between Teekay Corporation, Teekay Tankers Ltd. and Teekay Chartering Limited. [(2)]
4.4	Teekay Tankers Ltd. 2007 Long-Term Incentive Plan [(3)]
4.5	Registration Rights Agreement between Teekay Tankers Ltd. and Teekay Corporation. [(2)]
4.6	Deed of Novation and Amendment dated as of November 1, 2021, with respect to the Commercial Management Services Agreement dated as of February 29, 2008, between Teekay Tankers Management Services Ltd. and Teekay Chartering Limited.
4.7	Shareholders Agreement dated September 30, 2010 for a U.S. $98,000,000 shipbuilding contract among Teekay Tankers Holding Ltd., Kriss Investment Company and High-Q Investment Ltd. [(4)]
4.8	Secured Revolving Credit Facility Agreement dated January 28, 2020 between Teekay Tankers Ltd., Nordea Bank AB and various other banks, for a $532.8 million long-term debt facility. [(1)]
8.1	List of Subsidiaries of Teekay Tankers Ltd.
12.1	Rule 13a-14(a)/15d-14(a) Certification of Teekay Tankers Ltd.'s Chief Executive Officer.
12.2	Rule 13a-14(a)/15d-14(a) Certification of Teekay Tankers Ltd.'s Chief Financial Officer.
13.1	Teekay Tankers Ltd. Certification of Kevin Mackay, Chief Executive Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
13.2	Teekay Tankers Ltd. Certification of Stewart Andrade, Chief Financial Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
15.1	Consent of KPMG LLP, as independent registered public accounting firm.
101.INS	XBRL Instance Document - the instance document does not appear in the Interactive Data File because the XBRL tags are embedded within the Inline XBRL document.
101.SCH	XBRL Taxonomy Extension Schema.
101.CAL	XBRL Taxonomy Extension Calculation Linkbase.
101.DEF	XBRL Taxonomy Extension Definition Linkbase.
101.LAB	XBRL Taxonomy Extension Label Linkbase.
101.PRE	XBRL Taxonomy Extension Presentation Linkbase.
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101.INS)

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(1) Previously filed as Exhibits 1.1, 1.2, 2.1 and 4.23 to the Company's Report on Form 20-F filed with the SEC on April 15, 2020 and hereby incorporated by reference to such Report.

(2) Previously filed as Exhibits 10.1, 10.3 and 4.1 to the Company's Amendment No. 1 to the Registration Statement on Form F-1 (Registration No. 33-147798), filed with the SEC on December 11, 2007, and hereby incorporated by reference to such Amendment No. 1 to Registration Statement.

(3) Previously filed as Exhibit 99.1 to the Company's Registration Statement on Form S-8 filed with the SEC on March 21, 2018 and hereby incorporated by reference to such Registration Statement.

(4) Previously filed as Exhibit 4.11 to the Company's Report on Form 6-K furnished to the SEC on November 30, 2010 and hereby incorporated by reference to such Report.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this Annual Report on its behalf.

	TEEKAY TANKERS LTD.	
Date: April 6, 2022	By:	/s/ Stewart Andrade
		Stewart Andrade
		Chief Financial Officer
		(Principal Financial and Accounting Officer)

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders
Teekay Tankers Ltd.

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of Teekay Tankers Ltd. and subsidiaries (the Company) as of December 31, 2021 and 2020, the related consolidated statements of (loss) income, cash flows, and changes in equity for each of the years in the three-year period ended December 31, 2021, and the related notes (collectively, the consolidated financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2021 and 2020, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2021, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2021, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission, and our report dated April 6, 2022 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of a critical audit matter does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Recoverability of Conventional Tankers

As discussed in Note 1 to the consolidated financial statements, the Company assesses vessels and equipment that are intended to be held and used in the Company's business for impairment when events or circumstances indicate the carrying value of the asset may not be recoverable. If the asset's net carrying value exceeds the net undiscounted cash flows expected to be generated over its remaining useful life and the fair value of the asset is less than its carrying value, the carrying value of the asset is reduced to its estimated fair value. Estimates of undiscounted cash flows used to determine the recoverability of a vessel's carrying value involve, amongst others, assumptions about future charter rates. As discussed in Note 19 to the consolidated financial statements, the carrying values of three Suezmax tankers, three LR2 tankers and one Aframax tanker were written down by $85.0 million in the year ended December 31, 2021. The carrying value of vessels and equipment reported on the consolidated balance sheet as of December 31, 2021, was $1,351,255 thousands.

We identified the assessment of the recoverability of conventional tankers as a critical audit matter. Subjective auditor judgment was required to evaluate the estimated future charter rates used in determining the undiscounted expected cash flows because the estimation of future charter rates is subject to significant measurement uncertainty. Changes in estimated future charter rates could have had a significant impact on the recoverability of conventional tankers.

The following are the primary procedures we performed to address this critical audit matter. We evaluated the design and tested the operating effectiveness of certain internal controls related to the Company's impairment assessment process. This included an internal control related to the determination of estimated future charter rates. We assessed a selection of estimated future charter rates by comparing them to historical rates and third-party industry publications for conventional tankers with similar characteristics, including type and size. We compared the Company's historical revenue projections to actual results to assess the Company's ability to accurately project future revenue. We performed a sensitivity analysis over the estimated future charter rates used in determining the undiscounted expected cash flows to assess their impact on the Company's determination of the recoverability of the conventional tankers.

/s/ KPMG LLP
Chartered Professional Accountants
We have served as the Company's auditor since 2011.

Vancouver, Canada
April 6, 2022

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders
Teekay Tankers Ltd.

Opinion on Internal Control Over Financial Reporting

We have audited Teekay Tankers Ltd. and subsidiaries' (the Company) internal control over financial reporting as of December 31, 2021, based on the criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2021, based on the criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of the Company as of December 31, 2021 and 2020, the related consolidated statements of (loss) income, cash flows, and changes in equity for each of the years in the three-year period ended December 31, 2021, and the related notes *(*collectively, the *consolidated* financial statements), and our report dated April 6, 2022 expressed an unqualified opinion on those *consolidated* financial statements.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ KPMG LLP
Chartered Professional Accountants

Vancouver, Canada

April 6, 2022

TEEKAY TANKERS LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF (LOSS) INCOME *(note 1)*
(in thousands of U.S. dollars, except share and per share amounts)

	Year Ended December 31, 2021 $	Year Ended December 31, 2020 $	Year Ended December 31, 2019 $
REVENUES			
Voyage charter revenues *(note 3)*	485,896	741,804	881,603
Time-charter revenues *(note 3)*	46,159	127,598	17,495
Other revenues *(notes 3 and 14b)*	10,312	17,032	44,819
Total revenues	542,367	886,434	943,917
Voyage expenses	(315,121)	(297,225)	(402,294)
Vessel operating expenses *(notes 14b and 14c)*	(165,375)	(184,233)	(208,601)
Time-charter hire expenses *(note 10)*	(13,799)	(36,341)	(43,189)
Depreciation and amortization	(106,084)	(117,212)	(124,002)
General and administrative expenses *(note 14b)*	(43,715)	(39,006)	(36,404)
Write-down and loss on sale of assets *(note 19)*	(92,368)	(69,446)	(5,544)
Restructuring charges (*note 20*)	—	(1,398)	—
(Loss) income from operations	(194,095)	141,573	123,883
Interest expense	(35,031)	(51,525)	(65,362)
Interest income	122	1,199	871
Realized and unrealized gain (loss) on derivative instruments *(note 11)*	564	(2,220)	(967)
Equity (loss) income *(note 5)*	(14,107)	5,100	2,345
Other (expense) income *(note 15)*	(1,756)	473	695
Net (loss) income before income taxes	(244,303)	94,600	61,465
Income tax recovery (expense) *(note 21)*	1,931	(7,283)	(20,103)
Net (loss) income	**(242,372)**	**87,317**	**41,362**
Per common share amounts (*note 18*)			
• Basic (loss) earnings per share	($7.16)	$2.59	$1.23
• Diluted (loss) earnings per share	($7.16)	$2.57	$1.23
Weighted-average number of Class A and Class B common stock outstanding *(note 18)*			
• Basic	33,859,306	33,718,665	33,617,635
• Diluted	33,859,306	33,921,621	33,731,171

Related party transactions (*note 14*)

The accompanying notes are an integral part of the consolidated financial statements.

TEEKAY TANKERS LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS *(note 1)*
(in thousands of U.S. dollars)

	As at December 31, 2021 $	As at December 31, 2020 $
ASSETS		
Current		
Cash and cash equivalents	50,572	97,232
Restricted cash - current *(note 16)*	2,221	2,779
Accounts receivable	41,085	36,202
Assets held for sale *(note 19)*	43,543	32,974
Due from affiliates *(note 14c)*	4,220	5,236
Bunker and lube oil inventory	49,028	34,606
Prepaid expenses	10,223	9,739
Accrued revenue *(note 3)*	44,503	26,640
Total current assets	245,395	245,408
Restricted cash - long-term *(note 16)*	3,135	3,135
Vessels and equipment		
At cost, less accumulated depreciation of $271.9 million (2020 - $417.4 million) (*notes 9 and 19*)	925,249	1,104,742
Vessels related to finance leases, at cost, less accumulated depreciation of $112.9 million (2020 - $124.4 million) *(notes 10 and 19)*	411,749	450,558
Operating lease right-of-use assets *(notes 10 and 19)*	14,257	2,529
Total vessels and equipment	1,351,255	1,557,829
Investment in and advances to equity-accounted joint venture *(note 5)*	12,954	28,561
Derivative assets (*note 11)*	668	—
Other non-current assets	1,422	897
Intangible assets at cost, less accumulated depreciation of $4.2 million (2020 - $3.7 million) *(note 6)*	1,494	1,989
Goodwill *(note 6)*	2,426	2,426
Total assets	1,618,749	1,840,245
LIABILITIES AND EQUITY		
Current		
Accounts payable	34,832	31,059
Accrued liabilities *(notes 7, 14c, 20 and 21)*	32,583	55,055
Short-term debt *(note 8)*	25,000	10,000
Current portion of long-term debt (*note 9*)	15,500	10,858
Current portion of derivative liabilities *(note 11)*	122	289
Current obligations related to finance leases (*note 10*)	27,032	78,476
Current portion of operating lease liabilities *(notes 2 and 10)*	9,389	3,685
Due to affiliates *(note 14c)*	10,944	3,123
Other current liabilities	1,686	4,574
Total current liabilities	157,088	197,119
Long-term debt *(note 9*)	304,791	232,103
Long-term obligations related to finance leases *(note 10*)	267,449	281,567
Long-term operating lease liabilities *(notes 2 and 10)*	4,868	315
Derivative liabilities *(note 11)*	—	597
Other long-term liabilities *(note 21)*	46,141	49,642
Total liabilities	780,337	761,343
Commitments and contingencies *(notes 5, 8, 9, 10 and 11*)		
Equity		
Common stock and paid-in capital (585.0 million shares authorized, 29.2 million Class A and 4.6 million Class B shares issued and outstanding as at December 31, 2021 and 585.0 million shares authorized, 29.1 million Class A and 4.6 million Class B shares issued and outstanding as at December 31, 2020) *(note 13)*	1,301,102	1,299,220
Accumulated deficit	(462,690)	(220,318)
Total equity	838,412	1,078,902
Total liabilities and equity	1,618,749	1,840,245

Subsequent events (*note 22*)

The accompanying notes are an integral part of the consolidated financial statements.

TEEKAY TANKERS LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS *(note 1)*
(in thousands of U.S. dollars)

	Year Ended December 31, 2021 $	Year Ended December 31, 2020 $	Year Ended December 31, 2019 $
Cash, cash equivalents and restricted cash (used for) provided by			
OPERATING ACTIVITIES			
Net (loss) income	(242,372)	87,317	41,362
Non-cash items:			
Depreciation and amortization	106,084	117,212	124,002
Write-down and loss on sale of assets *(note 19)*	92,368	69,446	5,544
Unrealized (gain) loss on derivative instruments *(note 11)*	(1,432)	1,458	5,247
Equity loss (income) *(note 5)*	14,107	(5,100)	(2,345)
Income tax (recovery) expense *(note 21)*	(3,109)	7,113	18,489
Other	2,001	5,232	4,044
Change in operating assets and liabilities *(note 16)*	(47,985)	89,920	(30,432)
Expenditures for dry docking	(26,974)	(24,655)	(48,250)
Net operating cash flow	(107,312)	347,943	117,661
FINANCING ACTIVITIES			
Proceeds from short-term debt *(note 8)*	50,000	235,000	200,000
Prepayments of short-term debt *(note 8)*	(35,000)	(275,000)	(150,000)
Proceeds from long-term debt, net of issuance costs (*note 9*)	221,167	574,872	57,086
Scheduled repayments of long-term debt (*note 9*)	(11,229)	(13,174)	(101,107)
Prepayments of long-term debt (*note 9*)	(135,000)	(882,495)	(135,110)
Proceeds from financing related to sales and leaseback of vessels, net of issuance costs (*note 10*)	140,226	—	63,720
Scheduled repayments of obligations related to finance leases (*note 10*)	(23,873)	(25,149)	(24,221)
Prepayment of obligations related to finance leases (*note 10*)	(184,115)	(29,596)	—
Other	(225)	(562)	(126)
Net financing cash flow	21,951	(416,104)	(89,758)
INVESTING ACTIVITIES			
Proceeds from the sale of assets (2020 - net of cash sold of $2.1 million) *(note 19)*	58,090	85,892	20,008
Expenditures for vessels and equipment	(21,447)	(16,025)	(11,628)
Loan repayments from equity-accounted joint venture (*note 5*)	1,500	4,650	—
Net investing cash flow	38,143	74,517	8,380
(Decrease) increase in cash, cash equivalents and restricted cash	(47,218)	6,356	36,283
Cash, cash equivalents and restricted cash, beginning of the year	103,146	96,790	60,507
Cash, cash equivalents and restricted cash, end of the year *(note 16c)*	55,928	103,146	96,790

Supplemental cash flow information (*note 16*)

The accompanying notes are an integral part of the consolidated financial statements.

TEEKAY TANKERS LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY *(note 1)*
(in thousands of U.S. dollars, except share amounts)

	Common Stock and Paid-in Capital				
	Thousands of Common Shares #	**Class A Common Shares $**	**Class B Common Shares $**	**Accumulated Deficit $**	**Total $**
Balance as at December 31, 2018	33,570	1,207,397	88,532	(348,996)	946,933
Net income	—	—	—	41,362	41,362
Equity-based compensation *(note 13)*	85	1,660	—	—	1,660
Other	—	(34)	—	(1)	(35)
Balance as at December 31, 2019	33,655	1,209,023	88,532	(307,635)	989,920
Net income	—	—	—	87,317	87,317
Equity-based compensation *(note 13)*	83	1,665	—	—	1,665
Balance as at December 31, 2020	33,738	1,210,688	88,532	(220,318)	1,078,902
Net loss	—	—	—	(242,372)	(242,372)
Equity-based compensation *(note 13)*	51	1,882	—	—	1,882
Balance as at December 31, 2021	33,789	1,212,570	88,532	(462,690)	838,412

The accompanying notes are an integral part of the consolidated financial statements.

1. Summary of Significant Accounting Policies

Basis of presentation and consolidation principles

These consolidated financial statements have been prepared in conformity with United States generally accepted accounting principles (*GAAP*). They include the accounts of Teekay Tankers Ltd., a Marshall Islands corporation, its wholly-owned subsidiaries, and any variable interest entities (or *VIEs*) (note 10) of which it is the primary beneficiary (collectively, the *Company*).

The preparation of these consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates. Significant intercompany balances and transactions have been eliminated upon consolidation.

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (or *COVID-19*) as a pandemic. Given the dynamic nature of these circumstances, the full extent to which the COVID-19 global pandemic may have direct or indirect impacts on the Company's business and the related financial reporting implications cannot be reasonably estimated at this time, although the pandemic could materially affect the Company's business, results of operations and financial condition in the future. COVID-19 resulted in a significant decline in global demand for oil during 2020; although oil demand partially recovered in 2021, new outbreaks may continue to have a negative impact on oil demand in the future. As the Company's business is primarily the transportation of crude oil and refined petroleum products on behalf of customers, any significant decrease in demand for the cargo the Company transports could adversely affect demand for the Company's vessels and services. Spot tanker rates have come under pressure since mid-May 2020 as a result of significantly reduced oil demand due to COVID-19 and the subsequent decision by the OPEC+ group of oil producers to implement record oil supply cuts. Reduced oil production from other oil producing nations due to the impact of COVID-19, as well as the unwinding of floating storage and the delivery of newbuilding vessels to the global tanker fleet, has also contributed to the weakness in tanker rates. COVID-19 was also a contributing factor to the write-down of certain tankers during the years ended December 31, 2021 and 2020, as described in Note 19 - Write-down and Loss on Sale of Assets, and the reduction in certain tax accruals during the year ended December 31, 2020 as described in Note 21 - Income Tax Recovery (Expense).

Foreign currency

The consolidated financial statements are stated in U.S. Dollars and the functional currency of the Company is the U.S. Dollar. Transactions involving other currencies during the year are converted into U.S. Dollars using the exchange rates in effect at the time of the transactions. At the balance sheet date, monetary assets and liabilities that are denominated in currencies other than the U.S. Dollar are translated to reflect the year-end exchange rates. Resulting gains or losses are reflected in other (expense) income in the accompanying consolidated statements of (loss) income.

Revenues

The Company's time charters and voyage charters include both a lease component, consisting of the lease of the vessel, and a non-lease component, consisting of the operation of the vessel for the customer. The Company has elected to not separate the non-lease component from the lease component for all such charters, where the lease component is classified as an operating lease, and to account for the combined component as an operating lease.

Voyage charters

Revenues from voyage charters are recognized on a proportionate performance method. The Company uses a discharge-to-discharge basis in determining proportionate performance for all spot voyages that contain a lease and a load-to-discharge basis in determining proportionate performance for all spot voyages that do not contain a lease. The Company does not begin recognizing revenue until a charter has been agreed to by the customer and the Company, even if the vessel has discharged its cargo and is sailing to the anticipated load port on its next voyage. Revenues from the Company’s vessels performing voyage charters subject to revenue sharing agreements (or *RSAs*) follow the same revenue recognition policy as voyage charters not subject to RSAs. The difference between the net revenue earned by a vessel of the Company performing voyage charters subject to RSAs and its allocated share of the aggregate net contribution is reflected within voyage expenses. The consolidated balance sheets reflect in accrued revenue the accrued portion of revenues for those voyages that commence prior to the balance sheet date and complete after the balance sheet date. Voyage expenses incurred that are recoverable from the Company's customers in connection with its voyage charter contracts are reflected in voyage charters revenues and voyage expenses.

Time charters

The Company recognizes revenues from time charters accounted for as operating leases on a straight-line basis over the term of the charter as the applicable vessel operates under the charter. The Company does not recognize revenues during days that the vessel is off hire. When the time charter contains a profit-sharing agreement or other variable consideration, the Company recognizes the profit-sharing or contingent revenues in the period in which the changes in facts and circumstances on which the variable charter hire payments are based occur. The consolidated balance sheets reflect in accrued receivables, any accrued revenue and in deferred revenue, the deferred portion of revenues which will be earned in subsequent periods.

If collectability of the time-charter hire receipts from time-charters accounted for as operating leases is not probable, revenue that would have otherwise been recognized is limited to the amount collected from the charterer.

Other revenues

Other revenues are earned from the offshore ship-to-ship transfer of commodities, primarily crude oil and refined oil products, but also liquid gases and various other products which are referred to as support operations. In addition, other revenues are also earned from other activities such as management of terminals and vessels, consultancy, procurement and equipment rental. Other revenues from short-term contracts are recognized as services are completed based on percentage of completion or in the case of long-term contracts, are recognized over the duration of the contract period. On April 30, 2020, the Company completed the sale of the non-U.S. portion of its ship-to-ship support services business, as well as its LNG terminal management business (see note 19).

Operating expenses

Voyage expenses are all expenses unique to a particular voyage, including fuel expenses, port fees, cargo loading and unloading expenses, canal tolls, agency fees and commissions. In addition, the difference between the net revenue earned by a vessel of the Company performing voyage charters subject to an RSA and its allocated share of the aggregate net contribution is reflected within voyage expenses. The Company, as shipowner, pays voyage expenses under voyage charters. The Company's customers pay voyage expenses under time charters, except when the vessel is off-hire during the term of a time charter, in which case the Company pays voyage expenses. Voyage expenses are recognized when incurred.

Vessel operating expenses include crewing, repairs and maintenance, insurance, stores, lube oils and communication expenses. The Company pays vessel operating expenses under both voyage and time charters. Vessel operating expenses are recognized when incurred.

Equity-based compensation

The Company grants stock options and restricted stock units as incentive-based compensation to certain employees of the Company and to certain employees of Teekay Corporation (or *Teekay*) or its subsidiaries who support the operations of the Company. The Company measures the cost of such awards using the grant date fair value of the award and recognizes that cost, net of estimated forfeitures, over the requisite service period. The requisite service period consists of the period from grant date of the award to the earlier of the date of vesting or the date the recipient becomes eligible for retirement. For equity-based compensation awards subject to graded vesting, the Company calculates the value for the award as if it is a single award with one expected life and amortizes the calculated expense for the entire award on a straight-line basis over the vesting period of the award. The Company also grants common stock and fully vested stock options as incentive-based compensation to non-management directors, which are expensed immediately (see note 13).

Cash and cash equivalents

The Company classifies all highly liquid investments with an original maturity date of three months or less as cash and cash equivalents.

Restricted cash - current

The Company maintains restricted cash deposits relating to certain freight forward agreements (see note 11), for certain contracts related to the ship-to-ship transfer business and for the LNG terminal management business, prior to its sale in April 2020 (see note 19). Attached to the LNG terminal management contracts were certain performance guarantees which were required to be issued by the Company and have now been terminated.

Restricted cash - long-term

The Company maintains restricted cash deposits as required by the Company's obligations related to certain finance leases (see note 10).

Accounts receivable and other loan receivables

Accounts receivable are recorded at the invoiced amount and do not bear interest. The consolidated balance sheets reflect, in accounts receivable, any amounts where the right to consideration is conditioned upon the passage of time, and in other current assets, any accrued revenue where the right to consideration is conditioned upon something other than the passage of time.

The Company's advances to its equity-accounted joint venture is recorded at cost.

Bunker and lube oil inventory

Bunker and lube oil inventory is stated at cost, which is determined on a first-in, first-out basis.

Investments in equity-accounted joint ventures

The Company's investments in equity-accounted joint ventures, in which the Company does not control but has the ability to exercise significant influence over the operating and financial policies of the entity, are accounted for using the equity method of accounting. Under the equity method of accounting, investments are stated at initial cost and are adjusted for subsequent additional investments and the Company's proportionate share of earnings or losses and distributions. The Company evaluates its equity-accounted joint venture investment for impairment when events or circumstances indicate that the carrying value of such investment may have experienced an other-than-temporary decline in value below its carrying value. If the investment in the equity-accounted joint venture is impaired and if its estimated fair value is less than its carrying value, the carrying value is written down to its estimated fair value and the resulting impairment is recorded in equity (loss) income on the Company's

consolidated statements of (loss) income. The Company's maximum exposure to loss is the amount it has invested in its equity-accounted joint venture and its proportionate share of guaranteed debt of the joint venture.

Vessels and equipment

All pre-delivery costs incurred during the construction of newbuildings, including interest, supervision and technical costs, are capitalized. The acquisition cost and all costs incurred to restore used vessels purchased by the Company to the standard required to properly service the Company's customers are capitalized.

Vessel capital modifications include the addition of new equipment or certain modifications to the vessel that are aimed at improving or increasing the operational efficiency and functionality of the asset. This type of expenditure is capitalized and depreciated over the estimated useful life of the modification. Expenditures covering recurring routine repairs or maintenance are expensed as incurred.

Depreciation is calculated on a straight-line basis over a vessel's estimated useful life, less an estimated residual value. Depreciation for vessels is calculated using an estimated useful life of 25 years from the date the vessel is delivered from the shipyard, or a shorter period if regulations prevent the Company from operating the vessels for 25 years. Depreciation of vessels and equipment (excluding amortization of dry-docking costs and intangible assets) for the years ended December 31, 2021, 2020 and 2019 totaled $78.5 million, $88.3 million, and $95.1 million, respectively.

Generally, the Company dry docks each vessel every two and a half years to five years. The Company capitalizes certain costs incurred during dry docking and amortizes those costs on a straight-line basis from the completion of a dry docking to the estimated completion of the next dry docking. The Company includes in capitalized dry docking those costs incurred as part of the dry dock to meet classification and regulatory requirements. The Company expenses costs related to routine repairs and maintenance performed during dry docking that do not improve or extend the useful lives of the assets. When significant dry-docking expenditures occur prior to the expiration of the original amortization period, the remaining unamortized balance of the original dry-docking cost is expensed in the month of the subsequent dry docking.

The following table summarizes the change in the Company's capitalized dry-docking costs, from January 1, 2019 to December 31, 2021:

	Year Ended December 31,		
	2021 $	2020 $	2019 $
Balance at the beginning of the year	67,527	71,807	56,019
Cost incurred for dry docking	23,042	28,546	45,371
Dry-dock amortization	(27,123)	(27,851)	(26,682)
Write-down / sale of vessels	(532)	(4,975)	(2,901)
Balance at the end of the year	62,914	67,527	71,807

Vessels and equipment that are intended to be "held and used" in the Company's business are assessed for impairment when events or circumstances indicate the carrying value of the asset may not be recoverable. If the asset's net carrying value exceeds the net undiscounted cash flows expected to be generated over its remaining useful life and the fair value of the asset is less than its carrying value, the carrying value of the asset is reduced to its estimated fair value. The estimated fair value for the Company's impaired vessels is determined using discounted cash flows or appraised values. In cases where an active second-hand sale and purchase market exists, an appraised value is used to estimate the fair value of an impaired vessel. An appraised value is generally the amount the Company would expect to receive if it were to sell the vessel. The appraised values are provided by third parties where available or prepared by the Company based on second-hand sale and purchase market data. In cases where an active second-hand sale and purchase market does not exist, or in certain other cases, the Company uses a discounted cash flow approach to estimate the fair value of an impaired vessel.

Vessels and equipment that are "held for sale" are measured at the lower of their carrying value or fair value less costs to sell and are not depreciated while classified as held for sale. Interest and other expenses and related liabilities attributable to vessels and equipment classified as held for sale continue to be recognized as incurred.

Lease obligations and right-of-use assets

For its vessels and office leases as of the lease commencement date, the Company recognizes a liability for its lease obligation, initially measured at the present value of lease payments not yet paid, and an asset for its right to use the underlying asset, initially measured equal to the lease liability and adjusted for lease payments made at or before lease commencement, lease incentives, and any initial direct costs. The discount rate used to determine the present value of the lease payments is the rate of interest that the Company would have to pay to borrow on a collateralized basis over a similar term for an amount equal to the lease payments in a similar economic environment. The initial recognition of the lease obligation and right-of-use asset excludes short-term leases for the Company's chartered-in vessels and office leases. Short-term leases are leases with an original term of one year or less, excluding those leases with an option to extend the lease for greater than one year or an option to purchase the underlying asset that the lessee is deemed reasonably certain to exercise. The initial recognition of this lease obligation and right-of-use asset excludes variable lease payments that are based on the usage or performance of the underlying asset and the portion of payments related to non-lease elements of vessel charters.

The Company uses the effective interest rate method to subsequently account for the lease liability, whereby interest is recognized in interest expense in the Company's consolidated statements of (loss) income. For those leases classified as operating leases, lease interest and right-of-use asset amortization in aggregate result in a straight-line expense profile that is presented in time-charter hire expense for vessels and general and administrative expense for office leases, unless the right-of-use asset becomes impaired. For those leases classified as finance leases, the right-of-use asset is amortized on a straight-line basis over the remaining life of the vessel, with such amortization included in depreciation and amortization in the Company's consolidated statements of (loss) income. Variable lease payments that are based on the usage or performance of the underlying

asset are recognized as an expense when incurred, unless achievement of a specified target triggers the lease payment, in which case an expense is recognized in the period achievement of the target is considered probable.

The Company recognizes the expense from short-term leases and any non-lease components of vessels time-chartered from other owners, on a straight-line basis over the firm period of the charters. The expense is included in time-charter hire expense for vessel charters and general and administrative expenses for office leases.

The Company has determined that its time charter-in contracts contain both a lease component (lease of the vessel) and a non-lease component (technical operation of the vessel). The Company has allocated the contract consideration between the lease component and non-lease component on a relative standalone selling price basis. The standalone selling price of the non-lease component has been determined using a cost-plus approach, whereby the Company estimates the cost to technically operate the vessel using cost benchmarking studies prepared by a third party, when available, or internal estimates when not available, plus a profit margin. The standalone selling price of the lease component has been determined using an adjusted market approach, whereby the Company calculates a rate excluding the operating component based on a market time-charter rate information from published broker estimates, when available, or internal estimates when not available. Given that there are no observable standalone selling prices for either of these two components, judgment is required in determining the standalone selling price of each component.

The right-of-use asset is assessed for impairment when events or circumstances indicate the carrying amount of the asset may not be recoverable. If the right-of-use asset's net carrying value exceeds the net undiscounted cash flows expected to be generated over its remaining useful life, the carrying amount of the right-of-use asset is reduced to its estimated fair value. The estimated fair value for the Company's impaired right-of-use assets from in-chartered vessels is determined using a discounted cash flow approach to estimate the fair value. Subsequent to an impairment, a right-of-use asset related to an operating lease is amortized on a straight-line basis over its remaining life.

Vessels sold and leased back by the Company, where the Company has a fixed price repurchase obligation or other situations where the leaseback would be classified as a finance lease are accounted for as a failed sale of the vessel. The Company does not derecognize the vessel sold and continues to depreciate the vessel as if it was the legal owner. Proceeds received from the sale of the vessel are recognized as an obligation related to finance lease and bareboat charter hire payments made by the Company to the lessor are allocated between interest expense and principal repayments on the obligation related to finance lease.

Goodwill and intangible assets

Goodwill is not amortized but is reviewed for impairment at the reporting unit level on an annual basis or more frequently if an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying value. A reporting unit is a component of the Company that constitutes a business for which discrete financial information is available and regularly reviewed by management. When goodwill is reviewed for impairment, the Company may elect to assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount, including goodwill. Alternatively, the Company may bypass this step and use a fair value approach to identify potential goodwill impairment and, when necessary, measure the amount of impairment. The Company uses a discounted cash flow model to determine the fair value of reporting units, unless there is a readily determinable fair market value. Goodwill impairment is measured as the amount by which a reporting unit's carrying value exceeds its fair value, not to exceed the carrying value of goodwill.

Customer-related intangible assets are amortized over the expected duration that the customer relationships are estimated to contribute to the cash flows of the Company. The amount amortized each year is weighted based on the projected revenue to be earned as a result of the customer relationships. Intangible assets are assessed for impairment when and if impairment indicators exist. An impairment loss is recognized if the carrying amount of an intangible asset is not recoverable and its carrying amount exceeds its fair value.

Debt issuance costs

Debt issuance costs related to recognized debt liabilities, including fees, commissions and legal expenses, are deferred and presented as a direct deduction from the carrying amount of the debt liability. Debt issuance costs which are not attributable to a specific debt liability or where the debt issuance costs exceed the carrying value of the related debt liability (primarily undrawn revolving credit facilities) are deferred and presented as other non-current assets in the Company's consolidated balance sheets. Debt issuance costs are amortized using the effective interest rate method over the term of the relevant debt liability. Amortization of debt issuance costs is included in interest expense in the Company's consolidated statements of (loss) income.

Fees paid to substantially amend a non-revolving credit facility are associated with the extinguishment of the old debt instrument, if applicable, and included in determining the debt extinguishment gain or loss to be recognized. Other related costs incurred with third parties directly related to the extinguishment are deferred and presented as a direct reduction to the carrying amount of the replacement debt instrument and amortized using the effective interest rate method. In addition, any unamortized debt issuance costs are written off. If the amendment is considered not to be a substantial amendment, then the fees would be associated with the replacement or modified debt instrument and, along with any existing unamortized premium, discount and unamortized debt issuance costs, would be amortized as an adjustment of interest expense over the remaining term of the replacement or modified debt instrument using the effective interest method. Other costs incurred with third parties directly related to the modification, other than the loan amendment fee, are expensed as incurred.

Fees paid to amend a revolving credit facility are deferred and amortized over the term of the modified revolving credit facility. If the borrowing capacity of the revolving credit facility increases as a result of the amendment, unamortized debt issuance costs of the original revolving credit facility are amortized over the remaining term of the modified revolving credit facility. If the borrowing capacity of the revolving credit facility decreases as a result of the amendment, a proportionate amount (based on the reduction in borrowing capacity) of the unamortized debt issuance costs of the original revolving credit facility are written off and the remaining amount is amortized over the remaining term of the modified revolving credit facility.

Credit losses

The Company utilizes a lifetime expected credit loss measurement objective for the recognition of credit losses for loans to equity-accounted joint ventures, guarantees of secured loan facilities of equity-accounted joint ventures, non-operating lease accounts receivable, contract assets and other receivables at the time the financial asset is originated or acquired. The expected credit losses are subsequently adjusted each period for changes in expected lifetime credit losses. The Company discontinues accrual of interest on financial assets if collection of required payments is no longer probable, and in those situations, recognizes payments received on non-accrual assets on a cash basis method, until collection of required payments becomes probable. The Company considers a financial asset to be past due when payment is not made within 30 days of it being owed, assuming there is no dispute or other uncertainty regarding the amount owing.

Expected credit loss provisions are presented on the consolidated balance sheets as a reduction to the carrying value of the related financial asset and as an other long-term liability for expected credit loss provisions that relate to guarantees of secured loan facilities of equity-accounted joint ventures. Changes in expected credit loss provisions are presented within other (expense) income within the consolidated statements of (loss) income.

Prior to the adoption of Accounting Standards Update ASU 2016-13, Financial Instruments - Credit Losses: Measurement of Credit Losses on Financial Instruments (or *ASU 2016-13*) on January 1, 2020, the Company recognized an allowance for doubtful accounts receivable consisting of the Company's best estimate of the amount of probable credit losses in existing accounts receivable based on historical write-off experience and customer economic data. The Company reviewed the allowance for doubtful accounts regularly and past due balances were reviewed for collectability. Account balances were charged against the allowance when the Company believed that the receivable would not be recovered. In addition, the Company analyzed its loans for collectability during each reporting period. A loan loss provision was recognized, based on prevailing information and events, if it was probable that the Company would be unable to collect all amounts due according to the contractual terms of the loan agreement. Factors the Company considered in determining if a loan loss provision was required include, among other things, an assessment of the financial condition of the debtor, payment history of the debtor, general economic conditions, the credit rating of the debtor (when available), any information provided by the debtor regarding its ability to repay the loan, and the fair value of the underlying collateral. When a loan loss provision was recognized, the Company measured the amount of the loss provision based on the present value of expected future cash flows discounted at the loan's effective interest rate and recognizes the resulting loss in the consolidated statements of (loss) income. The carrying value of the loan was adjusted each subsequent period to reflect any changes in the present value of the expected future cash flows.

For charter contracts being accounted for as operating leases, if the remaining lease payments are no longer probable of being collected, any unpaid accounts receivable and any accrued revenue will be reversed against revenue and any subsequent payments will be recognized as revenue when collected until such time that the remaining lease payments are probable of being collected.

Income taxes

The Company accounts for income taxes using the liability method. Under the liability method, deferred tax assets and liabilities are recognized for the anticipated future tax effects of temporary differences between the consolidated financial statement basis and the tax basis of the Company's assets and liabilities using the applicable jurisdictional tax rates. A valuation allowance for deferred tax assets is recorded when it is determined that it is more likely than not that some or all of the benefit from the deferred tax asset will not be realized.

The Company recognizes the tax benefits from uncertain tax positions only if it is more likely than not that the tax position taken or expected to be taken in a tax return will be sustained on examination by the taxing authorities, including resolution of any related appeals or litigation processes, based on the technical merits of the position. The tax benefits recognized in the Company's consolidated financial statements from such positions are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. The Company recognizes interest and penalties related to uncertain tax positions in income tax recovery (expense) in the Company's consolidated statements of (loss) income.

The Company believes that it and its subsidiaries are not subject to income taxation under the laws of the Republic of The Marshall Islands or that distributions by its subsidiaries to the Company will not be subject to any income taxes under the laws of such countries, and that it qualifies for the Section 883 exemption under U.S. federal income tax purposes.

Derivative instruments

All derivative instruments are initially recorded at fair value as either assets or liabilities in the accompanying consolidated balance sheets and subsequently remeasured to fair value each period end, regardless of the purpose or intent of holding the derivative. The method of recognizing the resulting gains or losses is dependent on whether the derivative contracts are designed to hedge a specific risk and whether the contracts qualify for hedge accounting. The Company does not apply hedge accounting to its derivative instruments, however it could for certain types of interest rate swaps that it may enter into in the future.

When a derivative is designated as a cash flow hedge, the Company formally documents the relationship between the derivative and the hedged item. This documentation includes the strategy and risk management objective for undertaking the hedge and the method that will be used to assess the effectiveness of the hedge. Any gains and losses on the derivative that are excluded from the assessment of hedge effectiveness are recognized immediately in earnings. The Company does not apply hedge accounting if it is determined that the hedge was not effective or will no longer be effective, the derivative was sold or exercised, or the hedged item was sold, repaid or no longer probable of occurring.

For derivative financial instruments designated and qualifying as cash flow hedges, changes in the fair value of the derivative financial instruments are initially recorded as a component of accumulated other comprehensive income in total equity. In the periods when the hedged items affect earnings, the associated fair value changes on the hedging derivatives are transferred from total equity to the corresponding earnings line item in the Company's consolidated statements of (loss) income. If a cash flow hedge is terminated and the originally hedged item is still considered probable of occurring, the gains and losses initially recognized in total equity remain there until the hedged item impacts earnings, at which point they are transferred to the corresponding earnings line item in the Company's consolidated statements of (loss) income. If the hedged items are no

longer probable of occurring, amounts recognized in total equity are immediately transferred to the earnings item in the Company's consolidated statements of (loss) income.

For derivative financial instruments that are not designated or that do not qualify as hedges under Financial Accounting Standards Board (or *FASB*) *ASC 815, Derivatives and Hedging,* the changes in the fair value of the derivative financial instruments are recognized in earnings. Gains and losses from the Company's non-designated derivatives are recorded in realized and unrealized gain (loss) on derivative instruments in the Company's consolidated statements of (loss) income.

(Loss) earnings per share

(Loss) earnings per share is determined by dividing (a) net (loss) income of the Company by (b) the weighted-average number of shares outstanding during the applicable period. The calculation of weighted-average number of shares includes the total Class A and total Class B shares outstanding during the applicable period. The computation of diluted earnings per share assumes the exercise of all dilutive stock options and restricted stock units using the treasury stock method. The computation of diluted loss per share does not assume such exercises. The weighted-average number of shares is retroactively adjusted for stock splits and reverse stock splits. The weighted-average number of shares and per share amounts in the consolidated financial statements reflect the changes resulting from a 1 for 8 reverse stock split which took effect on November 25, 2019.

2. Recent Accounting Pronouncements

In June 2016, the FASB issued Accounting Standards Update 2016-13, *Financial Instruments - Credit Losses: Measurement of Credit Losses on Financial Instruments* (or *ASU 2016-13*). ASU 2016-13 introduces a new credit loss methodology, which requires earlier recognition of potential credit losses, while also providing additional transparency about credit risk. This new credit loss methodology utilizes a lifetime expected credit loss measurement objective for the recognition of credit losses for loans, held-to-maturity debt securities and other receivables at the time the financial asset is originated or acquired. The expected credit losses are subsequently adjusted each period for changes in expected lifetime credit losses. This methodology replaces multiple existing impairment methods under previous GAAP for these types of assets, which generally required that a loss be incurred before it was recognized. The Company adopted this update on January 1, 2020. The adoption of ASU 2016-13 did not have a material impact on the Company's consolidated financial statements.

In December 2019, the FASB issued ASU 2019-12, *Income Taxes (Topic 740) Simplifying the Accounting for Income Taxes* (or *ASU 2019-12*), as part of its initiative to reduce complexity in the accounting standards. The amendments in ASU 2019-12 eliminate certain exceptions related to the approach for intraperiod tax allocation, the methodology for calculating income taxes in an interim period and the recognition of deferred tax liabilities for outside basis differences, among other changes. The Company adopted this update on January 1, 2021. The adoption did not have an impact on the Company's consolidated financial statements and related disclosures.

In March 2020, the FASB issued ASU 2020-04, *Reference Rate Reform (Topic 848) Facilitation of the Effects of Reference Rate Reform on Financial Reporting (*or *ASU 2020-04)*. This ASU provides optional guidance for a limited period of time to ease potential accounting impacts associated with transitioning away from reference rates that are expected to be discontinued, such as the London Interbank Offered Rate (or *LIBOR*). The amendments in ASU 2020-04 apply only to contracts, hedging relationships, and other transactions that reference LIBOR or another reference rate expected to be discontinued. The amendments in this ASU are effective through December 31, 2022. The Company is currently evaluating the effect of adopting this new guidance.

3. Revenue

The Company's primary source of revenue is from chartering its vessels (Aframax tankers, Suezmax tankers and Long Range 2 (or *LR2*) tankers) to its customers. The Company utilizes two primary forms of contracts, consisting of voyage charters and time charters.

The extent to which the Company employs its vessels on voyage charters versus time charters is dependent upon the Company's chartering strategy and the availability of time charters. Spot market rates for voyage charters are volatile from period to period, whereas time charters provide a stable source of monthly revenue. The Company also provides ship-to-ship support services, which include managing the process of transferring cargo between seagoing ships positioned alongside each other, either stationary or underway, as well as management services to third-party owners of vessels. Prior to April 30, 2020, the Company managed liquefied natural gas (or *LNG*) terminals and procured LNG-related goods for terminal owners and other customers. On April 30, 2020, the Company completed the sale of the non-U.S. portion of its ship-to-ship support services business, as well as its LNG terminal management business (see note 19).

Voyage Charters

Voyage charters are charters for a specific voyage that are usually priced on a current or "spot" market rate. Voyage charters for full service lightering voyages may also be priced based on pre-agreed terms. The performance obligations within a voyage charter contract, which will typically include the lease of the vessel to the charterer as well as the operation of the vessel, are satisfied as services are rendered over the duration of the voyage, as measured using the time that has elapsed from commencement of performance. In addition, any expenses that are unique to a particular voyage, including fuel expenses, port fees, cargo loading and unloading expenses, canal tolls, agency fees and commissions, are the responsibility of the vessel owner. The Company's voyage charters will normally contain a lease; however, judgment is necessary to determine whether this is the case based upon the decision-making rights the charterer has under the contract. Consideration for such contracts are considered either fixed or variable, depending on certain conditions. Delays caused by the charterer result in additional consideration. Payment for the voyage is not due until the voyage is completed. The duration of a single voyage will typically be less than three months. As such, accrued revenue at the end of a period will be invoiced and paid in the subsequent period. The amount of accrued revenue at any point in time will depend on the percent completed of each voyage in progress as well as the freight rate agreed for those specific voyages. The Company does not engage in any specific tactics to minimize vessel residual value risk due to the short-term nature of the contracts.

Time Charters

Pursuant to a time charter, the Company charters a vessel to a customer for a fixed period of time, generally one year or more. The performance obligations within a time-charter contract, which will include the lease of the vessel to the charterer as well as the operation of the vessel, are satisfied as services are rendered over the duration of such contract, as measured using the time that has elapsed from commencement of performance. In addition, any expenses that are unique to a particular voyage, including any fuel expenses, port fees, cargo loading and unloading expenses, canal tolls, agency fees and commissions, are the responsibility of the customer, as long as the vessel is not off-hire. Hire is typically invoiced monthly in advance for time-charter contracts, based on a fixed daily hire amount. However, certain sources of variability exist, including off-hire and sometimes profit share revenue. If the vessel is off-hire due to mechanical breakdown or for any other reason, the charterer does not pay charter hire for this time. For contracts including a profit share component, the profit share consideration occurs when actual spot tanker rates earned by the vessel exceed certain thresholds for a period of time. Variable consideration of the Company’s contracts is typically recognized as incurred. The Company does not engage in any specific tactics to minimize vessel residual value risk.

As at December 31, 2021, three of the Company’s vessels operated under time-charter contracts with the Company’s customers, all of which are scheduled to expire in 2022. As at December 31, 2021, the future hire payments expected to be received by the Company under time charters then in place were approximately $11.3 million. The hire payments should not be construed to reflect a forecast of total charter hire revenues for any of the periods. Future hire payments do not include hire payments generated from new contracts entered into after December 31, 2021, from unexercised option periods of contracts that existed on December 31, 2021 or from variable consideration, if any. In addition, future hire payments presented above have been reduced by estimated off-hire time for required period maintenance. Actual amounts may vary given future events such as unplanned vessel maintenance.

The carrying amount of the Company's owned and leased vessels employed on time charters as at December 31, 2021, was $61.7 million (December 31, 2020 - $344.4 million). The cost and accumulated depreciation of the vessels employed on these time charters as at December 31, 2021 were $74.3 million (December 31, 2020 - $464.8 million) and $12.6 million (December 31, 2020 - $120.4 million), respectively. As at December 31, 2021, the Company had $0.9 million (December 31, 2020 - $4.2 million) advanced payments recognized as contract liabilities that are expected to be recognized as time-charter revenues in the following periods which are included in other current liabilities on the Company's consolidated balance sheets. During the year ended December 31, 2021, the Company recognized revenue of $4.2 million that was included as contract liabilities at December 31, 2020.

Other Revenues

Ship-to-ship support services include managing the process of transferring cargo between seagoing ships positioned alongside each other. Each operation is typically completed in less than 48 hours. The performance obligations within LNG terminal and vessel management contracts are satisfied as services are rendered over the duration of such contracts. The management fee, consisting of a fixed component based on the period of management and in certain cases a variable component based on the asset earnings, is invoiced monthly in arrears. Substantially all of the Company’s performance obligations are satisfied over the duration of the associated contract, and the Company uses the proportion of elapsed time as its method to recognize revenue over the contract duration. The variable consideration of the Company’s contracts is typically recognized as incurred as such consideration is allocated to distinct periods within a contract. On April 30, 2020, the Company completed the sale of the non-U.S. portion of its ship-to-ship support services business, as well as its LNG terminal management business (see note 19).

Revenue Table

The following table contains a breakdown of the Company's revenue by contract type for the years ended December 31, 2021, 2020 and 2019. All revenue is part of the Company's tanker segment, except for revenue for the non-U.S. portion of the ship-to-ship support services and LNG terminal management, consultancy, procurement, and other related services, which are part of the Company's previously existing ship-to-ship transfer segment (see note 4). The Company’s lease income consists of the revenue from its voyage charters and time-charters.

	Year Ended December 31,		
	2021 $	2020 $	2019 $
Voyage charter revenues			
Suezmax	259,075	340,535	424,578
Aframax	92,922	198,206	255,702
LR2	79,969	109,343	119,486
Full service lightering	53,930	93,720	81,837
Total	485,896	741,804	881,603
Time-charter revenues			
Suezmax	20,390	107,543	15,658
Aframax	22,341	13,262	1,837
LR2	3,428	6,793	—
Total	46,159	127,598	17,495
Other revenues			
Ship-to-ship support services	5,467	9,621	24,015
Vessel management	4,845	7,019	8,461
LNG terminal management, consultancy, procurement and other	—	392	12,343
Total	10,312	17,032	44,819
Total revenues	542,367	886,434	943,917

4. Segment Reporting

On April 30, 2020, the Company completed the sale of the non-U.S. portion of its ship-to-ship support services business, as well as its LNG terminal management business. Following the sale, the Company's remaining ship-to-ship support operations were integrated into the Company's tanker business. As a result, effective April 30, 2020, the Company has one reportable segment. The Company's segment information for all periods prior to the sale and reorganization has been retroactively adjusted whereby the remaining ship-to-ship support operations have been reallocated from the ship-to-ship transfer segment to the tanker segment. Consequently, the Company's tanker segment now consists of the operation of all of its tankers, including the operations from those tankers employed on full service lightering contracts, and the US based ship-to-ship support service operations that the Company retained, including its lightering support services provided as part of full service lightering operations. The Company's ship-to-ship transfer segment consisted of the Company's non-U.S. lightering support services, LNG terminal management, consultancy, procurement, and other related services which were sold as of April 30, 2020. Segment results are evaluated based on income from operations. The accounting policies applied to the reportable segments are the same as those used in the preparation of the Company's consolidated financial statements.

The following tables include results for the Company's revenues and income from operations by segment for the years ended December 31, 2020 and 2019. No results are included for the year ended December 31, 2021 as the Company only had one reportable segment during the period.

Year Ended December 31, 2020	Tanker Segment $	Ship-to-Ship Transfer Segment $	Total $
Revenues [(1)]	879,442	6,992	886,434
Voyage expenses	(297,225)	—	(297,225)
Vessel operating expenses	(178,293)	(5,940)	(184,233)
Time-charter hire expenses	(36,341)	—	(36,341)
Depreciation and amortization	(116,719)	(493)	(117,212)
General and administrative expenses [(2)]	(38,379)	(627)	(39,006)
(Write-down) and (loss) gain on sale of assets	(72,527)	3,081	(69,446)
Restructuring charges	(1,398)	—	(1,398)
Income from operations	138,560	3,013	141,573
Equity income	5,100	—	5,100

Year Ended December 31, 2019	Tanker Segment $	Ship-to-Ship Transfer Segment $	Total $
Revenues [(1)]	913,816	30,101	943,917
Voyage expenses	(402,294)	—	(402,294)
Vessel operating expenses	(184,320)	(24,281)	(208,601)
Time-charter hire expenses	(43,189)	—	(43,189)
Depreciation and amortization	(121,126)	(2,876)	(124,002)
General and administrative expenses [(2)]	(34,904)	(1,500)	(36,404)
Write-down and loss on sale of vessels	(5,544)	—	(5,544)
Income from operations	122,439	1,444	123,883
Equity income	2,345	—	2,345

(1) Revenues earned from the ship-to-ship transfer segment are reflected in other revenues in the Company's consolidated statements of (loss) income.

(2) Includes direct general and administrative expenses and indirect general and administrative expenses (allocated to each segment based on estimated use of corporate resources) (see note 14b).

Significant Customers

The following table presents revenues and percentage of consolidated revenues for customers who accounted for more than 10% of the Company's consolidated revenues during the periods presented.

	Year Ended December 31,		
	2021	2020	2019
Shell	$60.8 million [(1)]	[(3)]	[(3)]
Vitol	$55.5 million [(2)]	[(3)]	[(3)]

(1) 11% of consolidated revenues.

(2) 10% of consolidated revenues.

(3) Less than 10%of consolidated revenues.

5. Investment in and Advances to Equity-Accounted Joint Venture

The Company has a joint venture arrangement with Wah Kwong Maritime Transport Holdings Limited (or *Wah Kwong*), whereby the Company has a 50% economic interest in the High-Q joint venture, which is jointly controlled by the Company and Wah Kwong. The High-Q joint venture owns one 2013-built VLCC, which trades on spot voyage charters in a pool managed by a third party.

As at December 31, 2021, the High-Q joint venture had a loan outstanding with a financial institution with a balance of $28.1 million (December 31, 2020 - $25.7 million). The loan is secured by a first-priority mortgage on the VLCC owned by the High-Q joint venture and 50% of the outstanding loan balance is guaranteed by the Company.

During the year ended December 31, 2021, the Company recognized an other-than-temporary decline in the carrying value of its investment in the High-Q joint venture, primarily due to a decline in value of the VLCC as a result of the current tanker market to which the COVID-19 global pandemic has been a contributing factor resulting in low oil demand. The investment was written-down by $11.6 million to its estimated fair value, which has been recognized in equity loss in the consolidated statement of loss for the year ended December 31, 2021.

For the years ended December 31, 2021, 2020 and 2019, the Company recorded equity (loss) income of $(14.1) million, $5.1 million and $2.3 million, respectively, which comprises its share of net (loss) income from the High-Q joint venture, as well as the impairment recognized in 2021.

As at December 31, 2021 and 2020, the Company had a total investment in and advance to its equity-accounted joint venture of $13.0 million and $28.6 million, respectively (see note 12).

6. Goodwill and Intangible Assets

In 2015, the Company acquired a ship-to-ship transfer business (previously referred to as SPT and now known as Teekay Marine Solutions or *TMS*) from a company jointly owned by Teekay Corporation and a Norway-based marine transportation company, I.M. Skaugen SE and recognized goodwill and intangible assets relating to customer relationships at the time of acquisition.

On April 30, 2020, the Company completed the sale of the non-U.S. portion of its ship-to-ship support services business, as well as its LNG terminal management business. Following the sale, the Company's remaining ship-to-ship support operations were integrated into the Company's tanker business. As a result, effective April 30, 2020, the Company has one reportable segment, with the Company's goodwill and intangible assets for the remaining ship-to-ship support operations included in this segment.

Goodwill

The carrying amount of goodwill was $2.4 million as at December 31, 2021 and 2020. In 2021, 2020 and 2019, the Company conducted its annual goodwill impairment review and concluded that no impairment had occurred.

Intangible Assets

The carrying amounts of intangible assets are as follows:

	As at	
	December 31, 2021	December 31, 2020
	$	$
Customer relationships At cost, less accumulated amortization of $4.2 million (2020 - $3.7 million) [(1)]	1,494	1,989
	1,494	1,989

(1) The customer relationships are being amortized over a weighted average amortization period of 10 years. Amortization of intangible assets for the year ended December 31, 2021 was $0.5 million (2020 - $1.0 million, 2019 - $2.2 million). Amortization of intangible assets for the remaining four years subsequent to 2021 is expected to be $0.4 million (2022), $0.4 million (2023), $0.4 million (2024) and $0.3 million (2025).

7. Accrued Liabilities

	Year Ended December 31,	
	2021 $	2020 $
Voyage and vessel	26,855	39,796
Corporate accruals	604	781
Interest	1,951	2,814
Payroll and benefits (*note 14c*)	3,173	11,664
Accrued liabilities	32,583	55,055

8. Short-Term Debt

In November 2018, Teekay Tankers Chartering Pte. Ltd. (or *TTCL*) a wholly-owned subsidiary of the Company, entered into a working capital revolving loan facility (or the *Working Capital Loan*), which initially provided available aggregate borrowings of up to $40.0 million for TTCL, and had an initial maturity date in May 2019, subject to extension as described below. The maximum available aggregate borrowings were subsequently increased to $80.0 million, effective December 2019. The amount available for drawdown is limited to a percentage of certain receivables and accrued revenue, which is assessed weekly. The next maturity date of the Working Capital Loan is in May 2022. The Working Capital Loan maturity date is continually extended for further periods of six months thereafter unless and until the lender gives notice in writing that no further extensions shall occur. Proceeds of the Working Capital Loan are used to provide working capital in relation to certain vessels subject to the RSAs. Interest payments on drawdowns up to and including December 31, 2021 were based on LIBOR plus a margin of 3.5%. In January 2022, the interest reference rate LIBOR was replaced by the Secured Overnight Financing Rate (or *SOFR*), with other terms on the Working Capital Loan remaining unchanged. The Working Capital Loan is collateralized by the assets of TTCL. The Working Capital Loan requires the Company to maintain its paid-in capital contribution under the RSAs and the retained distributions of the RSA counterparties in an amount equal to the greater of (a) an amount equal to the minimum average capital contributed by the RSA counterparties per vessel in respect of the RSA (including cash, bunkers or other working capital contributions and amounts accrued to the RSA counterparties but unpaid) and (b) a minimum capital contribution ranging from $20.0 million to $30.0 million based on the amount borrowed. As at December 31, 2021, $25.0 million (December 31, 2020 - $10.0 million) was owing under this facility, the aggregate available borrowings were $45.4 million (December 31, 2020 - $32.0 million), and the interest rate on the facility was 3.6% (December 31, 2020 - 3.6%). As at December 31, 2021, the Company was in compliance with all covenants in respect of this facility.

9. Long-Term Debt

	Year Ended December 31,	
	2021	2020
	$	$
Revolving credit facility due through 2024	271,167	185,000
Term loan due in 2023	53,339	64,568
Total principal	324,506	249,568
Less: unamortized discount and debt issuance costs	(4,215)	(6,607)
Total debt	320,291	242,961
Less: current portion	(15,500)	(10,858)
Long-term portion	304,791	232,103

As at December 31, 2021, the Company had one revolving credit facility (or the *2020 Revolver*), which, as at such date, provided for aggregate borrowings of up to $344.9 million (December 31, 2020 - $438.4 million), of which $73.7 million (December 31, 2020 - $253.4 million) was undrawn. Interest payments are based on LIBOR plus a margin, which was 2.40% as at December 31, 2021 (December 31, 2020 - 2.40%). The total amount available under the 2020 Revolver decreases by $78.3 million (2022), $65.3 million (2023) and $201.3 million (2024). The 2020 Revolver is collateralized by 29 of the Company's vessels, together with other related security.

As at December 31, 2021, the Company also had one term loan (or the *2020 Term Loan*) outstanding, which totaled $53.3 million (December 31, 2020 - $64.6 million). Interest payments are based on LIBOR plus a margin, which was 2.25% as at December 31, 2021 (December 31, 2020 - 2.25%). The term loan reduces in quarterly payments and has a balloon repayment due at maturity in 2023. The 2020 Term Loan is collateralized by four of the Company's vessels, together with other related security.

The 2020 Revolver and the 2020 Term Loan require the Company to maintain a minimum hull coverage ratio of 125% of the total outstanding drawn balance and 125% of the total outstanding principal balance, respectively, for the facility periods. Such requirements are assessed on a semi-annual basis with reference to vessel valuations compiled by two or more agreed upon third parties. Should the ratios drop below the required amounts, the lender may request that the Company either prepay a portion of the loan in the amount of the shortfall or provide additional collateral in the amount of the shortfall, at the Company's option. As at December 31, 2021, the hull coverage ratios were 249% and 186% for the 2020 Revolver and 2020 Term Loan, respectively. A decline in the tanker market could negatively affect these ratios. In addition, the Company is required to maintain a minimum liquidity (cash, cash equivalents and undrawn committed revolving credit lines with at least six months to maturity) of the greater of $35.0 million and at least 5% of the Company's total consolidated debt and obligations related to finance leases. As at December 31, 2021, the Company was in compliance with all covenants in respect of the 2020 Revolver and the 2020 Term Loan.

The weighted-average interest rate on the Company’s long-term debt as at December 31, 2021 was 2.5% (December 31, 2020 – 2.6%). This rate does not reflect the effect of the Company’s interest rate swap agreement (see note 11).

The aggregate annual long-term debt principal repayments required to be made by the Company under the 2020 Revolver and the 2020 Term Loan subsequent to December 31, 2021, are $15.8 million (2022), $107.4 million (2023) and $201.3 million (2024).

10. Operating Leases and Obligations Related to Finance Leases

Operating Leases

The Company charters-in vessels from other vessel owners on time-charter contracts, whereby the vessel owner provides use and technical operation of the vessel for the Company. A time charter-in contract is typically for a fixed period of time, although in certain cases, the Company may have the option to extend the charter. The Company typically pays the owner a daily hire rate that is fixed over the duration of the charter. The Company is generally not required to pay the daily hire rate during periods the vessel is not able to operate.

With respect to time charter-in contracts with an original term of more than one year, for the year ended December 31, 2021, the Company incurred $11.3 million (2020 - $30.0 million) of time-charter hire expenses related to eight (2020 - five) time charter-in contracts, of which $3.9 million (2020 - $16.0 million) was allocable to the lease component and $7.4 million (2020 - $14.0 million) was allocable to the non-lease component. The $3.9 million (2020 - $16.0 million) allocable to the lease component approximate the cash paid for the amounts included in lease liabilities and is reflected as a reduction in operating cash flows for the year ended December 31, 2021. Five of these time charter-in contracts include an option to extend the charter for an additional one-year term. Since it is not reasonably certain that the Company will exercise the options, the lease components of the options are not recognized as part of the right-of-use assets and lease liabilities. As at December 31, 2021, the weighted-average remaining lease term and weighted-average discount rate for these time charter-in contracts were 1.5 years and 4.30%, respectively (2020 - 0.7 years and 4.49%, respectively).

The Company has elected to recognize the lease payments of short-term leases in the statement of (loss) income on a straight-line basis over the lease term and variable lease payments in the period in which the obligation for those payments is incurred, which is consistent with the recognition of payment for the non-lease component. Short-term leases are leases with an original term of one year or less, excluding those leases with an option to extend the lease for greater than one year or an option to purchase the underlying asset that the lessee is deemed reasonably certain to exercise. For the year ended December 31, 2021, the Company incurred $2.5 million (2020 - $6.3 million) of time-charter hire expense related to time charter-in contracts classified as short-term leases.

During the year ended December 31, 2021, the Company chartered in two Aframax vessels, one LR2 vessel, and one lightering support vessel for periods of 24 months, which resulted in the Company recognizing right-of-use assets of $11.4 million, $4.1 million, and $0.8 million on the lease commencement dates for the Aframax vessels, LR2 vessel, and lightering support vessel, respectively. During the year ended December 31, 2020, the Company chartered in one lightering support vessel for a period of 24 months, which resulted in the Company recognizing right-of-use assets of $0.8 million on the lease commencement date. In December 2020, the Company entered into a time charter-in contract for one Aframax tanker newbuilding for a period of seven years, with three additional one-year extension options, which is expected to be delivered to the Company in the fourth quarter of 2022. The Company expects to recognize a right-of-use asset and lease liability upon delivery of the vessel.

A maturity analysis of the Company's operating lease liabilities from time charter-in contracts (excluding short-term leases) as at December 31, 2021 is as follows:

	Lease Commitment $	Non-Lease Commitment $	Total Commitment $
As at December 31, 2021			
Payments:			
2022	9,825	13,303	23,128
2023	4,947	6,404	11,351
Total payments	14,772	19,707	34,479
Less: imputed interest	(515)		
Carrying value of operating lease liabilities	14,257		

As at December 31, 2021, the total minimum commitments to be incurred by the Company under time charter-in contracts were approximately $24.8 million (2022), $18.2 million (2023), $6.8 million (2024), $6.8 million (2025), $6.8 million (2026), and $17.8 million (thereafter), including one Aframax tanker newbuilding expected to be delivered to the Company in the fourth quarter of 2022 to commence a seven-year time charter-in contract. As at December 31, 2020, the total minimum commitments to be incurred by the Company under time charter-in contracts were approximately $10.3 million (2021), $3.3 million (2022), $6.8 million (2023), $6.8 million (2024), $6.8 million (2025), and $25.0 million (thereafter), including one Aframax tanker newbuilding expected to be delivered to the Company in the fourth quarter of 2022 to commence a seven-year time charter-in contract.

Obligations Related to Finance Leases

	As at December 31, 2021 $	As at December 31, 2020 $
Obligations related to finance leases	295,828	360,043
Less: unamortized discount and debt issuance costs	(1,347)	—
Total obligations related to finance leases	294,481	360,043
Less: current portion	(27,032)	(78,476)
Long-term obligations related to finance leases	267,449	281,567

As at December 31, 2021, the Company had sale-leaseback financing transactions with financial institutions relating to 14 of the Company's vessels, including four vessels which sale-leaseback financing transactions were completed in September 2021, and four vessels which sale-leaseback transactions were completed in November 2021. In March 2022, the Company completed sale-leaseback financing transactions with a financial institution relating to eight additional vessels (see note 22).

Under the sale-leaseback arrangements completed as of December 31, 2021, the Company transferred the vessels to subsidiaries of the financial institutions (collectively, the *Lessors*) and leased the vessels back from the Lessors on bareboat charters ranging from seven- to 12-year terms ending between 2028 and 2030. The Company is obligated to purchase four of the vessels upon maturity of their respective bareboat charters. The Company also has the option to purchase each of the 14 vessels, 10 of which can be purchased between now and the end of their respective lease terms, and four of which can be purchased starting in September 2023 until the end of their respective lease terms.

As at December 31, 2021, the Company consolidates six of the 14 Lessors for financial reporting purposes as VIEs. The Company understands that these vessels and lease operations are the only assets and operations of the Lessors. The Company operates the vessels during the lease terms, and as a result, is considered to be the Lessors' primary beneficiary. The liabilities of the six Lessors are loans and are non-recourse to the Company. The amounts funded to the six Lessors in order to purchase the vessels materially match the funding to be paid by the Company's subsidiaries under these lease-back transactions. As a result, the amounts due by the Company's subsidiaries to the six Lessors considered as VIEs have been included in obligations related to finance leases as representing the Lessors' loans.

The eight sale-leaseback transactions completed in 2021 have been accounted for as failed sales and the Company has not derecognized the assets and continues to depreciate the assets as if it was the legal owner. Proceeds received from the sales have been set up as an obligation related to finance lease and bareboat charter hire payments made by the Company to the Lessor are allocated between interest expense and principal repayments on the obligation related to finance lease.

The bareboat charters related to all 14 of these vessels require that the Company maintain a minimum liquidity (cash, cash equivalents and undrawn committed revolving credit lines with at least six months to maturity) of the greater of $35.0 million and at least 5.0% of the Company's consolidated debt and obligations related to finance leases.

Ten of the bareboat charters require the Company to maintain, for each vessel, a minimum hull coverage ratio of 100% of the total outstanding principal balance. As at December 31, 2021, these ratios ranged from 106% to 134% (December 31, 2020 - ranged from 121% to 156%). The remaining four of the bareboat charters require the Company to maintain, for each vessel, a minimum hull coverage ratio of 105% of the total outstanding principal balance. As at December 31, 2021, these ratios ranged from 132% to 140%. For 10 of the bareboat charters, should any of these ratios drop below the required amount, the Lessor may request that the Company prepay additional charter hire. For the remaining four bareboat charters, should any of these ratios drop below the required amount, the Lessor may request that the Company either prepay additional charter hire in the amount of the shortfall or, in certain circumstances, make a payment to reduce the outstanding principal balance or provide additional collateral satisfactory to the relevant Lessor in the amount of the shortfall, in each case to restore compliance with the relevant ratio.

The requirements of the bareboat charters are assessed annually with reference to vessel valuations compiled by one or more agreed upon third parties. As at December 31, 2021, the Company was in compliance with all covenants in respect of its obligations related to finance leases.

During 2021, the Company completed the repurchase of eight vessels from one Lessor. In April 2021, the Company was served with a claim from the counterparty of the bareboat charters relating to these vessels, for reimbursement of breakage costs in respect of interest rate swaps that were entered into by the counterparty at the time of the original transaction in connection with the counterparty's then-underlying financing. The Company filed a defense to this claim in June 2021, rejecting the claim that the Company is responsible for paying these breakage cost reimbursements under the terms of the bareboat charters. As of December 31, 2021, the amount of breakage costs being claimed was $7.3 million. No loss provision in respect of this claim has been made by the Company based on its assessment of the merits of the claim.

The weighted-average interest rate on the Company's obligations related to finance leases as at December 31, 2021 was 4.8% (December 31, 2020 - 7.8%).

As at December 31, 2021, the Company's total remaining commitments related to the financial liabilities of these vessels were approximately $364.6 million (December 31, 2020 - $480.9 million), including imputed interest of $68.8 million (December 31, 2020 - $120.9 million), repayable from 2022 through 2030, as indicated below:

Year	Commitments December 31, 2021 $
2022	40,882
2023	40,422
2024	40,031
2025	39,502
2026	39,042
Thereafter	164,766

11. Derivative Instruments

Interest rate swap agreement

The Company uses derivative instruments in accordance with its overall risk management policies. The Company enters into interest rate swap agreements which exchange a receipt of floating interest for a payment of fixed interest to reduce the Company's exposure to interest rate variability on its outstanding floating-rate debt. The Company has not designated, for accounting purposes, its interest rate swap as a cash flow hedge of its U.S. Dollar LIBOR-denominated borrowings.

In March 2020, the Company entered into an interest rate swap agreement which is scheduled to mature in December 2024. The following summarizes the Company's interest rate swap agreement as at December 31, 2021:

	Interest Rate Index	Notional Amount $	Fair Value / Carrying Amount of Asset $	Remaining Term (years)	Fixed Swap Rate (%) (1)
LIBOR-Based Debt:					
U.S. Dollar-denominated interest rate swap agreement	LIBOR	50,000	550	3.0	0.76

(1) Excludes the margin the Company pays on its variable-rate long-term debt, which, as of December 31, 2021, ranged from 2.25% to 2.40%.

The Company is potentially exposed to credit loss in the event of non-performance by the counterparty to the interest rate swap agreement in the event that the fair value results in an asset being recorded. In order to minimize counterparty risk, the Company only enters into interest rate swap agreements with counterparties that are rated A- or better by Standard & Poor's or A3 or better by Moody's at the time transactions are entered into.

Forward freight agreements

The Company uses forward freight agreements (or *FFAs*) in non-hedge-related transactions to increase or decrease its exposure to spot market rates, within defined limits. Net gains and losses from FFAs are recorded within realized and unrealized gain (loss) on derivative instruments in the Company's consolidated statements of (loss) income.

The following table presents the location and fair value amounts of derivative instruments, segregated by type of contract, on the Company's consolidated balance sheets.

	Derivative assets $	Current portion of derivative liabilities $	Derivative liabilities $
As at December 31, 2021			
Interest rate swap agreement	668	(118)	—
Forward freight agreements	—	(4)	—
	668	(122)	—
As at December 31, 2020			
Interest rate swap agreement	—	(289)	(597)
	—	(289)	(597)

Realized and unrealized gains (losses) relating to the interest rate swap and FFAs are recognized in earnings and reported in realized and unrealized gain (loss) on derivative instruments in the Company's consolidated statements of (loss) income as follows:

	Year Ended December 31, 2021 $	Year Ended December 31, 2020 $	Year Ended December 31, 2019 $
Realized (losses) gains relating to:			
Interest rate swap agreements	(296)	481	2,791
Forward freight agreements	(572)	(1,242)	1,489
	(868)	(761)	4,280
Unrealized gains (losses) relating to:			
Interest rate swap agreements	1,436	(1,545)	(5,218)
Forward freight agreements	(4)	86	(29)
	1,432	(1,459)	(5,247)
Total realized and unrealized gain (loss) on derivative instruments	564	(2,220)	(967)

12. Fair Value Measurements

The following methods and assumptions were used to estimate the fair value of each class of financial instruments and other non-financial assets:

Cash and cash equivalents and restricted cash – The fair value of the Company's cash and cash equivalents and restricted cash approximates its carrying amounts reported in the consolidated balance sheets.

Vessels and equipment, operating lease right-of-use assets and assets held for sale – The estimated fair value of the Company's vessels and equipment, operating lease right-of-use assets and assets held for sale are determined based on appraised values, discounted cash flows and contractual sales prices. In cases where an active second-hand sale and purchase market exists, an appraised value is generally the amount the Company would expect to receive if it were to sell the vessel. The appraised values are provided by third parties where available or prepared by the Company based on second-hand sale and purchase market data. In cases where an active second-hand sale and purchase market does not exist, the Company uses a discounted cash flow approach to estimate the fair value of an impaired vessel or asset. Other assets held for sale include working capital balances and the fair value of such amounts generally approximate their carrying value.

Investment in equity-accounted joint venture - The estimated fair value of the Company's investment in its equity-accounted joint venture includes an estimate of the fair value of the joint venture's VLCC (see note 5), which is determined based on appraised values. In cases where an active second-hand sale and purchase market exists, an appraised value is generally the amount the joint venture would expect to receive if it were to sell the vessel. The appraised values are provided by third parties where available or prepared by the Company based on second-hand sale and purchase market data. The joint venture also has long-term debt, which fair value is estimated using discounted cash flow analyses, based on rates currently available for debt with similar terms and remaining maturities and the current credit worthiness of the joint venture. Other assets and liabilities included in the joint venture's balance sheet include working capital balances and the fair value of such amounts generally approximate their carrying value.

Long-term debt – The fair value of the Company's long-term debt is estimated using discounted cash flow analyses, based on rates currently available for debt with similar terms and remaining maturities and the current credit worthiness of the Company.

Long-term obligations related to finance leases - The fair value of the Company's long-term obligations related to finance leases is estimated using discounted cash flow analyses, based on rates currently available for debt with similar terms and remaining maturities and the current credit worthiness of the Company.

Derivative instruments - The fair value of the Company's interest rate swap agreements is the estimated amount that the Company would receive or pay to terminate the agreements at the reporting date, taking into account current interest rates, and if the swap is not collateralized, the current credit worthiness of either the Company or the swap counterparties. The estimated amount is the present value of future cash flows. The inputs used to determine the future cash flows include the fixed interest rate of the swaps and market interest rates. Given the current volatility in the credit markets, it is reasonably possible that the amounts recorded as derivative assets and liabilities could vary by material amounts in the near term.

The Company categorizes its fair value estimates using a fair value hierarchy based on the inputs used to measure fair value. The fair value hierarchy has three levels based on the reliability of the inputs used to determine fair value as follows:

Level 1. Observable inputs such as quoted prices in active markets;

Level 2. Inputs, other than the quoted prices in active markets, that are observable either directly or indirectly; and

Level 3. Unobservable inputs in which there is little or no market data, which require the reporting entity to develop its own assumptions.

The following table includes the estimated fair value, carrying value and categorization using the fair value hierarchy of those assets and liabilities that are measured at their estimated fair value on a recurring and non-recurring basis, as well as certain financial instruments that are not measured at fair value on a recurring basis.

		December 31, 2021		**December 31, 2020**	
	Fair Value Hierarchy Level	**Carrying Amount Asset/ (Liability) $**	**Fair Value Asset/ (Liability) $**	**Carrying Amount Asset/ (Liability) $**	**Fair Value Asset/ (Liability) $**
Recurring:					
Cash, cash equivalents and restricted cash *(note 16c)*	Level 1	55,928	55,928	103,146	103,146
Derivative instruments *(note 11)*					
Interest rate swap agreement	Level 2	550	550	(886)	(886)
Freight forward agreements	Level 2	(4)	(4)	—	—
Non-recurring:					
Operating lease right-of-use assets (*note 19*)	Level 2			1,799	1,799
Vessels and equipment (*note 19*)	Level 2			59,250	59,250
Assets held for sale *(note 19)*	Level 2	40,854	40,854	31,680	31,680
Equity-accounted joint venture (*note 5*)	Level 2	9,174	9,174		
Other:					
Short-term debt *(note 8)*	Level 2	(25,000)	(25,000)	(10,000)	(10,000)
Advances to equity-accounted joint venture (*note 5*)	Level 2	3,780	3,780	5,280	Note (1)
Long-term debt, including current portion *(note 9)*	Level 2	(320,291)	(325,509)	(242,961)	(248,738)
Obligations related to finance leases, including current portion *(note 10)*	Level 2	(294,481)	(306,386)	(360,043)	(411,740)

(1) The advances to its equity-accounted joint venture, together with the Company's investment in the equity-accounted joint venture, form the net aggregate carrying value of the Company's interests in the equity-accounted joint venture in these consolidated financial statements. The fair values of the individual components of such aggregate interests as at December 31, 2020 were not determinable.

13. Capital Stock

The authorized capital stock of Teekay Tankers Ltd. at December 31, 2021 was 100.0 million shares of Preferred Stock (December 31, 2020 - 100.0 million shares of Preferred Stock), with a par value of $0.01 per share (2020 - $0.01 per share), 485.0 million shares of Class A common stock (December 31, 2020 - 485.0 million shares of Class A common stock), with a par value of $0.01 per share (December 31, 2020 - $0.01 per share), and 100.0 million shares of Class B common stock (December 31, 2020 - 100.0 million shares of Class B common stock), with a par value of $0.01 per share (December 31, 2020 - $0.01 per share). The shares of Class A common stock entitle the holder to one vote per share while the shares of Class B common stock entitle the holder to five votes per share, subject to a 49% aggregate Class B common stock voting power maximum. As at December 31, 2021, the Company had 29.2 million shares of Class A common stock (December 31, 2020 – 29.1 million), 4.6 million shares of Class B common stock (December 31, 2020 – 4.6 million) and no shares of Preferred Stock (December 31, 2020 – nil) issued and outstanding.

In November 2019, the Company eliminated its previous dividend policy, based on which quarterly dividends were expected to range from 30% to 50% of the Company's quarterly adjusted net income, subject to reserves its Board of Directors may have determined necessary for the prudent operations of the Company. Commencing November 2019, dividend payments are subject to the discretion of the Company's Board of Directors, and the policy remains subject to change. Subject to preferences that may apply to any shares of preferred stock outstanding at the time, the holders of Class A common stock and Class B common stock are entitled to share equally in any dividends that the Board of Directors declares from time to time out of funds legally available for dividends.

Upon the Company’s liquidation, dissolution or winding-up, the holders of Class A common stock and Class B common stock shall be entitled to share equally in all assets remaining after the payment of any liabilities and the liquidation preferences on any outstanding preferred stock. Shares of the Company’s Class A common stock are not convertible into any other shares of the Company’s capital stock. Each share of Class B common stock is convertible at any time at the option of the holder thereof into one share of Class A common stock. Upon any transfer of shares of Class B common stock to a holder other than Teekay (or any of its affiliates or any successor to Teekay’s business or to all or substantially all of its assets), such shares of Class B common stock shall automatically convert into Class A common stock upon such transfer. In addition, all shares of Class B common stock will automatically convert into shares of Class A common stock if the aggregate number of outstanding shares of Class A common stock and Class B common stock beneficially owned by Teekay and its affiliates falls below 15% of the aggregate number of outstanding shares of common stock. All such conversions will be effected on a one-for-one basis.

Stock-based Compensation

As at December 31, 2021, the Company had reserved under its 2007 Long-Term Incentive Plan a total of 1,250,000 shares of Class A common stock for issuance pursuant to awards granted under the plan (December 31, 2020 – 1,250,000 Class A common stock). For the year ended December 31, 2021, a total of 16.8 thousand shares (2020 – 13.1 thousand shares; 2019 – 19.9 thousand shares) of Class A common stock were granted to the Company’s non-management directors as part of their annual compensation, of which 9.6 thousand shares (2020 – 13.1 thousand shares; 2019 – 19.9 thousand shares) were issued. The compensation relating to the granting of such stock has been included in general and administrative expenses in the amounts of $0.3 million, $0.2 million, and $0.2 million for the years ended December 31, 2021, 2020, and 2019, respectively.

The Company also grants options and restricted stock units as incentive-based compensation under the Teekay Tankers Ltd. 2007 Long-Term Incentive Plan to certain eligible officers, employees and non-management directors of the Company or Teekay subsidiaries that provide services to the Company. The number of options and restricted stock units information included in these consolidated financial statements has been retroactively adjusted for the November 2019 reverse stock split (see note 1). The compensation cost of the Company‘s stock-based compensation awards is reflected in general and administrative expenses in the Company’s consolidated statements of (loss) income.

During 2021 and 2020, no stock options were granted by the Company. During 2019, the Company granted 58.8 thousand stock options with an exercise price of $8.00 per share to the Company’s non-management directors. These stock options have a ten-year term and vest immediately. During 2019, the Company also granted 218.2 thousand stock options with an exercise price of $8.00 per share to the officers and employees of the Company and to certain employees of Teekay subsidiaries that provide services to the Company. Each stock option granted has a ten-year term and vests equally over three years from the grant date.

The weighted-average fair value of the stock options granted during 2019 was $2.79 per option, estimated on the grant date using the Black-Scholes option pricing model. The following assumptions were used in computing the fair value of the stock options granted: expected volatility of 48.7%; expected life of five years; dividend yield of 3.0%; and risk-free interest rate of 2.4%. The expected life of the stock options granted was estimated using the historical exercise behavior of employees of Teekay that receive stock options from Teekay. The expected volatility was based on historical volatility as calculated using historical data during the five years prior to the grant date.

A summary of the Company’s stock option information for the years ended December 31, 2021, 2020, and 2019 is as follows:

	December 31, 2021		December 31, 2020		December 31, 2019	
	Options (#)	Weighted-Average Exercise Price ($)	Options (#)	Weighted-Average Exercise Price ($)	Options (#)	Weighted-Average Exercise Price ($)
Outstanding - beginning of year	579,913	14.32	605,594	14.16	359,496	18.45
Granted	—	—	—	—	277,066	8.00
Exercised	(5,080)	8.71	(25,681)	10.47	(30,968)	8.96
Forfeited / expired	(3,028)	15.73	—	—	—	—
Outstanding - end of year	571,805	14.36	579,913	14.32	605,594	14.16
Exercisable - end of year	500,073	15.27	404,716	16.92	309,609	19.12

A summary of the Company's non-vested stock option activity and related information for the years ended December 31, 2021, 2020 and 2019 is as follows:

	December 31, 2021		December 31, 2020		December 31, 2019	
	Options (#)	Weighted-Average Grant Date Fair Value ($)	Options (#)	Weighted-Average Grant Date Fair Value ($)	Options (#)	Weighted-Average Grant Date Fair Value ($)
Outstanding non-vested stock options - beginning of year	175,197	8.30	295,984	8.96	134,809	13.30
Granted	—	—	—	—	218,223	8.00
Vested	(100,437)	8.29	(120,787)	9.93	(57,048)	15.54
Forfeited / expired	(3,028)	15.73	—	—	—	—
Outstanding non-vested stock options - end of year	71,732	8.00	175,197	8.30	295,984	8.96

As of December 31, 2021, there was $38.2 thousand (December 31, 2020 - $0.3 million; December 31, 2019 - $0.5 million) of total unrecognized compensation cost related to non-vested stock options granted. During the year ended December 31, 2021, the Company recognized $0.2 million (2020 - $0.3 million; 2019 - $0.4 million) of expenses related to the stock options granted to the officers of the Company and to certain employees of Teekay subsidiaries that provide services to the Company.

As at December 31, 2021, the intrinsic value of the outstanding in-the-money stock options was $0.9 million (December 31, 2020 - $0.9 million; December 31, 2019 - $7.2 million) and the intrinsic value of the exercisable stock options was $0.6 million (December 31, 2020 - $0.4 million; December 31, 2019 - $2.3 million). As at December 31, 2021, the weighted-average remaining life of options vested and expected to vest was 5.9 years (December 31, 2020 - 7.0 years; December 31, 2019 - 8.0 years) and the weighted-average remaining life of the exercisable stock options was 5.8 years (December 31, 2020 - 6.5 years; December 31, 2019 - 7.1 years).

During 2021, the Company granted 0.1 million (2020 - 0.2 million; 2019 - 0.1 million) restricted stock units to the officers and employees of the Company and to certain employees of Teekay subsidiaries that provide services to the Company, with an aggregate fair value of $1.7 million (2020 - $3.1 million; 2019 - $0.8 million). Each restricted stock unit is equal in value to one share of the Company's common shares plus reinvested dividends from the grant date to the vesting date. The restricted stock units vest equally over three years from the grant date. Any portion of a restricted stock unit award that is not vested on the date of a recipient's termination of service is canceled, unless their termination arises as a result of the recipient's retirement and, in that case, the restricted stock unit award will continue to vest in accordance with the vesting schedule. Upon vesting, the value of the restricted stock unit awards, net of withholding taxes, is paid to each recipient in the form of common shares.

For the year ended December 31, 2021, the Company recorded an expense of $1.6 million (2020 - $1.4 million; 2019 - $0.8 million) related to the restricted stock units in general and administrative expenses. During the year ended December 31, 2021, 56.0 thousand restricted stock units (2020 - 78.3 thousand; 2019 - 53.8 thousand) with a market value of $0.8 million (2020 - $1.3 million; 2019 - $0.5 million) vested and that amount, net of withholding taxes, was paid to the grantees by issuing 35.7 thousand shares (2020 - 44.8 thousand shares; 2019 - 34.1 thousand shares) of Class A common stock.

14. Related Party Transactions

a. The Company's operations are conducted in part by its subsidiaries, which receive services from Teekay's wholly-owned subsidiary, Teekay Services Ltd. (or *the Manager*, previously Teekay Shipping Ltd.) and its affiliates. The Manager provides various services under a long-term management agreement (or *the Management Agreement*), as disclosed below. In October 2021, Teekay entered into an agreement to dispose of its general partner interest in its publicly listed subsidiary, Teekay LNG Partners L.P. (now known as Seapeak LLC) (or *Seapeak*), all of its common units in Seapeak, three subsidiaries which collectively contain the shore-based management operations of Seapeak, including Teekay Shipping Ltd., as well as certain of Seapeak's joint ventures. In November 2021, Teekay Services Ltd*.,* a wholly-owned subsidiary of Teekay, assumed the role as Manager, in advance of the completion of the disposition, which closed in January 2022.

b. Amounts received and (paid) by the Company for related party transactions for the periods indicated were as follows:

	Year Ended December 31,		
	2021 $	2020 $	2019 $
Vessel operating expenses - technical management fee *(i)*	(1,008)	(992)	(1,202)
Strategic and administrative service fees *(ii)*	(33,593)	(30,775)	(31,422)
Secondment fees *(iii)*	(303)	(402)	(185)
LNG service revenues *(iv)*	—	—	1,979
Technical management fee recoveries and service revenues*(v)(vi)*	691	699	1,085

i. The cost of ship management services provided by a third party has been presented as vessel operating expenses on the Company's consolidated statements of (loss) income. The Company paid such third party technical management fees to the Manager in relation to certain former Tanker Investment Ltd. vessels.

ii. The Manager's strategic and administrative service fees have been presented in general and administrative expenses, except for fees related to technical management services, which have been presented in vessel operating expenses on the Company's consolidated statements of (loss) income. The Company's executive officers are employees of Teekay or subsidiaries thereof, and their compensation (other than any awards under the Company's long-term incentive plan described in note 13) is set and paid by Teekay or such other subsidiaries. The Company compensates Teekay for time spent by its executive officers on the Company's management matters through the strategic portion of the management fee.

iii. The Company pays secondment fees for services provided by some employees of Teekay. Secondment fees have been presented in general and administrative expenses, except for fees related to technical management services, which have been presented in vessel operating expenses on the Company's consolidated statements of (loss) income.

iv. In November 2016, the Company's ship-to-ship transfer business signed an operational and maintenance subcontract with Teekay LNG Bahrain Operations L.L.C., an entity wholly-owned by Seapeak, for the Bahrain LNG Import Terminal. The terminal is owned by Bahrain LNG W.I.L., a joint venture for which Teekay LNG Operating L.L.C., an entity wholly-owned by Seapeak, has a 30% interest. The sub-contract was terminated in April 2019.

v. The Company receives reimbursements from Teekay, for the provision of technical management services. These reimbursements have been presented in general and administrative expenses on the Company's consolidated statements of (loss) income.

vi. The Company recorded service revenues relating to Teekay Tanker Operations Limited's (or *TTOL's*) administration of certain revenue sharing agreements and provision of certain commercial services to the counterparties in the agreements.

c. The Manager and other subsidiaries of Teekay collect revenues and remit payments for expenses incurred by the Company's vessels. Such amounts, which are presented on the Company's consolidated balance sheets in "due from affiliates" or "due to affiliates", as applicable, are without interest or stated terms of repayment. In addition, $1.9 million and $9.0 million were payable as crewing and manning costs as at December 31, 2021 and 2020, respectively, and such amounts are included in accrued liabilities on the Company's consolidated balance sheets. These crewing and manning costs will be payable as reimbursement to the Manager once they are paid by the Manager to the vessels' crew.

d. The Management Agreement provides for payment to the Manager of a performance fee in certain circumstances. If *Gross Cash Available for Distribution* for a given fiscal year exceeds $25.60 per share of the Company's weighted average outstanding common stock (or the *Incentive Threshold*), the Company is generally required to pay a performance fee equal to 20% of all *Gross Cash Available for Distribution* for such year in excess of the Incentive Threshold. The Company did not incur any performance fees for the years ended December 31, 2021, 2020 and 2019. Cash Available for Distribution represents net income plus depreciation and amortization, unrealized losses from derivatives, non-cash items and any write-offs or other non-recurring items, less unrealized gains from derivatives and net income attributable to the historical results of vessels acquired by the Company from Teekay, prior to their acquisition by us, for the period when these vessels were owned and operated by Teekay. *Gross Cash Available for Distribution* represents Cash Available for Distribution without giving effect to any deductions for performance fees and reduced by the amount of any reserves the Company's Board of Directors may establish during the applicable fiscal period that have not already reduced the *Cash Available for Distribution*.

e. In October 2018, the Company established a new RSA structure under TTCL and subsequently began transitioning the Company's RSA activities from TTOL to TTCL. Pursuant to a service agreement with the Teekay Aframax RSA prior to the change in structure, from time to time, the Company hired vessels to perform full service lightering services. During 2019, the Company recognized $8.8 million related to vessels that were chartered-in from the RSA to assist with full service lightering operations. These amounts have been presented in voyage expenses on the Company's consolidated statements of (loss) income.

15. Other (Expense) Income

	Year Ended December 31,		
	2021 $	2020 $	2019 $
Foreign exchange gain (loss)	302	(734)	486
Other (expense) income	(2,058)	1,207	209
Total	(1,756)	473	695

16. Supplemental Cash Flow Information

a. The changes in non-cash working capital items related to operating activities for the years ended December 31, 2021, 2020 and 2019 are as follows:

	Year Ended December 31,		
	2021 $	2020 $	2019 $
Accounts receivable, including other current assets	(22,746)	140,290	(171,342)
Pool receivables from affiliates	—	—	56,549
Due from affiliates	1,016	(4,539)	38,966
Bunker and lube oil inventory	(17,619)	13,634	(28,628)
Prepaid expenses	(484)	532	119
Accounts payable and accrued liabilities	(13,934)	(50,040)	83,244
Due to affiliates	7,821	984	(16,431)
Deferred revenue	(3,355)	(3,277)	7,485
Other	1,316	(7,664)	(394)
Change in operating assets and liabilities	(47,985)	89,920	(30,432)

b. Cash interest paid during the years ended December 31, 2021, 2020, and 2019 totaled $34.3 million, $47.9 million, and $61.8 million, respectively.

c. The Company maintains restricted cash deposits relating to certain freight forward agreements (see note 11), for certain contracts related to the ship-to-ship transfer business and for the LNG terminal management business, prior to its sale in April 2020 (see note 19). Attached to the LNG terminal management contracts were certain performance guarantees which were required to be issued by the Company and have now been terminated. The Company also maintains restricted cash deposits as required by the Company's obligations related to finance leases (see note 10). Total cash, cash equivalents and restricted cash, including cash, cash equivalents and restricted cash held for sale are as follows:

	As at December 31, 2021 $	As at December 31, 2020 $	As at December 31, 2019 $	As at December 31, 2018 $
Cash and cash equivalents	50,572	97,232	88,824	54,917
Restricted cash - current	2,221	2,779	3,071	2,153
Restricted cash - long-term	3,135	3,135	3,437	3,437
Cash and cash equivalents held for sale	—	—	1,121	—
Restricted cash held for sale - current	—	—	337	—
	55,928	103,146	96,790	60,507

Non-cash items related to operating lease right-of-use assets and operating lease liabilities are as follows:

	Year Ended	
	December 31, 2021 $	December 31, 2020 $
Leased assets obtained in exchange for new operating lease liabilities	16,380	835

17. Liquidity

Management is required to assess if the Company will have sufficient liquidity to continue as a going concern for the one-year period following the issuance of these consolidated financial statements. Based on the Company's liquidity as at the date these consolidated financial statements were issued, including the liquidity generated from the sale of one tanker in February 2022, the completion of the sale-leaseback of eight vessels in March 2022 and the expected sale of two tankers during the second quarter of 2022 (see note 22), as well as from the expected cash flows from the Company's operations over the following year, the Company estimates that it will have sufficient liquidity to meet its minimum liquidity

requirements under its financial covenants and to continue as a going concern for at least the one-year period following the issuance of these consolidated financial statements.

18. (Loss) Earnings Per Share

The net (loss) income available for common shareholders and (loss) earnings per common share are presented in the table below:

	Year Ended December 31,		
	2021 $	2020 $	2019 $
Net (loss) income	(242,372)	87,317	41,362
Weighted-average number of common shares - basic [1]	33,859,306	33,718,665	33,617,635
Dilutive effect of stock-based awards	—	202,956	113,536
Weighted average number of common shares - diluted	33,859,306	33,921,621	33,731,171
(Loss) earnings per common share:			
- Basic	(7.16)	2.59	1.23
- Diluted	(7.16)	2.57	1.23

(1) Includes unissued common shares related to non-forfeitable stock-based compensation.

Stock-based awards that have an anti-dilutive effect on the calculation of diluted earnings per common share are excluded from this calculation. In the years where a loss attributable to shareholders has been incurred, all stock-based awards are anti-dilutive. For the year ended December 31, 2020 and 2019, 0.1 million and 7 thousand restricted stock units, respectively, had an anti-dilutive effect on the calculation of diluted earnings per common share. For the year ended December 31, 2020 and 2019, options to acquire 0.2 million and 0.5 million shares of the Company’s Class A common stock, respectively, had an anti-dilutive effect on the calculation of diluted earnings per common share.

19. Write-down and Loss on Sale of Assets

During the year ended December 31, 2021, the Company completed the sale of four Aframax tankers for a total price of $56.7 million. The Company's consolidated statement of loss for the year ended December 31, 2021 includes a loss of $2.1 million related to two of these vessels. The remaining two vessels were written down by $1.6 million to their agreed sales price less selling costs during the year ended December 31, 2020, and classified as held for sale on the Company's consolidated balance sheet as at December 31, 2020.

During the year ended December 31, 2021, the carrying values of three Suezmax tankers, three LR2 tankers and one Aframax tanker were written down, and during the year ended December 31, 2020, the carrying values of nine Aframax tankers were written down. The vessels were written-down to their estimated fair values, using appraised values provided by third parties. The write-downs were primarily due to a weaker near-term tanker market outlook and a reduction in charter rates as a result of the economic environment, which has been impacted by the COVID-19 global pandemic. The Company's consolidated statement of (loss) income for the year ended December 31, 2021 and December 31, 2020, includes write-downs totaling $85.0 million and $65.4 million, respectively, related to these vessels.

During the first quarter of 2022, the Company agreed to the sale of one Suezmax tanker and two Aframax tankers for a total price of $43.6 million (see note 22). The Suezmax tanker was delivered to its new owner in February 2022, and the Aframax tankers are expected to be delivered to their new owners in April 2022. The vessels, including their bunker and lube oil inventory, are classified as held for sale on the Company's consolidated balance sheet as at December 31, 2021. The Company's consolidated statement of loss for the year ended December 31, 2021 includes write-downs of $4.6 million related to two of these vessels, one of which was written down to its agreed sales price less selling costs and the other written-down to its estimated sales price less estimated selling costs.

During the year ended December 31, 2021 and December 31, 2020, the Company recorded write-downs of $0.7 million and $2.9 million on its operating lease right-of-use assets, which were written-down to their estimated fair value, based on prevailing charter rates for comparable periods, due to a reduction in these charter rates.

During the year ended December 31, 2020, the Company completed the sale of three Suezmax tankers, with an aggregate loss on sales of $2.6 million. The Company's consolidated statement of income for the year ended December 31, 2019 includes a $3.2 million write-down related to two of these vessels.

The Company's consolidated statement of income for the year ended December 31, 2020 includes a gain of $3.1 million relating to the completion of the sale of the non-U.S. portion of its ship-to-ship support services business, as well as its LNG terminal management business for proceeds of $27.1 million, including an adjustment of $1.1 million for the final amounts of cash and other working capital present on the closing date.

The Company's consolidated statement of income for the year ended December 31, 2019 includes a loss on sale of $2.3 million relating to one Suezmax tanker.

20. Restructuring Charges

During the year ended December 31, 2020, the Company recognized restructuring charges of $1.4 million. The restructuring charges related to estimated severance costs resulting from organizational changes partially related to the sale of the non-U.S. portion of the Company's ship-to-ship support services business in April 2020 (see note 19).

As at December 31, 2021 and December 31, 2020, restructuring liabilities of $nil and $1.0 million, respectively, were recognized in accrued liabilities on the Company's consolidated balance sheets.

21. Income Tax Recovery (Expense)

The following table reflects changes in uncertain tax positions relating to freight tax liabilities, which are recorded in other long-term liabilities and accrued liabilities on the Company's consolidated balance sheets:

	Year Ended December 31,		
	2021 $	2020 $	2019 $
Balance of unrecognized tax benefits as at January 1	49,124	49,579	32,059
Increases for positions related to the current year	3,749	14,264	3,385
Increases for positions related to prior years	4,766	10,748	16,410
Decreases for positions related to prior years	—	(15,164)	—
Settlements with tax authority	—	(8,556)	—
Decreases related to statute of limitations	(11,604)	(2,196)	(1,646)
Foreign exchange (gain) loss	(432)	449	(629)
Balance of unrecognized tax benefits as at December 31	45,603	49,124	49,579

Included in the Company's current income tax expense are provisions for uncertain tax positions relating to freight taxes. Positions relating to freight taxes can vary each year depending on the trading patterns of the Company's vessels.

Interest and penalties related to freight taxes during the years ended December 31, 2021, 2020 and 2019 are included in the table above, and are approximately $6.2 million, $13.3 million and $8.4 million, respectively. As at December 31, 2021, 2020 and 2019, total interest and penalties recognized were $25.9 million, $27.7 million and $23.8 million, respectively.

In 2020, the Company obtained further advice regarding freight taxes in a certain jurisdiction due to the uncertainty surrounding a tax law change and the limited transparency into the actions of the tax authority in this jurisdiction. Based on this new information and other considerations related to the application of the new tax law to past periods, the Company increased its uncertain tax liabilities for this jurisdiction for periods prior to 2020 by $7.6 million.

In addition, in 2020, the Company secured an agreement with a tax authority, which was based in part on an initiative of the tax authority in response to the COVID-19 global pandemic and included the waiver of interest and penalties on unpaid taxes. As a result, the Company reduced its freight tax liabilities for this jurisdiction by $15.2 million to $8.6 million, of which $7.7 million was paid in August 2020 and $0.9 million was paid in June 2021, with respect to open tax years up to and including 2020.

The Company does not presently anticipate that its provisions for these uncertain tax positions will significantly increase in the next 12 months; however, this is dependent on the jurisdictions in which vessel trading activity occurs. The Company reviews its freight tax obligations on a regular basis and may update its assessment of its tax positions based on available information at that time. Such information may include legal advice as to applicability of freight taxes in relevant jurisdictions. Freight tax regulations are subject to change and interpretation; therefore, the amounts recorded by the Company may change accordingly.

22. Subsequent Events

During the first quarter of 2022, the Company entered into agreements to sell one Suezmax tanker and two Aframax tankers for a total price of $43.6 million. The vessels and related bunkers and lube oil inventory were classified as held for sale on the Company's consolidated balance sheet as at December 31, 2021 (see note 19), and the Suezmax tanker was written down to its agreed sales price less selling costs, and one of the Aframax tankers was written down to its estimated sales price less estimated selling costs. The Suezmax tanker was delivered to its new owner in February 2022, and the Aframax tankers are expected to be delivered to their new owners in April 2022.

In March 2022, the Company completed a $177.3 million sale-leaseback financing transaction related to eight Suezmax tankers. Pursuant to this arrangement, the Company transferred the vessels to subsidiaries of a financial institution and leased the vessels back on bareboat charters ranging from six to nine-year terms. The Company has the option to repurchase any of the vessels, commencing at the end of the second year. These bareboat charters require that the Company maintain a minimum liquidity consistent with the Company’s other vessels financed on similar arrangements (see note 10) and, for each vessel, a minimum hull coverage ratio of 100% of the total outstanding principal balance.