

# **AQUATERA UTILITIES INC.**

## **BOARD MANDATE**

Directors are expected to act honestly and in good faith with a view to the best interests of the Aquatera Utilities Inc. and its subsidiaries (the "Company"). To this end, the Board of Directors has committed itself to maintaining a high standard of corporate governance which incorporates as its basis principles of good conduct and high ethical behaviour.

### **A. Mandate of the Board**

Subject to any Unanimous Shareholders Agreement from time to time, on behalf of the Company's shareholders, the Board of Directors is responsible for the overall stewardship of the Company, establishing the overall policies, standards, and risk tolerances for the Company and reviewing the Company's strategic plans. It also monitors and assesses performance and progress in meeting the long and short terms goals of the Company. The Board will acknowledge and consider the expectations of Shareholders as it acts in the best interests of the Company and its stakeholders and customers.

### **B. Duties and Responsibilities of the Board**

#### **1. Leadership**

The Board shall provide leadership and vision to guide the management of the Company in the best interests of the Company, in furtherance of which the Board shall:

- (a) Take charge in matters of:
  - the Company's purpose,
  - selection of the CEO,
  - Board competence, architecture, and modus operandi,
  - ethics and integrity,
  - compensation architecture, and
  - the significant matters set out in C(5) below.
- (b) Partner with management in matters of:
  - strategy, capital allocation, mergers and acquisitions
  - financial goals, shareholder value, stakeholder balance,
  - risk appetite,
  - resource allocation,
  - talent development, and
  - culture.
- (c) Stay out of the way of management in matters of:
  - execution,
  - operations,

- areas of delegated authority, and
- nonstrategic decisions.

2. Corporate Strategy

The Board shall:

- (a) Jointly, with management, review and confirm the Core Purpose, Vision, Brand Promise and Values annually.
- (b) Approve the strategic planning process and, collaboratively with management, develop key strategies that form the Strategic Plan.
- (c) Annually review, discuss and approve the Company's Strategic Plan.
- (d) Monitor performance in executing the strategies and meeting the objectives of the Strategic Plan.
- (e) Receive regular reports from the CEO on business operations and major issues facing the Company.

3. Chief Executive Officer

The Board shall:

- (a) Approve, and receive recommendations from the Human Resources Committee (HRC) on, appointments to the position and office of the CEO, setting appropriate employment terms and compensation, including any employment or related agreements.
- (b) Approve, and receive recommendations from the HRC on, the salary, short-term incentives, long-term incentives, benefits and other compensation for the CEO.
- (c) Approve, and receive recommendations from the HRC on, termination payments or other provisions for the CEO if such payments are outside of contract provisions.
- (d) Approve, and receive recommendations from the HRC on proposed changes to the role and responsibilities of the CEO.
- (e) Approve, and receive recommendations from the HRC on, the CEO's annual goals and objectives.
- (f) Approve, and receive recommendations from the HRC on, adjustments to the CEO's compensation resulting from an evaluation of the CEO's performance.
- (g) Receive reports from the HRC annually on the CEO's succession and development plan, including an emergency succession plan in the event of an untimely or unplanned vacancy.
- (h) Terminate the employment of the CEO, as required, for failing to ensure effective management of the Company or for any other reason.

#### 4. Governance

The Board shall:

- (a) Approve, and receive recommendations from the Governance and Environment Committee (GEC) on, changes to the Company's corporate governance practices.
- (b) Approve, and receive recommendations from the GEC on, the scope and responsibilities of the Board and its committees and the Board's expectations of individual directors, ensuring written mandates appropriately reflect duties and responsibilities, and the establishment or disbandment of committees as required.
- (c) Approve, and receive recommendations from the GEC on, the scope and responsibilities of the Board and committee chairs and individual directors, ensuring written mandates appropriately reflect duties and responsibilities.
- (d) Recommend to the shareholders, and receive recommendations from the GEC on, the size of the Board and term limits for directors.
- (e) Approve, and receive recommendations from the GEC on, criteria for selecting new directors.
- (f) Nominate to the shareholders, and receive recommendations from the GEC on, candidates to be elected to the Board.
- (g) Approve, and receive recommendations from the GEC on, the process for appointing the Chair of the Board.
- (h) Approve, and receive recommendations from the GEC on, the composition of various committees of the Board.
- (i) Recommend to the shareholders, and receive recommendations from the Human Resources Committee (HRC) on, the compensation of the Chair of the Board, chairs of committees and directors.
- (j) Ensure that new Directors have completed onboarding and orientation processes conducted individually by the Board Chair (or GEC Chair) for the review of Board policies, structure and governance and by the Senior Leadership Team for the review of operational functions and activities.
- (k) Receive annually a report from the GEC on its assessment of the independence of outside directors and disclosures from a director who makes a major change in principal occupation.
- (l) Annually evaluate, through reporting by the GEC, the performance and effectiveness of the Board and its Committees. Individual Director assessments will occur every two or three years, depending on Board composition.
- (m) Review and confirm that Board policies provide for appropriate controls, and

review and approve amendments to any Board policies that have been recommended to the Board by a committee.

- (n) Recommend to the shareholders, and receive recommendations from the GEC on, amendments to the Unanimous Shareholder Agreement and the Company's Articles of Association and by-laws.
- (o) Receive from time to time from the GEC, a list of corporate governance issues for review, discussion or action by the Board or a committee thereof.
- (p) Annually review, through reporting by the GEC, the Company's ESG Scorecard and determine appropriate measures.
- (q) Annually evaluate, through reporting by the GEC, the adequacy of its Mandate annually or otherwise, as it deems appropriate, and approve any recommended changes.

#### 5. Significant Matters

The Board shall:

- (a) Approve acquisitions and divestitures, major capital expenditures, debt and equity financing transactions, material organizational changes, policy development, budgets, material financial plans and commitments, corporate and significant personnel matters.

#### 6. Compliance, Code of Conduct and Corporate Responsibility

The Board shall:

- (a) Oversee the Company's compliance with the laws, rules and regulations of Alberta, working closely with the CEO to ensure such compliance is a priority within the organization.
- (b) Receive reports from the Audit and Risk Committee (ARC) that a non-compliance with the Company's Values by a senior manager and recommendations that, under the circumstances a waiver be granted.
- (c) Receive any reports of non-compliance from a director who has failed to adhere to the principles and standards of the Code of Conduct Policy.
- (d) Receive reports from management on the social and environmental impacts and benefits of the Company's operations.

#### 7. Risk Management

The Board shall:

- (a) Receive quarterly reports from the ARC on management's assessment of the significant risks to which the Company is exposed.
- (b) Receive reports from the ARC annually on the Company's cybersecurity program

and mitigation plans to prevent and protect the company and its employees from a cyber-attack.

- (c) Approve, and receive recommendations from the ARC on, any proposed changes to the Company's investment policies, banking/credit agreements, and purchasing policies.
- (d) Receive annually reports from the ARC and management on:
  - (i) the Company's strategies in light of the overall risk profile of the Company;
  - (ii) the nature and magnitude of all significant risks;
  - (iii) the processes, policies, procedures and controls in place to manage or mitigate the significant risks; and
  - (iv) the overall effectiveness of risk management processes including highlighting risk management problems and the actions that have been or will be taken to address them.
- (e) Receive from time to time reports from management risks and the risk-reward analysis undertaken in connection with all projects brought to the Board for approval.
- (f) Approve, and receive recommendations from the ARC on, amendments to the ARC Charter Schedule 1 – Internal Audit Procedure.
- (g) Receive periodic reports from the ARC on audit and financial matters.
- (h) Approve, and receive recommendations from the ARC on the Company's annual insurance program, including the risk retention philosophy and resulting uninsured exposure and corporate liability protection programs for directors and officers including directors' and officers' insurance coverage.
- (i) Approve, and receive recommendations annually from the ARC on, amendments to the Corporate Quarterly Shareholder KPI's.

#### 8. Delegation of Authority

The Board shall:

- (a) Delegate to the CEO and senior management the responsibility for the day to day management of the business of the Company and specify limits to management's authority.

#### 9. Audit and Financial Matters

The Board shall:

- (a) Nominate to the shareholders, and receive recommendations from the ARC on, the appointment of the Company's external auditors, and approve, and receive recommendations from the ARC on, the termination of the external auditors.
- (b) Approve, and receive recommendations from the ARC on, the internal and

external audit plans.

- (c) Receive recommendations from the ARC on appropriate action to take in response to the external auditors' report to satisfy itself of the external auditors' independence.
- (d) Approve, and receive recommendations from the ARC on, the Company's audited annual financial statements including the notes thereto and, "Management's Discussion and Analysis".
- (e) Approve, and receive recommendations from the ARC on, the Company's financial commitments and limits, and any material changes underlying any of these commitments.
- (f) Receive quarterly updates and a formal report annually from the ARC on the work of the ARC during the year, including audit and financial matters.
- (g) Approve, and receive recommendations from the CEO on, financial objectives and policies including dividends and dividend policy.
- (h) Approve, and receive recommendations from the ARC on, the Business and budgeting plans, and any material changes.
- (i) Approve, and receive recommendations from the CFO on, financial management of the Company and its assets.
- (j) Report annually to shareholders on the work of the ARC during the year.

10. Human Resources and Safety

The Board shall:

- (a) Approve, and receive recommendations from the HRC on, proposed changes to major human resources policies.
- (b) Approve, and receive recommendations from the HRC on, the Company's compensation philosophy and assess compensation risk, to ensure that the CEO and his or her executive-level direct reports ("senior management") are not incented to take unnecessary or inappropriate business risks.
- (c) Approve, and receive recommendations from the HRC on, the appointment of senior management, including the terms of their employment.
- (d) Approve, and receive recommendations from the HRC on, collective bargaining increases that exceed management's budgeted amounts.
- (e) Approve, and receive recommendations from the HRC and ARC on, any amendments to the Company's externally managed Employee Retirement Pension Plans or similar plans (other than statutory changes as advised by the administrators of such plans).
- (f) Receive annually reports from the HRC and ARC on the overall governance of

the Company's externally managed pension plans, the broad objectives of the plan(s) and any material changes to the plan(s).

- (g) Approve, and receive recommendations from the HRC on, major changes to the structure and organization of senior management functions.
- (h) Receive annually reports from the HRC on the succession and development plans for the CEO, CFO, COO and other key management positions, including an emergency succession plan in the event of an untimely or unplanned vacancy.
- (i) Approve, and receive recommendations from the HRC on, annual corporate key strategic objectives ("KSOs") and metrics based on the Company's strategic plan.
- (j) Receive reports from the HRC on progress on corporate KSOs and metrics.
- (k) Every two years receive reports from the HRC reviewing employee diversity and inclusion, and any changes from prior reporting period.
- (l) Approve, and receive recommendations from the HRC on, the health and safety policies and procedures of the Company, compliance initiatives and any other matters relating to health and safety it considers relevant.

#### 11. Environment

The Board shall:

- (a) Receive recommendations from the GEC on the environment policies of the Company, compliance initiatives and any other matters relating to environment it considers relevant.
- (b) Receive reports from the GEC on all environmental matters that may have a material impact on the business or financial results of the Company together with a plan of action for addressing these matters.

#### 12. Committees

The Board shall:

- (a) Appoint an ARC to assist the Board in fulfilling its oversight responsibilities with respect to audit and financial matters, risk management, and internal audit and controls, as described in the ARC Charter.
- (b) Appoint a GEC to assist the Board in fulfilling its oversight responsibilities with respect to governance and environment, as described in the GEC Charter.
- (c) Appoint a HRC to assist the Board in fulfilling its oversight responsibilities with respect role of the CEO and evaluation of the CEO's performance, human resources policy, appointment of the CEO, compensation, pension and other benefits, organization change, management development and succession planning, and health and safety, as described in the HRC Charter.
- (d) Approve, and receive recommendations from the GEC on, the appointment of

committee members and committee chairs.

- (e) Form a new committee or disband a current committee if in its view it is appropriate to do so, provided that the Board will always have an ARC.
- (f) Establish a temporary subcommittee with a specific short-term assignment, which is to be chaired by a director and is subject to discharge once its mandate is complete or at the discretion of the Board.
- (g) Receive reports from each committee with respect to the proceedings of each meeting.

### 13. Communications

The Board shall:

- (a) Adopt and periodically review, a communication procedure addressing timely dissemination of all material information.
- (b) Review, or delegate the review of, the content of the Company's major communications to shareholders, including the annual reports.
- (c) Engage shareholders to enhance understanding and communication through:
  - Present Corporate KPI's in a quarterly basis to Shareholder Leaders with Chair and CEO,
  - Bi-annual, Board and Shareholder dinner reception with high level and future direction discussion,
  - Annual Meeting,
  - Presentation of the Board Strategic Plan,
  - A review of draft Business Plans with shareholders prior to final Board approval,
  - Other means of dialogue as appropriate.