



Aquatera Utilities Inc. 2023 Governance Disclosure Report

GOVERNANCE DISCLOSURE REPORT

For Aquatera Utilities Inc. (Aquatera or the Company)

CORPORATE GOVERNANCE PRACTICES AND DISCLOSURE

Aquatera relies on its governance structure and practices to direct our corporate activities and inform our decision-making process. Our framework plays a crucial role in maintaining alignment with our corporate values throughout our work. In adhering to the National Instrument 58-101 "Disclosure of Corporate Governance Practices," Aquatera ensures transparency in communicating its governance practices.

The dedication of our Board of Directors and Executive team to the highest standards of corporate governance underscores our belief that a strong governance framework enhances stakeholder value, trust, and confidence.

CORPORATE GOVERNANCE PHILOSOPHY

Aquatera is committed to transparency and to responsible corporate governance practices. To meet its corporate governance and oversight responsibilities, the Board has adopted a Board Mandate, a set of Committee Charters and associated work-plans for how the business and affairs of the Company will be carried out. In addition to this, Board and Committee Procedures and Director Expectations documents supplement the Board's mandate by specifying the expectations the Corporation places on its Directors in terms of performance and criteria. Further to this, the Board conducts annual evaluations to enhance the efficiency of Board operations. The Board believes that these practices benefit all stakeholders and form the building blocks for long-term success. The Board reviews these guidelines annually to ensure that they reflect the most current and appropriate governance standards for the Company.

BOARD MANDATE

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 term 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.

ETHICAL BUSINESS CONDUCT

Aquatera has a Code of Conduct Policy, which protects the integrity of Aquatera Utilities Inc., and sets behaviours and standards we expect from Employees and Directors.

Aquatera Directors and Employees will act with honesty and integrity in all business relationships with competitors, potential business partners, suppliers, customers, and government officials. Aquatera will exercise good business judgement in extending business courtesies and will never accept or offer bribes, favours, or "kickbacks" for the purpose of securing business transactions. Aquatera Directors and Employees will ensure that all payments are necessary, lawful, and properly documented. The Code of Conduct Policy is reviewed and signed off by staff on an annual basis. A copy of the Code of Conduct Policy can be found at <https://www.aquatera.ca/public/download/files/231235>.

Aquatera Employees are protected under the Whistle Blower Protection Act and Section 425.1 of the Criminal Code and are encouraged, as outlined in the policy, to report any acts seen as fraudulent or unethical.

Conflicts of interest are declared at each meeting of the Board and its Committees. Outside business interests are declared on an annual basis. This assists in ensuring Board members exercise independent judgement when considering transactions and agreements. The Board ensures that Directors do not participate in discussions or vote on the matters for which they have a conflict of interest.

OUR BOARD OF DIRECTORS

Aquatera's Board consists of nine independent members. Directors are elected or re-elected at the Annual Meeting of the Shareholders typically for a term of three years. Director Lionel Laflamme holds the position of Board Chair. Following the retirement of the former Board Chair, Mr. Jim Smith, Mr. Laflamme was appointed as the new Board Chair, effective January 1, 2023, during the Shareholders Annual Meeting held on June 21st, 2022. The Chair of the Board is an Ex-Officio Member of three Board Committees which are listed below. The Board as a whole assigns responsibility to three Committees to maintain an effective balance of duties and use of resources.

On behalf of the Company's Shareholders, the Board's Mandate requires the Board to be 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-term 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 having regard to its stakeholders and customers.

Director biographies, position descriptions for the Board Chair, Committee Chairs and the CEO, the Mandate of the Board and the Charters of each Committee can be found on our corporate website.

<https://www.aquatera.ca/who-we-are/board-of-directors>

DIRECTOR AND COMMITTEE INDEPENDENCE

Independent Board members bring a fundamental benefit to a corporation providing assurance that decisions made are done in the best interests of the organization. The Governance and Environment Committee and the Board review the independence and skills of our Directors annually to ensure that the Board is composed of Directors who can provide independent, varied and experienced perspectives. At the close of 2023, all Directors of the Board listed in this report have confirmed their independence.

In order to determine independence, Board members annually provide the Board with information about their business and other relationships with Aquatera or our employees. They must also advise the Board if there are any material changes to their circumstances or relationships that could affect the assessment of independence.

In 2022, the Board established a Director Waiting Period Policy to ensure that individuals applying for a Director position are independent and have no preconceived conflict of interest or relationship with the Company.

COMMITTEE STRUCTURE

Aquatera has three Committees; members are selected with regard to previous senior Executive and leadership experience and/or extensive Directorship experience.

AUDIT AND RISK COMMITTEE

Barbara Feit (Chair June 2022)
Dave Urness (retired June 2023)
Andy Fraser (Sept-Dec 2023)
Mark Wiltzen (Sept-Dec 2023)
Lionel Laflamme (Ex Officio)

HUMAN RESOURCES COMMITTEE

Mary Bulmer (Chair)
Andy Fraser (Jan-Sep 2023)
Rob Petrone
Naseem Bashir (Sept-Dec 2023)
Lionel Laflamme (Ex Officio)

GOVERNANCE AND ENVIRONMENT COMMITTEE

Mark Wiltzen (Chair)
Mary Bulmer (Jan-Sept)
Jim Smith (retired June 2023)
Tracy Allard (Sep-Dec 2023)
Derek Van Tassell (Sep-Dec 2023)
Lionel Laflamme (Ex Officio)

MEMBERSHIP ON OTHER BOARDS or CONFLICT OF INTEREST

To further ensure appropriate levels of independence and judgement, Board members annually disclose their memberships on other Boards, as well as declare any conflicts of interest.

DIRECTOR ATTENDANCE

All Directors strive to attend all Board meetings and meetings of Committees of which they are members. The Board values the practice of Board members attending Committee meetings of which they are not members and issues a standing invitation to attend all Committee meetings. In this way, Board members can both contribute to and gain comfort with the level of knowledge, engagement and participation of those other Committees.

Attendance at scheduled Board and Committee meetings represents a portion of the time and effort contributed to advance our interests. Outside of formally scheduled meetings, our Board and Committee Chairs attend planning meetings with Management and periodic formal and informal briefing meetings with our Shareholders.

DIRECTOR MEETING ATTENDANCE – 2023

	MAR 29	APR 20 [^]	JUN 21	SEP 20	NOV 29
Lionel Laflamme	✓	✓	✓	✓	✓
*Jim Smith	✓	✓			
*Dave Urness	✓	✓			
Barbara Feit	✓	✓	✓	✓	✓
Andy Fraser	✓	✓	✓	✓	
Mary Bulmer	✓	✓	✓	✓	✓
Rob Petrone	✓	✓	✓	✓	✓
Mark Wiltzen	✓	✓	✓	✓	✓
**Tracy Allard				✓	✓
**Derek Van Tassell				✓	✓
**Naseem Bashir				✓	✓

[^]Special meeting of the Board

**Tracy Allard, Derek Van Tassell and Naseem Bashir were appointed to the Board on June 20, 2023.

*Jim Smith and Dave Urness retired from the Board on June 20, 2023.

	ARC				HRC				GEC			
	March 28	June 20	Sept 19	Nov 28	March 8	June 20	Sept 19	Nov 28	March 28	June 20	Sept 19	Nov 29
Lionel Laflamme	+✓	+✓	+✓		+✓	+✓	+✓		+✓	+✓	+✓	
*Jim Smith	✓	✓							+✓	+✓		
*Dave Urness	+✓											
Barbara Feit	+✓	+✓	+✓	+✓								
Mary Bulmer					+✓	+✓	+✓	+✓	+✓	+✓	+✓	
Andy Fraser	✓	✓	+✓	+✓	+✓	+✓	+✓		+✓	+✓	+✓	
Mark Wiltzen		✓	+✓	+✓		✓	✓		+✓	+✓	+✓	+✓
Rob Petrone					+✓	+✓	+✓	+✓			✓	
**Tracy Allard			✓				✓				+✓	+✓
**Derek VanTassell			✓				✓				+✓	+✓
**Naseem Bashir			✓				+✓	+✓			✓	

+Committee Member

**Tracy Allard, Derek Van Tassell and Naseem Bashir were appointed to the Board on June 20, 2023.

*Jim Smith and Dave Urness retired from the Board on June 20, 2023.

As a matter of good governance, each Board and Committee meeting's agenda includes dedicated time for in-camera sessions with and without the CEO present. In the instance of the Audit and Risk Committee, in-camera sessions are also scheduled with the External and Internal Auditors independently.

OUR BOARD OF DIRECTORS

DIRECTOR ORIENTATION

The Board fosters a culture that encourages Directors to fully participate in Board activities as soon as possible. All new Directors undergo a comprehensive orientation which highlights the Board mandate, role and governance structure, as well as the nature and scope of our operation, and formative documentation including regulations.

The orientation is designed to help incoming Directors assume responsibility quickly, maximizing their potential contribution, and the capacity of the Board. Our orientation program includes meeting with Board members and our Executive team. Site visits are also arranged to enable direct knowledge of our operations. New Directors are encouraged to participate in all Committees as part of their onboarding.

DIRECTOR EDUCATION

Our Director Development Policy provides Board members with the opportunity to continue to enhance their Director knowledge as well as knowledge of our industry. Directors are encouraged to share their learnings with the Board, Committees and Management, as appropriate.

DIRECTOR EVALUATION AND BOARD PERFORMANCE ASSESSMENT

On an annual basis, the Board undertakes a Board evaluation process to assess the performance, and overall effectiveness of the Board. The Governance and Environment Committee may use the results to identify

action for improvement, determine education opportunities, and review Committee composition to ensure Director expertise is used to the fullest extent. Board goals and action items may be developed as a result of these reviews.

BOARD CHAIR TERM POLICY

In 2021, the original Shareholders approved a Board Chair Term Policy. Aligning with the Corporate Bylaws, the policy outlines a process to be undertaken by the Board to recommend to the original Shareholders both the appointment and term of the Board Chair.

Initially, the Board Chair can be appointed to a term of up to three years (aligning with the Directors established term) to a maximum of two terms (six years). Unless special circumstances are warranted, the Board will not recommend to the original Shareholders that the Chair be re-appointed for a third consecutive term. In support of this policy, a Chair succession planning process was subsequently developed.

DIRECTOR SUCCESSION PLANNING

When reviewing the skills matrix (see pg. 7), the Governance and Environment Committee assesses the Board's needs to ensure the range of skills is reflective of the industry and markets in which Aquatera operates. If the Committee determines that the Board would benefit from changes or adjustments to its composition, or in the event of anticipated Director retirement, a comprehensive recruitment process will be initiated. Several factors are taken into consideration when discussing Director vacancies with potential candidates, including:

- the time commitment required by a Director to effectively discharge their duties,
- the number of existing Directorships and commitments that may demand the attention of the appointee,
- the nature of existing positions, Directorships or other relationships and the impact that each may have on the appointee's ability to exercise independent judgement,
- the extent to which the appointee is likely to work constructively with the existing Directors and contribute to the Board's overall effectiveness.

DIRECTOR RECRUITMENT

In consideration of a vacant Director position or known upcoming vacancy, the Governance and Environment Committee will initiate a new Director recruitment process. The Governance and Environment Committee will vet qualified candidates prior to making a nominee recommendation to the Board. In consultation with Aquatera's voting Shareholders, the Board will submit a slate of nominees to the Shareholders for consideration of appointment at the Shareholders Annual Meeting.

SKILLS AND EXPERTISE

Aquatera Director Skills Matrix

The Board believes a strategic, diverse mix of skills and expertise is critical to ensuring effective corporate oversight. The Board has developed a skills matrix of essential skills required for effective Board operations which is reviewed on an annual basis.

Aquatera Board of Directors Skills Matrix	Name	Competencies								
		Financial/Audit & Risk	Engineering & Project Management	Governance/Legal /Environmental	Human Capital Management	Utility	Technology	Organizational Change	Political/Government	CEO/Entrepreneur
	M. Bulmer			✓	✓		✓	✓		
	B. Feit	✓		✓	✓	✓		✓	✓	✓
	A. Fraser	✓		✓	✓			✓	✓	✓
	L. Laflamme	✓						✓		
	R. Petrone		✓		✓			✓	✓	
	J. Smith		✓	✓	✓	✓		✓	✓	
	D. Urness	✓		✓				✓		
	M. Wiltzen	✓		✓		✓		✓	✓	
T. Allard			✓	✓			✓	✓	✓	
N. Bashir		✓	✓	✓	✓	✓	✓		✓	
D. Van Tassell			✓	✓			✓			

Definitions for the top relevant competencies are provided below:

- Financial / Audit & Risk – Executive experience in corporate finance and accounting or executive experience in the finance industry, including debt and equity markets. Comprehensive knowledge of financial controls and reporting standards. Expertise in auditing, evaluating, or analyzing financial statements. Experience in analyzing exposure to risk and successfully determining appropriate mitigation. Professional designation or degree required.
- Engineering / Project Management – Executive level experience in large scale infrastructure projects or capital investment programs including project oversight and strong project management understanding.
- Governance, Legal & Environmental – Executive, board member or consulting experience in corporate governance, regulatory, legal matters applicable to business or a thorough understanding of environmental frameworks applicable to business.
- Human Capital Management – Executive experience in executive compensation, performance management systems, succession planning and development, recruitment and retention. Leadership in developing and maintaining effective corporate culture.
- Utility – Executive or consulting experience in utility or similar sector operations.
- Technology – Leadership experience in digital universe, information technology, e-commerce, cybersecurity, and their application in for-profit businesses.
- Organizational Change – Executive experience leading major organizational change and/or managing a significant merger or acquisition.
- Political/ Government – Experience in or with senior levels of municipal, provincial, or federal government, and/or senior management experience in political or public consultation. Public issues management.
- CEO/Grande Prairie region Entrepreneur – Experience in CEO role of a similar or larger sized company.

DIVERSITY

Aquatera recognizes diverse perspectives in governance are critical for overall Board effectiveness and better decision-making. A diverse Board makes strategic use of different perspectives through varied skills, knowledge, experience, background, ethnicity, and other qualities. In 2019, a Board Diversity Policy was approved, and then revised in 2023 to further encompass the changing social landscapes that we live in today. Therefore, the Board is committed to diversity and inclusion that is reflective of the communities in which we operate on a day-to-day basis. During succession planning and recruitment processes, Aquatera considers the diversity of its Board membership and balances this with the knowledge and experience required to complement the existing skills of the Board as a whole.

In consideration of its intricate Shareholder and Stakeholder relationships, whenever possible Aquatera will first endeavor to attract and recommend qualified local candidates to its Board of Directors.

BOARD OVERSIGHT

When making decisions, the Board acts in the best interests of Aquatera. To ensure balanced business decisions are reached, the Board also carefully weighs the interests of our Shareholders, customers, employees, suppliers, and communities in which we operate, including the environment, governments, regulators, and the general public.

To assist the Board in its oversight responsibilities the Board has three standing committees: Audit and Risk (ARC), Governance and Environment (GEC) and Human Resources (HRC). Each Committee has a Committee Charter with specific assigned tasks. As outlined below Committees are directly accountable to the full Board for completing them.

- ARC tasks include: audit and financial matters, risk management and internal controls,
- GEC tasks include: Board governance matters – including Director recruitment and environmental matters,
- HRC tasks include: CEO oversight, health and safety matters and human resources matters – including Directors compensation.

BOARD OVERSIGHT OF MANAGEMENT AND OUR EMPLOYEES

The Aquatera Board is responsible for selecting and retaining the company's CEO – who is ultimately responsible for managing Aquatera's affairs. Key CEO responsibilities involve articulating the vision for Aquatera, developing and implementing a strategic plan consistent with Aquatera's vision, mission, core purpose and values, and creating value for Shareholders.

The Board approves Aquatera's high-level business strategy and is engaged in the ongoing development of the individuals entrusted with the execution of our strategy. The Human Resources Committee and the Board reviews the performance of the overall organization and the CEO on an annual basis.

STRATEGIC AND BUSINESS PLANNING

Aquatera's CEO and Executive team are responsible for developing the strategic plan and presenting it to the Board for approval. The Board may hold a special annual meeting to review and test the plan and consider the strategic opportunities and risks facing our business.

The Executive team also develops and presents a multi-year Business Plan and annual budgets to the Board for approval.

MANAGING AND ASSESSING RISK

The Board has overall responsibility for the oversight of risk at Aquatera. Risk takes different forms given the complexity and breadth of our operation and can include operations, financial, governance, health and safety, environmental, compensation, strategic, and reputational risk.

In 2020, Aquatera refreshed its risk management framework, including risk policy development. This update has directly supported Aquatera's comprehensive risk register to track risks to the company. The Audit and Risk Committee receives quarterly updates on emerging areas of risk or changes to Aquatera's risk profile.

INTERNAL CONTROLS

The Board and its Committees provide oversight for monitoring the integrity of our internal controls and management information systems. The Audit and Risk Committee is responsible for overseeing the internal controls, including controls over accounting and financial reporting systems.

Aquatera's Executive team is responsible for establishing and maintaining an adequate system of internal control over financial reporting to provide reasonable assurance that public reporting of our financial information is reliable and accurate, our transactions are appropriately accounted for, and the Corporation assets are adequately safeguarded. The independent Internal Auditor annually reports directly to the Audit and Risk Committee and provides regular reports to the Committee.

EXTERNAL AUDITORS

Our external auditors are appointed by our Shareholders annually. The Board's Audit and Risk Committee is responsible for reviewing the auditor's performance, fees, qualification, independence, and the audit of our financial statements. The Committee pre-approves all services the external auditors will provide to ensure independence. On an annual basis, the Committee recommends the appointment of the external auditor to the Board, who then recommends approval to the Shareholders for the ensuing year.

BOARD COMPENSATION PRACTICES

Aquatera provides our Board members with a compensation package of an annual cash retainer (paid monthly) and travel per diem fees. The package provides remuneration for responsibilities, time commitments, and accountability of Board members. Compensation for Board members is reviewed every three years, with amounts set by Aquatera's Shareholders at the Annual General meeting. The next formal review will occur in 2025, current compensation rates are set as follows:

Director and Board Chair, Lionel Laflamme has not received any type of compensation for his services since initially being appointed in 2018.