



BOARD GOVERNANCE POLICY

June 21, 2016

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AQUATERA UTILITIES INC. (the "Company")

STATEMENT OF CORPORATE GOVERNANCE PRACTICES

Aquatera is committed to transparency and to responsible corporate governance practices. The Board is responsible for the stewardship of the Company, establishing the key policies and standards for the Company, including policies for the assessment and management of its risks and for reviewing and approving its strategic plans. To meet its corporate governance responsibilities, the Board has adopted Corporate Governance Guidelines which provide a framework for how the business and affairs of the Company will be carried out. 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.

The Board has delegated to the Chief Executive Officer (the CEO) and senior management the responsibility for the day to day management of the business of the Company. In addition, the Board has specified limits to management's authority and retains responsibility for significant matters such as acquisitions and divestitures, major capital expenditures and debt and equity financing transactions.

The Board has ultimate oversight for adoption of the Company's strategic planning process, the resultant plan, monitoring performance in executing the strategies and meeting the objectives of the plan. The Board meets on an annual basis for a comprehensive, strategic planning session at which time it reviews and approves the strategic plans for the Company. The directors receive updates on the strategic plan at regular Board meetings and from regular CEO communications to them.

The Board has also adopted a communication procedure addressing timely dissemination of all material information which it reviews periodically. The Company communicates with its shareholders and other stakeholders through a variety of means, including its annual report, annual meeting, news releases, its website, www.aquatera.ca, through briefing sessions and group meetings.

The Board created the following three standing committees: The Audit and Risk Committee (ARC), the Human Resources Committee (HRC) and the Governance and Environment Committee (GEC). The Board delegated to the ARC oversight responsibility for the processes developed by management to consider and identify the principal risks of the Company, to evaluate the potential impact and to implement appropriate systems to manage such risks. At the same time, the responsibility for oversight over governance and environment was delegated to the GEC and health and safety to the HRC.

Governance Overview

The Alberta Business Corporations Act mandates that the Board of Directors be responsible for managing the business and affairs of the Company. The Board is therefore responsible for the Company's compliance with the laws, rules and regulations of Alberta. The Board works closely with the CEO to ensure such compliance is a priority within the organization, and the CEO in turn works closely with senior management and employees of the Company to ensure the Board's mandate is carried out at the operation level.

In order to comply with the law, good corporate governance practices require that appropriate policies for compliance with the law be enacted by the CEO and senior management, communicated to employees of the Company, regularly monitored and effectively enforced throughout the organization.

The Company has adopted the Toronto Stock Exchange definition for corporate governance as follows:

"Corporate governance" means the process and structure used to direct and manage the business affairs of the Company with the objective of enhancing shareholder value, which includes ensuring the financial viability of the business. The process and structure define the division of power and establish mechanisms for achieving accountability among shareholders, the Board of Directors and management. The direction and management of the business should take into account the impact on other stakeholders such as employees, customers, suppliers and communities.

The Board of Directors has put in place certain processes to ensure effective management of the company and has ultimate authority to terminate the employment of the CEO for failing to adhere to these standards.

Governing Documents

Shareholders established formative documents including: Unanimous Shareholder Agreement, Bylaws, and Articles of Association that govern the activities and processes of the Company. Board decisions will be consistent with these documents. The Board may recommend to Shareholders changes to these documents as appropriate.

Responsibilities of Employees and Management

All employees of the Company must have reviewed and be familiar with the current corporate policies and ensure that their business activities are in compliance. Managers and supervisors are responsible for ensuring that their direct reports understand the corporate policies and their applications, develop processes and procedures to enforce these policies in their day-to-day activities, establish effective monitoring mechanisms, audit compliance and invoke disciplinary measures as required.

Responsibilities and Organization of Board of Directors

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.

In defining limits to management's authority, the Board has established a Purchasing Policy that place limits on management's authority depending on the nature and size of a proposed transaction. These limits allow for flexibility within approved budgets and authorized variances but otherwise must not be exceeded without Board approval.

Committees of the Board of Directors

There are three standing committees, Audit and Risk Management, Human Resources, and Governance and Environment.

The Board has delegated certain responsibilities to each of these committees and has instructed each of them to perform certain advisory functions, to make recommendations and to report to the Board. Committee members are appointed on the recommendation of the Governance and Environment Committee.

Corporate Code of Conduct

The Company is committed to increasing its value to employees, shareholders, the communities in which it does business and other key stakeholders through strategic investments. Employees fulfill this commitment while upholding the highest level of ethical conduct and meeting responsibilities as good corporate citizens. All employees are responsible for complying with the Corporate Principles & Values, and associated corporate policies including:

Respect:

Respect in the workplace

The Company recognizes a shared responsibility on behalf of all employees to exercise the basic principles of respect and dignity in all working relationships. The Company enforces a policy of zero tolerance for demeaning, offensive, harassing or discriminatory behaviour. The Company practices the principle of equal employment opportunity without regard to race, religion, place of origin, colour, gender, age, family status, source of income physical and mental disability, sexual orientation or political affiliation. All employees are responsible for ensuring there is a safe and secure working environment.

Integrity:

Conflicts of interest and fair dealings

Employees must ensure that no conflict exists between their personal interests and those of the Company. Employees are committed to conducting their business affairs in Company's best interests by dealing with customers, suppliers, contractors, competitors, existing and potential business partners and other employees in a manner that avoids real, perceived or potential conflicts of interest.

Competition

The Company competes dynamically in an ethical and legitimate manner, complying with the competition and anti-trust laws of the jurisdictions in which it does business. The Company and its employees do not collude or collaborate with competitors to divide markets, restrict production or fix prices. The Company does not engage in unethical business strategies to obtain a market monopoly. Employees do not slander competitors or their products, improperly seek competitor information or attempt to influence suppliers illegally.

Ethical business conduct

The Company and its employees act honestly and with integrity in all business relationships with competitors, potential business partners, suppliers, customers and government officials. The Company and its employees exercise good business judgement in extending business courtesies and never accept or offer bribes, favours or "kickbacks" for the purpose of securing business transactions. The Company and its employees ensure that all payments are necessary, lawful and properly documented.

Compliance with laws

The Company complies with all the applicable laws, rules and regulations of the various jurisdictions in which it does business.

Accountability:

Accounting or auditing issues

As part of its general compliance with laws, rules and regulations (referred to above), the Company's policy is to comply with all financial reporting and accounting rules and regulations applicable to the Company. If any employee, officer or other person has concerns or complaints regarding questionable accounting or auditing matters of the Company, then the individual is encouraged to submit those concerns or complaints (anonymously, confidentially or otherwise) to the ARC of Directors which will, (subject to its duties arising under applicable law, regulations and legal proceedings), treat such submissions confidentially. Such submissions may be directed to the attention of the Audit Committee, the Chair thereof or any director who is a member of the ARC.

Protecting the Company's Assets

The Company's employees have a collective responsibility to protect the Company's assets from fraud and theft and ensure records are accurate, timely and complete. Financial transactions with third parties are to be recorded in writing. Information is a key asset of the company so employees are required to safeguard the Company's proprietary and confidential information as well as proprietary information that has been entrusted to the Company by others.

Exemplary Employer:

Health and safety

The Company is committed to providing a safe and healthy working environment and protecting the public interest with standards and programs that meet or exceed industry standards and applicable government codes, standards and regulations in all jurisdictions in which it does business.

Environmental Stewardship:

Environment and sustainable development

The Company is committed to meeting or surpassing all environmental legislation, regulations, permits and licenses and to continuously improve its environmental performance against defined goals.

Social responsibility

The Company believes that being a good corporate citizen is an important measure of its success as a company. The Company gives back to the communities in which it does business by focusing on activities that make a meaningful difference.

Living the commitments

The Company's Principles, & Values and the associated corporate policies apply to all employees. Employees are obligated to have a basic understanding of all the policies and a more detailed understanding of the policies and procedures that directly affect their work. When in doubt about the interpretation or application of a particular policy, employees should seek assistance from their manager, the Human Resources Manager or the CEO.

The Company's leaders have the additional obligation to lead by example, using their own behaviour as a model for all employees, and to enforce the policies that enact the Company Principles, & Values by providing education, counselling and a business environment that promotes alignment and adherence. Leaders are responsible for identifying which policies have application to their staff and recognizing ethical conduct. Leaders are also responsible for gathering feedback and continuously improving policy implementation and compliance.

Employees are required to comply with the Company's Principles, & Values and the underlying policies and procedures. Anyone who has a concern about what constitutes ethical conduct or whether a certain course of action violates the Company's Principles, & Values is expected to raise the concern immediately with their manager, the Human Resources Manager or the CEO. Any actual, possible or suspected violation must be reported immediately. Employees and, in particular, leaders, are strictly prohibited from taking retribution against another employee for reporting a violation.

Company employees are expected to understand and adhere to the Principles and Values and associated corporate policies. Newly recruited employees must sign this acknowledgement when they start work at the Company. Any independent third party, such as consultants, agents or independent contractors, retained to do work or represent the Company's interests may also be asked to acknowledge the Principles and Values and related corporate policies applicable to their work.

Senior Managers whose conduct or actions may not meet the standards set out in the Company's Principles, & Values must report such failure immediately to the CEO, requesting a waiver and the CEO must report to the ARC. Any determination by the ARC that non-compliance has occurred or that, under the circumstances, a waiver be granted, shall be reported promptly to the Board.

Directors' Code of Conduct

Directors have a duty of oversight on the management of the business and affairs of the Company. In carrying out this duty, Directors are expected to act honestly and in good faith with a view to the best interests of 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.

To discharge their duties the Directors have adopted the following Code of Conduct in addition to the Corporate Principles and Values for business conduct and ethical behaviour.

Compliance with law

The Directors shall conduct all their business and affairs in compliance with applicable laws, rules and regulations and shall encourage and promote such behaviours for themselves, officers and employees.

Conflicts of interest

Directors shall conduct their business and affairs in a manner that ensures their private or personal interest does not interfere or appear to interfere with the interest of the Company, including conflicts relative to personal, financial or other gain.

A Director who is a party to a material contract or proposed material contract or has a material interest in any person who is a party to a material contract or proposed material contract with the Company shall inform the Chair of the Board of any such conflict of interest. The disclosing Director shall not thereafter vote on any decision or action in which there is a conflict of interest.

Fair dealing

The Company adheres to a policy of Fair Dealing in all its undertakings. Directors shall endeavor to deal fairly with the Company's customers, suppliers, competitors and employees. Taking unfair advantage through manipulation, concealment abuse of privilege, misrepresentation and other unfair dealing practices is unacceptable.

Confidentiality

Directors shall maintain the confidentiality of information entrusted to them except in circumstances where disclosure is authorized or legally mandated. Confidential information shall not be used for personal gain.

Protection and proper use of corporate assets

Directors shall ensure that the Company's assets are protected and properly and efficiently used for legitimate business purposes.

Corporate opportunities

Directors owe a duty to advance the Company's legitimate interests whenever an opportunity arises and are prohibited from:

- Taking personal advantage of opportunities discovered through the use of corporate assets, property, information on their position;
- Using or deploying corporate assets, property, information or their position for personal gain; and
- Engaging in enterprises that compete with the Company.

Director waiting period

Where a Director resigns from the board and then subsequently enters into a formal relationship with the company; either as an employee, contractor or partner, a minimum waiting period of six months will occur to avoid perceptions of preferential treatment. This waiting period may be waived with shareholder consultation and consent

Incident reporting

Directors are encouraged to promote ethical behaviour in all things they do and to encourage the Company's officers or leaders to talk with employees about ethical behaviours.

If a director, officer or employee wishes to report a suspected violation of this code anonymously, the Chair of the ARC or the Chair of the Board of Directors may be contacted. Identities do not have to be revealed in order to make a report. If the identity of the reporting individual is revealed, it will not be disclosed unless disclosure is unavoidable during an investigation.

In no event will the Company take or threaten any action against a reporting individual as a reprisal or retaliation for making complaint or disclosing or reporting information in good faith. However, if a reporting individual was involved in improper activity the individual may be appropriately disciplined even if the individual was the one who disclosed the matter to the Company. In these circumstances, the Company may consider the conduct of the reporting individual in reporting the information as a mitigating factor in any disciplinary decision.

The Company will not allow retaliation against any employee for reporting, in good faith, a concern regarding compliance with this code. Retaliation for reporting a federal offense is illegal under federal law and prohibited under this code. Retaliation for reporting any violation of a law, rule or regulation or a provision of this code is prohibited. Retaliation will result in discipline up to and including termination of office, directorship and/or employment and may also result in criminal prosecution.

The Directors on behalf of the Company will not allow any retaliation by officers or leaders in respect of reports made in good faith by any employee.

Representing the Company

The Board Chair and CEO are the spokes-persons for the Company. Directors are expected to support Board decisions and Company positions publically. Directors having contrary personal views when speaking on a matter in public will state the Company's position and reiterate the Boards support for that position, without expressing a personal opinion or resign as a Board member.

A Director may be seen to represent the Company at any time and will conduct themselves in a manner that leaves others with a positive impression of the Company. Directors will strive to preserve and enhance the good reputation of the Company and will avoid behaviour that might damage the Company's reputation.

Waivers

From time to time, a situation may arise that warrants a waiver of one or more provisions of this Code. It is recommended that a Director who believes that a waiver may be appropriate should first consult with the Chair of the GEC. A waiver may only be granted by the Board of Directors.

Annual review

Annually, the Company expects each Director to review this Code of Business Conduct and to satisfy themselves that they have adhered to the stated principles and standards or, if they have failed to do so, to ensure such non-compliance has been reported to the Board of Directors

Board Committees & Subcommittees Overview

The Board is responsible for the stewardship of the Company, establishing the key policies and standards for the Company, including policies for the assessment and management of its risks. To meet its corporate governance responsibilities, the Board has adopted Corporate Governance Guidelines which provide a framework for how the business and affairs of the Company will be carried out. 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.

To assist in its oversight responsibilities, the Board has three standing committees: the ARC, the HRC and the GEC. All of these committees have adopted charters which outline their specific oversight responsibilities. In addition, an Advocacy Committee has been created to advocate in the Company and its Shareholders' interests. The Advocacy Committee meets on an ad-hoc basis. The Board may also establish temporary subcommittees with specific short-term assignments.

Committee mandates are as below:

Audit and Risk Committee (ARC)

Mandate of the ARC

The ARC provides assistance to the Board in fulfilling its oversight responsibility to the shareholders, the community and others, relating to the integrity of the Company's financial statements, the financial reporting process, the systems of internal accounting and financial controls, the risk identification assessment conducted by management and the programs established by management and the Board in response to such assessment, the internal audit function and the external auditors' qualifications, independence, performance and reports to the Company. In so doing, it is ARC's responsibility to maintain an open avenue of communication between the ARC, the external auditors, the CFO and management of the Company.

Human Resources Committee (HRC)

Mandate of the HRC

The HRC is empowered by the Board to review key compensation and human resources policies for the Company and, in that connection, to ensure that such policies provide total compensation which is competitive in the marketplace. The HRC measures competitiveness by reference to data from a Comparator Group of companies with which the Company competes for executive talent. The HRC's mandate includes making recommendations regarding compensation of the CEO, discharging of the Board's responsibilities regarding incentive compensation plans of the Company's employees, reviewing and recommending key human resources policies and programs of the Company and reviewing the executive management succession and development plans.

The CEO is responsible for overall management of the Company's human resources including the human resource strategy and the assessment of its effectiveness and all hiring and terminations of Company employees. Through its collective experience, the HRC also provides input and advice to the CEO and management on human resource matters.

Governance & Environment Committee (GEC)

Mandate of the GEC

The mandate of the GEC is to identify and recommend independent individuals to the Board for nomination as members of the Board and its committees and to develop and recommend to the Board a set of corporate governance principles applicable to the Company and to monitor compliance therewith. The GEC also provides assistance to the Board in fulfilling its oversight responsibilities with respect to environmental practices, procedures and policies as established by management in relation to required legal/regulatory and industry compliance standards and best practices.

Subcommittees

Mandate of the Subcommittee.

A Subcommittee may be composed of selected Board Members, key company personnel and consultants as required to review, appraise and make recommendations regarding specific projects or activities. Meetings of the Subcommittee will be chaired by a Board Member and minutes with recommendations will be distributed to the Board as soon as possible following meetings of the Subcommittee. A Subcommittee is subject to discharge once its mandate is complete or at the discretion of the Board.

AQUATERA UTILITIES INC CORPORATE GOVERNANCE GUIDELINES

A. INTRODUCTION

On behalf of the Company's shareholders, the Board is responsible for the stewardship of the Company by establishing the key policies and standards for the Company, including policies for the assessment and management of its risks and for reviewing and approving its strategic plans. The Board monitors and assesses performance and progress in meeting the Company's long and short-term goals.

The Board has adopted the following guidelines to meet its corporate governance responsibilities.

B. BOARD ORGANIZATION AND MEMBERSHIP

1) Independent Chair of the Board

The Chair of the Board is appointed by the Shareholders and is independent from the Company, management, shareholders, aldermen or councillors and is not a shareholder or Company employee.

2) Chair Position Description

The Chair's responsibilities are set out in a position description that encompasses the Chair's role as it relates to the Board, committees and the CEO.

3) Size of the Board

It is the view of the Board that 9 directors is sufficient to provide a diversity of expertise and opinions, permits effective committee organization and is appropriate for efficient meetings and decision-making.

The GEC reviews the size of the Board annually and recommends changes in size to the Board and shareholders when appropriate.

4) Independence of Directors

The Board annually affirmatively determines the independence status of each director, based on the recommendation of the GEC. An independent director is a director who is independent of management and who has no direct or indirect material relationship or any other relationship which could, in the view of the Board, be reasonably expected to interfere with the exercise of a member's independent judgement.¹

Each director is required to complete an annual declaration of interest identifying all executive and Board positions held by that director and whether any relationships are held with the Company. The GEC reviews these declarations annually to ensure the majority of directors are independent.

Any former officer of the Company serving on the Board is considered to be non-independent for purposes of corporate governance until such time as the independent directors determine that no direct or indirect material relationship exists; taking into consideration the former executive's duties and relationships for and with the Company.

¹ In making this determination the Board adheres to the requirements of Canadian stock exchange rules and regulations, as outlined in Canadian Securities Regulators Multilateral Instrument 52-110 CP Independence.

5) Directors and Nomination Procedure

The GEC is mandated to nominate directors to the Board, and the GEC shall use its best efforts to select nominees who are independent. The GEC's nominees are then subject to approval by the Board, and ultimately elected by the Shareholders.

6) Changes in a Director's Principal Occupation

A director who makes a major change in principal occupation must disclose this to the Board in order to give the Board the opportunity to review, through the GEC, the impact of the change on the director's independence and any resulting conflicts of interest.

7) Criteria for Board Membership

Each year the GEC reviews the composition of the Board in order to ensure that it has the best mix of skills and experience to guide the long term strategy and ongoing business operations of the Company. This review takes into account diversity of background, skill and experience of each director currently on the Board and takes into account upcoming retirements, succession, specialized committee membership requirements, industry, market and potential future developments of the Company's business. The information is compiled through the use of a skills, education, and experience matrix.

If a vacancy or specialized need arises, the GEC, together with the Chair and the CEO, identifies potential nominees through the assistance of a professional search firm or its own candidate list, screens their qualifications and makes recommendations for nomination to the full Board. The Board is responsible for nominating candidates for election to the Board by the shareholders.

Among other standard criteria, to be eligible to sit on the Board an individual must not be a Member of Council, an employee of the Company or an employee of any Shareholder.

8) New Director Orientation

New directors are provided with an orientation and education program that includes both written information about the duties and obligations of directors, the business and operations of the Company, minutes and material from recent Board and committee meetings, and meetings scheduled with senior management and other directors. A comprehensive director's manual is also provided to each new director. The details of the orientation of each new director are tailored to that director's individual needs and areas of interest.

9) Ongoing Director Education

Each director assumes responsibility for keeping informed about the business of the Company and developments in the industry. Management assists directors by providing them with regular updates on developments in the industry, political and economic developments in various geographical areas in which the Company is active, communications to the Board from the CEO on new developments, copies of communications between the CEO and employees and such other information management considers of interest to the Board.

Furthermore, in addition to scheduled Board meetings, management may engage external speakers from time to time to make presentations to the Board and management on matters affecting the Company, the industry or the market place. In conjunction with Board meetings, directors also take part in tours of the Company's assets or its suppliers and participate in management presentations relating to different aspects of the Company's business. These informal presentations, discussions and tours facilitate increased discussion between management and the Board and provide members of the Board with additional context for exercising their duties.

Directors are also encouraged to enrol in professional development courses that provide continuing education to directors. All fees associated with such memberships or development courses are reimbursed by the Company.

10) **Tenure and Succession**

To ensure the renewal of skills, expertise and personal attributes on the Board, the Board has adopted a maximum tenure of 15 years. The Committee annually reviews the term expiry and the maximum tenure dates for individual directors. This is to ensure that its review of the size and composition of the Board and its recruitment of new directors anticipates and addresses the succession planning needs associated with both the loss of skills and experience provided by retiring directors and the need for continuity on the Board.

11) **Director Compensation**

The HRC annually reviews the Chair and directors' compensation and makes recommendations to the Board for consideration when it believes changes in compensation are warranted. Changes to Director compensation are approved by the Shareholders.

Directors shall receive compensation for sitting on the Board. As a minimum, Board members shall be entitled to be reimbursed for all reasonable expenses incurred with respect to carrying out all duties as a Board member as well as being compensated for attending Board and committee meetings.

C. BOARD MEETINGS AND MATERIALS

1) **Agendas and Materials**

The Chair and the CEO establish the agenda for each Board meeting. In advance of each meeting management distributes to the Board written information and data necessary for the Board's understanding of business to be conducted at the meeting. Any Board member may suggest the inclusion of items on the agenda.

2) **Meetings**

The CEO may attend all Board meetings and members of senior management are invited to attend Board meetings as required.

The directors may meet without management present as a standing agenda item at each regularly scheduled in person Board meeting. The Chair discusses with the CEO any matters raised in these meetings that are relevant for the CEO or management.

Board meetings are not public. Shareholder representatives may attend Board meetings with prior notice to the Chair and CEO indicating the topic of discussion. This will then be communicated to other shareholders prior to the meeting to allow them to also attend for this topic. Others wishing to address the Board should do so in writing and may be invited by the Chair (in discussion with the CEO) to attend a Board or Committee meeting.

3) **Attendance**

Board members are expected to attend at least 80% of the Board and Committee meetings of which they are a member.

D. COMMITTEE ORGANIZATION AND MEETINGS

1) Board Committees

Each committee operates according to an approved charter. The standing committees are: ARC; HRC; and GEC. The Board may 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.

2) Assignment of Committee Members

The Board, based on a recommendation of the GEC, appoints committee members and committee chairs. The GEC's recommendation is derived from consultations with the Chair, with individual directors and with the objective of utilizing particular expertise while recognizing and balancing the need for renewal of ideas and continuity of knowledge. The Chair is an ex-officio member of all committees of the Board.

3) Committee Meetings

Committee chairs, in consultation with committee members, determine the frequency (consistent with the committee's Charter) of the meetings of the committees. The ARC meets at least quarterly. Each committee reports to the full Board with respect to the proceedings of each meeting. The independent directors meet without management present as a standing agenda item at each regularly scheduled committee meeting.

4) Committee Agendas

The chair of each committee, in consultation with the appropriate members of management and the Corporate Assistant, develops the committee's agendas.

Each committee ensures that all matters to be addressed as provided in their Charter forms part of their schedule of agendas for the year.

E. BOARD AND MANAGEMENT RESPONSIBILITIES

1) Board Relationship with Management

Board members have open access to management for relevant information and management is encouraged to make appropriate use of the Board's skills. Open discussions between the Board and members of management about issues facing the Company are encouraged. The Board also encourages senior management to bring employees who have potential as future management and who would benefit from exposure to the Board, into Board meetings from time to time.

2) Corporate Strategy

Board and Management jointly review and confirm the Corporate Mission, Vision, Principles and Values and Core Philosophies annually and collaboratively develop key strategies that form the Strategic Plan approved by the Board. Management is responsible for the development of the Company's strategic direction and plans. It is the role of the Board to review, question, contribute to, and approve the strategic plans of the Company. The Board allocates dedicated time annually to review, discuss and approve the Company's strategic plans and receives updates at Board meetings and receives periodic updates from the CEO.

3) **Limits to Management Authority**

The Board has established general authority guidelines that identify areas of responsibility that require the involvement of the Board, including material organizational changes, policy development, budgets, material financial plans and commitments, corporate and significant personnel matters. These guidelines place limits on management's authority based upon the nature and size of the proposed action.

4) **Evaluation of the CEO**

The HRC conducts an annual review of the performance of the CEO as measured against objectives mutually established by the HRC, the CEO and approved by the Board. The Chair and the Chair of the HRC communicate this performance evaluation to the CEO and to the independent directors of the Board. The HRC uses the evaluation in its deliberations concerning the CEO's annual compensation to make recommendations to the Board for approval.

5) **Succession Planning and Management Development**

The CEO presents annually a report on management development and the succession planning process to the HRC. The CEO also recommends, on a continuing basis, a successor in the event of the unexpected incapacity of the CEO. The HRC reviews and reports to the full Board on these succession plans.

6) **Principal Risks**

The Board is responsible for understanding the principal risks associated with the Company's business and for ensuring that management has implemented appropriate strategies to manage these risks. It is the responsibility of management to ensure that the Board is kept well informed of these changing risks on a timely basis.

The Board has delegated to the ARC of the Board the oversight of management's assessment of the Company's principal risks which are reviewed quarterly by the ARC and reported to the Board. The Board undertakes a comprehensive review of management's assessment annually.

Management also advises the Board about risks and the risk-reward analysis undertaken in connection with all projects brought to the full Board for approval.

7) **Internal Controls**

The Company continually seeks to establish controls relating to financial or other matters that give the Board appropriate assurances that its responsibilities are discharged.

The Company has adopted Principles, Values, and related expectations of behaviour that sets out the key principles and policies governing the organization. The Board, through the ARC, reviews the key financial policies of the Company, approves changes and is informed of any exceptions. In addition, management, CFO and external auditors provide regular reports on internal control matters to the ARC, which then reports to the full Board.

8) **Board Communications Policy**

The Board, or the appropriate Committee thereof, reviews the content of the Company's major communications to shareholders, including the annual reports.

The Board believes that it is usually the function of management to speak for the Company in its communications with the shareholders, the media, customers, suppliers, employees, governments and the general public. Where it is appropriate for the Board to communicate directly with shareholders, the Chair or the Chair's delegate will be the designated spokesperson for the Board.

9) **Outside Advisors for Individual Directors**

If individual directors require the services of a professional advisor to assist them with matters involving their responsibilities as Board members they may engage such an advisor at the expense of the Company provided that they have first obtained the authorization of the Chair.

F. EVALUATION OF THE BOARD AND THE BOARD-MANAGEMENT RELATIONSHIP

1) **Assessing the Chair's Performance**

In each year of the Chair's term, the Chair of the GEC conducts one-on-one interviews with each director to evaluate the Chair's performance, measured against the Chair's position description. The Chair of the GEC summarizes the results, discusses the assessment with the Chair and reviews the results of this assessment during an in-camera discussion with the Board. The results of this review form the basis for objectives for the Chair for the upcoming year. In addition, prior to the expiry of the Chair's first term, these reviews form the basis for the GEC's recommendation to the Board with respect to the renewal of the Chair's term.

2) **Assessing the Board, Committee and Individual Director Performance**

The Chair meets annually with each director to obtain their views on the effectiveness of the Board, Board committees, the Board-management relationship, individual director performance, contributions of individual directors, management contributions and overall workings of the Board. To facilitate these one-on-one meetings, questionnaires relating to Board and individual committee assessments are provided to each Director for their review and for use in the preparation of these meetings. The questionnaires address specific topics and questions for discussion, including (among others) an overall assessment of the Board's performance in the discharge of its duties and responsibilities, whether the Board is satisfied with the strategic initiatives of the Company, the Company's risk management processes, the Company's disclosure processes, the management succession plan, the Board's relationship with management, the quality and timeliness of information provided to the Board in preparation for meetings, the operation of the Board and its committees and the contributions of each director.

The Chair of the Board utilizes the information obtained during this evaluation to identify areas of improvement and objectives for the upcoming year and communicates this information to the Board during an in camera discussion. The Chair also provides individual feedback to directors on the evaluation conducted by their peers and provides direction on areas for improvement if necessary. Further, the Chair provides suggestions to the CEO to be communicated to the senior management team for improvements in areas that will assist the Board in the discharge of its responsibilities.

G. BOARD & SHAREHOLDER DIALOGUE

The Board will engage shareholders to enhance understanding and communication through:

- ❖ Annual, informal Board and shareholder reception and round table 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.

AQUATERA UTILITIES INC.

POSITION DESCRIPTION - CHAIR OF THE BOARD

Introduction

The Board of Directors is responsible for the stewardship of the Company. It establishes the key policies and standards for the Company and it reviews and approves strategic plans. The Board monitors and assesses performance and progress in meeting the Company's long and short term goals and it ensures that the highest ethical standards are observed at all levels in all operations of the Company.

The Board recommends its Chair to the shareholders from among its members to lead the Board in the course of its work. The Chair is appointed for up to a three-year term. The Chair, is an independent member of the Board, who reports to the Board, and is responsible for the overall process involved in the work of the Board, as well as the development and effective performance of the Board.

The Chair provides advice and counsel to the CEO on issues of importance to the CEO or to the Board.

Key Responsibilities:

The Chair:

1. is an ex-officio member of all Board committees; the Chair may be called upon to vote on committee matters, if due to the composition of the committee, a tie occurs.
2. in consultation with the CEO, assists in the preparation of the agendas for all Board and Shareholder meetings;
3. chairs all Board meetings;
4. ensures that the Board reviews and approves the corporate strategy as developed by management, and follows up, on a regular basis, on the implementation of the strategy;
5. ensures that the Board receives regular updates on all issues important to the Company;
6. together with the CEO, ensures that Board members understand major issues, strategy and risks;
7. works closely with the Chairs of the Board's committees to ensure that all of the committees' responsibilities are carried out;
8. communicates with the CEO to provide the CEO with feedback on issues raised by the Board and reports to the Board on the resolution of such issues;
9. works collectively and individually with members of the Board to ensure optimum performance of the Board;
10. meets annually with each director individually to discuss their views about various matters, including the effectiveness of the Board, board committees, management, the Board management relationship, their own performance, contributions of individual directors, strategy and related matters, and prepares a report summarizing these conversations and delivers the report to both the GEC and the Board for consideration; and
11. in appropriate circumstances, in consultation with the CEO, represents the Company; and, at the request of the CEO or the Board, carries out special assignments.

12. Is responsible for leading the Board down the path of best practice corporate governance.
13. fosters a positive relationship with Shareholders by engaging in a two-way communication process in which Shareholders are not merely consulted or listened to, but together with the CEO, ensures that the company makes a sincere attempt to respond to Shareholders' concerns while continuing to fulfill the over-riding responsibility to act in the best interest of Aquatera.

AQUATERA UTILITIES INC. POSITION DESCRIPTION – COMMITTEE CHAIR²

Introduction

The fundamental responsibility of the Chair of any committee of the Board of Directors of the Company is to effectively manage the duties of the committee.

Key Responsibilities

- Ensure that the committee is properly organized, functions effectively and meets its obligations and responsibilities.
- Establish the frequency of committee meetings and review such frequency from time to time, as considered appropriate or as requested by the Board, including periodic meetings of independent directors.
- Chair committee meetings.
- Assist the management representative in the co-ordination of the agenda and related matters for committee meetings.
- Liaise and communicate with the chair of the Board to co-ordinate input from the committee for Board of Directors meetings.
- On behalf of the committee, report to the Board on committee meetings.

² *Canadian Securities Administrators Multilateral Policy 58-201 Corporate Governance Guidelines (section 3.5) provides that the Board should develop a clear position description for the chair of each Board Committee. Since the responsibilities of the Chair for each of the Company's Committees were viewed to be similar, individual position descriptions for each Committee were not developed.*

AQUATERA UTILITIES INC.

POSITION DESCRIPTION – CHIEF EXECUTIVE OFFICER

Function

- Responsible for management of the Company including development of strategy and operations to ensure optimum profit and return on investment consistent with the Company's Mission, Vision, Principles and Values, interest of shareholders, customers, employees and the general public. Responsible for execution of the decisions and policies of the Board of Directors (Board).

- Reports to the Board, which has the ultimate responsibility for the Company.

Key Responsibilities:

1. Develops for the Board's approval strategic direction and policies and risk assessment annual plan to ensure the Company's profitable growth and success and develops sound business plans and budgets to meet goals and objectives as agreed to with the Board.
2. Ensures that the Board is kept informed of business operations and major issues facing the Company.
3. Collaborates with the Chair of the Board in preparation of agendas for Board meetings.
4. Ultimate accountability for the direction and control of the Company's business including the development and execution of strategies and policies and their communication to the Company's key internal and external stakeholders.
5. Responsible for the Company's overall Health and Safety Program
6. Develops and maintains a sound and effective organization structure for the Company by assigning major functions, staffing key positions, providing for effective management succession.
7. Implement and lead a continuous operations improvement process throughout the Company, focusing on systems/process improvement including promoting regular and ongoing opportunities for all employees to give feedback on operations processes.
8. Ensures that assets are adequately safeguarded and maintained and that new major investments in assets or divestitures are presented to the Board for consideration and approval.
9. Recommends financial objectives and policies including dividends and dividend policy to the Board for approval.
10. Ensures effective relationships are established and maintained with the shareholders and other stakeholders including governments, the financial community and the public.
11. Ensures that all operations are conducted in full compliance with all applicable laws in each jurisdiction, regulations, the Company's standards of business conduct, environmental policy statements and other policies set by the Board.
12. Ensures that the culture of the company enables it to respond to its rapidly changing environment and develops the capacity and competence to capitalize on opportunities to enhance shareholder value.
13. Fosters ethical and responsible decision making throughout the company.

AQUATERA UTILITIES INC.

POSITION DESCRIPTION – CHIEF FINANCIAL OFFICER

Function:

- Provide strong leadership and financial expertise to Aquatera as a senior member of the Aquatera Corporate (senior executive) Team and as the Manager of Corporate and Financial Services.
- Provide strategic direction for Aquatera ensuring long term financial sustainability and success.
- Ensure overall financial accountability of Aquatera as Treasurer and Chief Financial Officer.
- Manage Financial, Customer Service and Metering, Billing and Communication functions.
- Shape the organization's culture to better live our Principles and Values.
- Responsible to: Aquatera Staff, Customers, and Shareholders through the CEO.

Key Responsibilities:

1. Promote Aquatera Corporate Principles & Values – in particular: Exemplary Employer, Balancing Profitability and Affordability; First Class Customer Service; and Communicating to Enhance Understanding, Acceptance and Support.
2. Participate as a senior member of the Aquatera Corporate Team. Provide strategic direction ensuring long term financial sustainability and profitability. Lead bi-annual Business Planning and budgeting processes.
3. Ensure overall financial management - functions, services, processes and internal controls. Provide recommendations to Board, the CEO and Management Team related to financial management of Aquatera and its assets.
4. Ensure Quality and Integrity for corporate finances and financial plans including financial statements, banking and borrowing processes, cash flow management, financial forecasts and projections and Board reports.
5. Overall responsibility for corporate Information Technology services including Communications, Financial, and Billing systems.
6. Foster positive and effective external relationships with shareholders, bankers, lenders, auditors, service providers and customers.
7. Corporate accountability measures and key performance indicators.
8. Customer Communications, and Marketing functions including corporate website.
9. Customer Billing and Metering functions, systems and processes.
10. Mentoring and leading staff, building a cohesive team, and inspiring people to work at their best to attain exceptional levels of achievement.
11. Ensure service and customer value for financial and Information Technology areas whether provided by others or internally.

AQUATERA UTILITIES INC. HUMAN RESOURCES COMMITTEE CHARTER (HRC)

A. Establishment of HRC and Procedures

1. Composition of the HRC

The HRC shall be comprised of not less than three Directors. Determinations as to whether a particular director satisfies the requirements for membership on the HRC shall be made by the Board.

2. Appointment of HRC Members

Members of the HRC shall be appointed from time to time by the Board on the recommendation of the GEC, and shall hold office until their successors are appointed, or until they cease to be Directors of the Company.

3. Vacancies

Where a vacancy occurs at any time in the membership of the HRC, it may be filled by the Board. The Board shall fill any vacancy if the membership of the HRC is less than three Directors.

4. HRC Chair

The Board shall appoint a Chair for the HRC on the recommendation of the GEC.

5. Absence of HRC Chair

If the Chair of the HRC is not present at any meeting of the HRC, one of the other members of the HRC, present at the meeting, shall be chosen by the HRC to preside at the meeting.

6. Secretary of HRC

The HRC shall appoint a Secretary who need not be a director of the Company.

7. Meetings

The Chair of the HRC or any of its members may call a meeting of the HRC. The HRC shall meet at such times during each year as it deems appropriate. The CEO and the Human Resources Manager may attend meetings of the HRC; the HRC may also meet in camera.

8. Quorum

A majority of the HRC, present in person or by telephone or other telecommunication device that permit all persons participating in the meeting to speak to each other, shall constitute a quorum.

9. Notice of Meetings

Notice of the time and place of every meeting shall be given in writing (including by way of written facsimile communication or email) to each member of the HRC at least 48 hours prior to the time fixed for such meeting, provided, however, that a member may in any manner waive a notice of a meeting. Attendance of a member at a meeting constitutes a waiver of notice of the meeting, except where a member attends a meeting for the express purpose of objecting to the transaction of any business on the grounds that the meeting is not lawfully called.

10. Attendance at Meetings

At the invitation of the Chair of the HRC, other Board members, officers or employees of the Company in consultation with the CEO or other experts or consultants may attend a meeting of the HRC.

11. Procedure, Records and Reporting

Subject to any statute or articles and by-laws of the Company, the HRC shall fix its own procedures at meetings, keep records of its proceedings and report to the Board; generally not later than the next scheduled meeting of the Board that follows a HRC meeting.

12. Review of Charter and Evaluation of Committee

The HRC shall evaluate its performance and review and assess the adequacy of its Charter annually or otherwise, as it deems appropriate and propose changes to the Governance and Environment Committee and the Board for approval.

13. Outside Experts and Advisors

The HRC is authorized, at the expense of the Company, when deemed necessary or desirable, to retain independent counsel, outside experts and other advisors to advise the HRC independently on any matter.

B. Mandate of the HRC

The HRC is empowered by the Board to review key compensation and human resources policies for the Company and, in that connection, to ensure that such policies provide total compensation which is competitive in the marketplace. The HRC measures competitiveness by reference to data from a comparator group of companies with which the Company competes for executive talent. The HRC's mandate includes making recommendations regarding compensation of the CEO, discharging of the Board's responsibilities regarding equity-based and incentive compensation plans of the Company's employees, reviewing and recommending key human resources policies and programs of the Company and reviewing the executive management succession and development plans.

The CEO is responsible for overall management of the Company's human resources including the human resource strategy and the assessment of its effectiveness and all hiring and terminations of Company employees. Through its collective experience, the HRC may also provide input and advice to the CEO and management on human resource matters.

C. Duties and Responsibilities of HRC

The HRC shall have the following specific duties and responsibilities:

1. Role of the CEO and Evaluation of the CEO's Performance

- (a) review and recommend to the Board proposed changes to the role and responsibilities of the CEO;
- (b) review and recommend to the Board the CEO's annual goals and objectives;
- (c) evaluate the CEO's performance in relation to those goals and objectives and recommend to the Board the CEO's compensation in relation to that evaluation.

2. Human Resources Policy
 - (a) review and recommend to the Board proposed changes to major human resources policies.
3. Appointment of the CEO
 - (a) review and recommend to the Board for approval, appointments to the position and office of the CEO, the CEO's compensation including any employment or employment related agreements;
4. Compensation
 - (a) establish and recommend to the Board for approval the Company's compensation philosophy;
 - (b) review and recommend to the Board for approval the salary, short-term incentives, long-term incentives, benefits and other compensation for the CEO, based on the evaluation of the CEO's performance, relative shareholder returns, and by considering other relative and comparable data, including data for the Comparator Group;
 - (c) review and recommend to the Board for approval termination payments for the CEO;
 - (d) review the approach to setting salaries, short-term incentives, long-term incentives, benefits and other compensation for the CEO's direct reports taking into consideration, performance, contributions to the Company, shareholder returns, and other relative and comparable data, including data for the comparator group – providing feedback to the CEO;
 - (e) review the termination payments or other provisions for the CEO's direct reports;
 - (f) review and approve the Company's annual salary planning guidelines, targets and goals for the Company's incentive compensation plans and applicable comparator groups.
5. Pension and Other Benefits
 - (a) review and recommend to the Board for approval 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). Benefit amendments resulting in additional financial expenditure will also be reviewed by the ARC for approval by the Board;
 - (b) together with the ARC, review annually and as required the overall governance of the Company's externally managed Pension Plans and approve the broad objectives of the plan(s) and any material changes to the plan(s) and report to the Board annually.
6. Organization Change, Management Development and Succession Planning
 - (a) In consultation with the CEO, review and recommend to the Board for approval major changes to the structure and organization of senior management functions;
 - (b) establish and review the succession plan for the CEO position and report to the Board annually;

- (c) review management succession and development plans for key management personnel.
- (d) Monitor and report to the Board on corporate Key Strategic Objectives developed by Management.

7. Health and Safety Matters

The HRC shall:

- (a) review and evaluate with management the existing health and safety practices and procedures of the Company and its subsidiaries for compliance with applicable laws, conformity with industry standards, and prevention or mitigation of losses;
- (b) review with management the health and safety policies of the Company and its subsidiaries, to benchmark such policies against industry standards and best practices, to ensure that such policies are being effectively implemented;
- (c) review the effectiveness of the response by the Company or its subsidiaries, as the case may be, to health and safety issues, including the compliance with statutory and regulatory requirements and to review the Company's safety results against industry standards and peers;
- (d) review and consider reports and recommendations issued by the Company and its subsidiaries or by an external party relating to the health and safety issues, together with management's response thereto;
- (e) review with management and make recommendations to the Board as appropriate on the health and safety policies and procedures of the Company, compliance initiatives and any other matters relating to environment, health and safety it considers relevant;
- (f) review with management public policy proposals or regulations relating to health and safety and discuss with management the potential impact and application of such policies on the Company.

8. Powers of the Committee

- (a) The Company's goal and intention is to comply with the laws, rules and regulations by which it is governed. In fact, the Company strives to comply not only with requirements of the law but also with recognized compliance practices and ethical standards. The HRC shall ensure that the Company's Human Resource practices and procedures comply with the same.
- (b) The HRC may, at the request of the Board or on its own initiative, investigate such other matters as it considers necessary or appropriate in the circumstances.

9. Report to the Board

The HRC shall:

- (a) Act in an advisory capacity reporting to the Board on matters reviewed and make recommendations for approval as appropriate.

AQUATERA UTILITIES INC. GOVERNANCE AND ENVIRONMENT COMMITTEE (GEC) CHARTER

A. Establishment of GEC and Procedures

1. Composition of the GEC

The GEC shall be comprised of not less than three Directors. Determinations as to whether a particular director satisfies the requirements for membership on the GEC shall be made by the Board.

2. Appointment of GEC Members

Members of the GEC shall be appointed from time to time by the Board on the recommendation of the GEC, and shall hold office until their successors are earlier appointed, or until they cease to be Directors of the Company.

3. Vacancies

Where a vacancy occurs at any time in the membership of the GEC, it may be filled by the Board on the recommendation of the GEC. The Board shall fill any vacancy if the membership of the GEC is less than three Directors.

4. GEC Chair

The Board shall appoint a Chair for the GEC on the recommendation of the GEC.

5. Absence of GEC Chair

If the Chair of the GEC is not present at any meeting of the GEC, one of the other members of the GEC, present at the meeting, shall be chosen by the GEC to preside at the meeting.

6. Secretary of GEC

The GEC shall appoint a Secretary who need not be a director of the Company.

7. Meetings

The Chair of the GEC or any of its members may call a meeting of the GEC. The GEC shall meet at such times during each year as it deems appropriate. The CEO may attend committee meetings; however, the GEC shall also meet in camera.

8. Quorum

A majority of the members of the GEC present in person or by telephone or by other telecommunication device that permits all persons participating in the meeting to speak to each other shall constitute a quorum.

9. Notice of Meetings

Notice of the time and place of every meeting shall be given in writing (including by way of written facsimile communication or email) to each member of the GEC at least 48 hours prior to the time fixed for such meeting provided, however, that a member may in any manner waive notice of a meeting. Attendance of a member at a meeting constitutes a waiver of notice of the meeting, except where a member attends for the

express purpose of objecting to the transaction of any business on the grounds that the meeting is not lawfully called.

10. Attendance at Meetings

At the invitation of the Chair of the GEC, other Board members, officers or employees of the Company or other experts or consultants may attend any meeting of the GEC.

11. Procedure, Records and Reporting

Subject to any statute or articles and by-laws of the Company, the GEC shall fix its own procedures at meetings, keep records of its proceedings and report to the Board, generally not later than the next scheduled meeting of the Board.

12. Review of Charter and Evaluation of the GEC

The GEC shall evaluate its performance and review and assess the adequacy of its Charter annually or otherwise, as it deems appropriate, and propose changes to the Board for approval.

13. Outside Experts and Advisors

The GEC is authorized, at the expense of the Company, when deemed necessary or desirable, to retain independent counsel, outside experts and other advisors to advise the GEC independently on any matter.

B. Mandate of the GEC

The mandate of the GEC is to assist the Board in fulfilling its oversight responsibilities with respect to matters related to corporate governance including identifying and recommending individuals to the Board for nomination as members of the Board and its committees. The GEC also provides assistance to the Board in fulfilling its oversight responsibilities with respect to environmental, practices, procedures and policies as established by management in relation to required legal, regulatory and industry compliance standards or best practices.

C. Duties and Responsibilities of the GEC

1. Governance Matters

The GEC shall:

- a) In collaboration with the Board Chair and Committee Chairs, annually review the scope and responsibilities of the Board and its Committees, ensuring written mandates appropriately reflect duties and responsibilities, and where required, recommend amendments including identification of Committees to whom management should report on specific issues or the establishment or disbandment of Committees as required.
- b) review and propose to the Board for approval, criteria for selecting new directors, after considering the competencies and skills the Board, as a whole, possesses, the competencies and skills each director possesses, and the competencies and skills each new nominee should bring to the Board;
- c) review the qualifications of person(s) proposed for election to the Board or to be appointed to fill any vacancies, and submit recommendations to the Board for its consideration and decision, and to recommend candidates to sit on the Board for appointment by the Shareholders;

- d) make recommendations relative to the composition of various Committees of the Board;
- e) review annually the term expiry or maximum tenure date for directors;
- f) review and recommend annually the Chair of the Board, Chair of Committees and directors' compensation;
- g) maintain a list of candidates for Board membership;
- h) review annually the independence of outside directors and report to the Board on its assessment;
- i) review periodically the overall succession planning for the Chair of the Board and, when appropriate, recommend to the Board the process for appointing the Chair of the Board. In the event that the Chair of the Board position becomes vacant, the Vice-Chair of the Board will be appointed Acting Chair until a permanent Chair is determined;
- j) review the Chair's performance and where appropriate make a recommendation to the Board with respect to renewal of the Chair's term prior to the expiry of the first three year term;
- k) conduct an annual performance evaluation of each Committee of the Board and their functions;
- l) recommend and bring forward to the Board from time to time, a list of corporate governance issues for review, discussion or action by the Board or a committee thereof;
- m) annually assess the effectiveness of the Board and of individual directors, taking into consideration the responses given on any written questionnaire, one on one interviews or other evaluations dealing with the effectiveness of the operation of the Board and its committees;
- n) assess at least annually, the availability, relevance and timeliness of information required by the Board including the orientation and education programs for new Board and Committee members;
- o) review, at least annually, the roles and responsibilities of the Chair of the Board and at the request of the HRC, provide input with respect to the role and responsibility of the CEO;
- p) review the governance practices in place for major subsidiaries of the Company.
- q) Annually benchmark the Company's corporate governance practices against standards recommended by Canadian Securities Administrators and Canadian governance associations, and monitor emerging best practices, recommending to the Board any desired changes to the Company's practices.

- r) Ensure the Company's governance practices are disclosed in accordance with National Instrument 58-101 "Disclosure of Corporate Governance Practices" and take all reasonable steps to provide that governance documents, specifically mandates and position descriptions, are made available to the Shareholders upon request and published on the Company's website.
- s) Annually review the Board budget.
- t) Review annually any Board Policies that have been assigned to the Committee, with a view to ensuring that appropriate controls exist and recommending any changes to the Board for approval.
- u) Annually review the Unanimous Shareholder Agreement and the Company's by-laws, and recommend for Board approval any suggested amendments.

2. Environment Matters

The GEC shall:

- (a) review and evaluate with management the existing environmental practices and procedures of the Company and its subsidiaries for compliance with applicable laws, conformity with industry standards, and prevention or mitigation of losses;
- (b) review with management the environment policies of the Company and its subsidiaries, to benchmark such policies against industry standards and best practices, to ensure that such policies are being effectively implemented;
- (c) review the effectiveness of the response by the Company or its subsidiaries, as the case may be, to environment issues, including the compliance with statutory and regulatory requirements;
- (d) review and consider reports and recommendations issued by the Company and its subsidiaries or by an external party relating to the environment issues, together with management's response thereto;
- (e) review with management and make recommendations to the Board as appropriate on the environment policies of the Company, compliance initiatives and any other matters relating to environment it considers relevant;
- (f) review with management public policy proposals or regulations relating to environment and discuss with management the potential impact and application of such polices on the Company;
- (g) review with the senior environment member(s) of management all environmental matters that may have a material impact on the business or financial results of the Company and obtain a plan of action for addressing these matters and report to the Board thereon.

3. Power of the Committee

- (a) The Company's goal and intention is to comply with the laws, rules and regulations by which it is governed. In fact, the Company strives to comply not only with requirements of the law but also with recognized compliance practices and ethical standards. The GEC shall ensure that the Governance and Environmental practices and procedures comply with the same.
- (b) The GEC may, at the request of the Board or on its own initiative, investigate such other matters as it considers necessary or appropriate in the circumstances.

4. Report to the Board

The GEC shall:

- (a) Act in an advisory capacity reporting to the Board on matters reviewed and make recommendations for approval as appropriate.

AQUATERA UTILITIES INC. AUDIT AND RISK COMMITTEE (ARC) CHARTER

A. Establishment of ARC and Procedures

1. Composition of ARC

The ARC shall consist of not less than three Directors. All members of the ARC shall be determined by the Board to be independent and financially literate. Determinations as to whether a particular director satisfies the requirements for membership on the ARC shall be made by the Board.

2. Appointment of ARC Members

Members of the ARC shall be appointed from time to time by the Board, on the recommendation of the GEC, and shall hold office until their successors are appointed, or until they cease to be Directors of the Company.

3. Vacancies

Where a vacancy occurs at any time in the membership of the Company, it may be filled by the Board. The Board shall fill any vacancy if the membership of the ARC is less than three directors.

4. ARC Chair

The Board shall appoint a Chair for the ARC on the recommendation of the GEC.

5. Absence of ARC Chair

If the Chair of the ARC is not present at any meeting of the ARC, one of the members of the ARC who is present at the meeting shall be chosen by the ARC to preside at the meeting.

6. Secretary of ARC

The ARC shall appoint a Secretary who need not be a director of the Company.

7. Meetings

The Chair of the ARC or any of its members may call a meeting of the ARC. The ARC shall meet at least quarterly and at such other time during each year as it deems appropriate. In addition, the Chair of the ARC or any of its members may call a special meeting of the ARC at any time. Although the CEO may attend meetings of the ARC, the ARC shall also meet in camera.

8. Quorum

A majority of the members of the ARC present in person or by telephone or other telecommunication device that permits all persons participating in the meeting to speak to each other, shall constitute a quorum.

9. Notice of Meetings

Notice of the time and place of every meeting shall be given in writing (including by way of written facsimile communication or email) to each member of the ARC at least 48 hours prior to the time fixed for such meeting, provided, however, that a member may in any manner waive notice of a meeting; and attendance of a member at a meeting constitutes a waiver of notice of the meeting, except where

a member attends for the express purpose of objecting to the transaction of any business on the ground that the meeting is not lawfully called. Notice of every meeting shall also be provided to the external auditors and the CFO.

10. Attendance at Meetings

At the invitation of the Chair of the ARC, other Board members, officers or employees of the Company, the external auditors, and other experts or consultants may attend a meeting of the ARC.

11. Procedure, Records and Reporting

Subject to any statute or the articles and by-laws of the Company, the ARC shall fix its own procedures at meetings, keep records of its proceedings and report to the Board generally not later than the next scheduled quarterly meeting of the Board.

12. Review of Charter

The ARC shall evaluate its performance and review and reassess the adequacy of its Charter at least annually or otherwise, as it deems appropriate, and if necessary propose changes to the GEC and the Board for review and approval.

13. Outside Experts and Advisors

The ARC Chair, on behalf of the ARC, or any of its members is authorized, at the expense of the Company, when deemed necessary or desirable, to retain independent counsel, outside experts and other advisors to advise the ARC independently on any matter.

B. Mandate of the ARC

The ARC provides assistance to the Board in fulfilling its oversight responsibility to the shareholders, the community and others, relating to the integrity of the Company's financial statements, the financial reporting process, the systems of internal accounting and financial controls, the risk identification assessment conducted by management and the programs established by management and the Board in response to such assessment, the internal audit function and the external auditors' qualifications, independence, performance and reports to the Company. In so doing, it is the ARC's responsibility to maintain an open avenue of communication between the ARC, the external auditors, CFO and management of the Company.

Management Responsibilities

The function of the ARC is financial oversight. Management is responsible for the preparation, presentation and integrity of the interim and annual financial statements and related disclosure documents. Management of the Company is also responsible for maintaining appropriate accounting and financial reporting policies and systems of internal controls and procedures that are in compliance with accounting standards, applicable laws and regulations and that provide reasonable assurances that assets are safeguarded and that transactions are authorized, executed, recorded and reported properly.

Management is also responsible for the identification and management of the Company's risks and the development and implementation of policies and procedures to mitigate such risks. The ARC's role is to provide oversight in order to ensure that the Company's assets are protected and safeguarded within reasonable business limits.

ARC Limits

While the ARC has the responsibilities and powers set forth herein, it is not the duty of the ARC to plan or conduct audits or to determine that the Company's financial statements are complete and accurate and in accordance with International Financial Reporting Standards (IFRS). This is the responsibility of management and the external auditors. The designation of a member or members as financially literate³ is based on that individual's education and experience, which the individual will bring to bear in carrying out his or her duties on the ARC. Designation as financially literate does not impose on such person any duties, obligations and liability that are greater than the duties, obligations and liability imposed on a member of the ARC and Board in the absence of such designation.

C. Duties and Responsibilities of the ARC

The ARC shall have the following specific duties and responsibilities:

1. Audit and Financial Matters

The ARC shall:

- (a) have direct responsibility for the compensation and oversight of the external auditors including nominating the external auditors to the Board for appointment by the shareholders at the Company's annual meeting. In performing its function, the ARC shall:
 - (i) review the experience and qualifications of the external auditors' senior personnel who are providing audit services to the Company and the quality control procedures of the external auditors;
 - (ii) review and approve annually the external auditors audit plan;
 - (iii) review and approve the basis and amount of the external auditors' fees and ensure the Company has provided appropriate funding for payment of compensation to the external auditors;
 - (iv) review and discuss with the external auditors all relationships that the external auditors and their affiliates have with the Company and its affiliates in order to determine the external auditors' independence, including, without limitation, (i) requesting, receiving and reviewing, at least annually, a formal written statement from the external auditors delineating all relationships that may reasonably be thought to bear on the independence of the external auditors with respect to the Company, (ii) discussing with the external auditors any disclosed relationships or services that the external auditors believe may affect the objectivity and independence of the external auditors, and (iii) recommending that the Board take appropriate action in response to the external auditors' report to satisfy itself of the external auditors' independence;

³ Meaning of Financial Literacy – for the purposes of this instrument, an individual is financially literate if the individual has the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the issuer's financial statements.

- (v) resolve disagreements between management and the external auditors regarding financial reporting;
 - (vi) pre-approve all audit related services including all non-prohibited non-audit services provided by the external auditors; the Chair of the ARC, is authorized to approve all audit related services including non-prohibited non-audit services provided by the external auditors, and shall report all such approvals to the ARC at its next scheduled meeting;
 - (vii) inform the external auditors and management that the external auditors shall have direct access to the ARC at all times, as well as the ARC to the external auditors; and
 - (viii) instruct the external auditors that they are ultimately accountable to the ARC as representatives of the shareholders of the Company;
- (b) review with management and the Company's external auditors the Company's financial reporting in connection with the annual audit and the preparation of the financial statements, including, without limitation, the annual audit plan of the external auditors, the judgement of the external auditors as to the quality, not just the acceptability, of and the appropriateness of the Company's accounting principles as applied in its financial reporting and the degree of aggressiveness or conservatism of the Company's accounting principles and underlying estimates;
- (c) review with management and the external auditors all financial statements and financial disclosure;
- (i) recommend to the Board for approval the Company's audited annual financial statements including the notes thereto and, "Management's Discussion and Analysis";
 - (ii) review any report or opinion to be rendered in connection therewith;
 - (iii) review with the external auditors the cooperation received during the course of the audit and review;
 - (iv) discuss with management and the external auditors all significant transactions which were not a normal part of the Company's business;
 - (v) review the management processes for formulating sensitive accounting estimates and the reasonableness of the estimates;
 - (vi) review with management and the external auditors any changes in accounting principles and applicability of the changes to the business;
 - (vii) review with management and the external auditors alternative treatments of financial information within IFRS that have been discussed with management,

ramifications of the use of such alternative disclosures and treatments and the treatment preferred by the external auditors;

- (viii) satisfy itself that there are no unresolved issues between management and the external auditors that could reasonably be expected to materially affect the financial statements;
- (d) review with management and the external auditors the Company's interim financial statements, including the notes thereto, "Management's Discussion and Analysis" and earnings release;
- (e) review and discuss with management and external auditors the use of "pro forma" or "adjusted" non-IFRS information and the applicable reconciliation;
- (f) review and recommend to the Board for approval the Company's financial commitments and limits, and any material changes underlying any of these commitments;
- (g) at least once during term of appointment, obtain and review the external auditors' report with respect to the auditing firm's internal quality-control procedures, any material issues raised by the most recent internal quality-control review or peer review of the auditing firm, any inquiry or investigation by governmental or professional authorities within the preceding five years undertaken respecting one or more independent audits carried out by the external auditors, and any steps taken to deal with any such issues;
- (h) review annually with the CFO and, if necessary, outside legal advisors, significant legal, compliance or regulatory matters that may have a material effect on the financial statements of the business;
- (i) review changes in accounting practices or policies and the financial impact these may have on the Company;
- (j) discuss with the external auditors their perception of the Company's financial and accounting personnel, any recommendations which the external auditors may have, including those contained in the management letter, with respect to improving internal financial controls, choice of accounting principles or management reporting systems, and review all management letters from the external auditors together with management's written responses thereto;
- (k) review with management, the external auditors and as necessary external legal counsel, any litigation, claim, contingent liability, license issue or regulatory issue, that could have a material effect upon the financial position of the Company, and the manner in which these matters may be, or have been, disclosed in the financial statements.
- (l) review annually with HRC the Reports and financial statements of the Company's externally managed pension plans including the actuarial valuation, asset/liability forecast, asset allocation, manager performance and plan operating costs;

- (m) meet separately with management, the external auditors and CFO to review issues and matters of concern respecting audits and financial reporting;
- (n) review employee's use of the Company's assets, annual sponsorship, donations and political contributions;
- (o) review that the Company's business practices, Principles and Values and related ethical behaviours are communicated to employees and contractors. Review at least annually the Company Code of Conduct and the policies and practices in place to ensure compliance;
- (p) review any and all disclosures made to the ARC of any alleged material violation by the Company or by any officer, director, employee or agent of the Company, of any law rule or regulation or any policy of the Company which has been reported to the ARC, and determine whether an investigation is necessary regarding any such report, and report to the Board accordingly;
- (q) discuss with management and the external auditors any correspondence from or with regulators or governmental agencies, any employee complaints or any published reports that raise material issues regarding the Company's financial statements or accounting policies;
- (r) report annually to shareholders on the work of the ARC during the year;
- (s) review and approve the Company's hiring policies for employees or former employees of the external auditors and monitor the Company's adherence to the policy;

2. Risk Management

The ARC provides oversight of management's establishment of an overall risk culture for the Company. The ARC shall review the processes established and developed by management for the identification of the Company's principal risks, the evaluation of potential impact and the implementation of appropriate systems to mitigate and manage the risks.

The ARC shall:

- (a) review annually with the Board management's assessment of the significant risks to which the Company is exposed; discuss with management the Company's policies and procedures for identifying and managing the principal risks of its business in order to ensure that management:
 - (i) has identified appropriate business strategies taking into account the principal risks identified, and
 - (ii) is maintaining systems and procedures to manage or mitigate those risks, including programs of loss prevention, insurance and risk reduction and disaster response and recovery programs and;
 - (iii) conduct appropriate due diligence with respect to any activities relating to mergers and acquisitions to ensure the visibility, and potential mitigation of all risks of such mergers and acquisitions to Aquatera, including Aquatera's subsidiaries, directors, officers, employees and shareholders.

- (b) receive and review managements' annual and ad hoc risk assessment update including an update on residual risks, emergent risks and next steps;
- (c) review the Company's enterprise risk management framework and reporting methodology;
- (d) review annually the Company's investment policies, banking/credit agreements, and purchasing policies, and to make recommendations to the Board concerning any proposed changes to same;
- (e) review 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;
- (f) periodically consider the respective roles and responsibilities of the external auditor, CFO function and external counsel concerning risk management of the Company and review their performance in relation to such roles and responsibilities; and
- (g) annually, together with management report to the Board 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.

3. Internal Audit and Controls

The ARC shall have direct responsibility for the compensation and oversight of the Internal Audit Group including nominating the Internal Auditor to the Board for appointment. In performing the function the ARC shall:

- (a) Review annually with senior management, and, as necessary, outside legal advisors, the CFO and external auditors, the effectiveness of the Company's internal controls to ensure the Company is in compliance with legal and regulatory requirements and with the Company's policies;
- (b) review Internal audit recommendation from the CFO;
- (c) review with CFO annual plan for internal audit;
- (d) review management's processes relating to the assessment of potential fraud, programs and controls to mitigate the risk of fraud and the process put in place for monitoring the risks within targeted areas;
- (e) review with the CFO the adequacy of the Company's systems of internal control and procedures;
- (f) obtain assurances from the CEO and CFO as to the adequacy and effectiveness of the Company's disclosure controls and procedures and

systems of internal control over financial reporting and that any fraud involving management or other employees who have a significant role in the Company's internal controls was reported to the ARC;

- (g) establish procedures for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters and the confidential, anonymous submission by employees of concerns regarding accounting or auditing matters;
- (h) review and amend as needed Board Schedule 1 – Internal Audit Procedure.

4. Compliance and Powers of the Committee

- (a) The Company's goal and intention is to comply with the laws, rules and regulations by which it is governed. In fact, the Company strives to comply not only with requirements of the law but also with recognized compliance practices and ethical standards. The ARC shall ensure that the Company's financial reporting practices and procedures comply with same.
- (b) The ARC may, at the request of the Board or on its own initiative, investigate such other matters as are considered necessary or appropriate in carrying out its mandate.

5. Report to the Board

The ARC shall:

- (a) Act in an advisory capacity reporting to the Board on matters reviewed and make recommendations for approval as appropriate.

AQUATERA UTILITES INC.

BOARD SCHEDULE 1 - INTERNAL AUDIT PROCEDURE

Mission and Scope of Work

The mission of Aquatera Utilities Inc.'s ("Aquatera") Internal Audit group is to provide independent, objective assurance and consulting services designed to add value and improve Aquatera's operations. It helps Aquatera accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

The scope of work of the Internal Audit group is to determine whether Aquatera's network of risk management, control, and governance processes, as designed and represented by management, is adequate and functioning in a manner to ensure:

- Risks are appropriately identified and managed.
- Interaction with the various governance groups occurs as needed.
- Significant financial, managerial, and operating information is accurate, reliable, and timely.
- Employee's actions are in compliance with policies, standards, procedures, and applicable laws and regulations.
- Resources are acquired economically, used efficiently, and adequately protected.
- Programs, plans, and objectives are achieved.
- Quality and continuous improvement are fostered in Aquatera's control process.
- Significant legislative or regulatory issues impacting Aquatera are recognized and addressed properly.

In addition, consulting projects will be undertaken based on consultation with management to identify opportunities for improving the efficiency and effectiveness of business processes and increasing Aquatera's profitability and success. To maintain the independence of the Internal Audit group, Internal Audit will not assume any management responsibilities.

Accountability

The Director of Internal Audit (functioning as Chief Audit Executive), in the discharge of his duties, shall be accountable to management and the Board as represented by the Audit and Risk Committee (ARC) to:

- Provide annually an assessment on the adequacy and effectiveness of Aquatera's processes for controlling its activities and managing its risks in the areas covered in that year's scope of work.
- Report significant issues related to the processes for controlling the activities of Aquatera, including potential improvements to those processes, and provide information concerning such issues through resolution.
- Provide information periodically on the status and results of the annual audit plan and the sufficiency of internal audit resources.

- Coordinate with and provide oversight of other control and monitoring functions as applicable (e.g. risk management, compliance, security, legal, ethics, environment, external audit).

Independence

To provide for the independence of the Internal Audit group, its personnel report to the Director of Internal Audit, who reports administratively to the Chief Financial Officer and functionally to the Chair of the ARC in a manner outlined in the above section on accountability. It will include as part of its reports to the ARC a regular report on Internal Audit resources.

Responsibility

The Director and supporting team of the Internal Audit group have responsibility to:

- Develop a flexible annual audit plan using appropriate risk-based methodology, including any risks or control concerns identified by management, and submit that plan to the ARC for review and approval.
- Implement the annual audit plan, as approved, including, and as appropriate, any special tasks or projects requested by management and the ARC.
- Maintain a professional audit team with sufficient knowledge, skills, experience, and professional certifications to meet the requirements of this charter.
- Establish a quality assurance program by which the Director of Internal Audit assures the operation of internal auditing activities.
- Perform consulting services, beyond Internal Auditing's assurance services, to assist management in meeting its objectives. Examples may include facilitation, process design, training, and advisory services. Full disclosure of such services to be reported to the ARC.
- Evaluate and assess significant merging/consolidating functions and new or changing services, processes, operations, and control processes coincident with their development, implementation, and/or expansion.
- Issue periodic reports to the ARC and management summarizing results of audit activities.
- Keep management and the ARC informed of emerging trends and successful practices in internal auditing.
- Provide a list of significant measurement goals and results to the ARC.
- Assist in the investigation of significant suspected fraudulent activities within the organization and notify management and the ARC of the results.
- Consider the scope of work of the external accountants/auditors and regulators, as appropriate, for the purpose of providing optimal audit coverage to the organization at a reasonable overall cost.

Authority

The Director and supporting team of the Internal Audit group are authorized to:

- Have unrestricted access to all functions, records, property, and personnel.
- Have full and free access to the ARC.
- Allocate resources, set frequencies, select subjects, determine scopes of work, and apply the techniques required to accomplish audit objectives.

- Obtain the necessary assistance of personnel in units of the organization where they perform audits, as well as other specialized services from within or outside the organization.

The Director and supporting team of the Internal Audit group are not authorized to:

- Perform any operational duties for Aquatera or its affiliates.
- Initiate or approve accounting transactions external to the Internal Audit group.
- Direct the activities of any Aquatera employee, except to the extent such employees have been appropriately assigned to auditing teams or to otherwise assist the Internal Audit group.

Standards of Audit Practice

The Internal Audit group will meet or exceed The Institute of Internal Auditors' mandatory guidance, including the Definition of Internal Auditing, the Code of Ethics, and the [International Standards for the Professional Practice of Internal Auditing](#).

Chair of the Audit and Risk Committee _____ Date _____

Chief Financial Officer _____ Date _____

