



Aquatera Utilities Inc.

GOVERNANCE Disclosure

2018

Aquatera follows the National Instrument 58-101 "Disclosure of Corporate Governance Practices" as our method in disclosure of governance practices.

GOVERNANCE Disclosure Report For Aquatera Utilities Inc. (Aquatera or the Company)

CORPORATE GOVERNANCE PRACTICES AND DISCLOSURE

Aquatera's governance structure and practices guide us with our corporate activities and the decisions we make. Our framework helps us to ensure our corporate values are always reflected in the work we do. Aquatera follows the National Instrument 58-101 "Disclosure of Corporate Governance Practices" as our method in disclosure of governance practices.

Our Board of Directors and Executive team are committed to the highest standards of corporate governance and believe that sound corporate governance contributes to stakeholder value, trust and confidence.

CORPORATE GOVERNANCE PHILOSOPHY

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.

ETHICAL BUSINESS CONDUCT

Aquatera has a Code of Conduct Policy which protects the integrity of Aquatera Utilities Inc., and its Directors and Employees from potential liability, and to provide a level of protection for the business interests of Aquatera.

Aquatera Directors and Employees will act with honesty and integrity in all business relationships with competitors, potential business partners, suppliers, customers and government officials. Aquatera will exercise good business judgement in extending business courtesies and never accept or offer bribes, favours or "kickbacks" for the purpose of securing business transactions. Aquatera Directors and Employees will ensure that all payments are necessary, lawful and properly documented. The Code of Conduct Policy is reviewed and signed off by staff on annual basis,

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

Conflict of interests are declared at each meeting of the Board and its Committees. Outside business interests are declared on an annual basis. This assists in ensuring Board members exercise independent judgment when considering transactions and agreements. The Board ensures that such a Director does not participate in discussions or vote on the matters about which he or she is conflicted.

OUR BOARD OF DIRECTORS

Aquatera's Board consists of nine independent members. Directors are elected or re-elected at the Annual Meeting of the Shareholders for a term of three years. The Board is chaired by Director Jim Smith (Interim Board Chair, September-December, 2018); Director Andy Beal retired from the position in August, 2018. The Chair of the Board is an Ex-Officio Member of three Board Committees which are listed below. The Board as a whole assigns responsibility to three Committees to maintain an effective balance of duties and use of resources.

On behalf of the Company's shareholders, the Board's Mandate requires the Board to be responsible for the overall stewardship of the Company, establishing the overall policies, standards, and risk tolerances for the Company and reviewing the Company's strategic plans. It also monitors and assesses performance and progress in meeting the long and short 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.

Director Biographies, position descriptions and the Mandate of the Board and the Charters of each Committee can be found on our corporate website within the Aquatera Board Governance Policy.

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

DIRECTOR AND COMMITTEE INDEPENDENCE

Independent Board members bring a fundamental benefit to a corporation providing assurance that decisions made are done so in the best interests of the organization. The Governance and Environment Committee, and the Board, review the independence status of our Directors annually to ensure that the Board is composed of Directors who can provide independent, varied and experienced perspectives.

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

COMMITTEE STRUCTURE

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

AUDIT AND RISK COMMITTEE

Dave Urness (Chair)
**Darlene Halwas (Jan-June 2018)
Cathy Connolly
Jim Smith
***Lionel Laflamme (Sept-Dec 2018)
*Andy Beal (Jan-Aug 2018, Ex-Officio)

HUMAN RESOURCES COMMITTEE

Jim Smith (Jan-Sept 2018, Chair)
***Andy Fraser (Sept-Dec 2018, Acting Chair)
Abe Neufeld
Liz Soria
**Gerry Marcotte (Jan-June 2018)
*Andy Beal (Jan-Aug 2018, Ex-Officio)

GOVERNANCE AND ENVIRONMENT COMMITTEE

Liz Soria (Chair) ***Rob Mackin (Sept-Dec 2018)
Jim Smith *Andy Beal (Jan-Aug 2018, Ex-Officio)
Cathy Connolly

OUR BOARD OF DIRECTORS

MEMBERSHIP ON OTHER BOARDS OR CONFLICT OF INTEREST

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

DIRECTOR ATTENDANCE

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

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

DIRECTOR MEETING ATTENDANCE - 2018

ATTENDANCE

	Feb 23/18	Mar 20/18	May 23/18	Jun 19/18	Sept 19/18	Nov 27/18
*Andy Beal	✓	✓	✓	✓		
Jim Smith	✓	✓	✓	✓	✓	✓
Dave Urness	✓	✓	✓	✓	✓	✓
Abe Neufeld	✓	✓		✓	✓	✓
**Gerry Marcotte		✓	✓			
**Darlene Halwas	✓					
Cathy Connolly	✓	✓	✓	✓	✓	
Liz Soria	✓	✓	✓	✓	✓	✓
***Rob Mackin					✓	✓
***Lionel Laflamme					✓	✓
***Andy Fraser					✓	✓

*Mr. Andy Beal resigned from the Board on August 15, 2018.

**Mr. Gerry Marcotte and Ms. Darlene Halwas resigned from the Board on June 19, 2018.

***Mr. Rob Mackin, Mr. Lionel Laflamme and Mr. Andy Fraser were appointed to the Board on June 19, 2018.

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

DIRECTOR EDUCATION, EVALUATION, SUCCESSION PLANNING, OVERSIGHT & COMPENSATION

DIRECTOR EDUCATION, EVALUATION, SUCCESSION PLANNING, OVERSIGHT & COMPENSATION

DIRECTOR ORIENTATION

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

The orientation is to help incoming Directors assume responsibility quickly, maximizing their potential contribution and the capacity of the Board. Our orientation program includes meeting with Board members and our Executive team. Site visits are also arranged to enable direct knowledge of our operations.

DIRECTOR EDUCATION

Our Director education program provides Board members with the opportunity to continue to enhance their Director knowledge as well as knowledge of our industry. We reimburse Directors for related expenses under a Board-approved policy.

DIRECTOR EVALUATION AND BOARD PERFORMANCE ASSESSMENT

On an annual basis, the Board undertakes a Board evaluation process to assess the performance, and overall effectiveness, of the Board Chair, the Board, its Committees and individual Directors. The Governance and Environmental Committee uses the results to identify action for improvement, determine education opportunities and review Committee composition to ensure Director expertise is used to the fullest extent.

DIRECTOR SUCCESSION PLANNING

When reviewing the skills matrix (see pg. 6), the Governance and Environmental Committee assesses the Board's needs to ensure the range of skills is reflective of the industry and markets in which Aquatera operates. If the Committee determines that the Board would benefit from changes or adjustments to its composition or in the event of anticipated Director retirement, a comprehensive recruitment process will be initiated. Several factors are taken into consideration when discussing Director vacancies with potential candidates, including:

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

DIRECTOR EDUCATION, EVALUATION, SUCCESSION PLANNING, OVERSIGHT & COMPENSATION

SKILLS AND EXPERTISE

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

AQUATERA DIRECTOR SKILL MATRIX

Board Skills Matrix Area of Competency	Andy Fraser	Cathy Connolly	Lionel LaBarrue	Rob Mackin	Abe Neufeld	Jim Smith	Liz Soria	Dave Urness	Darlene Halwas	Gerry Marcotte	Andy Best
Core Board Knowledge, Skills and Experience											
CEO / Enterprise Leadership	✓	✓		✓	✓	✓	✓		✓	✓	
Relevant Industry / Sector	✓	✓	✓	✓	✓		✓			✓	
Business Acumen / Entrepreneur	✓	✓	✓	✓	✓	✓	✓				✓
Governance / Board	✓	✓		✓	✓	✓	✓	✓	✓	✓	✓
Financial / Banking	✓	✓	✓		✓			✓	✓		
Legal							✓				✓
ICD Designation	✓	✓				✓	✓		✓		
Beneficial Board Knowledge, Skills and Experience											
Accounting / Audit	✓		✓						✓		
Advocacy / Communications		✓		✓	✓	✓	✓		✓		✓
Community / Stakeholder / Shareholder Relations	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Diversity (e.g., gender, geography, age)		✓		✓			✓		✓		
First Nations Experience			✓								
Government Relations	✓	✓		✓	✓		✓		✓		✓
HR / Compensation	✓	✓	✓		✓		✓		✓		
IT / E-Commerce	✓			✓					✓		
Lean	✓	✓									✓
Privacy			✓				✓				
Regulatory		✓	✓	✓			✓		✓		✓
M&A	✓	✓	✓		✓						
Marketing / Sales	✓		✓	✓	✓			✓		✓	
Risk and Controls	✓	✓	✓				✓		✓		✓
Operational / Organizational Activities	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	
Project Management	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Strategic Planning	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Local			✓		✓	✓		✓		✓	✓
Potential Conflict of Interest					1						

¹ Developer

DIVERSITY

DIRECTOR EDUCATION, EVALUATION, SUCCESSION PLANNING, OVERSIGHT & COMPENSATION

Aquatera recognizes diverse perspectives in governance are critical for overall Board effectiveness and better decision-making. A diverse Board makes strategic use of different perspectives through balancing skills, knowledge, experience, background, gender, ethnicity, and other qualities. For 2018, one third of Aquatera's Board of Directors was comprised of women Directors.

During succession planning and recruitment processes, Aquatera considers the diversity of its Board membership, including gender, and balances this with the knowledge and experience required to complement the existing skills of the Board as a whole.

BOARD OVERSIGHT

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

BOARD OVERSIGHT OF MANAGEMENT AND OUR EMPLOYEES

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

The Board approves Aquatera's high-level business strategy and is engaged in the ongoing development of the individuals entrusted with the execution of our strategy. The Human Resources Committee and the Board reviews the performance of the overall organization and the CEO on an annual basis. In addition the Board receives assurance that Management conducts performance appraisals for employees.

STRATEGIC AND BUSINESS PLANNING

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

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

MANAGING AND ASSESSING RISK

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

Aquatera uses a comprehensive enterprise risk management system to effectively manage and assess risk, and the Board receives regular updates on emerging areas of risk or changes to Aquatera's risk profile. Our enterprise risk management system involves a systematic approach to identifying, assessing, reporting and managing significant risks.

DIRECTOR EDUCATION, EVALUATION, SUCCESSION PLANNING, OVERSIGHT & COMPENSATION

INTERNAL CONTROLS

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

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

EXTERNAL AUDITORS

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

BOARD COMPENSATION PRACTICES

Aquatera provides our Board members with a compensation package of an annual cash retainer and meeting per diem fees. The package provides remuneration for responsibilities, time commitments and accountability of Board members. Compensation for Board members is set by Aquatera's shareholders at the following rates.

Meeting Per Diems: One Half Day: \$300 (up to 4 hours) Full Day: \$700

Additionally, an annual retainer has been established to compensate Directors for other duties such as non-scheduled meetings or events deemed optional. The annual retainer will be paid on a monthly basis.

Annual Retainer: \$10,000 for members, \$15,000 for Committee Chairs and \$20,000 for the Board Chair