

Aquatera Utilities Inc.
GOVERNANCE DISCLOSURE

2019

*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 and oversight responsibilities, the Board has adopted a Board Mandate, a set of Committee Charters and associated work-plans for how the business and affairs of the Company will be carried out. In addition to this, Board and Committee Procedures and Director Expectations documents supplement the Board's mandate by specifying the expectations the Corporation places on its Directors in terms of performance and criteria. Further to this, the Board conducts Board and peer assessments to evaluate and help the Directors achieve their full potential and benchmarks its governance practices annually. 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 sets behaviours and standards we expect from Employees and Directors.

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

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

OUR BOARD OF DIRECTORS

Aquatera's Board consists of ten 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 (Vice-Chair). Mr. Smith was named the Interim Board Chair by virtue of his role as Vice Chair when the previous Board Chair 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-term goals of the Company. The Board will acknowledge and consider the expectations of Shareholders as it acts in the best interests of the Company and having regard to its stakeholders and customers.

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

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

DIRECTOR AND COMMITTEE INDEPENDENCE

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

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 with regard to previous senior Executive and leadership experience and/or extensive Directorship experience.

AUDIT AND RISK COMMITTEE

Dave Urness (Chair)
Jim Smith (Ex Officio)
*Cathy Connolly (Jan 2019)
Rob Mackin (June-Dec 2019)
Lionel Laflamme

GOVERNANCE AND ENVIRONMENT COMMITTEE

Liz Soria (Chair)
Jim Smith (Ex Officio)
*Cathy Connolly (Jan 2019)

HUMAN RESOURCES COMMITTEE

Andy Fraser (Acting Chair)
Jim Smith (Ex Officio)
Abe Neufeld
Liz Soria (Jan-June 2019)
**Mary Bulmer (June-Dec 2019)

Rob Mackin (Jan-June 2019)
**Rita Andreone (June-Dec 2019)
**Jude Daniels (June-Dec 2019)

MEMBERSHIP ON OTHER BOARDS OR CONFLICT OF INTEREST

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

DIRECTOR ATTENDANCE

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

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

DIRECTOR MEETING ATTENDANCE - 2019

BOARD MEETING ATTENDANCE

	Jan 15 [^]	Mar 27	April 24 [^]	May 9 [^]	June 18	July 8 [^]	Sept 18	Nov 27
Jim Smith	✓	✓	✓	✓	✓	✓	✓	✓
Dave Urness		✓	✓		✓	✓	✓	✓
Abe Neufeld	✓	✓	✓	✓		✓	✓	✓
Liz Soria	✓	✓	✓	✓	✓	✓	✓	✓
*Cathy Connolly	✓							
Rob Mackin	✓	✓	✓	✓	✓	✓	✓	✓
Lionel Laflamme	✓	✓	✓	✓		✓	✓	
Andy Fraser		✓	✓	✓	✓	✓	✓	✓
**Rita Andreone						✓	✓	✓
**Mary Bulmer						✓	✓	✓
**Jude Daniels						✓	✓	✓

[^]Special meeting of the Board

*Cathy Connolly resigned from the Board on January 21, 2019.

**Rita Andreone, Mary Bulmer and Jude Daniels were appointed to the Board on June 18, 2019.

COMMITTEE MEETING ATTENDANCE

	ARC				HRC				GEC				
	Mar 26	June 17	Sept 17	Nov 26	Mar 26	June 17	Sept 17	Nov 26	Mar 26	April 16 [^]	June 17	Sept 17	Nov 26
Jim Smith	+✓	+✓	+✓	+✓	+✓	+✓	+✓	+✓	+✓	+✓	+✓	+✓	+✓
Dave Urness	+✓	+✓	+✓	+✓									
Abe Neufeld					+✓	+	+✓	+✓					
Liz Soria					+✓	+✓	✓		+✓	+✓	+✓	+✓	+✓
*Cathy Connolly													
Rob Mackin	✓	✓	+✓	+✓	✓	✓		✓	+✓	+✓	+✓	✓	
Lionel Laflamme	+✓	+✓	+✓	+✓									
Andy Fraser	✓		✓	✓	+✓	+✓	+✓	+✓	✓		✓		
**Rita Andreone			✓	✓			✓	✓				+✓	+✓
**Mary Bulmer			✓	✓			+✓	+✓				✓	✓
**Jude Daniels			✓				✓					+✓	+

[^]Special meeting of the Committee

+Committee Member

* Cathy Connolly resigned from the Board on January 21, 2019.

** Rita Andreone, Mary Bulmer and Jude Daniels were appointed to the Board on June 18, 2019.

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

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

DIRECTOR EDUCATION

Our Director education program provides Board members with the opportunity to continue to enhance their Director knowledge as well as knowledge of our industry. Director Education Plans are reviewed and updated on an annual basis. We reimburse Directors for related expenses under a Board-approved policy. Directors are encouraged to share their learnings with the Board, Committees and management, as appropriate.

DIRECTOR EVALUATION AND BOARD PERFORMANCE ASSESSMENT

On an annual basis, the Board undertakes a Board evaluation process to assess the performance, and overall effectiveness, of the Board Chair, Committee Chairs, the Board, its Committees and individual Directors. The Governance and Environment 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 Environment Committee assesses the Board's needs to ensure the range of skills is reflective of the industry and markets in which Aquatera operates. If the Committee determines that the Board would benefit from changes or adjustments to its composition or in the event of anticipated Director retirement, a comprehensive recruitment process will be initiated. Together, the Unanimous Shareholder Agreement and Aquatera's By-laws specifically set the ideal number of directors at nine (9) on a year-over-year basis. Several factors are taken into consideration when discussing Director vacancies with potential candidates, including:

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

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 SKILLS MATRIX

Board Skills Matrix Area of Competency	Rita Andreone	Mary Bulmer	Jude Daniels	Andy Fraser	Lionel Laflamme	Rob Mackin	Abe Neufeld	Jim Smith	Liz Soria	Dave Urness
Core Board Knowledge, Skills and Experience										
CEO / Enterprise Leadership	4	4	2	5	4	4	4	3	4	4
Relevant Industry / Sector	2	1	1	2	3	4	4	4	4	3
Business Acumen / Entrepreneur	4	4	4	4	5	5	4	3	3	4
Governance / Board	5	2	2	4	2	4	3	3	5	3
Financial / Banking	3	1	1	4	5	2	3	2	2	4
Legal	5	2	5	3	3	2	3	2	5	3
ICD Designation	Yes	No	No	Yes	No	No	No	Yes	Yes	No
Beneficial Board Knowledge, Skills and Experience										
Accounting / Audit	3	1	2	3	5	2	3	2	2	5
Advocacy / Communications	4	3	4	4	3	5	4	4	3	3
Community / Stakeholder / Shareholder Relations	2	2	4	4	3	5	4	4	4	3
Diversity (e.g., gender, geography, age)	5	5	5	3	3	4	1	1	5	1
First Nations Experience	3	2	5	3	5	2	4	2	1	3
Government Relations	3	1	3	4	3	5	4	3	3	3
HR / Compensation	3	5	3	3	3	3	3	3	3	3
IT / E-Commerce	2	2	1	3	3	4	2	2	3	2
Lean	1	1	1	3	2	3	3	4	2	3
Privacy	4	3	3	2	5	3	3	3	5	3
Regulatory	4	1	5	3	5	3	3	3	5	4
M&A	5	5	3	5	5	3	4	2	3	5
Marketing / Sales	1	1	2	5	5	4	3	3	2	3
Risk and Controls	4	2	2	3	5	3	3	3	4	4
Operational / Organizational Activities	2	5	1	4	5	4	4	5	3	3
Project Management	1	5	5	3	3	4	4	5	5	4
Strategic Planning	3	3	4	5	5	4	3	3	4	3
Local	No	No	Yes	No	Yes	No	Yes	Yes	No	Yes
Potential Conflict of Interest	No	No	No	No	No	No	*Yes	No	No	No

* Developer

Table Legend	
Level 1	No experience
Level 2	Minimal experience
Level 3	Well versed
Level 4	Advanced experience
Level 5	Significant experience / expertise

DIVERSITY

Aquatera recognizes diverse perspectives in governance are critical for overall Board effectiveness and better decision-making. A diverse Board makes strategic use of different perspectives through varied skills, knowledge, experience, background, ethnicity, and other qualities. For purposes of Board composition, diversity includes, but is not limited to, business experience, geography, age, ethnicity and aboriginal status. During succession planning and recruitment processes, Aquatera considers the diversity of its Board membership and balances this with the knowledge and experience required to complement the existing skills of the Board as a whole.

BOARD OVERSIGHT

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

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.

STRATEGIC AND BUSINESS PLANNING

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

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

MANAGING AND ASSESSING RISK

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

Aquatera has developed a comprehensive risk register to track risks to the company. The Audit and Risk Committee receives updates on emerging areas of risk or changes to Aquatera's risk profile.

INTERNAL CONTROLS

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

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

EXTERNAL AUDITORS

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

BOARD COMPENSATION PRACTICES

Aquatera provides our Board members with a compensation package of an annual cash retainer 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 (up to 4 hours): \$300; 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 is paid on a monthly basis.

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