



# **Aquatera Utilities Inc. 2022 Governance Disclosure Report**

## **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 annual evaluations to enhance the efficiency of Board operations. The Board believes that these practices benefit all stakeholders and form the building blocks for long-term success. The Board reviews these guidelines annually to ensure that they reflect the most current and appropriate governance standards for the Company.

#### **ETHICAL BUSINESS CONDUCT**

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

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

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

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

## OUR BOARD OF DIRECTORS

Aquatera's Board consists of nine independent members. Directors are elected or re-elected at the Annual Meeting of the Shareholders typically for a term of three years. The Board is chaired by Director Jim Smith. Mr. Smith was appointed Board Chair at the June 16, 2020, Annual Shareholder meeting. 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. At the close of 2022, all past and present Directors of the Board have reported their independence.

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.

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

### COMMITTEE STRUCTURE

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

#### AUDIT AND RISK COMMITTEE

Barbara Feit (Chair June 2022)  
Dave Urness (Chair Jan-June 2022)  
Lionel Laflamme  
Jim Smith (Ex-Officio)

#### HUMAN RESOURCES COMMITTEE

Mary Bulmer (Chair)  
Andy Fraser  
Rob Petrone (Appointed Sept 2022)  
Lionel Laflamme  
Jim Smith (Ex-Officio)

#### GOVERNANCE AND ENVIRONMENT COMMITTEE

Andy Fraser (Interim Chair June 2022)  
Rob Mackin (Chair Jan-June 2022, resigned Aug 2022)  
Mary Bulmer  
Mark Wiltzen (Appointed Sept 2022)  
Jim Smith (Ex-Officio)

## MEMBERSHIP ON OTHER BOARDS or CONFLICT OF INTEREST

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

## DIRECTOR ATTENDANCE

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

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

### DIRECTOR MEETING ATTENDANCE – 2022

#### BOARD MEETING ATTENDANCE

	Mar 23	Mar 25^	Apr 7^	Apr 12^	Apr 13^	May 9^	May 27	Jun 22	Sep 21	Dec 14
<b>Jim Smith</b>	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
<b>Dave Urness</b>	✓	✓	✓	✓	✓		✓	✓	✓	✓
<b>Barbara Feit</b>	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
<b>*Rob Mackin</b>	✓	✓	✓	✓	✓	✓		✓		
<b>Lionel Laflamme</b>	✓	✓	✓	✓	✓	✓	✓	✓	✓	
<b>Andy Fraser</b>	✓	✓	✓	✓	✓	✓		✓	✓	✓
<b>Mary Bulmer</b>	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
<b>*Jude Daniels</b>	✓	✓	✓	✓			✓			
<b>**Mark Wiltzen</b>									✓	✓
<b>**Rob Petrone</b>									✓	✓

^Special meeting of the Board

\*\*Mark Wiltzen and Rob Petrone were appointed to the Board on June 21, 2022.

\*Jude Daniels and Rob Mackin resigned respectively from the Board on June 21 and August 31, 2022.

## COMMITTEE MEETING ATTENDANCE

	ARC				HRC					GEC			
	March 22	June 21	Sept 20	Dec 13	March 1	March 22	June 21	Sept 20	Dec 13	March 22	June 21	Sept 20	Dec 13
<b>Jim Smith</b>	+✓	+✓	+✓	+✓	+✓	+✓	+✓	+✓	+✓	+✓	+✓	+✓	+✓
<b>Dave Urness</b>	+✓	+✓	+✓	+✓									
<b>Barbara Feit</b>	+✓	+✓	+✓	+✓									
<b>Rob Mackin</b>										+✓	+✓		
<b>Lionel Laflamme</b>	+✓	+✓	+✓		+✓	+✓	+✓	+✓	+✓		✓	✓	
<b>Andy Fraser</b>					+✓	+✓	+✓	+✓	+✓		+✓	+✓	+✓
<b>Mary Bulmer</b>					+✓	+✓	+✓	+✓	+✓	+✓	+✓	+✓	+✓
<b>Mark Wiltzen</b>			✓					+✓				+✓	+✓
<b>Rob Petrone</b>			✓					+✓	+✓			+✓	

^Special meeting of the Committee

+Committee Member

\*\*Mark Wiltzen and Rob Petrone were appointed to the Board on June 21, 2022.

\*Jude Daniels and Rob Mackin resigned respectively from the Board on June 21 and August 31, 2022.

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

## OUR BOARD OF DIRECTORS

### DIRECTOR ORIENTATION

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

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

### DIRECTOR DEVELOPMENT

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

## **DIRECTOR EVALUATION AND BOARD PERFORMANCE ASSESSMENT**

On an annual basis, the Board undertakes a Board evaluation process to assess the performance, and overall effectiveness of the Board.. The Governance and Environment Committee may use the results to identify action for improvement, determine education opportunities, and review Committee composition to ensure Director expertise is used to the fullest extent. Board goals and action items may be developed as a result of these reviews.

## **BOARD CHAIR TERM POLICY**

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

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

## **DIRECTOR SUCCESSION PLANNING**

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

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

## **DIRECTOR RECRUITMENT**

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

## **SKILLS AND EXPERTISE**

### **Aquatera Director Skills Matrix**

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

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

Definitions for the top relevant competencies are provided below:

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



## **DIVERSITY**

Aquatera recognizes diverse perspectives in governance are critical for overall Board effectiveness and better decision-making. A diverse Board makes strategic use of different perspectives through varied skills, knowledge, experience, background, ethnicity, and other qualities. For purposes of Board composition, diversity includes, but is not limited to: business experience, geography, age, gender (identity and expression), ethnicity and indigenous 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.

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

## **BOARD OVERSIGHT**

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

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

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

## **BOARD OVERSIGHT OF MANAGEMENT AND OUR EMPLOYEES**

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

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

## **STRATEGIC AND BUSINESS PLANNING**

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

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



## **MANAGING AND ASSESSING RISK**

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

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

## **INTERNAL CONTROLS**

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

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

## **EXTERNAL AUDITORS**

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

## **BOARD COMPENSATION PRACTICES**

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

Annual Retainer: \$30,000 for members, \$40,000 for Committee Chairs and \$50,000 for the Board Chair.

Directors who serve on two Committees receive an additional retainer amount of \$5,000.