H_2O INNOVATION INC.

Notice of Annual General Meeting of Shareholders

and

Management Proxy Circular of H_2O Innovation Inc.

for the Annual General Meeting of Shareholders
to be held on

November 13, 2019,1:00 p.m.

at

330, rue St-Vallier Est, Suite 340
Quebec City, Quebec
G1K 9C5

September 24, 2019

H_2O INNOVATION INC.

Quebec City, September 24, 2019

Dear Shareholders:

The Board of Directors and management of H_2O Innovation Inc. are pleased to invite you to the Annual General Meeting of shareholders of H_2O Innovation Inc. to be held at its registered office located at 330, rue St-Vallier East, Suite 340, Quebec City, Quebec, G1K 9C5, on Wednesday, November 13, 2019, at 1:00 p.m. (Eastern Time).

At this meeting, the shareholders will be asked to vote on the election of directors and the appointment of the auditor for the fiscal year ending June 30, 2020.

We urge you to give serious attention to the information on each matter set out in the attached Management Proxy Circular dated September 24, 2019. It is important that you exercise your vote, either in person at the meeting or by completing and returning the enclosed proxy form.

Members of management will be available to answer questions and to discuss the business and operations of H_2O Innovation Inc. following the meeting.

Sincerely,

(Signed – Lisa Henthorne)

Lisa Henthorne
Chairman of the Board of Directors

(Signed – Frédéric Dugré)

Frédéric Dugré
President and Chief Executive Officer

NOTICE OF ANNUAL GENERAL MEETING OF SHAREHOLDERS OF H_2O INNOVATION INC.
(the "Corporation")

MEETING

Wednesday, November 13, 2019
at 1:00 p.m.
(Eastern Time)

H_2O Innovation Inc.
330, rue St-Vallier East, Suite 340
Quebec City, Quebec
G1K 9C5

BUSINESS OF THE ANNUAL GENERAL MEETING

At the Annual General Meeting of shareholders of the Corporation (the "Meeting"), shareholders will be asked to:

1. receive the audited consolidated financial statements of the Corporation for the fiscal year ended June 30, 2019;

2. elect the directors for the ensuing year;

3. appoint the auditor for the fiscal year ending June 30, 2020 and authorize the directors to fix its remuneration; and

4. to consider such other business that may properly come before the Meeting or any adjournment thereof.

By order of the Board of Directors,

(Signed – Lisa Henthorne)

Lisa Henthorne
Chairman of the Board of Directors
Quebec City, Quebec
September 24, 2019

Notes:

- **The management proxy circular and the form of proxy prepared in respect of the Meeting are attached to this notice.**

- **The enclosed management proxy circular contains supplementary information on matters to be discussed at the Meeting and is hereby deemed to be an integral part of this notice.**

- **Shareholders qualified to vote but unable to attend the Meeting are encouraged to complete, sign, and return the enclosed form of proxy by using the envelope provided herein, no later than 5:00 p.m. on November 11, 2019.**

- **These securityholder materials are being sent to both registered and non-registered owners of the securities. If you are a non-registered owner, and the Corporation or its agent has sent these materials directly to you, your name and address and information about your holdings of securities have been obtained in accordance with applicable securities regulatory requirements from the intermediary holding on your behalf.**

- **By choosing to send these materials to you directly, the Corporation (and not the intermediary holding on your behalf) has assumed responsibility for (i) delivering these materials to you, and (ii) executing your proper voting instructions. Please return your voting instructions as specified in the request for voting instructions.**

MANAGEMENT PROXY CIRCULAR

September 24, 2019

1. VOTING INFORMATION

1.1 Solicitation of Proxies

This management proxy circular (the "Circular") is sent in connection with the solicitation of proxies by the management of H_2O Innovation Inc. (the "Corporation") for use at the Annual General Meeting of shareholders of the Corporation (the "Meeting") to be held at the date, time, and place and for the purposes set forth in the accompanying notice of meeting. Unless otherwise indicated, information in this Circular is given as of September 24, 2019.

1.2 Appointment of Proxyholders

The persons designated in the enclosed form of proxy are directors of the Corporation. **Any shareholder has the right to appoint a person other than the persons designated by management in the enclosed form of proxy to represent such shareholder at the Meeting.** A shareholder desiring to appoint another person to represent such shareholder at the Meeting may do so by striking out the names of the persons designated by management and by inserting such other person's name in the blank space provided in the form of proxy. A person acting as proxy need not be a shareholder of the Corporation.

1.3 Revocation of Proxies

A shareholder giving a proxy has the power to revoke it as to any matter yet to be submitted to a vote pursuant to the authority conferred by such proxy and may do so either: i) by delivering another properly executed proxy bearing a later date to AST Trust Company (Canada), 1, Toronto Street, Suite 1200, Toronto (Ontario) M5C 2V6, two (2) business days prior to the date of the Meeting, or ii) by depositing, either with AST Trust Company (Canada) at the above-mentioned address prior to the day of the Meeting or any adjournment thereof, or with the Secretary or Chairman of the Meeting at the time and place of the Meeting, or any adjournment thereof, a written notice revoking the proxy and executed by the shareholder or by his attorney authorized in writing. If the shareholder is a corporation, such notice must be executed by a duly authorized officer under its corporate seal or accompanied by a corporate resolution authorizing the signature, as applicable.

1.4 Exercise of Voting Rights Attached to the Shares

In order to be voted at the Meeting, a proxy must be received by AST Trust Company (Canada) at the above-mentioned address no later than 5:00 p.m. on November 11, 2019, or by the Secretary or Chairman of the Meeting at the time and place of the Meeting or any adjournment thereof, prior to the commencement thereof.

If the enclosed form of proxy is properly completed and submitted in favor of the persons designated in the printed portion thereof, the shares represented by such form of proxy will be voted on any ballot that may be called for and where the person whose proxy is solicited specifies a choice with respect to any matter identified therein and the shares will be voted, or withheld from voting, in accordance with the specifications so made.

Where shareholders have not specified in the form of proxy the manner in which the designated proxy holders are required to vote the shares represented thereby as to any matter to be voted on, such shares will be voted on any ballot that may be called for **in favor** of such matter.

The enclosed form of proxy confers discretionary authority with respect to amendments or variations to the matters identified in the notice of meeting and with respect to matters other than those identified in the notice of meeting which may properly come before the Meeting. As of the date hereof, the management of the Corporation is not aware that any such amendments, variations, or other matters are to be presented for action at the Meeting. **If any matters that are not now known to the management of the Corporation should properly come before the Meeting, then on any ballot that may be called for, the enclosed form of proxy will be voted on such matters in accordance with the best judgment of the person voting same.**

1.5 Non-Registered Shareholders

Only registered shareholders or duly appointed proxyholders are permitted to vote at the Meeting. Most shareholders of the Corporation are "non-registered" shareholders because the shares they own are not registered in their names but are instead registered in the name of the brokerage firm, bank or trust company through which they purchased the shares.

More particularly, a person is not a Registered Shareholder in respect of common shares which are held on behalf of that person (the "Non-Registered Holder") but which are registered either: (a) in the name of an intermediary (an "Intermediary") that the Non-Registered Holder deals with in respect of the shares (Intermediaries include, among others, banks, trust companies, securities dealers or brokers and trustees or administrators of self-administered RRSPs, RRIFs, RESPs and similar plans); or (b) in the name of a clearing agency (such as The Canadian Depository for Securities Limited ("CDS")) of which the Intermediary is a participant.

Non-Registered Holders who have not objected to their Intermediary disclosing certain ownership information about themselves to the Corporation are referred to as non-objecting beneficial owners, or “NOBOs”. Those Non-Registered Holders who have objected to their Intermediary disclosing ownership information about themselves to the Corporation are referred to as objecting beneficial owners, or “OBOs”.

In accordance with the requirements of *Regulation 54-101 respecting Communication With Beneficial Owners of Securities of a Reporting Issuer* (“Regulation 54-101”), the Corporation has elected to send the notice of meeting, this Circular and the proxy (collectively, the “Meeting Materials”) directly to the NOBOs, and indirectly through Intermediaries to the OBOs. The solicitation of proxies will be primarily made by mail but may be supplemented by telephone or other personal contact by the directors of the Corporation without additional compensation. The cost of solicitation of proxies will be borne by the Corporation and the Corporation intends to reimburse Intermediaries for reasonable costs incurred in sending the proxy documents to the OBOs.

The Intermediaries (or their service companies) are responsible for forwarding the Meeting Materials to each OBO, unless the OBO has waived the right to receive them. Meeting Materials sent to Non-Registered Holders who have not waived the right to receive Meeting Materials are accompanied by a request for voting instructions (a “VIF”). This form may be used instead of a proxy. By returning the VIF in accordance with the instructions noted on it, a Non-Registered Holder is able to instruct the Registered Shareholder how to vote on behalf of the Non-Registered Shareholder. VIFs, whether provided by the Corporation or by an Intermediary, should be completed and returned in accordance with the specific instructions noted on the VIF. In either case, the purpose of this procedure is to permit Non-Registered Holders to direct the voting of the shares which they beneficially own.

Should a Non-Registered Holder who receives a VIF wish to attend the Meeting or have someone else attend on his or her behalf, the Non-Registered Holder may request a legal proxy as set forth in the VIF, which will grant the Non-Registered Holder or his or her nominee the right to attend and vote at the Meeting. Non-Registered Holders should carefully follow the instructions set out in the VIF including those regarding when and where the VIF is to be delivered.

1.6 Record Date

Pursuant to Regulation 54-101, the Meeting Materials will be sent to all holders of common shares of the Corporation who are shareholders of record at 5:00 p.m. (Eastern Time) on September 25, 2019 (the “Record Date”). Any common share that is registered at the close of business on the Record Date will entitle its holder or any proxy named by such holder to vote at the Meeting and at any adjournment thereof. Common shares may be withheld from voting or voted for the proposals contained herein.

The Corporation will prepare, no later than ten (10) days after the Record Date, an alphabetical list of shareholders entitled to vote as of the Record Date at the Meeting that indicates the number of shares held by each shareholder. The list of shareholders entitled to vote at the Meeting is available for inspection during usual business hours at the office of the Corporation’s transfer agent and registrar, AST Trust Company (Canada), 1, Toronto Street, Suite 1200, Toronto (Ontario) M5C 2V6, and at the Meeting**.**

1.7 Common Shares and Principal Holders

As of September 24, 2019, the authorized share capital of the Corporation consists of an unlimited number of common shares without par value and an unlimited number of preferred shares, without par value, issuable in series, of which 55,889,989 common shares are issued and outstanding. Each holder of common shares of the Corporation as of the Record Date is entitled to vote at the Meeting, each common share conferring one (1) vote.

To the knowledge of the directors and officers of the Corporation, the only shareholders who, as of September 24, 2019, beneficially own, or control or direct, directly or indirectly, shares conferring 10% or more of the voting rights attached to the issued and outstanding shares of the Corporation are indicated in the table below:

Name of Shareholder	Number of Common shares	Percentage of Voting Rights
Investissement Québec	9,860,687	17.64%
BDC Capital Inc.	7,228,915	12.93%
Caisse de dépôt et placement du Québec	6,175,184	11.05%

1.8 Interest on Matters to be Acted Upon

Except as disclosed in this Circular, nobody who has been a director or an executive officer of the Corporation since the beginning of the Corporation’s last fiscal year, or who is a nominee for election as a director of the Corporation, nor any associate or affiliate related to such director or executive officer has a material interest, directly or indirectly, by way of beneficial ownership of securities or otherwise, in any matter to be acted upon at the Meeting other than the election of directors or the appointment of the auditors.

2. BUSINESS OF THE MEETING

2.1 Presentation of the Audited Consolidated Financial Statements

The consolidated financial statements of the Corporation for the fiscal year ended June 30, 2019 and the auditor's report thereon will be presented to the shareholders at the Meeting as no shareholder vote with respect thereto is required.

The audit committee of the Board of Directors of the Corporation (the "Audit Committee") has examined the audited consolidated financial statements for the fiscal year ended June 30, 2019 and discussed them with the management and the Corporation's external auditor, Ernst & Young LLP ("EY"). The goals of this audit are to express an opinion on the Corporation's presentation of the consolidated financial statements.

Based on the reports and discussions described in the management's report, and subject to the limitations on the role and responsibilities of the Audit Committee in its mandate, the Audit Committee recommended for approval by the Board of Directors the audited consolidated financial statements for the fiscal year ended June 30, 2019, the press release on the quarter and fiscal year ended June 30, 2019, and the Corporation's annual report for the fiscal year ended June 30, 2019.

The disclosure relating to the Audit Committee required by *Regulation 52-110 respecting Audit Committees* ("Regulation 52-110") is provided in Section 15 of the Corporation's Annual Information Form dated September 24, 2019 for the fiscal year ended June 30, 2019 (the "AIF"), which section is hereby included by reference in this Circular. A copy of the AIF can be obtained on SEDAR (www.sedar.com) and may also be obtained through the Investors Relations Department of the Corporation at the address set forth in Section 11 – "Additional Information" below.

2.2 Election of the Directors

According to the Restated Articles of Incorporation of the Corporation, the Board of Directors shall consist of a minimum of three (3) and a maximum of eleven (11) directors. At the Meeting, the management of the Corporation will propose for election as directors of the Corporation the seven (7) persons named hereunder.

Under an agreement entered into between Investissement Québec and the Corporation on December 5, 2013, Investissement Quebec has the right to propose a nominee for election to the Board of Directors of the Corporation as long as it holds at least 10% of the issued and outstanding common shares of the Corporation. The nominee proposed for election by Investissement Québec is Mr. Robert Comeau.

Under an agreement entered into between Caisse de dépôt et placement du Québec and the Corporation on November 30, 2018, Caisse de dépôt et placement du Québec has the right to propose a nominee for election to the Board of Directors of the Corporation as long as it holds at least 10% of the issued and outstanding common shares of the Corporation. The nominee proposed for election by Caisse de dépôt et placement du Québec is Mr. René Vachon.

Except where authority to vote in favor of the election of directors is withheld, the nominees named in the accompanying form of proxy will vote the shares represented by such proxy in favor of the election of each of the seven (7) persons named hereunder.

Management does not contemplate that any nominee will be unable or unwilling to serve as a director, but should that occur for any reason prior to the Meeting, the persons designated in the enclosed form of proxy reserve the right to vote for another nominee at their discretion, unless otherwise instructed in the proxy. Each elected director will hold office until the next annual meeting of shareholders of the Corporation or until a successor is duly elected or appointed or unless his or her office is earlier vacated in accordance with the by-laws of the Corporation.

The table below indicates the names and city of residence of the persons proposed for election as directors of the Corporation, their principal occupation, and the number of shares and options of the Corporation they hold or over which they exercise control as at September 24, 2019.

Name and Place of Residence	Principal Occupation	Director since	Number of Common Shares	Number of Options
Robert Comeau(1)(2)(3) Dollard-des-Ormeaux, Quebec, Canada	Corporate Director (former Chief Financial Officer of Lumenpulse Group Inc.)	December 6, 2017	157,201	---
Pierre Côté(3)(4) Ancaster, Ontario Canada	President Côté Membrane Separation Ltd. (consulting firm)	November 12, 2013	214,342	---
Frédéric Dugré(3)(4) Quebec City, Quebec Canada	President and Chief Executive Officer H_2O Innovation Inc.	January 12, 1999	856,630	1,475,000
Lisa Henthorne(2) Tampa, FL USA	Chief Technology Officer Water Standard (water desalination company)	July 12, 2010	59,000	12,000
Richard A. Hoel(1)(3) Naples, FL USA	Private investor (former lawyer at Winthrop & Weinstein P.A.)	July 10, 2008	2,654,013	16,000
René Vachon(1)(2) Sherbrooke, Quebec Canada	Corporate Director (former Vice President – Corporate Development and Chief Financial Officer for Miranda Technologies)	June 13, 2019	---	---
Stéphane Guérin Lasalle, Quebec Canada	Equity Partner and Executive Vice President Groupe CT Inc. (print and document management technologies and solutions company)	---	---	---

(1) Member of the Audit Committee
(2) Member of the Corporate Governance, Remuneration and Risks Committee
(3) Member of the Growth Committee
(4) Member of the Projects, Operation and Innovation Committee

Stephen A. Davis has chosen not to stand for re-election.

The following is a brief biography of the individuals proposed by the management of the Corporation for election as director that were not elected to the present term of office by a vote of the shareholders at a duly constituted meeting of the shareholders, namely René Vachon and Stéphane Guérin:

René Vachon, CPA, CA, held the positions of Vice President – Corporate Development and Chief Financial Officer at Miranda Technologies for close to ten (10) years, from 2003 to 2012. Previously, he served as Vice President – Strategy and Corporate Development and Chief Financial Officer at Autostock Inc. and Belron Canada from 1995 to 2002. During his career, Mr. Vachon also held various positions including those related to strategic planning, mergers and acquisitions, finance, IT and human resources. At the present time, Mr. Vachon sits on the board of directors of private companies, for which he is also the chairman of the audit committee.

Stephane Guerin CPA,CA holds a B.Comm from the School of Management Sciences (ESG UQAM). Mr. Guerin has more than twenty-five (25) years experience in various senior operational and financial positions. Since 2018, he has been an Equity Partner and EVP of Groupe CT Inc., a Canadian leading company in Print and Document Management Technologies and Solutions. Before that time, he served as the President and Chief Operating Officer for Hewitt Equipment Limited, a major Caterpillar dealership for Eastern Canada, from 2009 to 2017. From 2006 to 2009, he was the Chief Financial Officer at Air Canada Technical Services. Earlier in his career, he held various positions for Rolls-Royce Canada Limited, Bombardier Inc. and Deloitte.

Cease Trade Orders, Bankruptcies, Penalties, or Sanctions

No director or director nominee, is or has been, during the ten (10) years preceding the date of this Circular, a director, chief executive officer or chief financial officer of a company that: (i) was subject to a cease trade order or order similar to a cease trade order or an order that denied the relevant company access to any exemption under Canadian securities legislation for a period of more than thirty (30) consecutive days that was issued while the director or director nominee was acting in the capacity as director, chief executive officer or chief financial officer, (ii) was the subject to a cease trade order or order similar to a cease trade order or an order that denied the relevant company access to any exemption under Canadian securities legislation for a period of more than thirty (30) consecutive days issued after the director or director nominee ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in such capacity, (iii) became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets while that person was a director, chief executive officer or chief financial officer or within a year of that person ceasing to act in that capacity, or (iv) became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or became subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets, except the following:

- Robert Comeau served as Vice President and Chief Financial Officer of Aveos Fleet Performance Inc. (“Aveos”) from January 26, 2009 until March 31, 2011. On March 19, 2012, Aveos filed a voluntary petition for relief under the *Companies' Creditors Arrangement Act* (Canada) (the “CCAA”). The Québec Superior Court issued a stay of proceedings until April 5, 2012 and subsequently until November 22, 2013. On March 22, 2012, the Court issued an order appointing a restructuring officer with the requisite authority to carry on and supervise the affairs of Aveos. On November 18, 2013, Aveos presented a motion for the termination of the CCAA proceedings, and on November 22, 2013, following a Motion of the Issuance of an order to appoint a Receiver pursuant to Section 243 of the *Bankruptcy and Insolvency Act* (Canada) (the “BIA”) by certain creditors of Aveos, the Québec Superior Court issued a termination and discharge order with respect to the CCAA proceedings and issued an order appointing a receiver under the BIA. On November 25, 2013, the Québec Superior Court issued a notice of bankruptcy and called a first meeting of creditors pursuant to subsection 102(1) of the BIA.

Moreover, no director or director nominee has been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority nor any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

2.3 Appointment of Auditor

At the Meeting, the shareholders of the Corporation will be asked to approve a resolution to appoint the auditor of the Corporation until the close of the next annual meeting and to authorize the directors to fix its remuneration. The Board of Directors, upon the advice of the Audit Committee, recommends that EY be re-appointed as auditor of the Corporation. EY was first appointed as auditor of the Corporation on December 6, 2017 for the fiscal year ended on June 30, 2018. The re-appointment of EY for the fiscal year ending on June 30, 2020 must be approved by a majority of the votes cast on the matter at the Meeting.

Auditor fees for the fiscal years ended June 30, 2019 and June 30, 2018 are detailed in Section 15.4 of the AIF, which section is hereby included by reference in this Circular. A copy of the AIF can be obtained on SEDAR (www.sedar.com) and may also be obtained through the Investors Relations Department of the Corporation at the address set forth in Section 11 – “Additional Information” below.

Unless the authorization to vote is withheld, the persons designated in the enclosed form of proxy intend to vote in favor of the appointment of Ernst & Young LLP as auditor of the Corporation for the fiscal year ending June 30, 2020 and to authorize the directors to determine its remuneration.

3. STATEMENT OF EXECUTIVE COMPENSATION

3.1 General

3.1.1. <u>Corporate Governance, Remuneration and Risks Committee</u>

The Corporation’s compensation mechanisms are monitored and implemented by the Corporate Governance, Remuneration and Risks Committee of the Board of Directors of the Corporation (the “Governance Committee”). As of September 24, 2019, the members of the Governance Committee are Robert Comeau, Lisa Henthorne and René Vachon.

All of the members of the Governance Committee are independent directors within the meaning of Regulation 58-101, as defined in Section 9 – “Statement of Corporate Governance Practices” of this Circular and have relevant experience to fulfill their responsibilities as to the compensation of the Named Executive Officers (as defined in Section 3.7).

Robert Comeau is a Chartered Professional Accountant with over thirty (30) years of experience and holds a degree in Accounting from Les Hautes Etudes Commerciales (HEC) at Université de Montreal. Mr. Comeau is reputed for his solid background in financial planning and reporting, treasury and financing, mergers and acquisitions, restructuring and information systems. During his career, Mr. Comeau has been Chief Financial Officer of both public and private companies. Among them were Lumenpulse Group Inc., Aveos and Emergis Inc. He also worked at Nortel Networks, where he was Vice President, Finance and Operations for various divisions, and was notably Chief Financial Officer for an international joint venture with Matra. In addition, Mr. Comeau served as Chief Executive Officer of Media5 Corporation, a company that develops Voice Over IP software and hardware.

Lisa Henthorne holds a MS in Chemical Engineering from the Colorado School of Mines and a BS in Chemistry from the Missouri State University. Ms. Henthorne has over twenty-five (25) years of extensive experience in the field of membranes and desalination in seawater, brackish water and wastewater reclamation applications, where she also developed extensive knowledge about compensation policies and practices. She served as a Vice President of CH2M HILL, a $6 billion global engineering and construction business, and was their Global Director of Desalination from 2004 to 2008. Over the course of her career, she has led and served as technical advisor on some of the world's largest desalination projects. She has also worked for the U.S. Bureau of Reclamation, the U.S. State Department and Aqua Resources International, a consulting firm specializing in desalination technology. She currently serves as Senior Vice President and Chief Technology Officer at Water Standard, where she is responsible for directing and developing the technology and design aspects of vessel-based desalination solutions. Ms. Henthorne was elected as the President of the International Desalination Association for the term 2007-2009, after having served on its board of directors since 1997 and since June 2019, she is the President of the Produced Water Society. Her professional career and the positions held over all those years allow her to acquire direct experience relevant to her responsibility in executive compensation.

René Vachon, CPA, CA, held the positions of Vice President – Corporate Development and Chief Financial Officer at Miranda Technologies for close to ten (10) years, from 2003 to 2012. Previously, he served as Vice President – Strategy and Corporate Development and Chief Financial Officer at Autostock Inc. and Belron Canada from 1995 to 2002. During his career, Mr. Vachon also held various positions including those related to strategic planning, mergers and acquisitions, finance, IT and human resources. At the present time, Mr. Vachon sits on the board of directors of private companies, for which he is also the chairman of the audit committee.

The Governance Committee meets at least twice a year and provides oversight, assessment, guidance and/or recommendations to the Board of Directors on the following matters: (i) corporate governance affairs, (ii) compensation of the executive officers and of the members of the Board of Directors, (iii) human resources matters that should be addressed to the Committee, (iv) risks management, and (v) internal controls. The Governance Committee is also responsible for developing a compensation policy for the Corporation's directors and officers that is in line with the Corporation's business plan, strategies, and objectives. In addition, it also reviews and recommends, for approval by the Board of Directors, the "Statement of Executive Compensation" included in any management proxy circular as well as any other document related to executive compensation.

3.1.2. Compensation Objectives

The Corporation's executive compensation philosophy is designed to attract, retain and reward highly qualified individuals and motivate them to achieve performance objectives aligned with the Corporation's vision and strategic orientation and consistent with shareholders value creation. The Corporation's goal is to provide market competitive remuneration consistent with responsibility level, experience and performance. The Governance Committee must ensure that the compensation of the Corporation's executive officers is consistent with the compensation philosophy of the Corporation.

In accordance with the Corporation's philosophy, a significant portion of the compensation of the Corporation's executive officers is related to the financial performance of the Corporation, and to the responsibilities inherent to each executive's duties. The Governance Committee reviews the compensation packages of the executive officers annually in order to ensure their competitiveness and compliance with the objectives, values and strategies of the Corporation.

During the fiscal year ended June 30, 2019, the services of Gouvernance Expert Inc., a compensation consultant, were retained by the Governance Committee to review the compensation strategy and policies of the Corporation. Gouvernance Expert Inc. presented its report and recommendations to the Governance Committee in April 2019. After review and discussion between the members of the Governance Committee and the Board of Directors, certain recommendations provided by the compensation consultant were approved and will be implemented during the fiscal year ending on June 30, 2020. The recommendations of the compensation consultant are discussed in further detail below.

3.1.3. Elements of Compensation

The Corporation seeks to achieve the compensation objectives described earlier through different elements of compensation, including short-term and long-term compensation plans, with the latter having both equity and non-equity components. The Corporation believes that these various elements are important to effectively achieve the objectives of its executive compensation philosophy.

The components of the executive officers' compensation are:

i) base salary;
ii) annual variable remuneration; and
iii) long-term incentives, such as stock option plan.

The executive officers of the Corporation also benefit from the Corporation's employee benefit programs, including the Share Purchase Plan described in Section 3.4.2 – "Share Purchase Plan" below.

The executive officers' global compensation includes fixed elements such as base salary, annual incentives and equity portion under the form of stock options. The Corporation's short-term incentive plan includes maximum potential payments based on various objectives related to the financial performance of the Corporation's consolidated results that are set at the beginning of the year, as well as certain strategic objectives, which spread the risk associated with any one objective at the expense of another. The vesting conditions of the stock option plan are closely tied to achievement of the Corporation's strategic objectives and promote behaviours that focus on mid- and long-term objectives, discouraging behaviours with a short-term risk focus. To ensure that the executive officers act in the best interest of the Corporation, Gouvernance Expert Inc. recommended to improve the long-term incentive portion of the executive officers' compensation by offering a mix of stock options and other forms of long-term incentive.

3.1.4. <u>Benchmarking – Executive Officers' Compensation</u>

As previously mentioned, the services of a compensation consultant, Gouvernance Expert Inc., were retained in the fourth quarter of fiscal year ended June 30, 2019 to review the compensation strategy and policies of the Corporation, including measuring the compensation against that of comparable companies and reviewing the different components or criteria of the annual variable remuneration. The compensation consultant performed a benchmark analysis with respect to the main components of the executive officers' compensation: base salaries, short-term incentives (such as annual variable remuneration) and long-term incentives (such as stock option or other similar grants).

The peer group which was identified and used to benchmark the main components of the executive officers' compensation was comprised of twenty-two (22) publicly-traded companies, twelve (12) that are comparable to the Corporation in terms of activity sector (water industry) and ten (10) Canadian companies sharing similarities in size, market cap, revenues and reach. The companies forming this peer group are: Aqua America, Inc., AquaVenture Holdings Limited, Consolidated Water Co. Ltd., Energy Recovery Inc., Evoqua Water Technologies Corp., Fluence Corporation Limited, Global Water Resources, Inc., Mueller Water Products, Inc., Suez S.A., Veolia Environnement S.A., Xylem Inc., CWC Energy Services Corp., Le Château Inc., Empire Industries Ltd., Exfo Inc., Orbit Garant Drilling Inc., Stornoway Diamond Corporation, Groupe Stringray Inc., Supremex Inc., ADF Group Inc. and Dynacor Gold Mines Inc.

The analysis performed by the compensation consultant set ranges for executive officers' global compensation, which includes base salary, annual variable remuneration and equity compensation. By taking into account the global compensation of the executive officers as a whole, it has been determined that the Corporation falls below the 25th percentile of its peer group. Therefore, the compensation consultant made recommendations to increase both the base salary and the annual variable remuneration of the executive officers, in order for the Corporation to situate itself closer to the 25th percentile rank of its peer group. The other recommendations of the consultant as to executive officers' compensation were to improve the equity compensation by offering a mix of stock options and other forms of long-term incentive and consider additional goals as performance criteria. Certain recommendations of the consultant were retained by the Governance Committee and therefore, will be recommended for approval by the Board of Directors and are expected to be implemented during fiscal year ending June 30, 2020.

3.1.5. <u>Benchmarking – Non-Executive Directors' Compensation</u>

Gouvernance Expert Inc. also performed a review of the compensation for the non-executive directors of the Corporation. The Corporation's non-executive director compensation structure was benchmarked against market compensation data gathered within the same peer group of companies outlined in Section 3.1.4 – "Benchmarking – Executive Officers' Compensation" of this Circular.

Based on the results of the benchmarking analysis, the Governance Committee recommended, and the Board of Directors approved, an increase of the annual fixed cash retainer and equity grant for the non-executive directors and the implementation of an additional retainer for the non-executive directors who are members of a Board committee. Such modifications will be implemented from the beginning of the fiscal year ending June 30, 2020.

3.1.6. <u>Executive Compensation-Related Fees</u>

During the past two (2) years, the Corporation paid the following fees to Gouvernance Expert Inc., the compensation consultant hired to assist the Governance Committee and the Board of Directors in determining the compensation of the Corporation's directors and Executive Officers:

Fees	**Fiscal year ended June 30, 2019**	**Fiscal year ended June 30, 2018**
Executive Compensation-Related Fees	$14,250	---
All Other Fees	---	---

3.2 Non-Equity Compensation

3.2.1. Base Salaries

Base salaries offered to Named Executive Officers (as defined in Section 3.7 – “Summary Compensation Table” of this Circular) are revised annually by the Governance Committee, upon recommendations of the President and Chief Executive Officer.

The Corporation’s philosophy as to base salary is intended to position the Corporation at a competitive level within its peer group and takes into consideration the Corporation’s expansion objectives, while allowing certain flexibility. An executive officer’s base salary may increase according to his level of experience, responsibilities, and the acquisition of new skills. Base salaries of the Named Executive Officers for the fiscal year ended June 30, 2019 are provided in Section 3.7 – “Summary Compensation Table” below.

For the fiscal year ended June 30, 2019, the base salary of each of the Chief Executive Officer, Chief Financial Officer and Chief Operating Officer have not been increased, remaining at the same level for a third year in a row. The base salary of Mr. William Douglass also remains at the same level as the previous fiscal year, while the base salary of Mr. Denis Guibert increased by approximately 1.2% of his annual base salary for the previous year.

3.2.2. Annual Variable Remuneration

The Corporation believes that annual variable remuneration is an important component of its compensation strategy. Annual variable remuneration encourages the achievement of corporate and personal targets, and also support team spirit, which is a key element creating value for the Corporation’s shareholders.

The aggregate amount of annual variable remuneration that may be paid to each Named Executive Officer ranges from 0% to 50% of the Named Executive Officer’s annual base salary.

For the purpose of establishing the annual variable remuneration, each Named Executive Officer’s performance is evaluated based on the achievement of group financials, division results and personal performance criteria (the “Performance Criteria”). The group financials and division results performance criteria are set each year, approved by the Board of Directors and comprised of various growth targets such as level of revenues, gross margin, net earnings and EBITDA[1] as well as tactical objectives. Personal objectives are based on the Corporation’s values, which stay the same year after year.

Each of these criteria is also attributed a specific weighting, which varies from one Named Executive Officer to the other. For the fiscal year ended June 30, 2019, group financials criteria, as a whole for the Named Executive Officers, represented 8% to 60% of their annual variable remuneration, while the division results portion represented 32% to 84%% of their annual variable remuneration and the personal performance criteria, which is based on a 360° evaluation, represented between 2% to 4% of their annual variable remuneration.

Each of the group financials criteria setting the variable remuneration has a target level within a range of a minimum and maximum performance level. All criteria, as well as their target, minimum and maximum performance levels, are approved every year by the Board of Directors further to the recommendations of the Governance Committee. Group financials criteria are related to level of revenue, gross margin, net earnings and EBITDA. Variable remuneration related to group financials criteria is payable only if a certain EBITDA level is reached. For the fiscal year ended June 30, 2019, since the level of EBITDA previously established was reached, the Named Executive Officers were entitled to an annual variable remuneration related to group financials criteria. Therefore, annual variable remuneration related to group financials criteria represents 35% of the total amount of annual variable remuneration granted to the Named Executive Officers for the fiscal year ended June 30, 2019, regardless of the percentage to which each of them was entitled.

The Corporation believes that disclosing the minimum, target and maximum levels relating to the group financials criteria would seriously prejudice the Corporation’s interests. Disclosing these figures could be wrongly perceived by shareholders as an indication of the future growth of the Corporation. Also, such information is considered by the Corporation to be commercially sensitive in a highly competitive industry and the Corporation wishes to keep this information out of reach from its competitors, the vast majority of which are private companies who are not required to publicly disclose their financial information.

After year end, the Governance Committee evaluates the percentage level of achievement of each of the Performance Criteria of each Named Executive Officer, based on the actual performance and results, compared to the target level that had been set for each criteria (the “Performance Evaluation”). The Governance Committee then calculates, for each Named Executive Officer, a value for each criteria, based on the Performance Evaluation and on the weighting of each criteria for such Named Executive

[1] Earnings Before Interest, Taxes, Depreciation and Amortization.

Officer. Then, the values for each of these criteria are added to obtain the actual annual variable remuneration payable to the Named Executive Officer.

In addition to such annual variable remuneration, the Board of Directors may also grant special bonuses to its executive officers and management upon achievement of significant projects, completion of acquisition events or other particular milestones.

Annual variable remuneration is accounted for in the fiscal year for which the Performance Criteria have been determined, following a change in accounting recognition recommended by the Corporation's former auditor, Deloitte LLP, during the fiscal year ended on June 30, 2017. Therefore, the annual variable remuneration earned during the fiscal years ended June 30, 2018 and June 30, 2019 relates to Performance Criteria established at the beginning of such fiscal year.

3.3 Equity Compensation

As a method of compensation to attract and retain personnel, to provide an incentive to participate in the long-term development of the Corporation and to increase shareholder value, the Corporation may authorize grant of stock options to its directors, executive officers and employees. The relative importance of stock options in the remuneration of executive officers and employees will generally vary depending on the number of stock options that are outstanding at the time.

No stock options were granted to executive officers during the fiscal year ended June 30, 2019.

The decision to grant options is based on the following factors: the terms and conditions of the employment agreements, anticipated future contributions, prior option grants, the number of vested and unvested options, competitive market practices and responsibilities and performance. Stock option grants are recommended by the Governance Committee to the Board of Directors which ultimately has the responsibility to award options. For further details as to the specific terms of the Stock Option Plan, see Section 7.1 - "Stock Option Plan" below.

3.3.1. Option-based Awards

Generally, option-based awards are set in the executive officers' employment agreements, in accordance with Section 7.1 - "Stock Option Plan" below. The terms and conditions of such employment agreements are recommended by the Governance Committee and approved by the Board of Directors. However, in certain circumstances, the Governance Committee may decide to grant stock options to executive officers even though there are no provisions to that effect in their employment agreement. Same as for any other grant of stock options, the Board of Directors ultimately has the responsibility to award such stock options.

3.4 Other Compensation

3.4.1. Employee benefits and perquisites

None of the Named Executive Officers is entitled to perquisites or other personal benefits which are worth over $50,000 or over 10% of his base salary. Named Executive Officers receive perquisites which consist of company car, car allowance, monthly parking fees and life and disability insurance, as the case may be. Also, the Named Executive Officers are covered by the Corporation's health insurance plan.

The Corporation has implemented a collective Registered Retirement Savings Plan ("RRSP") for the benefit of all its Canadian employees, including the Named Executive Officers located in Canada. Any Canadian employee who has been employed by the Corporation for more than three (3) months can participate in the RRSP. The Corporation, as employer, contributes an amount equivalent to 1.5% of the employee's salary if the employee is working on a full-time basis and has contributed the same amount or more. The Corporation's contribution is only acquired or vested if the employee has contributed to the RRSP for more than one (1) year.

In January 2019, the Corporation merged its two (2) collective employer sponsored retirement savings plans (401(k)) to form one plan for the benefit of all its US employees, including the Named Executive Officers located in the USA. Employees are eligible to participate to such plan after three (3) months of employment during which they completed two hundred fifty (250) hours of service. The Corporation, as employer, contributes an amount equivalent to 50% of the employee's contribution, up to a maximum amount equivalent to 2% of the employee's salary. The Corporation's contribution is acquired or vested over a period of five (5) years of full-time employment.

3.4.2. Share Purchase Plan

In July 2014, the Corporation established a Share Purchase Plan ("SPP") for the benefit of its employees, those of its affiliated companies, including the Named Executive Officers, and its directors. The purpose of the SPP is to encourage the Corporation's employees to hold shares of the Corporation, thereby aligning their interest with those of the other shareholders, and to promote the culture of synergies within the Corporation. The shares obtained pursuant to the SPP are purchased on the market and are not issued from treasury. Pursuant to the Corporation's SPP, all employees who have (i) completed three (3) months of continuous service with the Corporation or any of its affiliates, and (ii) contributed in the 401K plan or RRSP (as defined in Section 3.4 – "Other

Compensation" below) an amount equivalent to 1.5% of their base salary in such plan or program, are allowed to contribute up to a certain percentage of their annual salary towards the purchase of shares of the Corporation. In addition, any new director is eligible, upon his or her nomination or election as member of the Corporation's Board of Directors, to participate in the SPP and each director is allowed to contribute up to the maximum amount received as annual fixed retainer.

During the fiscal year ended on June 30, 2019, the Corporation contributed an amount of 25% of the participant's contribution, for all employees, executive officers and members of the Board of Directors. There is no vesting period on the shares purchased with the Corporation's contribution.

3.4.3. President and Chief Executive Officer

The compensation of the President and Chief Executive Officer includes the same elements described in Section 3.2 – "Non-Equity Compensation", Section 3.3 – "Equity Compensation" and Section 3.4 – "Other Compensation" as they are included in the compensation of other executive officers.

3.5 Risks associated with the Corporation's Compensation Policy

The Governance Committee has considered the implications of the possible risks associated with the Corporation's compensation policies and practices which includes identifying anything that may encourage Named Executive Officers to take inappropriate or excessive risks, and identifying and mitigating risks arising from the Corporation's compensation policies and practices that are reasonably likely to have a material adverse effect on the Corporation. It is the Governance Committee's view that the Corporation's compensation policies and practices do not encourage inappropriate or excessive risk-taking.

The Named Executive Officers and directors of the Corporation are not restricted if they intend to purchase financial instruments that are designed to hedge or offset a decrease in market value of equity securities granted as compensation or held by them, directly or indirectly.

3.6 Summary

The Governance Committee is satisfied that the Corporation's executive officers and directors compensation policies, programs and levels of compensation, as disclosed in Section 3 – "Statement of Executive Compensation" of this Circular are aligned with the Corporation's performance and shareholders' interest, and reflect competitive market practices.

3.7 Summary Compensation Table

The following table sets forth information concerning the total compensation earned during the fiscal years indicated for the President and Chief Executive Officer, the Chief Financial Officer and each of the three (3) most highly compensated executive officers of the Corporation who earned a total compensation of more than $150,000 for the fiscal year ended June 30, 2019 (the "Named Executive Officers").

Name and Principal Position	Year ended June 30	Salary ($)	Share based Award ($)	Option based Award(2) ($)	Non-equity Incentive Plan Compensation(3) ($)		Pension Value ($)	All Other Compensation ($)(5)	Total Compensation ($)
					Annual Incentive plans(4)	Long-term Incentive Plans			
Frédéric Dugré, President and Chief Executive Officer	2019	315,000	---	---	303,460 (6)	---	---	10,384	628,844
	2018	315,000	---	---	---	---	---	16,781	331,781
	2017	315,000	---	1,177,000	103,755	123,500(7)	---	17,695	1,736,950
Marc Blanchet, Chief Financial Officer	2019	200,000	---	---	163,690 (6)	---	---	9,322	373,012
	2018	200,000	---	---	---	---	---	28,020	228,020
	2017	200,000	---	373,787	67,588	100,000(7)	---	17,550	758,895
Guillaume Clairet, Chief Operating Officer	2019	215,000	---	---	168,909 (6)	---	---	6,393	390,302
	2018	215,000	---	---	---	---	---	28,225	243,225
	2017	215,000	---	420,867	70,701	100,000(7)	---	18,857	825,425
William Douglass, Vice President and Managing Director, O&M (1)	2019	291,192	---	---	110,278	---	---	26 746	428,216
	2018	279,378	---	---	105,015	---	---	19,370	403,763
	2017	255,447	---	---	33,554	---	---	18,525	307,526
Denis Guibert, Vice President and Managing Director, Projects	2019	167,000	---	---	37,981	---	---	3,154	208,135
	2018	165,000	---	---	38,315	---	---	12,828	216,143
	2017	157,000	---	---	23,766	---	---	8,070	188,836

(1) William Douglass joined the Corporation on July 26, 2016 with the acquisition of Utility Partners, LLC ("Utility Partners") as Senior Vice President prior becoming Vice President, Operations and Maintenance and Managing Director of Utility Partners on January 26, 2018. Since Mr. Douglass' remuneration is paid in US dollars, his remuneration has been converted to Canadian dollars for the purposes of this Circular by using the average exchange rate in effect during the year, which means 1.3236 for 2019, 1.2699 for 2018 and 1.3267 for 2017.

(2) The fair value of each option granted was determined by using the Black-Scholes option pricing model and was established at $0.856 per option. Fair market value's key assumptions and estimates are described in Section 3.7.1 – "Transaction-Related Special Awards" of this Circular.

(3) The non-equity incentive plan compensation refers, amongst other, to the annual variable remuneration, as further detailed in Section 3.2.2 – "Annual Variable Remuneration" above and includes special bonuses granted by the Board of Directors.

(4) For the fiscal year ended June 30, 2018, the President and Chief Executive Officer, the Chief Financial Officer and the Chief Operating Officer waived the aggregate of their respective annual variable remuneration.

(5) None of the Named Executive Officers is entitled to perquisites or other personal benefits which are worth over $50,000 or over 10% of their base salary. The amounts disclosed represent the Corporation's contribution into the SPP, premium for life and disability insurance plan, and/or Corporation's contributions into personal saving plans, as the case may be, for each Named Executive Officer. In addition, Mr. William Douglass is entitled to a car allowance.

(6) For the fiscal year ended June 30, 2019, Messrs. Frédéric Dugré, Marc Blanchet and Guillaume Clairet were each awarded a one-time special bonus recognizing their significant contribution in successfully planning, negotiating and closing the acquisition of Hays Utility South Corporation as well as completing, at the same time, an equity financing and negotiating new credit facilities. Mr. Frédéric Dugré received a special bonus in the amount of $180,000, Mr. Marc Blanchet received a special bonus in the amount of $100,000 and Mr. Guillaume Clairet received a special bonus in the amount of $100,000.

(7) During the fiscal year ended June 30, 2017, Messrs. Frédéric Dugré, Marc Blanchet and Guillaume Clairet received the second instalment of special bonus awarded with respect to the acquisition of Utility Partners; the first instalment having been accounted for in fiscal year ended on June 30, 2016.

3.7.1. Transaction-Related Special Awards

On July 26, 2016, upon the completion of the acquisition of Utility Partners, a total of 2,303,334 stock options, having a vesting period of eight (8) years, were granted by the Corporation; these stock options vest in eight (8) equal tranches. In determining the fair value of such option-based awards, the Black-Scholes option pricing model, an established methodology, was used, with the following assumptions:

(i) Risk-free interest rate: 0.81%
(ii) Expected volatility in the market price of 48%;
(iii) No dividend yield; and
(iv) Expected life of eight (8) years.

3.7.2. Significant Terms of Employment Agreements

Frédéric Dugré, President and Chief Executive Officer of the Corporation, has entered into an employment agreement with the Corporation for an indefinite term. As of June 30, 2019, the annual base salary of Mr. Dugré was $315,000. Under his employment agreement, Mr. Dugré is entitled to receive an annual variable remuneration of an amount up to 50% of his base salary, if the Performance Criteria are reached. During the fiscal year ended June 30, 2019, Mr. Dugré received a 1.5% contribution in a collective RRSP retirement plan, was entitled to participate to the Corporation's car program and the Corporation assumed fees for a personal life and disability insurance. In addition, since Mr. Dugré participates to the Corporation's SPP, the Corporation contributed, for the benefit of Mr. Dugré in the SPP, as employer, an amount equal to 25% of his contribution. Mr. Dugré's employment agreement contains confidentiality and non-competition covenants for the duration of his employment and for a period of two (2) years thereafter.

Marc Blanchet, Chief Financial Officer of the Corporation, has entered into an employment agreement with the Corporation for an indefinite term. As of June 30, 2019, the annual base salary of Mr. Blanchet was $200,000. Under his employment agreement, Mr. Blanchet is entitled to receive an annual variable remuneration of an amount up to 40% of his base salary, if the Performance Criteria are reached. During the fiscal year ended June 30, 2019, Mr. Blanchet received a 1.5% contribution in a collective RRSP retirement plan, was entitled to participate to the Corporation's car program and the Corporation assumed fees for a personal life and disability insurance. In addition, since Mr. Blanchet participates to the Corporation's SPP, the Corporation contributed, for the benefit of Mr. Blanchet in the SPP, as employer, an amount equal to 25% of his contribution. Mr. Blanchet's employment agreement contains confidentiality and non-competition covenants for the duration of his employment and for a period of one (1) year thereafter.

Guillaume Clairet, Chief Operating Officer of the Corporation, has entered into an employment agreement with the Corporation for an indefinite term. As of June 30, 2019, the annual base salary of Mr. Clairet was $215,000. Under his employment agreement, Mr. Clairet is entitled to receive an annual variable remuneration of an amount up to 40% of his base salary, if the Performance Criteria are reached. During the fiscal year ended June 30, 2019, Mr. Clairet received a 1.5% contribution in a collective RRSP retirement plan, was entitled to participate to the Corporation's car program and the Corporation assumed fees for a personal life and disability insurance. In addition, since Mr. Clairet participates to the Corporation's SPP, the Corporation contributed, for the benefit of Mr. Clairet in the SPP, as employer, an amount equal to 25% of his contribution. Mr. Clairet's employment agreement contains confidentiality and non-competition covenants for the duration of his employment and for a period of one (1) year thereafter.

William Douglass, Vice President and Managing Director, O&M, has entered into an employment agreement with a Corporation's affiliate for an indefinite term. As of June 30, 2019, the annual base salary of Mr. Douglass was US $220,000 ($291,192). Under his employment agreement, Mr. Douglass is entitled to receive an annual variable remuneration of an amount up to 40% of his base salary, if the Performance Criteria are reached. During the fiscal year ended June 30, 2019, Mr. Douglass received a car allowance of US$ 900 ($1,191) per month, the Corporation assumed a portion of the fees for his health and medical insurance plan and contributed to Mr. Douglass' 401K plan an amount equal to 50% of his contribution to such plan, which cannot exceed 2% of his gross pay. In addition, since Mr. Douglass participates to the Corporation's SPP, the Corporation contributed, for the benefit of Mr. Douglass in the SPP, as employer, an amount equal to 25% of his contribution. Mr. Douglass' employment agreement contains confidentiality, non-compete and non-solicitation covenants for the duration of his employment and for a period of two (2) years thereafter.

Denis Guibert, Vice President and Managing Director, Projects of the Corporation, has entered into an employment agreement with the Corporation for an indefinite term. As of June 30, 2019, the annual base salary of Mr. Guibert was $167,000. Under his employment agreement, Mr. Guibert is entitled to receive an annual variable remuneration of an amount up to 25% of his base salary, if the Performance Criteria are reached. During the fiscal year ended June 30, 2019, Mr. Guibert received a 1.5% contribution in a collective RRSP retirement plan, was entitled to participate to the Corporation's car program and, since he participates to the Corporation's SPP, the Corporation contributed for the benefit of Mr. Guibert in the SPP, as employer, an amount equal to 25% of his contribution. Mr. Guibert's employment agreement contains confidentiality and non-competition covenants for the duration of his employment and for a period of one (1) year thereafter.

4. INCENTIVE PLAN AWARDS

4.1 Outstanding Share-Based Awards and Option-Based Awards

The following table sets forth information concerning all awards outstanding as of June 30, 2019 for each Named Executive Officer.

	Option-based Awards				Share-based Awards		
Name	**Number of Securities Underlying Unexercised Options (#)**	**Option Exercise Price[(2)] ($)**	**Option Expiration Date**	**Value of Unexercised in-the-money Options ($)**	**Number of Shares or Units of Shares that have not Vested (#)**	**Market or Payout Value of Share-based Awards that have not Vested ($)**	**Market or Payout Value of Vested Share-based Awards not Paid out or Distributed ($)**
Frédéric Dugré, President and Chief Executive Officer	100,000 1,375,000[(1)]	2.50 1.65	2020-09-21 2026-07-24	0 0	---	---	---
Marc Blanchet, Chief Financial Officer	24,000 436,667[(1)]	2.50 1.65	2020-09-21 2026-07-24	0 0	---	---	---
Guillaume Clairet, Chief Operating Officer	9,000 491,667[(1)]	2.50 1.65	2020-09-21 2026-07-24	0 0	---	---	---
William Douglass, Vice President and Managing Director, O&M	---	---	---	---	---	---	---
Denis Guibert Vice President and Managing Director, Projects	---	---	---	---	---	---	---

(1) Stock options granted under the Stock Option Plan during the fiscal year ended June 30, 2017, having a vesting period of eight (8) years, which means 1/8 per year.
(2) As of June 30, 2019, the closing price of the Corporation's common shares on the TSX Venture Exchange Inc. was $1.10.

4.2 Incentive Plan Awards – Value Vested or Earned During the Year

The following table sets forth information concerning the value vested as of June 30, 2019 of all incentive plan awards granted to the Named Executive Officers.

Name	Option-based Awards – Value Vested During the Year ($)	Share-based Awards – Value Vested During the Year ($)	Non-equity Incentive Plan Compensation – Value Earned During the Year[(1)] ($)
Frédéric Dugré President and Chief Executive Officer	147,125	---	303,460
Marc Blanchet Chief Financial Officer	46,723	---	163,690
Guillaume Clairet Chief Operating Officer	52,608	---	168,909
William Douglass, Vice President and Managing Director, O&M[(2)]	---	---	110,278
Denis Guibert Vice President and Managing Director, Projects	---	---	37,981

(1) Annual variable remuneration is described in Section 3.2.2 – "Annual Variable Remuneration" above and mentioned in Section 3.7 – "Summary Compensation Table" of this Circular.
(2) Since Mr. Douglass' remuneration is paid in US dollars, his remuneration has been converted to Canadian dollars for the purposes of this Circular by using the average exchange rate in effect during the year, which means 1.3236.

5. TERMINATION OR CHANGE OF CONTROL BENEFITS

Subject to the information disclosed in the table below, in the case of termination of employment other than for cause, each Named Executive Officer's employment agreement provides for a termination payment that varies from twelve (12) to eighteen (18) months of the Named Executive Officers' base salary as well as, in certain cases, variable remuneration and continued benefits for such period of time.

Subject to the information disclosed in the table below, in the event of a change of control, certain Named Executive Officers are entitled to a severance payment representing eighteen (18) to thirty-six (36) months of their base salary plus the annual variable remuneration to which they are entitled for the year during which the change of control occurs.

The table below shows the terms of each employment agreement in case of termination and the incremental payments that would be made to the Named Executive Officers upon certain events, assuming the termination event took place on June 30, 2019.

Name	Event	Terms of Employment Agreement	Severance Payment ($)
Frédéric Dugré President and Chief Executive Officer	Termination without cause	• Base salary for a period of 18 months • Variable remuneration to which he is entitled for the current year at the date of termination	775,960
	Termination other than for cause within six (6) months of a change of control	• Base salary for a period of 36 months • Maximum variable remuneration for the year during which the change of control occurs	1,102,500
	Termination for cause / Resignation / Retirement	---	---
Marc Blanchet Chief Financial Officer	Termination without cause	• Base salary for a period of 12 months • Variable remuneration to which he is entitled for the current year at the date of termination	363,690
	Termination other than for cause within six (6) months of a change of control	• Base salary for a period of 18 months • Maximum variable remuneration for the year during which the change of control occurs	380,000
	Termination for cause / Resignation / Retirement	---	---
Guillaume Clairet Chief Operating Officer	Termination without cause	• Base salary for a period of 12 months • Variable remuneration to which he is entitled for the current year at the date of termination	383,909
	Termination other than for cause within six (6) months of a change of control	• Base salary for a period of 18 months • Maximum variable remuneration for the year during which the change of control occurs	408,500
	Termination for cause / Resignation / Retirement	---	---
William Douglass Vice President and Managing Director, O&M (1)	Termination without cause	• Base salary for a period of 12 months • Variable remuneration earned but unpaid	401,470
	Termination other than for cause within six (6) months of a change of control	---	---
	Termination for cause / Resignation / Retirement	• Base Salary for a period of 6 months only if the Corporation elects to prevail itself of the non-compete provisions.	145,596

Name	Event	Terms of Employment Agreement	Severance Payment ($)
Denis Guibert, Vice President and Managing Director, Projects	Termination without cause	• Base salary for a period of 12 months	167,000
	Termination other than for cause within six (6) months of a change of control	---	---
	Termination for cause / Resignation / Retirement	---	---

(1) Since Mr. Douglass' remuneration is paid in US dollars, the severance payment has been converted to Canadian dollars for the purposes of this Circular by using the average exchange rate in effect during the year, which means 1.3236.

6. COMPENSATION OF DIRECTORS

During the fiscal year ended June 30, 2019, each director of the Corporation who is not a member of the management of the Corporation received a fixed retainer on the following basis:

Annual Retainer	
Chairman of the Board	
Cash compensation	$30,000
Cash compensation used to acquire Corporation's common shares(1)	$20,000
Member of the Board of Directors, other than the Chairman of the Board	
Cash compensation	$15,000
Cash compensation used to acquire Corporation's common shares(1)	$15,000
Additional Committee Chair Retainer	
Chair of Audit Committee	$8,000
Chair of Other Committee	$4,500
Attendance Fee(2)	
Board of Directors Meeting	$1,000
Committee Meeting(3)	$1,000

(1) A portion of the annual retainer of each director is used to acquire common shares under the Corporation's SPP described in Section 3.3.2 "Share Purchase Plan" until such director reaches the minimum mandatory of equity ownership fixed by the Board of Directors at 50,000 Common Shares, after said equity ownership requirement has been met, each director may elect to receive this amount in cash.
(2) No attendance fee is paid to a member of the Corporation's management.
(3) Attendance fee is payable to the Chairman of the Board only for the committee(s) on which she sits.

All directors are entitled to the reimbursement of reasonable travel expenses incurred with respect to their attendance at meetings of the Board of Directors.

The aggregate compensation earned by the directors of the Corporation for services rendered in their capacities as directors during the fiscal year ended June 30, 2019, was $ 313,345. The total remuneration of the directors of the Corporation who were not members of management for the year ended June 30, 2019 is detailed in the following table:

Name	Fees Earned ($)	Share-based Awards ($)(1)	Option-based Awards ($)	Non-equity Incentive Plan Compensation ($)	Pension Value ($)	All Other Compensation(1) ($)	Total ($)
Robert Comeau	38,813	---	---	---	---	18,338	57,151
Pierre Côté	25,813	---	---	---	---	15,000	40,813
Stephen A. Davis(2)	22,000	---	---	---	---	15,000	37,000
Lisa Henthorne	40,438	---	---	---	---	18,125	58,563
Richard A. Hoel(3)	42,813	---	---	---	---	---	42,813
Jean-Réal Poirier(4)	22,000	---	---	---	---	15,000	37,000

Name	Fees Earned ($)	Share-based Awards ($)(1)	Option-based Awards ($)	Non-equity Incentive Plan Compensation ($)	Pension Value ($)	All Other Compensation(1) ($)	Total ($)
René Vachon(5)	2,000	---	---	---	---	---	2,000
Élaine Cousineau Phénix(6)	13,250	---	---	---	---	---	13,250
Philippe Gervais(6)	16,250	---	---	---	---	8,505	24,755

(1) Equity compensation paid by the Corporation to each director through the SPP described in Section 3.4.2 – "Share Purchase Plan" of this Circular and the Corporation's contribution into the SPP, when a director elects to contribute a part of his/her annual fixed retainer into the Corporation's SPP.
(2) Mr. Stephen A. Davis has chosen not to stand for re-election.
(3) Considering his equity ownership into the Corporation, Mr. Hoel receives his equity compensation in cash.
(4) Mr. Jean-Réal Poirier resigned as member of the Board of Directors on June 6, 2019.
(5) Mr. René Vachon was appointed as director on June 13, 2019.
(6) Mr. Philippe Gervais and Mrs. Élaine Cousineau Phénix did not stand for re-election on November 13, 2018.

6.1 Incentive Plan Awards

The following table sets forth information concerning all outstanding awards at the end of the most recently completed fiscal year for each director of the Corporation who was not member of management.

	Option-based Awards				Share-based Awards		
Name	Number of Securities Underlying Unexercised Options (#)	Option Exercise Price(1) ($)	Option Expiration Date	Value of Unexercised in-the-money Options ($)	Number of Shares or Units of Shares that Have not Vested (#)	Market or Payout Value of Share-based Awards that Have not Vested ($)	Market or Payout Value of Vested Share-based Awards not Paid out or Distributed ($)
Robert Comeau	---	---	---	---	----	---	---
Pierre Côté	---	---	---	---	----	---	---
Stephen A. Davis(2)	---	---	---	---	----	---	---
Lisa Henthorne	4,000 8,000	3.75 2.50	2020-07-12 2020-11-10	0 0	--- ---	--- ---	--- ---
Richard A. Hoel	8,000 8,000	3.75 2.50	2019-11-27 2020-11-10	0 0	--- ---	--- ---	--- ---
René Vachon(3)	---	---	---	---	----	---	---
Élaine Cousineau Phénix(4)	8,000 8,000	3.75 2.50	2019-11-27 2020-11-10	0 0	--- ---	--- ---	--- ---
Philippe Gervais(4)	9,000 10,000	3.75 2.50	2019-11-27 2020-11-10	0 0	--- ---	--- ---	--- ---

(1) As of June 30, 2019, the closing price of the Corporation's common shares on the TSX Venture Exchange Inc. was $1.10.
(2) Mr. Stephen A. Davis has chosen not to stand for re-election.
(3) Mr. René Vachon was elected as director of the Corporation on June 13, 2019.
(4) Mr. Philippe Gervais and Mrs. Élaine Cousineau Phénix did not stand for re-election on November 13, 2018 for the year ended June 30, 2019. They may exercise their options within 365 days following their departure.

6.2 Incentive Plan Awards – Value Vested or Earned During the Year

No value has vested or was earned during the fiscal year ended June 30, 2019 under incentive plans.

7. OTHER INFORMATION

7.1 Stock Option Plan

The Corporation has one stock option plan (the "Stock Option Plan"), which was approved by the shareholders. The Stock Option Plan was created for the benefit of directors, officers, and key employees of the Corporation or of one of its subsidiaries as well as consultants providing ongoing services to the Corporation or to one of its subsidiaries (the "Eligible Persons"). The objective of the Stock Option Plan is to create an incentive for Eligible Persons, by offering them the possibility to acquire a participation in the Corporation through the purchase of shares of the Corporation under the Stock Option Plan.

Pursuant to the Corporation's Stock Option Plan, the Board of Directors may, from time to time, in its discretion, and in accordance with the requirements of TSX Venture Exchange ("TSX-V"), grant non-transferable options to purchase common shares of the Corporation, exercisable for a period of ten (10) years. The vesting period is twenty-four (24) months following the issuance of options, unless the Board of Directors decides otherwise. Furthermore, certain terms and conditions of the options are determined by the Board of Directors at the time of the grant.

The number of common shares reserved for issuance under the Stock Option Plan shall not be more than 10% of the issued and outstanding common shares of the Corporation. During the fiscal year ended on June 30, 2017, such number has been increased to 4,000,000 by the Board of Directors of the Corporation, which, as of September 24, 2019, represents 7.15% of the total issued and outstanding common shares of the Corporation.

The total number of common shares issuable to any one individual, to insiders or to consultants and employees involved in investor relations activities, cannot exceed respectively 5%, 10% and 2% of the total number of common shares issued and outstanding at the time of the grant. Following the termination without cause of an optionee's position with the Corporation or upon the death of an optionee, options may be exercised no later than 365 days following the date of such termination or death. Notwithstanding any other term or condition of the Stock Option Plan, in the event an optionee resigns from his or her office or employment, or an optionee's contract as a consultant terminates at its normal termination date, the options held by such optionee which have not been previously exercised will expire sixty (60) days following i) the delivery of the resignation notice by the optionee to the Corporation or ii) the normal expiration date of the optionee's contract, as the case may be.

The following table indicates, as at June 30, 2019, the number of common shares to be issued upon exercise of outstanding options, the weighted average exercise price of outstanding options and the number of common shares remaining for future issuance under the Stock Option Plan as at the date hereof. The Stock Option Plan provides that the exercise price of the options granted is determined by the Board of Directors but cannot, however, be lower than the market price, pursuant to the rules of the securities regulatory authorities.

Plan Category	Number of Securities to be Issued upon Exercise of Outstanding Options (a)	Weighted Average Exercise Price of Outstanding Options (b)	Number of Securities Remaining Available for Future Issuance under the Equity Compensation Plans (Excluding Securities Reflected in Column (a)) (c)
Equity compensation plans approved by securityholders	2,554,334 common shares	$1.75	1,445,666 Common shares
Equity compensation plans not approved by securityholders	---	---	---

7.2 Options Reserved for Issuance to Management

The Corporation's Stock Option Plan does not have any provisions to this regard. Therefore, no options are reserved for exclusive issuance to executive officers or management.

7.3 Options Exercised by Named Executive Officers

No Named Executive Officer exercised stock options during the fiscal year ended June 30, 2019.

7.4 Retirement and Pension Plans

The Corporation has no pension plan or other form of retirement compensation specific to its Named Executive Officers.

7.5 Indebtedness of Directors and Executive Officers

The following table indicates, as at September 24, 2019, the aggregate indebtedness of directors and executive officers.

AGGREGATE INDEBTEDNESS ($)		
Purpose (a)	**To the Corporation or its Subsidiaries (b)**	**To Another Entity (c)**
Purchase of common shares	$1,250,000	---
Other	---	---

As announced by the Corporation on July 18 and July 26, 2016, in the context of the acquisition of Utility Partners by the Corporation, the Corporation extended to Frédéric Dugré, Marc Blanchet and Guillaume Clairet, executive officers of the Corporation, individual loans in an aggregate amount of $1.25 M (the "Insider Loans") in order to assist their acquisition of common shares of the Corporation issued as part of an equity private placement completed to partially finance said acquisition, which were approved by the majority of the disinterested shareholders of the Corporation on November 15, 2016. The Insider Loans bear interest at a rate of 2.5%, are secured by a pledge of the acquired common shares and will be reimbursed upon predefined repayment conditions.

7.6 Management Contracts

The duties of managing the Corporation are not in any way whatsoever carried out by any person other than the directors or executive officers of the Corporation.

7.7 Interest of Informed Persons in Material Transactions

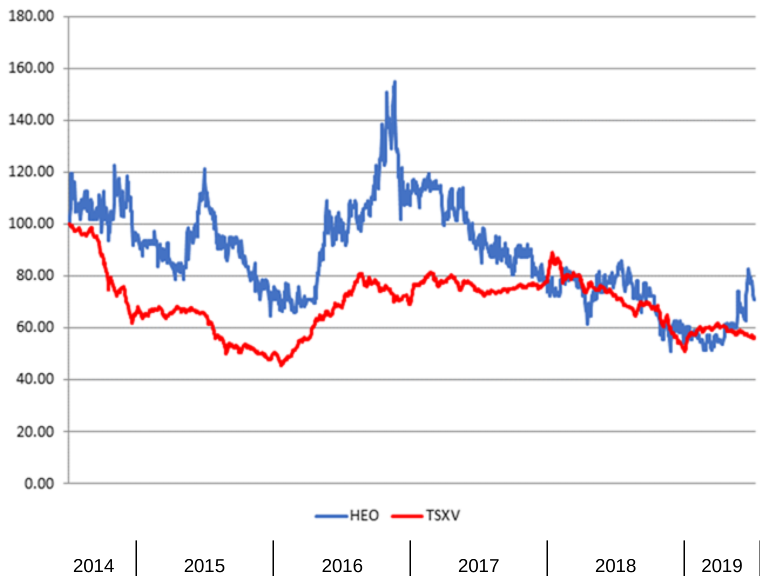
To the knowledge of the Corporation, and except as disclosed in Section 11 of the AIF, which is hereby included by reference in this Circular, no material transaction involving the Corporation is projected or has been concluded since the beginning of the Corporation's last fiscal year in which a director or executive officer, insider, director nominee, a shareholder holding more than 10% of the Corporation's common shares, or any person having ties with said persons or involved in the same group has had or expects to have a material interest. A copy of the AIF can be obtained on SEDAR (www.sedar.com) and may also be obtained through the Investors Relations Department of the Corporation at the address set forth in Section 11 – "Additional Information" below.

7.8 Directors and Officers Liability Insurance

The Corporation maintains liability insurance for its directors and officers and those of its subsidiaries in order to cover certain liabilities to which they may be exposed to in the course of their duties. The Corporation paid a gross premium of $38,150 for the fiscal year ended June 30, 2019. The maximum liability insurance coverage for directors and officers as a group is $10,000,000, subject to a deductible of $25,000 per claim, as well as an additional $5,000,000 in coverage under a "Side A Only" directors and officers civil liability insurance policy. This "Side A Only" policy is not subject to any deductible and covers directors and officers when the general directors and officers civil liability insurance policy has been depleted and in certain other pre-set circumstances. The general directors and officers civil liability insurance policy provides directors and officers with compensation in cases where the Corporation has not compensated them or is not authorized by law to do so, in addition to reimbursing the Corporation, subject to the $25,000 deductible, in cases where the Corporation has, or should have, compensated the directors and officers concerned.

8. PERFORMANCE GRAPH

On June 30, 2019, the closing price of the common shares on the TSX-V was $1.10 per share. The following graph shows the cumulative return of a $100 investment on the common shares made on July 1, 2014, compared with the total return of the S&P/TSX-V Composite Index for the period shown on this graph.



Since July 1, 2014

	2014	2015	2016	2017	2018	2019
HEO	$100.00	$107.74	$95.48	$93.55	$85.16	$70.97
TSX-V	$100.00	$64.82	$ 72.18	$73.75	$71.48	$56.51

The trend shown by the performance graph above represents a decrease of approximately 30% in the cumulative total shareholder return from July 1, 2014 to June 30, 2019. From July 2014, the price of the common shares of the Corporation was subject to significant variations until December 2014 keeping the cumulative total shareholder return over its initial value during such period. From January 2015 to April 2015, the price of the common shares decreased by nearly 20% before increasing significantly until the end of June 2015, nearly 20% above its initial investment. From the beginning of fiscal year ended on June 30, 2016, the price of the common shares decreased continuously until April 2016, followed by a small increase that brought the cumulative total shareholder return nearly its initial investment around June 2016. From July 2016 to October 2016, the price of the common shares of the Corporation increased to reach its highest level for this five (5) year period before a quick decrease during the next months. From January 2017 to June 30, 2017, the price of the common shares was exposed to erratic variations that affected the cumulative total shareholder return negatively by approximately 6%. Since July 2018, despite the variations to which it was exposed, the price of the common shares decreased continuously until April 2019, followed by a small increase until the end of fiscal year 2019. Unfortunately, during such 5-year period, the cumulative total shareholder return lost nearly 30% of its value compared to a net decrease of nearly 45% of the S&P/TSX-V Composite Index, over the same period.

Over the same period of five (5) years, the base salary received by the Named Executive Officers, in aggregate, increased by nearly 25%. This five-year increase in compensation paid to Named Executive Officers is calculated by comparing the base salary paid during the fiscal year ended June 30, 2014 with base salary paid during the fiscal year ended June 30, 2019, to those individuals who were Named Executive Officers during the applicable year, which, in the Corporation's case, concerns the President and Chief Executive Officer, the Chief Financial Officer and the Chief Operating Officer since they are the only Named Executive Officer that were there in 2014 and are still Named Executive Officer as of today. This calculation does not take into account (i) the annual variable remuneration since the accounting recognition changed during this period upon recommendation of our former auditor and the annual variable remuneration with respect to financial performance criteria is not granted each year, and (ii) the value of the options granted or vested under the Stock Option Plan during each of the years between 2014 and 2019 because the Corporation's compensation philosophy with respect to stock options has changed during that period and no regular grants have been made between 2014 and 2019. Therefore, the respective annual variable remuneration paid to the Named Executives Officers during that period of time as well as the respective value earned under the sporadic grant of options have not been taken into consideration in the calculation of the growth of Named Executive Officers' compensation over that five-year period.

9. STATEMENT OF CORPORATE GOVERNANCE PRACTICES

In 2005, the Canadian Securities Administrators (the "CSA") adopted *Regulation 58-101 respecting Disclosure of Corporate Governance Practices* (the "CSA Disclosure Instrument") and *Policy Statement 58-201 to Corporate Governance Guidelines* (the "CSA Governance Policy") (CSA Disclosure Instrument and CSA Governance Policy being collectively referred to as "Regulation 58-

101”). The CSA Governance Policy provides guidance on governance practices for Canadian issuers. The CSA Disclosure Instrument requires issuers to make the prescribed disclosure regarding their governance practices. The Board of Directors of the Corporation considers good corporate governance to be important to the effective operations of the Corporation.

The Governance Committee makes recommendations regarding the compliance of the Corporation’s practices with the CSA Governance Policy, oversees disclosure obligations related thereto and implements governance guidelines that, in its opinion, are appropriate given the Corporation’s size and current stage of development. Pursuant to the requirements of the CSA Disclosure Instrument, the Corporation provides below a response to each item, which, together, describe how the Corporation has integrated these “best practices” of corporate governance.

9.1 Board of Directors

9.1.1. Independent Directors

The Governance Committee has reviewed the independence of each director within the meaning of Regulation 58-101. A director is “independent” if he or she has no direct or indirect material relationship with the Corporation. A “material relationship” is one that could, in the view of the Board of Directors, be reasonably expected to interfere with the exercise of a director’s independent judgment.

The Governance Committee has determined, after reviewing the role and relationships of each of the directors and nominee directors, that six (6) of the seven (7) candidates put forward by management for election to the Board of Directors are independent. Furthermore, six (6) of the seven (7) current directors are also independent. The following members of the Board of Directors have been determined to be independent by the Governance Committee:

Robert Comeau	Pierre Côté
Stephen A. Davis[1]	Lisa Henthorne
Richard Hoel	René Vachon

(1) Mr. Stephen A. Davis has chosen not to stand for re-election. The proposed director nominee who, if elected, will replace Mr. Davis, Mr. Stéphane Guérin, has also been determined to be independent.

Therefore, the majority of the directors, six (6) out of seven (7), are independent. The Board of Directors ensures that it excludes the non-independent directors and management from its meetings from time to time, as appropriate. No specific meeting of independent directors was held during the fiscal year ended June 30, 2019. However, the Governance Committee and the Audit Committee are entirely composed of independent directors and regularly meet without management, which fosters free discussion between independent directors.

The important role of the Governance Committee and the Audit Committee in the management of the Corporation provides a certain degree of leadership for the independent directors who regularly meet separately from management.

9.1.2. Non-Independent Directors

Mr. Frédéric Dugré is the only candidate for election to the Board of Directors not considered as independent by the Governance Committee since he currently serves as President and Chief Executive Officer of the Corporation.

9.1.3. Chairman of the Board

Since November 13, 2018, the Chairman of the Board is Lisa Henthorne, an independent director. The Board of Directors has established a mandate for the Chairman of the Board establishing her specific duties and responsibilities. As Chairman of the Board, she chairs the meetings of the Board of Directors and, accordingly, is responsible for the management, development and performance of the Board of Directors. She must ensure that the Board of Directors performs properly the tasks related to its mandate and that directors clearly understand and respect the limitations between the responsibilities and liabilities of the Board of Directors and those of the management. She also promotes the Corporation’s efforts to achieve its objectives, maintain its viability and pursue its strategic vision.

9.1.4. Directorships with Other Issuers

The following table sets forth directorships of the current directors and proposed nominees with other reporting issuers.

Name and Residency	Directorships with the Following Reporting Issuers [1]
Robert Comeau Dollard-des-Ormeaux, Quebec	Alithya Group Inc.
Pierre Côté Ancaster, Ontario	None
Stephen A. Davis [2] Longmeadow, MA, USA	None

Name and Residency	Directorships with the Following Reporting Issuers (1)
Frédéric Dugré Quebec City, Quebec	None
Lisa Henthorne Tampa, FL, USA	None
Richard A. Hoel Naples, FL, USA	None
René Vachon Sherbrooke, Quebec	None
Stéphane Guérin Lasalle, Quebec	None

(1) Directorships with other reporting issuers are as of September 24, 2019.
(2) Stephen A. Davis has chosen not to stand for re-election.

9.1.5. Meetings of the Board of Directors and its Committees

The following table details directors' attendance at meetings of the Board of Directors and its committees as well as the number of meetings held during the fiscal year ended June 30, 2019.

Directors	Attendance at Meetings of			
	Board of Directors	Audit Committee	Governance Committee	Projects, Operation and Innovation Committee
	5 meetings	5 meetings	3 meetings	5 meetings
Robert Comeau	5 of 5	5 of 5	2 of 2	---
Pierre Côté	5 of 5	---	---	3 of 3
Stephen A. Davis	4 of 5	2 of 2	1 of 1	---
Frédéric Dugré	5 of 5	5 of 5	3 of 3	3 of 5
Lisa Henthorne	5 of 5	---	3 of 3	2 of 2
Richard A. Hoel	4 of 5	5 of 5	---	---
Jean-Réal Poirier	4 of 5	---	1 of 3	1 of 2
René Vachon(1)	1 of 1	---	---	---
Élaine Cousineau Phénix(2)	1 of 2	1 of 1	---	---
Philippe Gervais(2)	2 of 2	3 of 3	1 of 1	---

(1) Mr. René Vachon was appointed as director on June 13, 2019.
(2) Mr. Philippe Gervais and Mrs. Élaine Cousineau Phénix did not stand for re-election on November 13, 2018.

9.2 Mandate of the Board of Directors

The Board of Directors has adopted a formal written mandate for itself, which is set forth in Schedule "A" of this Circular.

9.3 Position Descriptions

The Board of Directors has developed position descriptions for the Chairman of the Board and for the Chairs of each of its committees and has also approved the position description for the President and Chief Executive Officer. On September 21, 2015, following the appointment of Marc Blanchet as Chief Financial Officer and Guillaume Clairet as Chief Operating Officer, the Board of Directors clarified their role in their respective positions. Senior management is responsible for daily operations and management of the Corporation's business, subject to compliance with the plans approved from time to time by the Board of Directors.

9.4 Orientation

In addition to having access to all public information about the Corporation, newly appointed directors receive comprehensive information about the role of the Board of Directors, its committees, and its directors, as well as current governance policies. New directors also have extensive discussions with the Chairman of the Board, the President and Chief Executive Officer and the Chair of the Governance Committee with respect to the Corporation and its activities. Minutes from previous meetings are also available to them. From time to time, presentations are made to the Board of Directors to update its members on business strategies and any changes within the Corporation and to inform them about regulatory and industry requirements and standards.

9.5 Code of Ethics

9.5.1. Internal Policies

The Board of Directors has adopted a formal written mandate for the Audit Committee in accordance with Regulation 52-110 as well as for the Governance Committee. The Board of Directors has also adopted an Ethics and Business Conduct Policy (the "Code") as well as a Policy on Disclosure of Information, an Insider Trading Policy and a Delegation of Authority Policy, all of which apply to the Corporation's directors, officers and employees. A copy of the Code and certain internal policies can be obtained, free of charge, by contacting the Investors Relations Department of the Corporation at the address set forth in Section 11 – "Additional Information" below.

Moreover, every employee of the Corporation received a copy of the Employee Manual presenting detailed information about the Corporation, its history, mission, product markets, values, and management philosophy. The Employee Manual also sets out the responsibilities of every employee with respect to ethics and psychological and sexual harassment, as well as the regulations surrounding privileged and confidential information. In addition, new employees attend an orientation meeting with Mr. Frédéric Dugré, President and Chief Executive Officer of the Corporation, during which Mr. Dugré explains the Corporation's profile and values, the strategic objectives of the Corporation and its operational plan for the current year. He also gives a summary of the Corporation's history and growth.

The managers of the Corporation are invited to take part in a two (2) days "Management Bootcamp" every two (2) years. Throughout this event, all managers participate in presentations, training, activities, and conferences about the current best management practices. The managers have access to useful documentation concerning recruitment, retention and mobilization, health and safety, and payroll and benefits. Managers attend monthly meetings with all support functions (HR, IT, Marketing, Finances, Legal) allowing discussions on their concerns, issues and other important matters in their respective department.

The Board of Directors monitors the dissemination of and compliance with the policies outlined above, either directly or through its committees, based on, amongst other things, (i) management reports with respect to significant matters occurred during a quarter in the different departments of the Corporation, such as human resources, finance, manufacturing, sales, etc., (ii) review of insider trading on a quarterly basis, and (iii) regular assessment of internal controls and identification of any deficiencies.

The Corporation takes the necessary steps to ensure that all those covered by the relevant policies are made aware of their content and importance. All policies are circulated to all relevant persons covered by them on an annual basis and/or as changes are made and are available on the Corporation's intranet.

Since the beginning of the Corporation's most recently completed fiscal year, no material change report has been filed about conduct from any director or executive officer that marks a departure from the Code.

9.5.2. Considering Transactions

In order to ensure that directors exercise independent judgment when considering transactions and agreements in which directors or executive officers have a material interest, the Governance Committee monitors the disclosure of conflicts of interest by directors and ensures that no director will vote or participate in a discussion on a matter in which such director has a material interest.

9.5.3. Promotion of a Business Culture

The Board of Directors has approved a procedure for receiving, and addressing in confidence, complaints and concerns regarding accounting, internal accounting controls, or auditing matters (the "Whistleblower Policy"). The Whistleblower Policy stipulates that each employee, officer, and director has the responsibility to fully disclose (anonymously, if necessary) any wrongdoing in connection with the Corporation's policies, financial disclosure and reporting. Furthermore, the Code clarifies the rules of conflict of interest and presents detailed procedures for the identification, nature, disclosure, and treatment of any conflict of interest, being apparent or real. In both the Whistleblower Policy and the Code, procedures covering receipt, registration, and treatment of claims have been established. All directors, officers and employees have signed a written commitment to abide with the provisions of both the Whistleblower Policy and the Code and to disclose any potential or real conflicts of interest or wrongdoings.

9.6 Director Recruitment

The Board of Directors is responsible for director recruitment, orientation, and training. Recruitment is based on the capabilities and experience of the candidates in relation to the Corporation's needs, and the number of hours that individuals can give to the Corporation.

The Corporation does not have a nominating committee since the Governance Committee is in charge of recruiting new directors and assessing the overall effectiveness of the Board of Directors, its committees, and the efforts of each director as outlined in Regulation 58-101.

9.7 Compensation

9.7.1. Determination of the Compensation

Directors

The Governance Committee reviews annually and makes recommendations to the Board of Directors regarding the adequacy and form of the compensation for non-executive directors to ensure that such compensation realistically reflects the responsibilities and risks involved.

The Governance Committee is responsible for reviewing, when it deems it necessary, the compensation practices of comparable companies with a view of aligning the Corporation's non-executive directors' compensation with the peer comparator group median. As mentioned in Section 3.1.5 – "Benchmarking - Non-Executive Directors' Compensation" of this Circular, a compensation consultant was retained by the Corporation during the fiscal year ended June 30, 2019 in order to perform a review of the compensation of non-executive directors. Directors who are executive officers of the Corporation do not receive additional remuneration for services rendered as directors.

Executive Officers

The compensation of the Corporation's executive officers consists principally of base salary, annual variable remuneration and other forms of compensation. Consistent with market practice, incentive stock options are also awarded from time to time as an effective way of aligning the interests of management and shareholders. As mentioned in Section 3 – "Statement of Executive Compensation" of this Circular, the executive officer's remuneration is reviewed annually and a compensation consultant was retained by the Corporation during the fiscal year ended June 30, 2019 to perform a review of the compensation of executive officers.

9.7.2. Composition of the Governance Committee

The Governance Committee meets at least twice a year and as needed. As of September 24, 2019, the members of the Governance Committee are Robert Comeau, Lisa Henthorne and René Vachon, and all of them are independent directors within the meaning of Regulation 58-101.

9.7.3. Mandate of the Governance Committee

The main responsibilities and powers of the Governance Committee are outlined in greater detail in the document entitled "Mandate of the Corporate Governance, Remuneration and Risks Committee" set forth in Schedule "B" of this Circular.

9.8 Other Committees

Projects, Operation and Innovation Committee

In addition to the Audit Committee and the Governance Committee, the Board of Directors created, on November 12, 2013, a Technology and Projects Committee to review and oversee the Corporation's overall strategic direction, investments in technology and research and development initiatives. Also, in November 2016, the Board of Directors created an Operation and Maintenance Committee to assist the Board of Directors and Corporation's management in assessing matters of strategic interest for the growth and development of the Corporation's operation and maintenance business pillar.

On November 12, 2018, the Board of Directors merged together the Technology and Projects Committee and the Operation and Maintenance Committee since they had similar mandates and purposes and to combine the knowledge and expertise of the members of both committees, to form the Projects, Operation and Innovation Committee (the "POI Committee"). The POI committee reviews certain operation and maintenance contracts and approves submissions of bids for certain water or wastewater treatment projects in accordance with its mandate and the Delegation of Authority Policy. The POI Committee is comprised of one (1) independent director, two (2) members of the Corporation's management, and two (2) independent individuals having expertise, experience and know-how in the water treatment industry. The advisory members of the POI Committee are Ms. Elisa M. Speranza and Mr. Leonard F. Graziano.

Elisa M. Speranza is recognized as a water treatment industry leader with a passion for promoting sustainable environmental, economic and social progress. Ms. Speranza was employed with CH2M Hill Inc., a Fortune 500 listing company providing infrastructure and natural resources solutions to clients worldwide, for 15 years. She occupied several positions, such as President of the Operations Management Business Group from 2008 to 2013 as well as Senior Vice President and Corporate Director from 2014 to 2017. Furthermore, Ms. Speranza sat on several boards of directors and committees, such as the American Water Works Association (AWWA) and Water for People (W4P), and is a long-standing member of the Water Environment Federation (WEF).

Leonard F. Graziano held the position of President and CEO of Severn Trent Services, Inc. (« STS ») from 2002 to 2011. STS is a subsidiary of Severn Trent Plc (UK) and provides water and wastewater treatment and operating services to utilities, municipalities and commercial customers around the world. Mr. Graziano was also a board member of STS as well as a board member of the National Association of Water Companies.

Growth Committee

On November 12, 2018, the Board of Directors has created the Growth Committee with the purpose of providing oversight, assessment, guidance and/or recommendations to the Board of Directors on the following matters: (i) mergers, acquisitions, investments or disposition of material assets or a material portion of business, (ii) licensing opportunities, (iii) joint ventures, and (iv) major research and innovation budgets. The Growth Committee is comprised of three (3) independent directors and two (2) members of the Corporation’s management.

9.9 Efficiency Assessment

On an annual basis, the Chairman of the Board assesses the performance, contribution and effectiveness of the Board of Directors as a whole, of each member of the Board of Directors as an individual and of the committees of the Board of Directors, within the meaning of Regulation 58-101. Questionnaires are distributed to each director for the purpose of (i) evaluating the responsibilities and functions of the Board of Directors, its operations, how it compares with boards of other companies on which the directors serve, and the performance of the committees of the Board of Directors, and (ii) evaluating the performance of the Chairman of the Board. The results of the questionnaires are compiled on a confidential basis to encourage full and frank commentary, and discussed at the next regular meeting of the Board of Directors. The Chairman of the Board and the Chair of the Governance Committee (as to the performance review of the Chairman of the Board) present to the Board of Directors their findings and recommendations to enhance performance, contributions and effectiveness.

9.10 Director Term Limits

The Corporation does not have a policy that limits the term of the directors on its Board of Directors and has not provided other mechanisms of board renewal. At this time, the Board of Directors does not believe that it is in the best interest of the Corporation to establish a term limit of the director’s mandate or a mandatory retirement age. The Board of Directors is in the opinion that term limit may disadvantage the Corporation through the loss of the beneficial contribution of directors who have developed increasing knowledge of the Corporation, its operation and the industry over a period of time. Furthermore, the Governance Committee assesses on a regular basis the composition of the Board of Directors to ensure that the Board of Directors has the right mix of skills and expertise that will enable it to provide strong management of the Corporation.

At this time, the directors who currently sit on the Corporation’s Board of Directors have held their office for:

- Less than 1 year: 1 director
- 1 to 5 years: 3 directors
- 6 to 10 years: 1 director
- 11 to 15 years: 1 director
- 16 years and up: 1 director

9.11 Policies Regarding the Representation of Women on the Board of Directors and Amongst Executive Officers

The Corporation recognizes that gender diversity is a significant aspect of diversity and acknowledges the important role women, with appropriate and relevant skills and experience, can play in contributing to the diversity of perspective on the Board of Directors and amongst executive positions. However, the Board of Directors consider that it is in the best interests of the Corporation that all appointments are made on merit in the contact of the skills, expertise and experience the Corporation requires and to focus on the candidate’s actual and potential contribution in terms of performance, competence, collaboration and professional accountability, rather than considering the level of representation of women. Therefore, the Corporation is in the opinion that a diverse range of candidates should always be considered and that there are no biases that might discriminate against or for any candidates. As a result, the Corporation has not adopted a formal policy relating to the representation, identification and nomination of women on the Board of Directors or in executive positions.

As described above, the Board of Directors’ primary objective in the directors and executive officers’ selection process is to consider the Corporation’s best interest and appoint individuals in regard to their relevant skills, expertise and experience and to focus on the actual and potential contribution they can provide in terms of performance, competence, collaboration and professional accountability, with gender not being a decisive factor in the candidate’s selection. Therefore, while the Corporation recognizes the benefits of diversity at all levels within its organization, it has not adopted a formal target to be achieved regarding the gender composition of the Board of Directors or in its executive officer positions.

As at September 24, 2019, there is one (1) woman (14%) on the Corporation's Board of Directors, who also holds the position of Chairman of the Board and no women held executive officer positions. However, one of the two advisory members of the POI Committee is a woman (50%). For the reasons described above and since there is a representation of women on the Board of Directors, the Corporation does not deem necessary to implement a written policy relating to the identification and nomination of women as directors and executive officers.

10. RECEIPT OF SHAREHOLDER PROPOSALS FOR NEXT ANNUAL MEETING

Under the *Canada Business Corporations Act*, a registered holder or beneficial owner of common shares that will be entitled to vote at the next annual meeting of shareholders may submit to the Corporation, before June 26, 2020, a proposal in respect of any matter to be raised at such meeting.

11. ADDITIONAL INFORMATION

Additional financial information relating to the Corporation is included in its most recent audited annual and unaudited quarterly consolidated financial statements, annual and quarterly management's discussion and analysis of financial position, and results of operations which, together with other information, are available on www.sedar.com and may also be obtained by contacting:

Investors Relations Department
H_2O Innovation Inc.
330 rue St-Vallier Est, Suite 340
Quebec City, Quebec, G1K 9C5
418-688-0170
investor@h2oinnovation.com

12. APPROVAL OF THE CIRCULAR

The Board of Directors of the Corporation approved the contents of the Management Proxy Circular and its sending to the shareholders on September 24, 2019.

Quebec City, Quebec, September 24, 2019.

H_2O INNOVATION INC.

(Signed – Lisa Henthorne)

Lisa Henthorne
Chairman of the Board of Directors

SCHEDULE "A": MANDATE OF THE BOARD OF DIRECTORS

The Board of Directors, composed of a majority of non-related, independent directors, is responsible for the stewardship of the Corporation in accordance with its by-laws and in conformity with all applicable laws and regulations.

The Board of Directors retains plenary authority and power to do all lawful acts and things that are not by law or otherwise directed or required to be exercised or done by the shareholders of the Corporation or in some other manner.

All directors shall act honestly and in good faith with a view to the best interests of the Corporation and exercise the care, diligence, and skill that a reasonably prudent person would exercise in comparable circumstances.

Definition of Responsibilities
In carrying out its responsibilities, the Board of Directors (or the committees of the Board of Directors duly constituted by the Board of Directors to the extent that such delegation is permitted by law and is specifically made by the Board of Directors) shall have the following specific responsibilities:

1. <u>Stewardship of the Corporation</u> - The adoption of such corporate governance guidelines or principles applicable to the Corporation, including, but not limited to, (i) the size and composition of the Board of Directors; (ii) the orientation of new directors; (iii) the provision for continuing education of directors; (iv) the compensation of directors; and (v) the periodic assessment of the performance of the Board of Directors, its committees, and directors against its charter and mandate.

   a. Oversee the maintenance of practices and processes by the Board of Directors and by the management to ensure compliance with applicable laws and appropriate ethical standards, including the adoption of corporate policies and procedures and the adoption of a written code of business conduct and ethics applicable to directors, officers, and employees of the Corporation containing standards that are designed to deter wrongdoing.

   b. Submit to and approve by the shareholders of any amendment to the articles of the Corporation, amendment, or repeal of any bylaws or any such matters or questions falling within their jurisdiction.

   c. Adopt and monitor a corporate strategic plan, including an annual business plan, budget, and periodic review, taking into account, among other things, the opportunities and risks associated with the business.
      1) Recommend for approval a clear vision for the Corporation as developed by the President and Chief Executive Officer ("**CEO**") and shared by the executive officers.
      2) Recommend for approval the annual objectives of the Corporation and the CEO, including a monthly operating budget, and the assessment of the performance of the Corporation and the CEO against such approved objectives and budgets.

   d. Establish adequate internal controls and management information systems.

   e. Identify the principal risks of the Corporation's business and ensure the implementation of appropriate systems and insurance policies to manage these risks.

   f. Adopt and monitor communications or disclosure policy.

   g. Adopt processes for succession planning, periodic review of succession plans for key members of the management, including the CEO, and appointment and performance review of the executive officers of the Corporation.

2. <u>Issuance of securities</u> - Authorize the issuance of securities of the Corporation as required in accordance with applicable laws.

3. <u>Dividends</u> - Approve the approval of the purchase, redemption, or other acquisition of shares issued by the Corporation as required in accordance with applicable laws.

4. <u>Reliability and integrity of accounting principles and practices</u> - Oversee the reliability and integrity of accounting principles and practices followed by management in the financial statements and other financial reporting, and disclosure practices followed by management.

5. <u>Compensation</u> - Approve the compensation paid to executive officers and directors, including variable remuneration, equity compensation and non–arm's length consulting arrangements.

6. <u>Integrity of the CEO and other executive officers</u> - Insofar as it is possible, be satisfied with the integrity of the CEO and other executive officers of the Corporation so that the CEO and other executive officers spread a culture of integrity throughout the Corporation.

7. <u>Qualifications and independence of the auditor</u> - Oversee the qualifications and independence of the auditor of the Corporation and approve of the terms and conditions of their audit and non-audit service engagements as required by and in accordance with applicable laws and regulations of the stock exchange and of securities regulatory authorities the Corporation is accountable to.

8. <u>Performance of the independent auditor</u> - Assess the performance of the independent auditor, fill any vacancy in the office of the independent auditor between shareholders' meetings, and recommend the annual appointment or, if appropriate, the removal, of the independent auditor of the Corporation to the shareholders of the Corporation for their approval in accordance with applicable laws.

9. <u>Approval of the annual audited consolidated financial statements</u> - Review and approve the annual audited consolidated financial statements of the Corporation and, as required in accordance with applicable laws, the quarterly unaudited consolidated financial statements of the Corporation.

10. Approval of MD&A, prospectuses, annual information forms, annual reports, and other applicable forms - Approve management's discussion and analyses of financial conditions and results of operations, prospectuses, annual information forms, annual reports, and other applicable forms, as the case may be, including proxy circulars and proxy statements sent to shareholders of the Corporation and any other material disclosure documents.
11. Feedback from security holders - Establish and provide a periodic review of the Corporation's measures for receiving feedback from security holders.

12. Recommendation of candidates for election or appointment to the Board of Directors - Recommend candidates for election or appointment to the Board of Directors, including, if any, the review of nominations recommended by shareholders.

13. Position descriptions - Develop position descriptions for the Chair of the Board and the chair of each committee of the Board of Directors together with a clear position description for the CEO, including a clear delineation of the management's responsibilities.

14. Decisions requiring prior approval of the Board of Directors - To the extent not otherwise referred to above, review and approve all proposed transactions and matters described below under the heading "Decisions Requiring Prior Approval of the Board of Directors" and, where applicable, in accordance with the requirements of the *Canada Business Corporations Act*, the stock exchanges on which the Corporation lists its securities and any other regulatory or securities prescriptions as adopted or in force, or amended from time to time.

Decisions Requiring Prior Approval of the Board of Directors

In discharging its duties and responsibilities, the Board of Directors is expected to be fully diligent in its oversight to avoid fraud or abuse. Accordingly, the Board of Directors may conduct such examinations, investigations, or inquiries, and hire such special legal, accounting, or other advisors, at the expense of the Corporation, at such time or times and on such terms and conditions as the Board of Directors considers appropriate.

In addition to such other approvals that may be required by (i) applicable laws, (ii) stock exchanges on which the Corporation lists its securities, and (iii) securities regulatory authorities, the Board of Directors (or the committees of the Board of Directors duly constituted by the Board of Directors to the extent such delegation is permitted by law and is specifically made by the Board of Directors) shall review and approve prior to implementation:

1. Strategic plan and annual operating budget;
2. Capital expenditures not part of the approved operating budget;
3. Mergers and acquisitions;
4. Material investments and dispositions of the Corporation;
5. Borrowings and banking arrangements of the Corporation;
6. Financing by the Corporation including the issuance of debt, equity, and derivative instruments. More generally, this includes the approval of all off-balance sheet financings by the Corporation or by special purpose entities or affiliates;
7. Purchase and redemption of Corporation's securities;
8. Changes to the articles or by-laws of the Corporation, to the extent permitted by law;
9. Hiring and, if necessary, the dismissal of the CEO;
10. Compensation paid to executive officers and directors, including variable remuneration, equity compensation and non–arms length consulting arrangements;
11. Review of the performance of the Board of Directors to be conducted at least annually.
12. Other material matters outside the ordinary course of the Corporation's business, including, without limitations, all major strategic and policy decisions and settlement of litigation; and
13. Any other matter specified by the Board of Directors as requiring its approval.

Expectations of Management

Management, led by the CEO, is responsible for the day-to-day operations of the Corporation and for providing the Board of Directors, directly or through the Chair of the Board, with complete and accurate information on such operations.

The Board of Directors expects management to propose and, after Board of Directors approval, implement the Corporation's strategic plan and to be accountable for the Corporation's financial and competitive performance. The Board of Directors expects the Corporation's resources to be managed in a manner consistent with enhancing the value of the Corporation and with consideration for ethics and corporate social responsibility.

The Board of Directors may request that certain members of Corporation's management attend all or any portion of a Board of Directors or committee meeting and may schedule presentations by managers who can provide additional insight based on their personal involvement in the matter or their particular expertise.

Each director shall have complete access to all members of the Corporation's management. The Chief Financial Officer of the Corporation shall have access to meet privately with the Audit Committee and Corporate Governance, Remuneration and Risks Committee respectively.

The Board of Directors and all its committees may rely on the information provided by the Corporation's management personnel or outside advisors and auditor.

General

The Board of Directors shall review and assess the adequacy of the mandate of the Board of Directors on an annual basis.

Nothing in this Mandate is intended, or may be construed, to impose on any member of the Board of Directors a standard of care or diligence that is in any way more onerous or extensive than the standard required by law.

In carrying out its duties and responsibilities, the Board of Directors must be fully diligent in its monitoring in order to prevent fraud or abuses. As a result, the Board of Directors may conduct examinations, studies, and investigations and hire legal, financial, or other consultants at the Corporation's expense and according to the frequency and terms and conditions it deems appropriate.

SCHEDULE "B": MANDATE OF THE CORPORATE GOVERNANCE, REMUNERATION AND RISKS COMMITTEE

The Corporate Governance, Remuneration and Risks Committee (the "**Committee**") of H_2O Innovation Inc. is appointed by the Board of Directors for the purpose of providing oversight, assessment, guidance and/or recommendation to the Board of Directors on the following matters: (i) corporate governance affairs, (ii) compensation of the executive officers and of the members of the Board, (iii) human resources matters that should be addressed to the Committee, (iv) risks management, and (v) internal controls.

The Committee shall consist of a minimum of three (3) non-related, independent directors. The quorum shall consist of a majority of the members duly appointed by the Board of Directors. The members of the committee are appointed each year by the Board of Directors at the first meeting of the Board of Directors following the annual meeting of the shareholders or at any other meeting if a vacancy occurs. The Board of Directors also appoints a Chairman among the Committee's members.

The Committee shall meet at such times and with such frequency as the Committee determines appropriate or as it is required for the good business of the Corporation, either by person or by conference call; provided however that the Committee should meet at least twice a year, in April and in September of each year.

All Committee's members shall act honestly and in good faith with a view to the best interests of the Corporation and exercise the care, diligence, and skill that a reasonably prudent person would exercise in comparable circumstances. The members of the Committee will review and evaluate the performance of the Committee on an annual basis.

DEFINITION OF RESPONSIBILITIES

In carrying out its responsibilities, the Committee shall have the following specific responsibilities:

A – Corporate Governance

1. Develop and recommend to the Board of Directors a set of corporate governance guidelines or principles applicable to the Corporation, including with respect to: (i) the size and composition of the Board of Directors; (ii) the orientation of new directors; (iii) the provision of continuing education to directors; (iv) the compensation and mandate of the directors; (v) the periodic assessment of the performance of the Board of Directors, its committees, and directors, including competencies and skills each individual director is expected to bring to the Board of Directors; (vi) the review of the mandate of each committee of the Board of Directors.
2. Review and reassess the relevance and the adequacy of such corporate governance guidelines on an annual basis and recommend to the Board any changes deemed appropriate by the Committee.
3. Develop and recommend to the Board of Directors a code of business conduct and ethics for the Corporation applicable to directors, officers, and employees of the Corporation containing standards that are reasonably designed to deter wrongdoing and review such code of business conduct on a regular basis.
4. Oversee and review the practices and processes implemented by the Board of Directors and the management of the Corporation to ensure compliance with applicable laws and appropriate ethical standards, including the adoption by the Board of Directors of appropriate corporate policies and procedures.
5. Recommend candidates for election or appointment to the Board of Directors, including the review of nominations recommended by shareholders.
6. Assess the integrity of the Chief Executive Office (the "**CEO**") and other executive officers of the Corporation on a regular basis by any means deemed necessary by the Committee.
7. Develop, review and recommend to the Board of Directors position descriptions for the Chair of the Board and the chair of each committee of the Board of Directors together with a clear position description for the CEO.
8. Any other matter as delegated by the Board of Directors in terms of corporate governance.
9. Report to the Board of Directors on each and all meetings on a timely and regular basis.

B – Internal Controls

1. Review the relevancy of the Corporation's internal controls on a financial standpoint and procedures implemented to ensure compliance with laws and regulations;
2. Discuss with the management, from time to time, the responsibilities, budget and staffing needs for support of internal controls, disclosure controls and procedures.
3. Review, on a regular basis, the internal control report prepared by management, including management's assessment of the effectiveness of the Corporation's internal controls for financial reporting.
4. Provide oversight of any process related to (i) the receipt, retention and treatment of complaints received by the Corporation regarding a violation of an existing law or regulation, the Corporation's code of business conduct and ethics or any of the Corporation's corporate policies, procedures, requirements and directives or regarding any doubtful or questionable accounting methods, internal accounting controls or auditing matters, and (ii) the confidential, anonymous submission by employees of the Corporation of concerns regarding the foregoing.
5. Discuss any other matter as delegated by the Board of Directors in terms of internal controls.
6. Report to the Board of Directors on each and all meetings on a timely and regular basis.

C – Human Resources

1. Develop, review and recommend to the Board of Directors corporate process for succession planning, periodical review of succession plans for key management, including the President and CEO.
2. Discuss with the Board of Director the competencies and skills that are expected from a candidate for the position of President and CEO of the Corporation and provide recommendation to the Board of Directors with respect to the hiring of selected candidate for this position.
3. Review on an annual basis, and recommend to the Board of Directors, the remuneration to be paid to the Corporation's executive officers (including the President and CEO) based on their performance, skills and experience, including, without limitation, base salary, annual variable remuneration and equity compensation. The Committee may retain, as it deems it necessary to provide recommendation to the Board of Directors, the assistance of an independent compensation consultant with respect to the compensation of executive officers of the Corporation.
4. Review on a regular basis, and recommend to the Board of Directors, the remuneration to be paid by the Corporation to its directors. The Committee may retain, as it deems it necessary to provide recommendation to the Board of Directors, the assistance of an independent compensation consultant with respect to the compensation of the Corporation's directors.
5. Review and recommend to the Board of Directors annual corporate goals and objectives for the Corporation's management (roadmap) and assess, on a regular basis, the achievement of such goals and objectives.

6. Review and recommend to the Board of Directors all short and long term incentive compensation plans and equity-based plans, such as annual variable remuneration structure, Stock Option Plan, Share Purchase Plan, or any other plan or program where shares or options to acquire shares may be granted.
7. Discuss any other matter as delegated by the Board of Directors in terms of human resources.
8. Report to the Board of Directors on each and all meetings on a timely and regular basis.

D – Risks Management

1. Provide oversight of (i) the Corporation's material risks of any nature, such as financial, operational, environmental, legal and in terms of human resources and (ii) the steps or methods taken by the management to monitor, control and manage such risks and any significant risk exposure.
2. Review, on an annual basis, the procedures and controls implemented by the management to assess and manage Corporation's risks, such as risk management policy.
3. Provide oversight of the corporate risk profile developed by the management, review the mitigation plan proposed by the management and monitor the implementation of appropriate actions, systems and insurance policies to manage the risks identify in the corporate risk profile.
4. Once a year, review the insurance coverage of the Corporation to ensure all risks are sufficiently covered and recommend to the Board of Directors any changes, modifications or additions to be made to the insurance coverage of the Corporation.
5. Assess the effectiveness and the independence of risk management functions and the risk awareness culture throughout the organization.
6. Discuss with the Corporation's management about the infrastructure, resources and systems in place for risk management and assess their suitability to maintain a satisfactory level of risk management discipline.
7. Inquire on the Corporation's conditions to identify potential future risks and discuss with the Corporation's management on adequate plans for addressing these risks as appropriate.
8. Address to the Corporation's management the need of corrective actions in any areas of risk as deemed appropriate by the Committee following their assessment of the Corporation's conditions and procedures and controls.
9. Any other matter as delegated by the Board of Directors in terms of risks management.
10. Report, on a timely and regular basis, its findings and conclusions to the Board of Directors with respect to any of the matters described above.

MEETINGS

Below are the main subjects or items to be addressed by the Committee at its meetings in addition to any other matters that the Committee deems expedient.

A –April Meeting

- Assess human resources by (i) performing talent mapping and identifying top managers, top performers and resources at risk to leave the Corporation, and (ii) presenting results of an extent annual benchmarking at the employee level.
- Review risk assessment and discuss about the results of an annual extended risk mapping exercise.
- Review the insurance portfolio.
- Assess the internal control process.
- Evaluate the performance incentives.
- Assess roadmap objectives achievement.

B –September Meeting

- Discuss and determine the remuneration of the directors, the executive officers (base salary and annual variable remuneration) and general salary increase.
- Assess the roadmap objectives achievement.
- Approve the Compensation and Discussion Analysis included in the Management Proxy Circular.
- Approve the Annual Information Form.
- Discuss the results of the annual performance review of the Board of Directors, its committee and the Chair of the Board.
- Perform an annual performance review of the CEO.

GENERAL

In carrying out its duties and responsibilities, the Committee must be fully diligent in its monitoring in order to prevent fraud or abuses. As a result, the Committee may conduct examinations, studies, and investigations and hire legal, financial, or other consultants at the Corporation's expense and according to the frequency and terms and conditions the Board of Directors deems appropriate.