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

December 22, 2023, 10:30 a.m. (Eastern Time)

October 19, 2023

H_2O INNOVATION INC.

Quebec City, October 19, 2023

Dear Shareholders:

The Board of Directors and the management of H_2O Innovation Inc. are pleased to invite you to the Annual General Meeting of shareholders of H_2O Innovation Inc. (the "**Meeting**") to be held, in person, at its registered office located at 330, rue St-Vallier Est, Suite 340, Quebec City, Quebec, G1K 9C5, on Friday, December 22, 2023, at 10:30 a.m. (Eastern Time).

We urge you to give serious attention to the information on each matter set out in the attached Management Proxy Circular dated October 19, 2023 (the "**Circular**").

Should any changes to the Meeting format occur, the Corporation will announce them by way of news release, which will be filed under the Corporation's profile on the System for Electronic Document Analysis and Retrieval + ("**SEDAR+**") at www.sedarplus.ca and on the Corporation's website at www.h2oinnovation.com. We strongly recommend you check the Corporation's SEDAR+ profile and website prior to the Meeting for the most current information. In the event of any changes to the Meeting format, the Corporation will not prepare or mail amended materials in respect of the Meeting. It is strongly recommended that you exercise your right to vote prior to the Meeting, as described in the attached Circular, although voting in person at the Meeting will also be possible.

At the 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, 2024.

Following the formal portion of the Meeting, members of management will provide an update on the business and operations of H_2O Innovation Inc. and answer relevant questions.

Sincerely,

Lisa Henthorne
Chair of the Board of Directors

Frédéric Dugré
President and Chief Executive Officer

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

MEETING DATE:

Friday, December 22, 2023
at 10:30 a.m. (Eastern Time)

H_2O Innovation Inc.
330, rue St-Vallier Est
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, 2023;
2. elect the directors for the ensuing year;
3. appoint the auditor for the fiscal year ending June 30, 2024, and authorize the directors to fix its compensation; and
4. consider such other business that may properly come before the Meeting or any adjournment thereof.

Should any changes to the Meeting format occur, the Corporation will announce them by way of news release, which will be filed under the Corporation's profile on the System for Electronic Document Analysis and Retrieval ("**SEDAR+**") at www.sedarplus.ca and on the Corporation's website at www.h2oinnovation.com. We strongly recommend you check the Corporation's SEDAR+ profile and website prior to the Meeting for the most current information. In the event of any changes to the Meeting format, the Corporation will not prepare or mail amended materials in respect of the Meeting.

By order of the Board of Directors,

Lisa Henthorne
Chair of the Board of Directors
Quebec City, Quebec
October 19, 2023

Notes:

- **This 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 entitled to vote at the meeting are highly encouraged to do so before the Meeting, either by phone or by internet. Shareholders can also vote their shares in person at the Meeting or complete the form of proxy or the voting instruction form to appoint someone else as proxyholder to attend the Meeting in person and vote on their behalf. The forms of proxy or the voting instruction forms must be returned no later than 5:00 p.m. (Eastern Time) on December 20, 2023.**

MANAGEMENT PROXY CIRCULAR

October 19, 2023

This Management Proxy Circular is furnished in connection with the solicitation by the management of H_2O Innovation Inc. (the "**Corporation**" or "**H_2O Innovation**") of proxies to be voted at the Meeting, at the time and for the purposes set forth in the accompanying notice of said meeting and at any adjournment thereof. Unless otherwise stated, the information herein contained is given as of October 19, 2023.

Shareholders seeking disclosure regarding the Transaction (as defined in section 7.8.2 - "Special Committee" below), including information on how to vote on the Transaction and receive their consideration, should consult the Special Meeting Circular (as defined in section 7.8.2 - "Special Committee" below).

1 VOTING INFORMATION

1.1 Notice-and-Access

H_2O Innovation has elected to use "notice-and-access" procedures as permitted under *Regulation 51-102 respecting Continuous Disclosure Obligations* ("**Regulation 51-102**") and *Regulation 54-101 respecting Communication with Beneficial Owners of Securities of a Reporting Issuer* ("**Regulation 54-101**") to deliver the notice of meeting, this management proxy circular (the "**Circular**") and the annual report for the year ended June 30, 2023 (collectively, the "**Meeting Materials**") to its shareholders rather than mailing such documents. Meeting Materials are available online, on the Corporation's website at www.h2oinnovation.com/general-assembly and under its SEDAR+ profile at www.sedarplus.ca. The shareholders of the Corporation should have received a package (the "**Notice Package**") in the mail containing a notice of availability of materials with the information prescribed by Regulation 54-101 further explaining how to access and review the Meeting Materials and a form of proxy (if a registered shareholder, as defined in section 1.2 - "Registered Shareholders" below) (the "**Form of Proxy**") or a voting instruction form (if a non-registered shareholder, as defined in section 1.3 - "Non-Registered Shareholders" below) (the "**VIF**"). Shareholders are reminded to review the Circular online before voting by logging onto the website access page via the URL address provided above.

Notice-and-access is an environmentally friendly alternative to distribute the Meeting Materials, by reducing the use of paper and the energy consumption, while also lowering the Corporation's printing and mailing costs.

As further detailed in the Notice Package, the shareholders of the Corporation can request a paper copy of the Meeting Materials no later than 4:00 p.m. (Eastern Time) on December 8, 2023, free of charge, by email at info@h2oinnovation.com or by phone at 1-888-688-0170 (Canada and United States). Please note that the shareholders will not receive another Form of Proxy or VIF and should retain the Form of Proxy or VIF included in the Notice Package to vote their common shares.

Notice Packages are being sent to both registered shareholders and non-registered shareholders of the Corporation's securities. If you are a non-registered shareholder, and the Corporation or its agent has sent these materials directly to you, your name, address and information about your holding of securities have been obtained in accordance with applicable securities regulatory requirements from the intermediary holding such securities on your behalf. By choosing to send the Notice Package to you directly, the Corporation (and not the intermediary holding on your behalf) has assumed responsibility for (i) delivering the Notice Package to you, and (ii) executing your voting instructions. Please return your voting instructions as specified in the VIF.

1.2 Registered Shareholders

Registered shareholders are the shareholders who have a share certificate, or a Direct Registration System ("**DRS**") statement issued in their name and, as a result, have their name shown on the Corporation's register of shareholders kept by TSX Trust Company ("**TSX Trust**").

1.3 Non-Registered Shareholders

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 specifically, a person is a non-registered shareholder with respect to common shares held on behalf of that person but registered either:

(a) in the name of an intermediary that the non-registered shareholder deals with in relation to the shares which include, among others, banks, trust companies, securities dealers or brokers and trustees or administrators of self-administered RRSPs, RRIFs, RESPs and similar plans (an "**Intermediary**" or "**Intermediaries**"); 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 shareholders 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 shareholders 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 and as described in section 1.1 - "Notice and Access" of this Circular, the Corporation has elected to use notice-and access procedures to send Meeting Materials to its shareholders. In that respect, the Corporation only sends, by mail, the Notice Package 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 Notice Package to the OBOs. The Intermediaries (or their service companies) are responsible for forwarding the Notice Package to each OBO, unless the OBO has waived the right to receive them. The non-registered shareholders should carefully follow the instructions set out in the VIF including those regarding when and where the VIF is to be delivered.

1.4 Solicitation of Proxies

This Circular is related to the solicitation of proxies by the management of the Corporation for use at the Annual General Meeting of shareholders of the Corporation to be held at the date and time and for the purposes set forth in the accompanying notice of meeting. Unless otherwise indicated, information in this Circular is given as of October 19, 2023.

1.5 Appointment of Proxyholders

The persons designated as proxyholders in the Form of Proxy or the VIF are directors of the Corporation. **Any shareholder has the right to appoint a person other than the persons designated by management in the Form of Proxy or the VIF to represent such shareholder at the Meeting**. A shareholder desiring to appoint another person to represent such shareholder at the Meeting (including non-registered shareholders wishing to appoint themselves) may do so by striking off 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 or the VIF.

A person acting as proxy need not be a shareholder of the Corporation.

The Form of Proxy or the VIF must be executed by shareholders or the attorneys of such shareholders, duly authorized in writing, and must be deposited with TSX Trust using one of the following methods. Please note that failure to deposit a Form of Proxy or a VIF before the deadline mentioned below shall result in its invalidation.

DEPOSIT OF FORM OF PROXY OR VIF WITH TSX TRUST	
All Forms of Proxy or VIFs must be received by the Corporation no later than 5:00 p.m. (Eastern Time) on December 20, 2023.	
Mail	TSX Trust Company, P.O. Box 721, Agincourt, ON M1S 0A1
Fax	416-595-9593
Scan and Email	proxyvote@tmx.com

1.6 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 Form of Proxy or VIF bearing a later date to TSX Trust, the Corporation's registrar and transfer agent, at P.O. Box 721, Agincourt, ON M1S 0A1, or ii) by depositing with TSX Trust at the above-mentioned address a written notice revoking the proxy and executed by the shareholder or by his attorney authorized in writing, no later than 5:00 p.m. (Eastern Time) on December 20, 2023. 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.

1.7 Participating at the Meeting

HOW TO PARTICIPATE AT THE MEETING
In person • At the Corporation's registered office located at 330, rue St-Vallier Est, Suite 340, Quebec City, Quebec, G1K 9C5. **Only shareholders attending the Meeting in person will be able to vote their shares during the Meeting.**
WHAT IF CHANGES OCCUR TO THE MEETING FORMAT
Should any changes to the Meeting format occur, the Corporation will announce these changes by way of news release, which will be filed under the Corporation's profile on SEDAR+ at www.sedarplus.ca and on the Corporation's website at www.h2oinnovation.com.
HEALTH MEASURES
The Corporation reserves the right to take any precautionary measures deemed to be appropriate, necessary or advisable in relation to the Meeting to protect the health and safety of the participants and ensure compliance with any applicable federal, provincial and local law, regulation and order of a public authority.

1.8 Exercise of Voting Rights Attached to the Shares

OPTION 1- EXERCISE OF VOTING RIGHTS BEFORE THE MEETING	
It is strongly recommended to vote by proxy before the Meeting using one of the methods described below.	
Online	www.tsxtrust.com/vote-proxy To vote online, shareholders will need their control number, provided in the Form of Proxy or the VIF.
Telephone	Using any touch-tone phone, by calling toll-free in Canada and in the United States at 1-888-489-7352 and following the voice instructions.
Mail	By completing and returning the signed Form of Proxy or VIF in the envelope provided to: TSX Trust Company P.O. Box 721 Agincourt, ON M1S 0A1
Fax	By faxing the completed and signed Form of Proxy or VIF to 416-595-9593.
Scan and Email	By scanning and emailing the completed and signed Form of Proxy or VIF to proxyvote@tmx.com.
OPTION 2- EXERCISE OF VOTING RIGHTS AT THE MEETING	
In person	Registered shareholders are authorized to exercise their voting rights at the Meeting by simply attending the Meeting in person. Non-registered shareholders are authorized to exercise their voting rights at the Meeting by naming themselves as proxyholder on the VIF, returning the signed and completed VIF in accordance with section 1.5 - "Appointment of Proxyholders", and attending the Meeting in person.
Through a proxyholder	Shareholders may appoint a proxyholder and instruct such proxyholder on how to vote on their behalf by completing and returning a Form of Proxy (for registered shareholders) or VIF (for non-registered shareholders) in accordance with section 1.5 - "Appointment of Proxyholders".

1.9 How the Shares Represented by Form of Proxy or VIF Will be Voted

If the Form of Proxy or the VIF is properly completed and submitted in favour of the persons designated in the printed portion thereof, the shares represented by such Form of Proxy or the VIF 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 for, against, or withheld from voting, as the case may be, the propositions set forth in such ballot, in accordance with the specifications so made.

Where shareholders have not specified in the Form of Proxy or the VIF the manner in which the designated proxyholders are required to vote the shares represented thereby as to any matter listed on the Form of Proxy or the VIF, such shares will be voted by management's appointees on any ballot that may be called for **in favour** of such matter. If, however, a shareholder appoints another proxyholder than management's appointee's, this proxyholder will vote the shares represented by the Form of Proxy or VIF as he/she sees fit.

The Form of Proxy or the VIF also 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 therein 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 Form of Proxy or the VIF will be voted on such matters in accordance with the best judgment of the person voting same.**

1.10 Record Date

Pursuant to Regulation 54-101, the Notice Package 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 October 26, 2023 (the "**Record Date**"). Any common share that is registered at the close of business on the Record Date will entitle its holder or any proxyholder named by such holder to vote at the Meeting and at any adjournment thereof. Common shares may be voted in favour of or against 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 at the Meeting as of the Record Date 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 TSX Trust, the Corporation's transfer agent and registrar, located at 301 - 100 Adelaide Street West, Toronto, ON M5H 4H1, and at the Meeting.

1.11 Common Shares and Principal Holders

As of October 19, 2023, 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 90,007,408 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 executive officers of the Corporation, the only shareholder who, as of October 19, 2023, beneficially owns, or controls, directly or indirectly, shares conferring 10% or more of the voting rights attached to the issued and outstanding shares of the Corporation is indicated in the table below:

Name of Shareholder	Number of Common shares	Percentage of Voting Rights
Investissement Québec	9,003,544	10.00%

1.12 Interest on Matters to be Acted Upon

Except as disclosed in this Circular, no one 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 auditor.

2 BUSINESS OF THE MEETING

2.1 Presentation of the Audited Consolidated Financial Statements

The annual consolidated financial statements of the Corporation for the fiscal year ended June 30, 2023, and the auditor's report thereon will be presented to the shareholders at the Meeting. No shareholder vote is required with respect thereto.

The audit committee of the Board of Directors of the Corporation (the "**Audit Committee**") has examined the audited consolidated financial statements of the Corporation for the fiscal year ended June 30, 2023, and discussed them with the management and the Corporation's external auditor, Ernst & Young LLP.

The Audit Committee recommended for approval to the Board of Directors the audited consolidated financial statements for the fiscal year ended June 30, 2023, the press release on the quarter and fiscal year ended June 30, 2023, and the Corporation's annual report for the fiscal year ended June 30, 2023.

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 27, 2023, for the fiscal year ended June 30, 2023 (the "**AIF**"), which section is hereby included by reference in this Circular. A copy of the AIF can be obtained on SEDAR+ (www.sedarplus.ca) and may also be obtained on the Corporation's website at www.h2oinnovation.com, or through the Investors Relations Department of the Corporation at the address set forth in section 10 - "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 nine (9) persons named hereunder.

Ms. Lisa Henthorne and Mr. Stéphane Guérin have decided not to stand for re-election at the Meeting.

The amendments to the *Canada Business Corporations Act* that took effect on August 31, 2022, introduced a majority voting requirement for uncontested elections of directors (the "**Majority Voting Requirement**"). An uncontested election is an election in which the number of directors nominated for election is equal to the number of seats available on the Board of Directors. The Majority Voting Requirement provides that each director nominated for election to the Board of Directors is elected only if the number of votes cast in his or her favor represents a majority (more than 50%) of the votes cast for and against him or her. Notwithstanding the foregoing and in accordance with the *Canada Business Corporations Act*, if an incumbent director who is nominated for election to the Board of Directors is not elected in accordance with the Majority Voting Requirement (a "**Non-Elected Director**"), this director's term of office shall end on the earlier of (i) the 90th day after the day of the Meeting, or (ii) the day on which his/her successor is appointed or elected. Notwithstanding the Majority Voting Requirement, the *Canada Business Corporations Act* provides that the Board of Directors may reappoint a Non-Elected Director when such reappointment is necessary to satisfy the requirements of the *Canada Business Corporations Act* regarding the minimum number of Canadian directors and the minimum number of independent directors for distributing corporations. Following the implementation of the Majority Voting Requirement, the Corporation's Majority Voting Policy has been rendered redundant and as such, the Majority Voting Policy is expected to be revoked shortly.

Under an investor rights 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. As of October 19, 2023, Investissement Québec informed the Corporation of its intention not to avail itself of this right in connection with the Meeting.

Except where authority to vote against the election of directors is provided, the proxyholder named in the Form of Proxy or VIF will vote the shares represented by such Form of Proxy or VIF in favour of the election of each of the nine (9) 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 Form of Proxy or VIF reserve the right to vote for another nominee at their discretion, unless otherwise instructed in the Form of Proxy or VIF. 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 name, country, state or province and city of residence of the persons proposed for election as directors of the Corporation, their principal occupation, a summary of their skills relevant to the activities of the Corporation, the number of shares and options of the Corporation they hold or over which they exercise control as of October 19, 2023, as well as the committees of the Board of Directors of which they are members and their attendance at the meetings of such committees and of the Board of Directors held during the fiscal year ended June 30, 2023.

NOMINEES FOR ELECTION TO THE BOARD OF DIRECTORS

PIERRE CÔTÉ

Ancaster, Ontario, Canada

Consultant
Côté Membrane Separation Ltd.
Company providing consulting services in water treatment, process development, intellectual portfolio and business plans.

Director since November 12, 2013

Independent

Pierre Côté studied Civil Engineering at L'École Polytechnique (Montreal) and obtained a Ph.D. from McMaster University (Hamilton) in 1986 for a thesis on hazardous waste stabilization. In 1989, he joined Zenon Environmental Inc. to develop membrane-based products and processes where he initiated the development of ZeeWeed®. Dr. Côté currently works as a consultant and advisor with a number of companies in water treatment. Over the 30 years of his R&D career, Dr. Côté has authored some 100 technical publications and obtained more than 77 patents related to membranes and membrane processes. He led a team that won a French Academy of Science prize for a project on nanofiltration in 1995. In 2000, Dr. Côté won the $100,000 Manning Principal Award for the ZeeWeed® technology; the award was shared with co-workers and all Zenon employees. In 2011, he won the L.W.Shemilt Distinguished Alumni Award from McMaster University.

Ownership of Securities	
Number of Common Shares	162,734
Number of Options	0
Directorships with Other Issuers	
None	
Committee Memberships	
Strategy Committee[1]	
Attendance at Board and Committee Meetings	
Board	8 of 9
Strategy Committee	6 of 6
Talent and Skills	
Business	Strategic Planning, Mergers and Acquisitions ("**M&A**"), Innovation
Industry	Water Technologies, Manufacturing and Supply Chain, Engineering and Construction
Environmental, Social and Governance	Environmental

FRÉDÉRIC DUGRÉ

Quebec City, Quebec, Canada

President and Chief Executive Officer
H_2O Innovation Inc.

Director since January 12, 1999

Non-Independent, as he currently serves as President and Chief Executive Officer of the Corporation.

[2]Mr. Dugré sits on the Strategy Committee as a member of the Corporation's management. See section 7.8.1 – "Strategy, Innovation and Large Projects Committee".

Frédéric Dugré graduated in 1996 from Laval University in Quebec City with a bachelor's in mechanical engineering. In 2000, he co-founded H_2O Innovation with the goal of taking part in the consolidation of the water treatment industry. Mr. Dugré has more than 20 years of experience in the management, financing and business development of publicly traded companies. His expertise in financing and marketing of clean technologies and his passion for the water treatment industry were instrumental to H_2O Innovation's growth. Among the different business recognitions that H_2O Innovation received through the years including the award of Water Company of the Year in 2020 by the GWI, Mr. Dugré was named twice among the top 25 Water Leaders in 2017 and 2021 by the WaterWorld Magazine. For 5 years, M. Dugré has served as board member of the Canadian Sciences & Technologies Museum in Ottawa. Since 2016, he is supporting entrepreneurship and innovation through the crowdfunding platform the "Ruche Québec" as a member of the Board of Directors.

Ownership of Securities	
Number of Common Shares	884,118
Number of Options	1,771,000
Directorships with Other Issuers	
None	
Committee Memberships	
Strategy Committee[2]	
Attendance at Board and Committee Meetings	
Board	9 of 9
Strategy Committee	5 of 6
Talent and Skills	
Business	Financing, Strategic Planning, M&A, Innovation

(1) For the purposes of this Circular, "**Strategy Committee**" means the Corporation's Strategy, Innovation and Large Projects Committee.

NOMINEES FOR ELECTION TO THE BOARD OF DIRECTORS		
	Industry	Water Technologies, O&M, Manufacturing/Supply Chain, Engineering/Construction
	Environmental, Social and Governance	Environmental, HR/Workforce
LEONARD F. GRAZIANO Palm Coast, Florida, USA Corporate Director Director since February 13, 2023 Independent *(1)Mr. Graziano was appointed as a member of the Strategy Committee by the Board of Directors upon his appointment as a director. Before that, Mr. Graziano sat on the Strategy Committee as an advisor. Six meetings of the Board of Directors have been held since Mr. Graziano became a director.*	From 2002 to 2011, Mr. Graziano held the position of President and CEO of Severn Trent Services, Inc. ("STS"), a subsidiary of Severn Trent PLC (UK), which provides water and wastewater treatment and operating services to utilities, municipalities and commercial customers around the world. He has also served as a board member of STS and of the National Association of Water Companies. Prior to joining STS, Mr. Graziano served five (5) years as President of Chemineer, Inc., a division of Robbins & Myers, Inc., a leader in industrial mixing and agitation equipment and technology. Prior to this role, Mr. Graziano held various executive positions in the pump industry. Mr. Graziano holds an MBA from Temple University and a Bachelor's degree in Industrial Engineering from Rutgers University, and has over 45 years of experience in the water treatment industry.	
	Ownership of Securities	
	Number of Common Shares	1,162
	Number of Options	0
	Directorships with Other Issuers	
	None	
	Committee Memberships	
	Strategy Committee	
	Attendance at Board and Committee Meetings(1)	
	Board	6 of 6
	Strategy Committee	6 of 6
	Talent and Skills	
	Business	Communication and Marketing, Strategic Planning, M&A, Innovation
	Industry	Water Technologies, O&M
	Environmental, Social and Governance	Governance, Compensation, Health and Safety, Environmental
RICHARD A. HOEL Naples, Florida, USA Private Investor and Corporate Director Director since July 10, 2008 Independent *(2)Mr. Hoel was appointed as a member of the Strategy Committee on December 5, 2022. Three meetings of the Strategy Committee have been held since then.*	Richard Alan Hoel holds a J.D. from Harvard Law School and a B.A. in Economics from Hamline University. He was a founding partner of Winthrop & Weinstine, a Minneapolis law firm of approximately 85 lawyers formed in 1979. His law practice focused on representing corporate and entrepreneurial clients particularly in the area of buying, restructuring and selling companies. In addition to his law practice, he has been an owner, director, and investor in numerous companies in various industries for over twenty years. As part of this process, he has been personally and professionally involved in the business, tax, securities, and regulatory issues associated with acquisitions, divestitures and restructurings. He has also been the Vice Chairman and long-time Trustee of Hamline University.	
	Ownership of Securities	
	Number of Common Shares	1,921,613
	Number of Options	0
	Directorships with Other Issuers	
	None	
	Committee Memberships	
	Audit Committee, Special Committee, Strategy Committee	
	Attendance at Board and Committee Meetings(2)	
	Board	8 of 9
	Audit Committee	7 of 8
	Special Committee	4 of 4
	Strategy Committee	3 of 3

NOMINEES FOR ELECTION TO THE BOARD OF DIRECTORS

BERTRAND LAUZON

Mont-Tremblant, Québec, Canada

Consultant to Management and Director
BFL Canada Inc.
Consulting firm providing services related to risk management, insurance brokerage and benefits.

Director since July 1, 2022

Independent

(1) Mr. Lauzon was appointed as a member of the Governance Committee on December 5, 2022. Five meetings of the Governance Committee have been held since then.

Bertrand Lauzon is Consultant to Management and Director of BFL CANADA and formerly Executive Vice-President and Chief Financial Officer of BFL CANADA. In this capacity, Mr. Lauzon continues to support the financial and operational activities of BFL CANADA. With his implication in the financial community, he represents BFL CANADA on several high-profile financial organizations. Mr. Lauzon joined BFL CANADA in 2006. Prior to this, he worked as a Chief Financial Officer for a large pension fund as well as for a well-known securities broker. An accredited professional accountant and certified financial analyst, Mr. Lauzon holds exceptional credentials in the financial sector, with more than 39 years of experience.

Talent and Skills

Business	Financing, Legal/Regulatory/Policy, Strategic Planning, M&A
Industry	Water Technologies
Environmental, Social and Governance	Compensation

Ownership of Securities

Number of Common Shares	7,364
Number of Options	0

Directorships with Other Issuers

None

Committee Memberships

Audit Committee, Special Committee, Governance Committee

Attendance at Board and Committee Meetings(1)

Board	9 of 9
Audit Committee	8 of 8
Special Committee	4 of 4
Governance Committee	5 of 5

CAROLINE LEMOINE

Saint-Lambert, Québec, Canada

Chief Legal Officer and Secretary (Since December 2018)
Vice-President, General Counsel and Secretary (Before December 2018)
Lassonde Industries Inc.
(TSX: LAS-A),
North American food product manufacturer

Director since December 6, 2022

Independent

(2) Ms. Lemoine was appointed as a member of the Governance Committee and of the Strategy Committee by the Board of Directors following her election as a director on December 6, 2022. Two meetings of the Strategy Committee and five meetings of the Governance Committee have been held since then.

(3) Ms. Lemoine was elected to the Board of Directors on December 6, 2022. Six meetings of the Board of Directors have been held since then.

Ms. Caroline Lemoine is Chief Legal Officer and Secretary of Lassonde Industries Inc. (TSX: LAS-A), a North American food product manufacturer. She is a member of the senior management and assumes the responsibility for the legal affairs of the corporation, including as they relate to Canadian and American acquisitions, commercial transactions, litigation and intellectual property. She monitors securities law compliance and disclosure issues. She assists the Board of Directors and is actively involved in the elaboration and implementation of the corporate governance practices. Ms. Lemoine brings 29 years of experience as a lawyer in business law and 18 years as general counsel of a public company. Prior to joining Lassonde Industries Inc. in 2004 to establish the legal department, she worked for 3 years in a company marketing a 3D technology allowing online sale of clothing and, for 7 years, in business law in a private practice firm. Member of the Quebec Bar since 1993, she holds a Bachelor of Laws (LL. B.) from the University of Montreal and the ICD.D certification obtained in 2022 after completing the Directors Education Program offered by the Institute of Corporate Directors and the Rotman School of Management, University of Toronto.

Talent and Skills

Business	Audit/Internal Control, Financing, Strategic Planning, M&A

Ownership of Securities

Number of Common Shares	2,232
Number of Options	0

Directorships with Other Issuers

None

Committee Memberships(2)

Special Committee, Governance Committee, Strategy Committee

Attendance at Board and Committee Meetings

Board	6 of 6(3)
Special Committee	4 of 4

NOMINEES FOR ELECTION TO THE BOARD OF DIRECTORS

	Strategy Committee	2 of 2
	Governance Committee	5 of 5
	Talent and Skills	
	Business	Financing, Legal/Regulatory/Policy, Communication/Marketing, Cybersecurity and IT, Strategic Planning, M&A, Public & Gov. Relationships, Risks
	Environmental, Social and Governance	Governance, Compensation, HR and Workforce

ELISA M. SPERANZA
New Orleans, Louisiana, USA

President
Seventh Ward Strategies, LLC
Company providing consulting services related to water, environmental stewardship, corporate citizenship, sustainability, social justice, impact investment, community empowerment, Environmental, Social and Governance ("**ESG**") and capacity-building.

Director since December 8, 2020

Independent

Ms. Speranza was employed with CH2M Hill Inc. (acquired by Jacobs Engineering Group 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. Since January 2021, Ms. Speranza acts as an independent director for Harris & Associates, a 100% employee-owned planning, engineering and construction management firm, and acts since January 2018 as an independent director for Northeast Power Coordinating Council Inc., a non-for-profit corporation responsible for promoting and enhancing the reliability of the international, interconnected bulk power system in the Northeastern North America. 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). A recognized leader in the water industry, she has more than 30 years of extensive experience serving in various roles in the private, non-profit and government sectors which allowed her to acquire the relevant experience to fulfill her responsibilities as member of the Governance Committee.

Ownership of Securities	
Number of Common Shares	56,606
Number of Options	0
Directorships with Other Issuers	
None	
Committee Memberships	
Governance Committee	
Attendance at Board and Committee Meetings	
Board	9 of 9
Governance Committee	11 of 11
Talent and Skills	
Business	Communication/Marketing, Strategic Planning, Public & Gov. Relationships
Industry	O&M, Engineering/Construction
Environmental, Social and Governance	Governance, Health & Safety, Environmental, Social, HR/Workforce

KIM STURGESS[(1)]
Calgary, Alberta, Canada

Chief Executive Officer
WaterSMART Solutions, Ltd.
Company providing water management strategic and engineering consulting services.

Independent

[(1)]Ms. Sturgess is a proposed candidate for election at the Meeting.

P. Kim Sturgess, C.M. holds an honours degree in Engineering Physics from Queen's University and a Master of Business Administration with Distinction from the University of Western Ontario. Dr. Sturgess is the founder and CEO of WaterSMART Solutions Ltd., a water management strategic and engineering consulting company that provides a unique combination of in-house integrated water management expertise, with access to a diverse external network of global and local leaders in the field. Over the last seventeen (17) years, Dr. Sturgess has been involved in the development of water projects and systems for several companies, as well as policy development for industrial and government clients. She has also served on the board of the Alberta Water Council and has participated in many local, national, and international forums on water management. As the CEO of several technology-based companies, Dr. Sturgess has extensive experience in technology start-ups and technology management, as well as in oil and gas, pipelines, and industrial products and services. She continues to serve on private companies and community boards of directors, as well as her own companies. She is a Fellow of the Canadian Academy of Engineering and a Member of the Order of Canada.

Ownership of Securities	
Number of Common Shares	0
Number of Options	0
Directorships with Other Issuers	
None	
Committee Memberships	
N/A	

NOMINEES FOR ELECTION TO THE BOARD OF DIRECTORS		
	Attendance at Board and Committee Meetings	
	Board	N/A
	Talent and Skills	
	Business	Legal/Regulatory/Policy, Strategic Planning, M&A, Innovation, Public & Gov. Relationships
	Industry	Water Technologies, Engineering/Construction
	Environmental, Social and Governance	Governance, Environmental
CLAUDE THIBAULT[(1)] Montreal, Québec, Canada Senior Vice-President and Chief Financial Officer ***Alithya Group Inc.***. Company providing strategy and digital technology consulting services. Independent *[(1)]Mr. Thibault is a proposed candidate for election at the Meeting.*	Claude Thibault is a Chartered Professional Accountant and a Chartered Business Valuator, and since 2018 serves as Senior Vice-President and Chief Financial Officer of Alithya Group Inc. (TSX, NASDAQ: ALYA), one of Canada's most prominent, international strategy and digital technology consulting firms. Prior to joining Alithya Group, Mr. Thibault earned over twenty (20) years of experience as CFO of a variety of companies, both publicly-traded and private, in various sectors. Mr. Thibault previously gained in-depth expertise and experience in investment banking, corporate finance, M&A, capital markets and securities regulations, both in Canada and the United States, as Vice-President - Investment Banking with Midland Walwyn Capital/Merrill Lynch Canada and KPMG, where he completed numerous debt and equity financings, and worked on many M&A transactions. His financial advisory experience also includes business valuation, feasibility and profitability analyses, litigation support, insolvency, and general strategic advisory assignments.	
	Ownership of Securities	
	Number of Common Shares	0
	Number of Options	0
	Directorships with Other Issuers	
	None	
	Committee Memberships	
	N/A	
	Attendance at Board and Committee Meetings	
	Board	N/A
	Talent and Skills	
	Business	Audit/Internal Control, Financing, Legal/Regulatory/Policy, Cybersecurity and IT, Strategic Planning, M&A, Innovation, Public & Gov. Relationships
	Industry	O&M, Manufacturing/Supply Chain, Engineering/Construction
	Environmental, Social and Governance	Governance, Compensation, Health and Safety, Social

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 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.

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 compensation. The Board of Directors, upon the advice of the Audit Committee, recommends that Ernst & Young LLP ("**EY**") be reappointed as auditor of the Corporation. EY was first appointed as auditor of the Corporation on December 6, 2017 for the fiscal year ended June 30, 2018. The reappointment of EY for the fiscal year ending June 30, 2024, 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, 2023, and June 30, 2022, 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.sedarplus.ca) and may also be obtained through the Investors Relations Department of the Corporation at the address set forth in section 10 - "Additional Information" below.

Unless the authorization to vote regarding this matter is withheld, the proxyholder designated in the Form of Proxy or VIF will vote in favour of the appointment of EY as auditor of the Corporation for the fiscal year ending June 30, 2024, and in favour of authorizing the directors to determine EY's compensation.

3 EXECUTIVE COMPENSATION DISCUSSION AND ANALYSIS

3.1 General

3.1.1 Governance, Remuneration and ESG Committee

The Committee and its Members

The Corporation's compensation mechanisms are monitored by the Governance, Remuneration and ESG Committee of the Corporation (the "**Governance Committee**"). Since December 5, 2022, the members of the Governance Committee are Bertrand Lauzon, Caroline Lemoine, Lisa Henthorne and Elisa Speranza, as Chair.

All of the current members of the Governance Committee are "independent directors" within the meaning of Regulation 58-101, as defined in section 7.1.1 - "Independent Directors" of this Circular, and have relevant experience to fulfill their responsibilities as to the compensation of the Named Executive Officers (as described in section 3.7).

For information regarding the credentials and skills of the current members of the Governance Committee who will seek re-election as directors at the Meeting, please refer to the table titled "Nominees for Election to the Board of Directors" under section 2.2 of this Circular. Since Ms. Henthorne is not standing for re-election, her credentials are described below.

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. 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. 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. Ms. Henthorne is currently a member of the Board of Directors of the Produced Water Society, where she served as president from 2019 to 2021. Her professional career and the positions she held over all those years allowed her to acquire direct experience relevant to her responsibility in executive compensation.

The Governance Committee provides oversight, assessment, guidance and/or recommendations to the Board of Directors on the following matters: (i) corporate governance affairs, (ii) succession planning, performance review and compensation of the executive officers and members of the Board of Directors, (iii) employee benefits and talent management, (iv) risk management, (v) health & safety and environmental compliance, (vi) ESG plans and initiatives as well as (vii) cybersecurity. In addition, the Governance Committee reviews and recommends, for approval by the Board of Directors, any statement related to the executive compensation included in any management proxy circular as well as any other document related to executive compensation. During the fiscal year ended June 30, 2023, the Governance Committee held five (5) meetings.

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 strategic orientation and consistent with shareholder value creation. The Corporation's goal is to provide market competitive compensation aligned 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 their respective duties. The Governance Committee reviews, on an annual basis, the compensation packages of the executive officers in order to ensure their competitiveness and compliance with the objectives, values and strategies of the Corporation.

During fiscal year ended June 30, 2023, the services of Hugessen Consulting Inc. ("**Hugessen**"), a compensation consultant, were retained by the Governance Committee to review the compensation strategy and policies of the Corporation. Hugessen presented its report and recommendations to the Governance Committee in June 2023. After review of the compensation consultant's report and following discussions between the members of the Governance Committee and the Board of Directors, some of their recommendations regarding the compensation of the Corporation's executive officers were approved and will be implemented during fiscal year ending on June 30, 2024, including (i) the addition of a provision to the executive officers' Annual Variable Remuneration plan (as detailed in section 3.2.2), whereby no amounts shall be paid under the Annual Variable Remuneration plan if the adjusted EBITDA[1] threshold provided therein is not met, regardless of how the other metrics are scored, and (ii) the introduction of a performance share unit plan ("**PSU Plan**") as an additional component of the Corporation's Long-Term Incentive Plan ("**LTIP**"). Other recommendations provided in Hugessen's report were approved and have been implemented, effective as of July 1, 2023, including salary increases for executive officers and modifications of the respective weights of the Annual Variable Remuneration metrics.

3.1.3 Elements of Compensation

The Corporation seeks to achieve the compensation objectives described above through different elements of compensation. The Corporation believes that these various elements are important to effectively achieve the objectives of its executive compensation philosophy.

The following table provides a concise summary of the various components of compensation to which the Corporation's Named Executive Officers are entitled as of the date of this Circular. For a more detailed description of such components, please refer to sections 3.2 - "Non-Equity Compensation", 3.3 - "Equity Compensation" and 3.4 - "Other Compensation" below.

COMPONENTS OF EXECUTIVE COMPENSATION		
NON-EQUITY COMPENSATION		
Component	**Philosophy**	**Description**
Base Salary	Position the Corporation at a competitive level within its peer group and consider the Corporation's expansion objectives.	Reviewed annually by the Governance Committee, for recommendation to and approval by the Board of Directors, based on recommendations provided by the CEO of the Corporation. The base salaries of the Named Executive Officer may be increased according to the Named Executive Officer's level of experience and responsibilities. They may also be increased in accordance with recommendations from compensation consultants whose services may be retained by the Governance Committee from time to time, which recommendations may be based on the position of the Corporation's executive compensation within its peer group.
Annual Variable Remuneration	Important component of the compensation strategy to : (i) encourage the achievement of corporate and personal targets; and (ii) support team spirit, which is key to create value for the Corporation's shareholders.	Cash bonus representing a certain percentage of the Named Executive Officer's annual base salary and based on the achievement level of financial and non-financial targets, recommended by the Governance Committee to the Board of Directors for approval. The achievement of such targets and the amount of variable compensation to be paid is assessed by the Governance Committee annually and approved by the Board of Directors.
Cash Plan	Align pay and performance by rewarding executive officers for long-term strategic accomplishments and enhancement of long-term shareholder value.	The cash plan is the non-equity component of the LTIP for certain Named Executive Officers. Awards granted in the form of a cash plan represent a percentage of the executive officer's base salary for a given fiscal year. The LTIP is reviewed annually by the Governance Committee for recommendation to and approval by the Board of Directors.
EQUITY COMPENSATION		
Component	**Philosophy**	**Description**
Stock Option Plan	Attract and retain key employees and executive officers. Provide an incentive to participate in the long-term development of the Corporation and to increase shareholder value.	Option-based awards are the equity component of the LTIP for certain Named Executive Officers. The Board of Directors may approve, upon recommendation of the Governance Committee, grants of stock options to managers, key employees and consultants of the Corporation, as per the Corporation's Stock Option Plan, as detailed in section 8.1 - "Stock Option Plan".

[1] Adjusted EBITDA is a financial measure that is not consistent with IFRS. For the definition of this measure and its reconciliation with the financial measure established in accordance with IFRS in the Corporation's consolidated financial statements, please refer to the section titled "Non-IFRS Financial Measurements" of the Corporation' Management's Discussion and Analysis for the fiscal year ended June 30, 2023, dated September 26, 2023, which is incorporated by reference into this Circular and is available on the Corporation's website and on SEDAR+ at www.sedarplus.ca

OTHER COMPENSATION		
Component	**Philosophy**	**Description**
Employee Benefits	Provide an effective and attractive executive compensation program.	Participation in the Corporation's car program or car allowance, as the case may be; Life and disability insurance; Health insurance plan; and Collective Registered Retirement Savings Plan ("**RRSP**") for its Canadian employees and an active employer sponsored retirement savings plan (401(k)) for its US employees.
Share Purchase Plan ("**SPP**")	Encourage the Corporation's employees and executive officers to hold shares of the Corporation, to: (i) align their interest with those of the other shareholders, and (ii) promoting the culture of synergies within the Corporation.	Shares obtained pursuant to the SPP are purchased on the market and are not issued from the treasury. Corporation's contribution equal to 25% of the participant's contribution. No vesting period.

3.1.4 Benchmarking – Executive Officers' Compensation

As previously mentioned, the services of a compensation consultant, Hugessen Consulting Inc., were retained during the fiscal year ended June 30, 2023 to review the compensation strategy and policies of the Corporation for its executive officers and directors, the design of the Short Term Incentive Plan ("**STIP**") and LTIP, and some governance considerations, by measuring the current compensation strategy of the Corporation against that of comparable companies, as listed in the "Compensation Peer Group Table" under section 3.1.5 below, and by reviewing the different components or criteria of the Annual Variable Remuneration. Hugessen performed a benchmark analysis with respect to the main components of the compensation of the Corporation's executive officers and directors.

The analysis performed by the compensation consultant set ranges for the executive officers' target total direct compensation, which includes base salary, STIP and LTIP. The compensation consultant concluded that the total direct compensation of the Corporation's executive officers is positioned at the 40th percentile of the Peer Group (as defined below) on Total Enterprise Value, at the 38th percentile of the Peer Group on Market Capitalization, and above the 75th percentile of the Peer Group on Revenue. The Governance Committee made recommendations to the Board of Directors to (i) increase the base salaries of the executive officers to bring them closer to the median of the Peer Group over a period of three (3) years, and (ii) modify the respective weights of the Annual Variable Remuneration metrics, which recommendations have been approved by the Board of Directors and were implemented effective on July 1, 2023. Moreover, the Governance Committee also made recommendations to the Board of Directors to (i) add a provision to the Annual Variable Remuneration plan (as detailed in section 3.2.2), whereby no amounts shall be paid under the Annual Variable Remuneration plan if the adjusted EBITDA threshold provided therein is not met, regardless of how the other metrics are scored, and (ii) implement a PSU Plan as an additional component of the LTIP, which recommendations have been approved by the Board of Directors and will be implemented during the fiscal year ending on June 30, 2024.

3.1.5 Compensation Peer Group Table

The peer group which was identified and used to benchmark the main components of the executive officers' and directors' compensation was comprised of sixteen (16) publicly-traded companies with business model characteristics similar to the Corporation's, which focus on water management, operation & maintenance and chemicals (the "**Peer Group**"). Six (6) out of the sixteen (16) peer companies are based in Canada, nine (9) are based in the U.S. and one (1) is based in the Cayman Islands.

The table below lists all companies included in the Peer Group and summarizes the most important criteria used to determine which companies to include in it. The data shown in the table is up to date as of June 4, 2023, and all figures shown are in Canadian dollars (source: Company Proxy Data).

Company	**Headquarters**	**Industry**	**Total Entreprise Value (MM$)**	**Total Assets (MM$)**	**Market Capitalization (MM$)**	**EBITDA[1] ($MM)**	**Revenue (MM$)**
Energy Recovery, Inc.	United States	Machinery (Industrial)	1,674	294	1,775	40	170
The York Water Company	United States	Utilities (Water)	1,073	691	884	45	81
Artesian Resources Corporation	United States	Utilities (Water)	982	974	717	57	134
NanoXplore Inc.	Canada	Commodity Chemicals	504	155	518	-7	116
Global Water Resources, Inc.	United States	Utilities (Water)	534	437	393	24	61
5N Plus Inc.	Canada	Specialty Chemicals	447	471	300	36	358

Company	Headquarters	Industry	Total Entreprise Value (MM$)	Total Assets (MM$)	Market Capitalization (MM$)	EBITDA[1] ($MM)	Revenue (MM$)
Consolidated Water Co. Ltd.	Cayman Islands	Utilities (Water)	307	261	361	21	127
Pure Cycle Corporation	United States	Utilities (Water)	260	173	298	13	27
Velan Inc.	Canada	Machinery (Industrial)	275	646	275	46	515
Alithya Group Inc.	Canada	IT Consulting and Other Services	384	473	259	24	506
Aenergia Inc.	Canada	Environmental and Facilities Services	539	692	117	-15	166
Graham Corporation	United States	Machinery (Industrial)	201	281	194	11	208
Perma-Pipe International Holdings, Inc.	United States	Machinery (Industrial)	153	157	116	21	198
Fluence Corporation Limited	United States	Machinery (Industrial)	106	167	108	-3	161
Fathom Digital Manufacturing Corporation	United States	Machinery (Industrial)	415	501	63	12	218
Flexible Solutions International, Inc.	Canada	Specialty Chemicals	63	50	56	10	59
Compensation Peer Group Average	-	-	495	402	402	21	194
75th Percentile	-	-	535	538	424	37	211
50th Percentile	-	-	400	366	286	21	164
25th Percentile	-	-	246	172	117	11	107
H_2O Innovation Inc. as of June 2023	Canada	Machinery (Industrial)	307	218	242	17	224

1 EBITDA is a financial measure that is not consistent with IFRS. For the definition of this measure and its reconciliation with the financial measure established in accordance with IFRS in the Corporation's consolidated financial statements, please refer to the section titled "Non-IFRS Financial Measurements" of the Corporation' Management's Discussion and Analysis for the fiscal year ended June 30, 2023, dated September 26, 2023, which is incorporated by reference into this Circular and is available on the Corporation's website and on SEDAR+ at www.sedarplus.ca

3.1.6 Executive Compensation-Related Fees

During the past two (2) years, the Corporation paid the following fees to Hugessen, the compensation consultants 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, 2023	Fiscal year ended June 30, 2022
Executive Compensation-Related Fees	87,576	---
All Other Fees	---	---

3.2 Non-Equity Compensation

3.2.1 Base Salary

Base salaries of the Named Executive Officers for the fiscal year ended June 30, 2023, are provided in section 3.7 - "Summary Compensation Table" below. Effective on July 1, 2022, the base salaries of the Named Executive Officers have been increased by percentages ranging from 2% to 6%, in line with the cost-of-living salary increases granted to most employees of the Corporation for the same fiscal year.

3.2.2 Short-Term Incentive Plan (STIP)

The Corporation's short-term incentive plan includes maximum potential cash payments based on various objectives related to the financial and non-financial performance of the Corporation 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.

Annual Variable Remuneration

For the purpose of establishing the Annual Variable Remuneration, each Named Executive Officer's performance is evaluated based on the level achievement of targets related to financial and non-financial performance (collectively, the "**Performance Criteria**"). The following table provides an outlook of the Annual Variable Remuneration structure of the Named Executive Officers. Each criterion is attributed a specific weight, which varies from one Named Executive Officer to the other.

Criteria	Financial Performance	Non-Financial Performance
Components	• Revenues EBITDA / EBAC • Debt	• Tactical Objectives (Roadmap) • 360° Evaluation • Health and Safety
Weight	70%	30%

[1]EBAC means earnings before administration costs and this component is only applicable to the calculation of Mr. William Douglass' Annual Variable Remuneration. EBAC is a financial measure that is not consistent with IFRS. For the definition of this measure and its reconciliation with the financial measure established in accordance with IFRS in the Corporation's consolidated financial statements, please refer to the section titled "Non-IFRS Financial Measurements" of the Corporation' Management's Discussion and Analysis for the fiscal year ended June 30, 2023, dated September 26, 2023, which is incorporated by reference into this Circular and which is available on the Corporation's website and on SEDAR+ at www.sedarplus.ca

All components of the Performance Criteria, as well as their target, minimum and maximum performance levels when applicable, are approved annually by the Board of Directors, following recommendations from the Governance Committee. After year end, the Governance Committee evaluates the level of achievement (in percentage) of each of the Performance Criteria for each Named Executive Officer compared to the target level that had been set for each criterion (the "**Performance Evaluation**"). The Governance Committee then reviews, for each Named Executive Officer, the value for each of the criteria, based on the Performance Evaluation and on the weighting of each of the criteria for such Named Executive Officer. Then, the values for each of these criteria are added to obtain the actual Annual Variable Remuneration payable to the Named Executive Officer.

The portion of the Annual Variable Remuneration relating to financial performance is only payable if a certain EBITDA level is reached. For the fiscal year ended June 30, 2023, since the level of EBITDA previously established and approved by the Board of Directors was reached, the Named Executive Officers were entitled to receive the portion of their Annual Variable Remuneration related to financial performance, which represents 75.59% of the total amount of Annual Variable Remuneration granted to the Named Executive Officers for fiscal year ended on June 30, 2023, regardless of the percentage to which each of them was entitled.

The Corporation believes that disclosing the minimum, target and maximum levels established for the financial performance criteria as well as the targets of the division-level performance 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.

The target amount of Annual Variable Remuneration that may be paid to each Named Executive Officer ranges from 0% to 60% of the Named Executive Officer's annual base salary. Effective on July 1, 2021 the Board approved, upon recommendation of the Governance Committee, an amendment to the Annual Variable Remuneration plan in order to allow certain Named Executive Officers to stretch their Annual Variable Remuneration by 12% to 18% in the event that the Performance Criteria are exceeded up to a maximum level established by the Governance Committee.

<table>
<tr><th rowspan="2">Named Executive Officers</th><th rowspan="2">% of the Base Salary (Target)</th><th rowspan="2">% of the Base Salary (Maximum)</th><th colspan="2">Performance Criteria</th></tr>
<tr><th>% related to Financial Performance Criteria</th><th>% related to Non-Financial Performance Criteria</th></tr>
<tr><td>Frédéric Dugré
President and Chief Executive Officer</td><td>60%</td><td>78%</td><td rowspan="4">70%</td><td rowspan="4">30%</td></tr>
<tr><td>Marc Blanchet
Chief Financial Officer</td><td>50%</td><td>65%</td></tr>
<tr><td>Guillaume Clairet
Chief Operating Officer</td><td>50%</td><td>65%</td></tr>
<tr><td>Gregory Madden
Chief Strategy Officer</td><td>40%</td><td>52%</td></tr>
<tr><td>William Douglass
Vice President and Managing Director, O&M</td><td colspan="2">45%</td><td>71%</td><td>29%</td></tr>
</table>

3.2.3 Long-Term Incentive Plan (LTIP)

During fiscal year ended June 30, 2021, the Board of Directors approved, following recommendations from the Governance Committee, the implementation of a LTIP to the benefit of the certain Named Executive Officers (referred to as the "**Participants**" for the purpose of this section 3.2.3 and when it is referred to the LTIP in this Circular), after having considered and assessed a certain number of factors to determine the Corporation's long-term incentive strategy, including the balance between sustained long-term shareholder value creation and the executive retention risk. The intent of the Board of Directors is to grant long-term incentive awards (the "**Awards**") every fiscal year based on the updated 3-year Strategic Plan of the Corporation, in order to have a LTIP comprised of either cash, equity or a mix of cash and equity (such as, without limitations, stock options or performance share units). However, there can be no assurance that Awards will be granted every year.

Once the grant of Awards is approved by the Governance Committee, the Board of Directors determines the performance measures and metrics to be considered for the LTIP, which are tightly linked to the objectives, metrics and key performance indicators of the Corporation's 3-year Strategic Plan (the "**LTIP Goals**"). The grant of Awards to the Participants is discussed and approved at meetings of the Governance Committee and the Board of Directors. In order to determine each Participants' Award, the Committee takes into consideration individual performance, retention risk, Corporation's compensation approach and the equity position or ownership of the Participants. The LTIP performance period has been determined to be a period of three (3) years beginning on the first day of the Corporation's fiscal year and ending on the last day of the third following fiscal year (the "**Performance Period**").

In the event that the Corporation fully achieves the LTIP Goals for a given Performance Period, each Participant is entitled to receive the target Award granted by the Board of Directors at the beginning of the Performance Period. Participants' actual Awards at the end of the Performance Period may vary from their target Award if H_2O Innovation performs above or below the LTIP Goals.

Cash Plan

In February 2021, the Governance Committee determined that the Awards for fiscal year ended June 30, 2021, based on the results of Performance Period beginning on July 1, 2020, and ending on June 30, 2023 (the "**2020-2023 Performance Period**"), would be in the form of a cash plan. For the 2020-2023 Performance Period, the Awards granted to the Participants represent a percentage of their respective base salary for fiscal year ending on June 30, 2021, which will be paid out to the Participants at the end of the 2020-2023 Performance Period ending on June 30, 2023, if the LTIP Goals are reached:

Target Award	Participant	Maximum Award
30%	President and Chief Executive Officer	60%
25%	Chief Operating Officer Chief Financial Officer	50%
20%	Chief Strategy Officer	40%

3.3 Equity Compensation

3.3.1 Option-Based Awards

As mentioned in section 3.2.3 - "Long-Term Incentive Plan (LTIP)" above, the Corporation's LTIP is comprised of either cash, equity or a mix of cash and equity (such as, without limitation, stock options or performance share units).

On May 17, 2021, the Governance Committee determined that the Awards for the Performance Period beginning on July 1, 2021 and ending on June 30, 2024 would be in equity, under the form of stock options. Therefore, stock options were granted to the Participants on May 17, 2021, under the LTIP as follows:

Participant	Number of Stock Options
President and Chief Executive Officer	396,000
Chief Operating Officer	252,000
Chief Financial Officer	224,000
Chief Strategy Officer	184,000

Outside of the LTIP, the decision to grant stock 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, 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. Therefore, the Corporation may authorize, from time to time, the grant of stock options to its directors, executive officers and employees. The relative importance of stock options in the compensation of executive officers and employees will generally vary depending on the number of stock options that are outstanding at the time. For further details as to the specific terms of the Stock Option Plan, see section 8.1 - "Stock Option Plan" below.

During fiscal year ended on June 30, 2022, no stock options have been granted to the Named Executive Officers, except for Mr. William Douglass who received an aggregate number of 85,500 stock options of the Corporation. For further details, see section 3.7.1 - "Grant of Stock Options".

During fiscal year ended on June 30, 2023, no stock options have been granted to the Named Executive Officers.

3.4 Other Compensation

3.4.1 Employee benefits

Named Executive Officers are entitled to benefits directly related to the performance of their duties and position of Named Executive Officers, such as participation in the Corporation's car program, car allowance, as well as life and disability insurance, as the case may be. Moreover, the Named Executive Officers are covered by the Corporation's health insurance plan, available to all the employees.

The Corporation has implemented a collective 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. Since October 2021, the Corporation, as employer, contributed an amount equivalent to 3% of the employee's salary if the employee worked on a full-time basis and had 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.

The Corporation's collective employer sponsored retirement savings plan ("**401(k)**") was implemented for the benefit of all its US employees, including the Named Executive Officers located in the USA. Employees are eligible to participate in such plan after three (3) months of employment. The Corporation, as employer, contributes an amount equivalent to 100% of the employee's contribution, up to a maximum amount equivalent to 3% of the employee's salary. The Corporation's contribution is acquired or vested over a period of five (5) years of full-time employment.

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 total salary.

3.4.2 Share Purchase Plan

In July 2014, the Corporation established a Share Purchase Plan for the benefit of its employees, those of its affiliated companies, including the Named Executive Officers, and its directors. 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 401(k) plan or RRSP (as defined in section 3.4.1 - "Employee benefits") an amount equivalent to 1.5% of their base salary, 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.

In May 2023, in addition to the employees and Named Executive Officers of the Corporation to whom the Share Purchase Plan was already applicable, as described in the previous paragraph, the Corporation's Share Purchase Plan was amended to apply to consultants who have provided services to the Corporation for at least one (1) year and who have been identified as "key consultants" by the Corporation.

3.4.3 President and Chief Executive Officer

The compensation of the President and Chief Executive Officer includes the same elements of compensation described in section 3.2 - "Non-Equity Compensation", section 3.3 - "Equity Compensation" and section 3.4 - "Other Compensation".

3.5 Risks associated with the Corporation's Compensation Policies

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.

In May 2021, the Corporation’s Disclosure, Confidentiality and Trading Policy was amended to add an anti-hedging provision applicable to the Corporation’s directors, executive officers, and employees having access to material information.

In addition, a Clawback Policy was adopted by the Corporation on May 12, 2021, which allows the Board of Directors of the Corporation to recover from executive officers**,** or from their respective direct reports, any compensation paid under STIP, LTIP, bonus programs, commissions or other form of incentive compensation upon the occurrence of specific events.

In July 2023, the Corporation’s Disclosure, Confidentiality and Trading Policy was amended to also apply, in addition to the Corporation's directors and executive officers, to the Corporation's business line and business function managers, its consultants and members of all of their immediate families. Moreover, the Disclosure, Confidentiality and Trading Policy was also amended to require that persons to whom it applies obtain an authorization from both the Corporation's Chief Financial Officer and its Vice President, Corporate and Legal Affairs, before entering into any transaction with respect to the Corporation's securities.

3.6 Conclusion

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 - “Executive Compensation Discussion and Analysis” 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 last three (3) fiscal years by 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, 2023 (the "**Named Executive Officers**").

Name and Principal Position	Year ended June 30	Salary ($)	Share based Award ($)	Option based Award ($)	Non-Equity Incentive Plan Compensation[5] ($)		Pension Value ($)	All Other Compensation ($)[6]	Total Compensation ($)
					Annual Incentive plans	Long-term Incentive Plans			
Frédéric Dugré President and Chief Executive Officer	2023	391,000	---	---	219,154	---	---	22,832	632,986
	2022	380,000	---	---	227,431	---	---	29,613	637,044
	2021	330,000	---	620,136[3]	198,000	---	---	17,738	1,165,874
Marc Blanchet Chief Financial Officer	2023	252,000	---	---	117,684	---	---	23,693	393,377
	2022	245,000	---	---	117,346	---	---	28,037	390,383
	2021	225,000	---	350,784[3]	109,258	---	---	14,535	699,577
Guillaume Clairet Chief Operating Officer	2023	309,000	---	---	144,103	---	---	20,462	473,565
	2022	300,000	---	---	148,195	---	---	21,520	469,715
	2021	250,000	---	394,632[3]	124,856	---	---	16,068	785, 556
Gregory Madden Chief Strategy Officer[1]	2023	259,244	---	---	96,772	---	---	35,369	391,385
	2022	240,483	---	---	96,987	---	---	37,031	374,501
	2021	209,492	---	288,144[3]	83,687	---	---	26,812	608,135
William Douglass Vice President and Managing Director, O&M [2]	2023	304,681	---	---	129,132	---	---	34,024	467,837
	2022	291,111	---	101,934[4]	106,028	---	---	52,716	551,789
	2021	280,955	---	---	110,789	---	---	27,070	418,814

(1) Gregory Madden joined the Corporation in November 2009. In February 2014, he was appointed as Vice President Products & Services before becoming Vice President and Managing Director, Aftermarket & Digital Solutions in September 2017. On July 1, 2020, Gregory Madden was appointed Chief Strategy Officer of the Corporation. Since Mr. Madden's compensation is paid in US dollars, his compensation 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 1.3247 for 2023, 1.2657 for 2022 and 1.2396 for 2021.

(2) William Douglass joined the Corporation on July 26, 2016 with the acquisition of Utility Partners, LLC ("**Utility Partners**") as Senior Vice President prior to becoming Vice President, Operations and Maintenance and Managing Director of Utility Partners on January 26, 2018. Since Mr. Douglass's compensation is paid in US dollars, his compensation 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 1.3247 for 2023, 1.2657 for 2022 and 1.2396 for 2021.

(3) The stock options granted to the Messrs. Frédéric Dugré, Marc Blanchet, Guillaume Clairet and Gregory Madden during fiscal year ended June 30, 2021 are part of the LTIP and for the Performance Period beginning on July 1, 2021 and ending on June 30, 2024. As these stock options have a vesting period of 5 years, 20% of the stock options granted will be available for the Participants to exercise annually, on a cumulative basis, from May 17, 2022. Therefore, as of June 30, 2023, 40% of the stock options granted to each of Messrs. Frédéric Dugré, Guillaume Clairet, Marc Blanchet and Gregory Madden on May 17, 2021, were vested. The fair value of each stock option granted was determined by using the Black-Scholes option pricing model and was established at $1.566 per option. Fair market value's key assumptions and estimates are described in section 3.7.1 - "Grant of Stock Options" of this Circular.

(4) The stock options granted to Mr. William Douglass on November 15, 2021, and on May 16, 2022, have a vesting period of three (3) years. Therefore, 33.3% of the stock options granted will be available for William Douglass to exercise annually, on a cumulative basis, from November 15, 2022 for the options granted on November 15, 2021, and from May 16, 2023 for the options granted on May 16, 2022, as detailed in section 3.7.1 - "Grant of Stock Options" below. As of June 30, 2023, 33.3% of each of the stock options respectively granted to William Douglass on November 15, 2021, and on May 16, 2022, were vested. The fair value of each stock option granted on November 15, 2021, was determined by using the Black-Scholes option pricing model and was established at $1.308 per option. The fair value of each stock option granted on May 16, 2022, was also determined by using the Black-Scholes option pricing model and was established at $1.176 per option. Fair market value's key assumptions and estimates are described in section 3.7.1 - "Grant of Stock Options" of this Circular.

(5) The non-equity incentive plan compensation refers to the STIP and LTIP, as further detailed in section 3.2.2 - "Short-Term Incentive Plan (STIP)" and section 3.2.3 - "Long-Term Incentive Plan (**LTIP**)" of this Circular.

(6) The amounts disclosed under "All Other Compensation" include benefits that are also generally available to all other employees of the Corporation, such as the Corporation's contribution to the SPP, premium for life and disability insurance plan, and the Corporation's contributions into personal saving plans and health insurance plan, as well as participation in the Corporation's car program, as the case may be. Therefore, none of the Named Executive Officers are entitled to perquisites or other personal benefits worth over $50,000 or over 10% of their total salary. During fiscal years 2020 and 2021, the Corporation also contributed to a private health and medical program for Messrs. Frédéric Dugré, Marc Blanchet and Guillaume Clairet, but no such contribution was granted during fiscal years 2022 and 2023.

3.7.1 Grant of Stock Options

During fiscal year ended June 30, 2023, the Board of Directors of the Corporation did not grant stock options to the Named Executive Officers.

During fiscal year ended June 30, 2022, the Board of Directors of the Corporation did not grant stock options to the Named Executive Officers, except for Mr. William Douglass who was granted 10,500 stock options on November 15, 2021 and 75,000 stock options on May 16, 2022.

On November 15, 2021, a total of 573,000 stock options, having an exercise price of $2.64 and a vesting period of three (3) years, have been granted by the Corporation to high and mid-level managers of the Corporation. One third (1/3) of the aggregate number of options awarded is vested, on a cumulative basis, each year on the anniversary date of the grant. In determining the fair value of the stock option-based awards granted on November 15, 2021, the Black-Scholes option pricing model, an established methodology, was used, with the following assumptions:

(i) Risk-free interest rate**:** 1.48%;

(ii) Expected volatility in the market price of 57.00%;

(iii) No dividend yield; and

(iv) Expected life of 5.0 years.

On May 16, 2022, a total of 2,100,000 stock options, having an exercise price of $2.25 and a vesting period of three (3) years, have been granted by the Corporation to high and mid-level managers of the Corporation. One third (1/3) of the aggregate number of options awarded is vested, on a cumulative basis, each year on the anniversary date of the grant. The Black-Scholes option pricing model was used to determine the fair value of the stock option-based awards granted on May 16, 2022, with the following assumptions

(i) Risk-free interest rate**:** 2.71%;

(ii) Expected volatility in the market price of 56.06%;

(iii) No dividend yield; and

(iv) Expected life of 6.0 years.

3.7.2 Significant Terms of Employment Agreements

The following table provides a summary of the Named Executive Officers' significant terms of their respective employment agreement as of June 30, 2023.

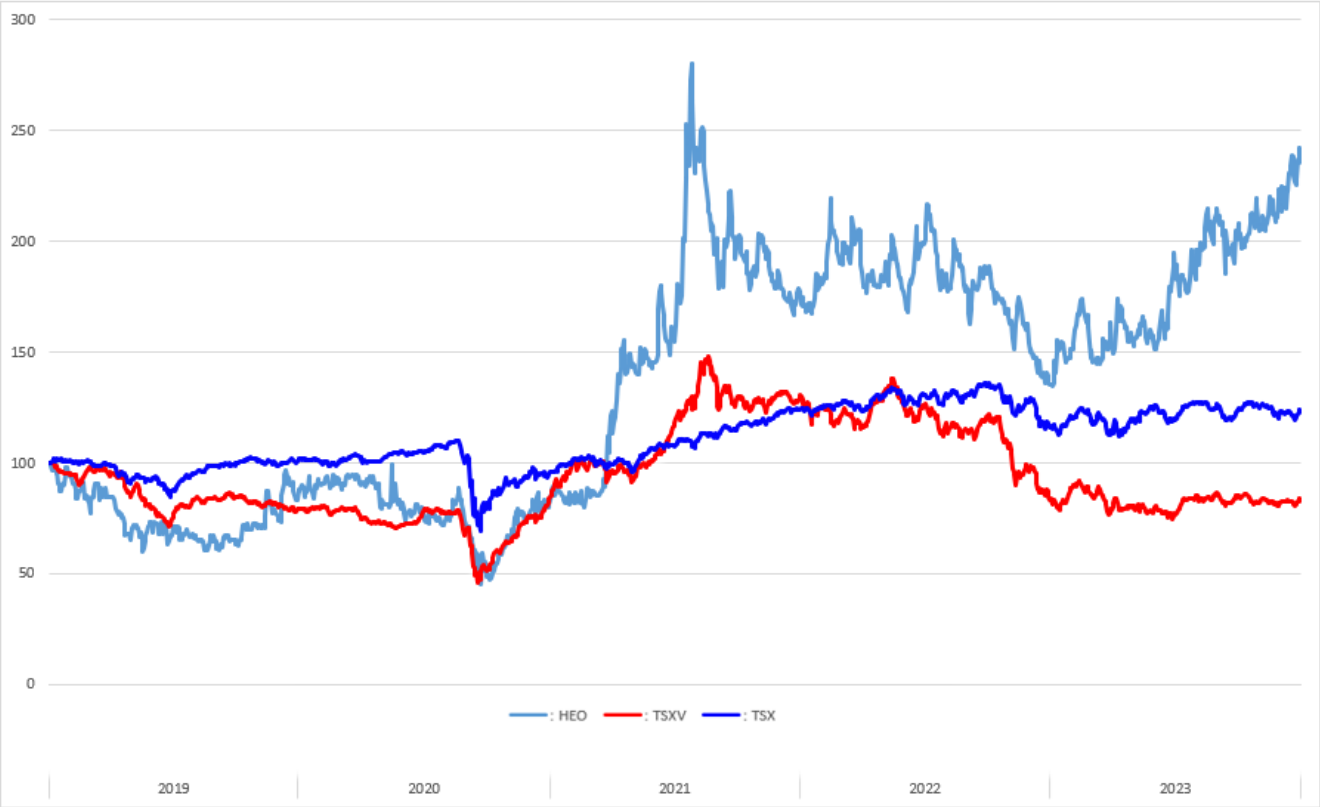
OFFICER & CITIZENSHIP / EMPLOYMENT AGREEMENT COMPONENTS	**Frédéric Dugré (Canada)**	**Marc Blanchet (Canada)**	**Guillaume Clairet (Canada)**	**Gregory Madden (USA)**	**William Douglass (USA)**
Term	Indefinite	Indefinite	Indefinite	Indefinite	Indefinite
Annual Base Salary	$391,000	$252,000	$309,000	$259,244[(1)]	$304,681[(1)]
Target / Maximum Annual Variable Remuneration	60% / 78%	50% / 65%	50% / 65%	40% / 52%	45%
Corporation's Contribution to RRSP (Canada) or 401(k) (USA) Plan	3% contribution in a collective RRSP retirement plan	3% contribution in a collective RRSP retirement plan	3% contribution in a collective RRSP retirement plan	100% of personal contribution, which cannot exceed 3% of his gross pay	100% of personal contribution, which cannot exceed 3% of his gross pay
Car Program / Car Allowance	Car Program	Car Program	Car Program	$1,649 per month[(2)]	$1,192 per month[(2)]
Life and Disability Insurance	Yes	Yes	Yes	No	No
Health Insurance Plan	Yes	Yes	Yes	Yes	Yes
Share Purchase Plan	Yes	Yes	Yes	Yes	Yes
Confidentiality and Non-Competition Covenants – after termination of employment	2 years	1 year	1 year	1 year	5 years

(1) Since Mr. Madden's and Mr. Douglass's compensation is paid in US dollars, their compensation 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 1.3247 for 2023.

(2) Since Mr. Madden's and Mr. Douglass's car allowance is paid in US dollars, the amount of such car allowance 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 1.3247 for 2023.

3.8 Performance Graph

On March 22, 2022, the Corporation graduated from the Toronto TSX Venture Exchange Inc. to the Toronto Stock Exchange. On June 30, 2023, the closing price of the common shares on the Toronto Stock Exchange was $3.20 per share. The following graph shows the cumulative return of a $100 investment on the common shares made on July 1, 2018, compared to the total return of the S&P/TSX-V and S&P/TSX Composite Indexes for the period shown on this graph.



Since July 1, 2018

	2018	2019	2020	2021	2022	
HEO	$100	$83,33	$81,06	$177,27	$135,61	$242,42
TSX-V	$100	$79,06	$83,74	$129,72	$83,35	$83,90
TSX	$100	$100,73	$95,40	$124,00	$115,98	$123,93

The trend shown by the performance graph above represents an impressive increase of 142% in the cumulative total shareholder return from July 1, 2018, to June 30, 2023. From July 1, 2018, until the end of fiscal year ended on June 30, 2020, the price of the common shares has been globally affected negatively, despite a small increase during fiscal year ended on June 30, 2019. The significant decrease that occurred in 2020 is mainly attributable to the market volatility resulting from to the COVID-19 pandemic. Therefore, during the period beginning on July 1, 2018, and ending on June 30, 2020, the cumulative total shareholder return was 18% lower than for the fiscal year ended on June 30, 2019. During the same period, the S&P/TSX-V Composite Index experienced a decrease of approximately 16% while the S&P/TSX Composite Index suffered a small decrease of nearly 5%. From July 1, 2020, the price of the Corporation's common shares increased significantly to reach its highest level for this five (5) year period, before decreasing slightly over the following months. At the end of fiscal year ended on June 30, 2021, the cumulative total shareholder return was approximately 118% higher than for the previous 3-year period. During the fiscal year ended on June 30, 2022, the price of the common shares has been globally affected negatively, despite occasional positive spikes. This decrease is mainly attributable to the market volatility resulting from the Covid-19 pandemic and the war between Ukraine and Russia. However, the value of the Corporation's common shares rose gradually throughout 2023, since many initiatives were implemented to further improve the Corporation's gross margin and to increase its organic revenue growth. From July 1, 2018, until June 30, 2023, the cumulative total shareholder return gained approximately 142% of its value, compared to a decrease of the S&P/TSX-V Composite Index by approximately 16%, and an increase of the S&P/TSX Composite Index by nearly 24%, over the same period.

For the same five-year period, the base salaries of the Named Executive Officers, in aggregate, globally increased by 22.3%. This five-year increase in the compensation paid to the Named Executive Officers is calculated by comparing the base salary paid during the fiscal year ended June 30, 2019, with the base salary paid during the fiscal year ended June 30, 2023, to those individuals who were Named Executive Officers during the applicable year, which, in the Corporation's case, corresponds to the President and Chief Executive Officer,

the Chief Financial Officer, the Chief Operating Officer and the Vice President and Managing Director, Operation and Maintenance since they are the only Named Executive Officers who held the same position as of July 1, 2018, and who are still Named Executive Officers as of the date of this Circular. This calculation does not take into account (i) annual variable remuneration, since the accounting recognition changed during this period upon recommendation of our former auditor and since 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 fiscal years ended between 2018 and 2023, because no regular grants were made between this period of time. Therefore, the annual variable remuneration respectively paid to each of the Named Executive Officers during that period of time, as well as the value earned under the sporadic grant of options by each of the Named Executive Officers respectively, were not taken into consideration for the calculation of the growth of Named Executive Officers' compensation over that five-year period.

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, 2023, for each Named Executive Officer.

	Option-based Awards				Share-based Awards		
Name	**Number of Securities Underlying Unexercised Options (#)**	**Option Exercise Price[1] ($)**	**Option Expiration Date**	**Value of Unexercised in-the-money Options[2] ($)**	**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	1,375,000 396,000	1.65 2.55	2026-07-26 2031-05-17	3,575,000 673,200	---	---	---
Marc Blanchet Chief Financial Officer	436,667 224,000	1.65 2.55	2026-07-26 2031-05-17	1,135,334 380,800	---	---	---
Guillaume Clairet Chief Operating Officer	491,667 252,000	1.65 2.55	2026-07-26 2031-05-17	1,278,334 428,400	---	---	---
Gregory Madden Chief Strategy Officer	184,000	2.55	2031-05-17	312,800	---	---	---
William Douglass Vice President and Managing Director, O&M	10,500 75,000	2.64 2.25	2031-11-15 2032-05-15	16,905 150,000	---	---	---

(1) As of June 30, 2023, the closing price of the Corporation's common shares on the Toronto Stock Exchange was $3.20.
(2) The value of unexercised in-the-money options is the difference between the closing price of the Corporation's common shares on the Toronto Stock Exchange on June 30, 2023 ($3.20) and the option exercise price. Options only have value if the share price is higher than the exercise price. The figures presented in this table represent the value of all the stock options held by each Named Executive Officer as of June 30, 2023, whether they are vested or not.

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, 2023, 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	271,152	---	219,154
Marc Blanchet Chief Financial Officer	116,880	---	117,684
Guillaume Clairet Chief Operating Officer	131,535	---	144,103
Gregory Madden Chief Strategy Officer [2]	57,629	---	96,772
William Douglass Vice President and Managing Director, O&M [2]	---	---	129,132

(1) Annual Variable Remuneration is described in section 3.2.2 - "Short-Term Incentive Plan (STIP)" above and mentioned in section 3.7 - "Summary Compensation Table" of this Circular.

(2) Mr. Madden and Mr. Douglass's compensation is paid in US dollars. Therefore, their respective non-equity incentive plan compensation 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 1.3247 for 2023.

5 TERMINATION OR CHANGE OF CONTROL BENEFITS

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, 2023.

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 compensation to which he is entitled for the current year at the date of termination	806,254
	Termination other than for cause within twelve (12) months of a change of control	• Base salary for a period of 24 months • Maximum variable compensation for the year during which the change of control occurs	1,088,092
	Termination for cause / Resignation / Retirement	---	---
Marc Blanchet Chief Financial Officer	Termination without cause	• Base salary for a period of 12 months • Variable compensation to which he is entitled for the current year at the date of termination	370,034
	Termination other than for cause within six (6) months of a change of control	• Base salary for a period of 18 months • Maximum variable compensation for the year during which the change of control occurs	542,553
	Termination for cause / Resignation / Retirement	---	---
Guillaume Clairet Chief Operating Officer	Termination without cause	• Base salary for a period of 12 months • Variable compensation to which he is entitled for the current year at the date of termination	453,103
	Termination other than for cause within six (6) months of a change of control	• Base salary for a period of 18 months • Maximum variable compensation for the year during which the change of control occurs	664,350
	Termination for cause / Resignation / Retirement	---	---

Name	Event	Terms of Employment Agreement	Severance Payment ($)
Gregory Madden Chief Strategy Officer[1]	Termination without cause	• Base salary for a period of 12 months • Variable compensation to which he is entitled for the current year at the date of termination	356,016
	Termination other than for cause within six (6) months of a change of control	• Base salary for a period of 18 months • Maximum variable compensation for the year during which the change of control occurs	523,672
	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 compensation earned but unpaid	433,813
	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.	152,341

(1) Since Mr. Madden and Mr. Douglass's compensation is paid in US dollars, their potential termination 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 1.3247 for 2023.

6 COMPENSATION OF DIRECTORS

6.1 Benchmarking – Compensation of Non-Executive Directors

Hugessen Consulting 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 Peer Group. For a detailed explanation of the benchmarking analysis performed by Hugessen Consulting Inc., please refer to sections 3.1.2 through 3.1.5.

The compensation consultant concluded that the total direct compensation of each of the Corporation's directors is positioned below the 25th percentile on Total Enterprise Value, Market Capitalization and Revenue. Based on the results of the benchmarking analysis, the Governance Committee recommended, and the Board of Directors approved, the elimination of compensation based on meeting attendance fees in favor of an increase in the directors' fixed retainers. These recommendations were implemented effective on July 1, 2023.

6.2 Compensation of Non-Executive Directors

During the fiscal year ended June 30, 2023, 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	
Chair of the Board	
Annual Retainer	$67,000
Cash compensation used to acquire Corporation's common shares(1)	$30,000
Other Members of the Board of Directors	
Annual Retainer	$20,000
Cash compensation used to acquire Corporation's common shares(1)	$25,000
Additional Committee Chair Retainer	
Chair of Audit Committee	$11,000
Chair of Other Committee	$7,500
Additional Committee Member Retainer	
Member of Audit Committee	$4,800
Member of Other Committee	$4,500
Attendance Fee / Board of Directors or Committees (2)	
90 minutes or less	$500
More than 90 minutes	$1,000

(1) A portion of the annual retainer of each director is dedicated to the acquisition of common shares of the Corporation under the Corporation's SPP described in section 3.4.2 - "Share Purchase Plan" until such director reaches the minimum mandatory of equity ownership fixed by the Board of Directors at 50,000 Common Shares. Once the equity ownership requirement of 50,000 common shares is met, director may elect to receive this amount in cash.
(2) No attendance fee is paid to a member of the Corporation's management.

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, 2023, was $594,563. The total compensation of the directors of the Corporation who were not members of management for the year ended June 30, 2023, is detailed in the following table:

Name	Fees Earned ($)	Share-based Awards ($)	Option-based Awards ($)	Non-equity Incentive Plan Compensation ($)	Pension Value ($)	All Other Compensation(1) ($)	Total ($)
Pierre Côté	38,000	---	---	---	---	25,000	63,000
Stéphane Guérin	46,500	---	---	---	---	28,875	75,375
Leonard F. Graziano(2)	28,813	---	---	---	---	9,432	38,244
Lisa Henthorne	88,500	---	---	---	---	30,000	118,500
Richard A. Hoel(3)	71,675	---	---	---	---	---	71,675
Bertrand Lauzon	52,175	---	---	---	---	25,000	77,175
Caroline Lemoine(4)	30,875	---	---	---	---	12,500	43,375
Elisa M. Speranza	48,750	---	---	---	---	24,469	73,219
Louis G. Véronneau(5)	21,500	---	---	---	---	12,500	34,000

(1) Compensation paid by the Corporation to each director to acquire Corporation's common shares 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 portion or the totality of his/her annual fixed retainer into the Corporation's SPP.
(2) Mr. Graziano was appointed as director on February 13, 2023. He is standing for election at the Meeting.
(3) Considering his equity ownership in the Corporation, Mr. Hoel receives in cash the portion of his compensation assigned to the acquisition of Corporation's shares.
(4) Ms. Lemoine was elected as director on December 6, 2023. She is standing for election at the Meeting.
(5) Louis G. Véronneau was director of the Corporation until December 6, 2022. He did not stand for re-election at the Annual General Meeting of Shareholders held on that date.

6.3 Incentive Plan Awards

No incentive plan awards were made to directors of the Corporation who are not members of management during the fiscal year ended June 30, 2023, and no incentive plan awards are outstanding.

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

No value has vested or was earned during the fiscal year ended June 30, 2023, under incentive plans.

7 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.

7.1 Board of Directors

7.1.1 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 (i) eight (8) of the nine (9) nominee directors proposed by management for election to the Board of Directors at this Meeting and (ii) eight (8) of the nine (9) current directors, are independent. Therefore, a majority of the Corporation's directors are independent. The Governance Committee and the Audit Committee are entirely composed of independent directors. The Board of Directors and its committees ensure that they exclude the non-independent directors and management from their meetings from time to time, as appropriate. No specific meeting of independent directors was held during the fiscal year ended June 30, 2023.

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.

7.1.2 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, as he currently serves as President and Chief Executive Officer of the Corporation.

7.1.3 Chair of the Board

Since November 13, 2018, the Chair of the Board is Lisa Henthorne, an independent director. The Board of Directors has adopted a written mandate for the Chair of the Board in order to establish his or her specific duties and responsibilities. As Chair of the Board, Ms. Henthorne chairs the meetings of the Board of Directors and, accordingly, is responsible for the management, development and performance of the Board of Directors. Ms. Henthorne is responsible of ensuring that the Board of Directors properly performs the tasks related to its mandate and that directors clearly understand and respect the boundaries between the responsibilities and liabilities of the Board of Directors and those of the management. She is also responsible for promoting the Corporation's efforts to achieve its objectives, maintain its viability and pursue its strategic vision.

Ms. Henthorne will not be standing for re-election at the Meeting.

7.2 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.

7.3 Position Descriptions

The Board of Directors has adopted written position descriptions for the Chair of the Board and for the Chairs of each of its committees and has also approved a written position description for the President and Chief Executive Officer. 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.

7.4 Orientation and Continuing Education

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 Chair 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.

7.5 Code of Ethics and Policies

The Board of Directors has adopted formal written mandates for all of its committees, including the Audit Committee (in accordance with Regulation 52-110) and the Governance Committee. The Board of Directors has also adopted an Ethics and Business Conduct Policy (the "**Code**") as well as a Disclosure, Confidentiality and Trading Policy and a Delegation of Authority Policy, all of which apply to the Corporation's directors, officers and employees. Copies of the mandates of the committees of the Board of Directors, as well as of the Code, are available on the Corporation's website at www.h2oinnovation.com/investors/charters-policies. A copy of the Code has also been filed on SEDAR+ (www.sedarplus.ca) and copies 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 10 - "Additional Information" below.

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

7.5.1 Internal Policies

The Board of Directors monitors the dissemination of and compliance with the Code and policies outlined below, either directly or through its committees, based on, among other things, (i) management reports with respect to significant matters that 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, (iii) regular assessment of internal controls and identification of any deficiencies and (iv) quarterly certifications provided to the Audit Committee and the Board of Directors.

The Corporation takes the necessary steps to ensure that all directors, executive officers and employees covered by the Code and the relevant policies are made aware of their content and importance. The Code and policies are made available to employees on the Corporation's intranet.

KEY POLICIES	
Delegation of Authority Policy	The Delegation of Authority Policy ("**DOA**") defines the limits of authority for the different positions of responsibility within the organizational hierarchy of the Corporation, its subsidiaries, or business lines. The DOA establishes the nature and maximum value of obligations that may be approved by the Corporation's representatives based on their hierarchical position.
Disclosure, Confidentiality and Trading Policy	The Disclosure, Confidentiality and Trading Policy defines what information regarding H_2O Innovation may or may not be disclosed to the public, ensuring that confidential information regarding H_2O Innovation remains undisclosed. This policy also ensures that the trading of H_2O Innovation's securities by directors, officers, employees and certain other persons related to H_2O Innovation and its subsidiaries remains in compliance with applicable securities laws.
Clawback Policy	The purpose of the Clawback Policy is to authorize the recovery of any compensation paid under STIP, LTIP, bonus programs, commissions or other forms of incentive compensation upon the occurrence of specific events described in the policy.
Corporate Risk Policy and Profile	The Corporate Risk Policy and Profile of the Corporation gathers the potential risks identified by the management to the achievement of the organization's objectives and determines the exposure level to these risks given current controls and/or mitigation activities.

KEY POLICIES	
Whistleblower Policy	Under the Whistleblower Policy, employees, managers and executive officers are encouraged to communicate the existence of a problem or serious concern in good faith regarding wrongdoing that may occur within the Corporation.
Board and Senior Leadership Gender Diversity Policy	When identifying and considering the selection of candidates for election or re-election to the Board, or for appointment to a senior leadership position, the Governance Committee will take into account diversity criteria such as the gender, age, ethnicity, disability and geographical background of the candidate.
Policy Regarding Tenure on the Board of Directors	Directors who have joined the Board of Directors prior to January 1, 2022 may serve as director for a maximum of sixteen (16) years, and Directors who joined the Board on of after January 1, 2022 may serve as director for a maximum of twelve (12) years.
Diversity, Equity and Inclusion Policy	The Diversity, Equity, and Inclusion Policy encourages and enforces respectful communication and teamwork between all employees of diverse social, cultural and sexual background, by prohibiting inappropriate or discriminatory conduct by employees and allowing for disciplinary action, up to dismissal, to be taken against employees who engage in such conduct.
Artificial Intelligence Security Policy	The Artificial Intelligence Security Policy outlines best practices for the employees, consultants and subcontractors of the Corporation and its subsidiaries to ensure that they use artificial intelligence tools in a secure, responsible and confidential manner. The Artificial Intelligence Security Policy provides requirements that such employees, consultants and subcontractors must follow when using artificial intelligence tools, including the assessment of the security and reputation of the tool and the protection of sensitive information.
Social Media Policy	The Social Media Policy establishes basic guidelines and standards for the acceptable use of social media by the employees, consultants and subcontractors of the Corporation, in order to protect the Corporation, along with its employees, consultants, subcontractors, clients, shareholders and other stakeholders in the water industry, against the risks inherent in the use of social media, including reputational harm, loss of goodwill and breach of contract.
Privacy Policy	The Privacy Policy outlines what categories of personal information the Corporation collects through the provision of its services, how and why it collects, holds, uses, divulges and protects such personal information, as well as instructions on how an employee may obtain a copy of his or her personal information that is held by the Corporation, or additional information regarding the Corporation's handling of personal information.

In addition to the key policies described above, the Corporation has put in place and continues to update the following policies:

- Suppliers Code of Conduct;
- Procurement Code of Conduct;
- Telework Policy;
- Equal Employment Opportunity Policy;
- Drug and Alcohol Policy;
- Workplace Harassment Policy;
- Disciplinary Measures and Dismissal Policy;
- Vacation Policy;
- Health and Safety Manual; and
- IT Policy.

7.5.2 Employee Manual and Management Training

The managers of the Corporation usually participate in a two-day “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 latest Management Bootcamp was held in April 2023. The managers have access to useful documentation concerning recruitment, retention and mobilization, health and safety, and payroll and benefits. Managers attend monthly meetings with executive officers and quarterly with corporate support services (Human Resources, Information Technology, Marketing, Finance, Legal, Procurement and Health & Safety) allowing discussions on their concerns, issues and other important matters in their respective department.

7.5.3 Related Party 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.

7.6 Nomination and Recruitment of Directors

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 separate 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.

7.7 Compensation

7.7.1 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 3.1.4 - "Benchmarking - Non-Executive Directors' Compensation" of this Circular, a compensation consultant was retained by the Corporation during the fiscal year ended June 30, 2023, 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 compensation for services rendered as directors.

Executive Officers

The compensation of the Corporation's executive officers consists principally of base salary, STIP such as Annual Variable Remuneration and LTIP such as cash plan and option-based awards. As mentioned in section 3 - "Executive Compensation Discussion and Analysis" of this Circular, the executive officers' compensation is reviewed annually and a compensation consultant was retained by the Corporation during the fiscal year ended June 30, 2021 to perform a review of the compensation of executive officers.

7.7.2 Composition of the Governance Committee

Since December 6, 2022, the members of the Governance Committee are Bertrand Lauzon, Caroline Lemoine, Lisa Henthorne and Elisa Speranza, as Chair.

7.7.3 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 Governance Committee" set forth in Schedule "B" of this Circular.

7.8 Other Committees

7.8.1 Strategy, Innovation and Large Projects Committee

In addition to the Audit Committee, the Governance Committee and the Special Committee, the Board of Directors created the Strategy, Innovation and Large Projects Committee (the "**Strategy Committee**") for the purpose of, among other things, reviewing certain operation and maintenance contracts and approving submissions of bids for certain capital equipment projects, in accordance with its mandate and the Corporation's Delegation of Authority Policy. The Strategy Committee must be composed of at least five (5) members, comprised of three (3) independent, non-related directors, and two (2) members of the Corporation's management. Any additional member of the Strategy Committee shall be either an independent, non-related director or an external advisor with extensive expertise, experience and knowledge of the water industry. As of October 19, 2023, the Chair of the Strategy Committee is Mr. Pierre Côté, the other independent directors are Ms. Caroline Lemoine, Mr. Leonard Graziano and Mr. Richard Hoel, and the members of the Corporation's management are Mr. Frédéric Dugré and Mr. Guillaume Clairet.

7.8.2 Special Committee

In addition to the Audit Committee, the Governance Committee and the Strategy Committee, the Board of Directors established the Special Committee on April 30, 2023, for the purposes of, *inter alia*: (i) assessing, considering and reviewing the Corporation's strategic plan, (ii) supervising the evaluation of the non-binding proposal received on April 27, 2023, from Ember Infrastructure Management, LP ("**Ember**") contemplating a potential going-private transaction and the process related thereto, (iii) making such recommendations to the Board of Directors as it considers appropriate or desirable in relation to any transaction (including whether or not to proceed with the transaction outlined by Ember in the April 27, 2023, proposal), and (iv) reviewing any strategic alternatives available to the Corporation, including maintaining the *status quo*. The process followed by the Special Committee ultimately led to the execution, on October 3, 2023, of a definitive arrangement agreement between the Corporation and Ember SPV I Purchaser Inc. (the "**Purchaser**"), an entity controlled by funds managed by Ember, whereby, on the terms and subject to the conditions of the arrangement agreement, including the approval of the shareholders of the Corporation, the Purchaser will acquire all of the issued and outstanding common shares of the Corporation other than the common shares to be rolled over by Investissement Québec ("**IQ**"), Caisse de dépôt et placement du Québec and certain key executives of the Corporation, for $4.25 per common share in cash, the whole to be implemented by way of a statutory plan or arrangement under section 192 of the *Canada Business Corporations Act* (the "**Transaction**").

The Special Committee was initially comprised of Caroline Lemoine, as Chair, Richard A. Hoel and Bertrand Lauzon. Once it became apparent during the course of the negotiations that IQ would be seeking to roll over its common shares and increase its equity position in the Corporation as part of the Transaction, Ms. Lemoine, a nominee director of IQ under the existing investor rights agreement between the Corporation and IQ (as described in section 2.2 of this Circular), resigned from her role on the Special Committee on September 4, 2023, despite the fact that she remained factually independent from the Corporation under applicable securities laws and from all interested parties for the purposes of Regulation 61-101 *respecting Protection of the Minority Security Holders in Special Transactions*.

Since then, the members of the Special Committee have been Richard A. Hoel, as Chair, and Bertrand Lauzon.

Additional details regarding the Transaction are available in the management information circular of the Corporation dated October 27, 2023, mailed to the shareholders and filed under the Corporation's profile on SEDAR+ at www.sedarplus.ca and available on the Corporation's website at www.h2oinnovation.com (the "**Special Meeting Circular**").

7.9 Annual Performance Review

The Chair of the Board generally assesses annually 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 electronically 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 Chair of the Board. The results of the questionnaires are compiled on a confidential basis to encourage full and frank commentary and are discussed at the next regular meeting of the Board of Directors. The Chair of the Board and the Chair of the Governance Committee (as to the performance review of the Chair of the Board) present to the Board of Directors their findings and recommendations to enhance performance, contributions and effectiveness.

7.10 Director Term Limits

On October 19, 2022, the Board of Directors adopted a policy regarding tenure on the Board of Directors (the "**Tenure Policy**"), which introduces the following term limits, applicable to all non-executive directors:

- Directors who have joined the Board of Directors prior to January 1, 2022, may serve as director for a maximum of sixteen (16) years;

- Directors who joined the Board of Directors on of after January 1, 2022, may serve as director for a maximum of twelve (12) years.

Exceptionally, the Governance Committee may recommend, on a case-by-case basis, that a director who has reached his/her term limit be nominated by the Board of Directors to serve additional one (1) year mandates, for a maximum of four (4) years, subject to being annually elected by the Shareholders of the Corporation. In determining whether to make such a recommendation to the Board of Directors, the Governance Committee will consider, among other things, if the director has received strong positive annual performance review results and if it is in the best interest of the Corporation that the director continues to serve on the Board of Directors.

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

- Less than 1 year: 2 directors
- 1 to 5 years: 3 directors
- 6 to 10 years: 1 director
- 11 to 15 years: 2 directors
- 16 years and up: 1 director

7.11 Environmental, Social and Governance (ESG)

The Corporation's management and Board of Directors recognize that ESG responsibility is a key priority for its stakeholders, and the Corporation is implementing measures to ensure that it is well positioned to become a leader in these matters. In December 2021, the Corporation developed its first ESG plan, which can be found on the Corporation's website. H_2O Innovation's ESG plan is comprised of six key objectives, namely (1) reduce water stress by improving water stewardship, (2) commit to reaching net zero carbon emissions by 2040, (3) reduce the Corporation's Total Case Incident Rate (TCIR) to less than 1.0 by 2025, (4) increase engagement index to 80%, (5) increase woman and minority diversity of H_2O Innovation employees, and (6) ensure complete data security with 100% control of information, data and access. For additional information on the Corporation's ESG plan, please refer to section 5.6 - "Environmental, Social and Governance ("**ESG**") Practices" of the AIF.

7.12 Diversity, Equity and Inclusion

The Corporation strives to provide an equitable and inclusive workplace and a culture that empowers its people, where diversity, equity and inclusion ("**DE&I**") are valued. The approach of the Corporation to DE&I is part of its wider commitment to ESG, and the Corporation's DE&I programs are priorities of the Corporation. A Diversity, Equity and Inclusion Policy ("**DE&I Policy**") was implemented by the Corporation in December 2020, and is applicable, but not limited to, the Corporation's practices and policies on recruitment and selection, compensation and benefits, professional development and training, promotions, social and recreational programs, and the ongoing development of a work environment built on the premise of gender and diversity equity.

7.13 Diversity of the Board of Directors and Senior Management

The Corporation recognizes the benefits of promoting diversity at the level of the Board of Directors and those in senior leadership positions. The Corporation believes that diverse perspectives enhance its organizational strength, problem solving ability, and opportunity for innovation and considers it essential to approve and implement a policy to define its vision on this matter.

Diversity is an important consideration in determining the composition of the Board of Directors. The Corporation seeks to maintain a Board of Directors comprised of talented and dedicated directors with a diverse mix of experience, skills, and backgrounds collectively reflecting the strategic needs of the business and the nature of the environment in which the Corporation operates. The Corporation believes that a Board of Directors made up of highly qualified individuals from diverse backgrounds promotes better corporate governance and performance and effective decision-making.

The Corporation has determined gender diversity targets for the Board of Directors and has chosen to promote a selection approach that supports the recruitment of women and gender diverse candidates.

The Corporation has not yet determined specific gender diversity targets for its executive officers, as its four executive officers are currently the most qualified people to occupy their respective positions. In the event of the departure of one of its executive officers, the Corporation does not exclude implementing gender diversity target for its executive officers.

In addition, the Governance Committee takes into account industry processes and practices as well as a variety of personal characteristics (gender, age, ethnicity, geographical representation, expertise and culture) for director nominations, leadership development and senior leadership roles across the Corporation. H_2O Innovation's core values recognize the importance of all its employees, regardless of race, gender, beliefs or place of origin and does not discriminate against or for any candidate based on their affiliation to a Designated Group (as defined below).

On September 27, 2022, the Board of Directors approved the Corporation's Board and Senior Leadership Gender and Diversity Policy (the "**Board Diversity Policy**"). The Governance Committee is responsible for overseeing and ensuring the implementation and enforcement of the Diversity Policy. The Board Diversity Policy provides that the Governance Committee will, when recommending new candidates to the Board of Directors or for senior management positions, consider diversity criteria such as the gender, age, ethnicity, disability or geographical background of the candidate, in addition to the talent-related criteria of advanced experience, expertise, skill and others. In cases when two or more candidates are deemed to have equal talent, candidates who are women, indigenous people, persons with disabilities and members of visible minorities (the "**Designated Groups**") will be prioritized by the Governance Committee. When recommending candidates to the Board, the Governance Committee also takes into account its target for gender diverse directors to represent 30% of the Corporation's directors, which it has successfully reached as of the date of this Circular, three (3) of its nine (9) directors being women.

Below are the percentages of members of each of the Designated Groups among the Board of Directors and the senior management of the Corporation and its major subsidiaries as of October 19, 2023:

- Three (3) women (33%) currently sit on the Corporation's Board of Directors and three (3) women are proposed as nominees for election to the Board of Directors,. Of the Corporation's three (3) current women directors, one (1) is the Chairwoman of the Board, two (2) sit on the Governance Committee (67%) and one (1) is a member of the Strategy Committee (20%).

- One (1) woman currently holds a senior management position (8.33%).

- No senior manager of the Corporation, leading a business line or being in charge of a corporate support service, self-identifies as being part of a visible minority group.

- None of the current members of the Board of Directors or senior managers self-identify as a person with disability.

- None of the current members of the Board of Directors or senior managers self-identifies as an Aboriginal person.

8 OTHER INFORMATION

8.1 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, executive officers, and key employees of the Corporation or of one of its subsidiaries as well as consultants, as such term is defined in *Regulation 45-106 Respecting Prospectus Exemptions* (the "**Eligible Persons**"). The purpose of the Stock Option Plan is to provide incentive to Eligible Persons to achieve the longer-term objectives of the Corporation, to give suitable recognition of the ability and industry of such persons who contribute materially to the success of the Corporation and to attract and retain persons of experience and ability, by providing them with the opportunity to acquire an increased proprietary interest in the Corporation. As mentioned in section 3.3.1 - "Option-Based Awards" of this Circular, the Stock Option Plan is also considered by the Board of Directors as the equity portion of the LTIP for the executive officers.

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 the Toronto Stock Exchange, grant non-transferable options to purchase common shares of the Corporation, exercisable for a period of up to ten (10) years. The vesting period is twenty-four (24) months following the issuance of options unless the Board of Directors decides otherwise. Certain other terms and conditions of the options may be determined by the Board of Directors at the time of the grant.

The exercise price of the stock options is determined by the Board of Directors at the time of the grant of a stock option, but cannot be lower than the volume weighted average trading price ("**VWAP**") of the common shares on the principal stock exchange on which the common shares are trading for the five trading days immediately preceding the day on which the stock option is granted.

If approved by the Board of Directors, in lieu of paying the exercise price in cash for the common shares that may be issued pursuant to the exercise of stock options, an optionholder may elect to acquire that number of common shares upon the exercise of stock options determined by subtracting the exercise price of the stock options then exercised from the VWAP, multiplying the difference by the number of common shares in respect of which the stock options are being exercised and then dividing that product by such VWAP. In such an event, the number of common shares as so determined (and not the number of common shares to be issued under the stock options) will be deemed to be purchased and issued under the Stock Option Plan and all the options surrendered will be cancelled.

The maximum number of common shares of the Corporation reserved for issuance under the Stock Option Plan is 8,000,000, which, as of June 30, 2023, represented approximately 8.9% of the total issued and outstanding common shares of the Corporation. The total number of common shares issuable to any one individual or to insiders cannot exceed respectively 5% and 10% of the total number of common shares issued and outstanding at the time of the grant. In addition, the Stock Option Plan provides for specific limitations for grants in favour of non-executive directors, being defined as directors who are neither an employee, an executive officer or a service provider of the Corporation. 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 of June 30, 2023, 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 of 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	5,907,834 common shares[(1)]	$2.10	2,092,166 common shares[(2)]
Equity compensation plans not approved by securityholders	---	---	---

(1) Representing approximately 6.6% of the 90,007,408 common shares issued and outstanding as of June 30, 2023.
(2) Representing approximately 2.3% of the 90,007,408 common shares issued and outstanding as of June 30, 2023.

Annual Burn Rate

The following table presents, for each of the Corporation's three most recently completed fiscal years, the annual burn rate of the options granted under the Stock Option Plan during the applicable fiscal year. The annual burn rate is calculated by dividing the number of options granted during the applicable fiscal year by the weighted average number of shares outstanding for that year.

Fiscal Year Ended June 30,	Number of Stock Options Granted Under the Stock Option Plan[(1)]	Weighted Average Number of Shares Outstanding[(2)]	Annual Burn Rate[(3)]
2023	None[(4)]	90,007,408	-
2022	2,673,000	88,189,057	3.03%
2021	1,056,000	79,469,345	1.33%

(1) Corresponds to the number of securities granted under the plan in the applicable fiscal year.
(2) The weighted average number of securities outstanding during the period corresponds to the number of securities outstanding at the beginning of the period, adjusted by the number of securities bought back or issued during the period multiplied by a time-weighting factor. The time-weighting factor is the number of days that the securities are outstanding as a proportion of the total number of days in the period.
(3) The annual burn rate percent corresponds to the number of securities granted under the plan divided by the weighted average number of securities outstanding.
(4) No options were granted during fiscal year ended June 30, 2023.

The Board of Directors may make the following types of amendments to the Stock Option Plan without seeking the approval of the shareholders of the Corporation: (i) amendments of a “housekeeping” nature; (ii) amendments necessary to comply with the provisions of applicable law (including, without limitation, the rules, regulations and policies of the Toronto Stock Exchange); (iii) amendments necessary in order for options to qualify for favourable treatment under applicable taxation laws; (iv) amendments respecting the administration of the Stock Option Plan; (v) any amendment to the vesting provisions of the Stock Option Plan; (vi) amendments to the term of any outstanding stock option (including, without limitation, the exercise price, vesting and expiry of the stock option), provided that the Board of Directors would have had the authority to initially grant the stock option under the terms as are so amended; (vii) any amendment to the early termination provisions of the Stock Option Plan or any stock option, provided any such amendment does not entail an extension of the expiry date of such stock option beyond its original expiry date; (viii) the addition or modification of a cashless exercise feature, payable in cash or in securities, which provides for a full or partial deduction of the number of Shares reserved for issuance under the Stock Option Plan; (ix) amendments necessary to suspend or terminate the Stock Option Plan; and (ix) any other amendment, whether fundamental or otherwise, not requiring shareholders’ approval under applicable laws.

However, the Board of Directors may not, without the approval of the shareholders of the Corporation, make amendments to the Stock Option Plan for any of the following purposes: (i) to increase the maximum number of shares that may be issued pursuant to stock options granted under the Stock Option Plan; (ii) to reduce the exercise price of stock options; (iii) to extend the expiry date of stock options; (iv) to broaden the definition of “Eligible Person”; (v) to increase the maximum number of shares issuable under the Stock Option Plan; (vi) to permit transfers or assignment to any person not currently permitted under the Stock Option Plan; (vii) to increase the value of options granted or to remove or increase the percentage limit relating to Shares issuable, in each case, to non-executive directors; or (viii) to amend the provisions of section 6.2.3 of the Stock Option Plan that are described in this paragraph.

8.2 Options Reserved for Issuance to Management

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

8.3 Options Exercised by Named Executive Officers

No Named Executive Officer exercised options during the fiscal year ended June 30, 2023

8.4 Retirement and Pension Plans

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

8.5 Indebtedness of Directors and Officers

The following table indicates, as of October 19, 2023, 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, bearing interest at an annual rate of 2.01% since April 9, 2020, are secured by a pledge of the acquired common shares and will be reimbursed upon predefined repayment conditions.

8.6 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.

8.7 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.sedarplus.ca) and may also be obtained through the Investors Relations Department of the Corporation at the address set forth in section 10 - "Additional Information" below.

8.8 Directors and Officers Liability Insurance

The Corporation maintains liability insurance for its directors and officers and those of its subsidiaries to cover certain liabilities to which they may be exposed to in the course of their duties. The Corporation paid a premium of $85,609 for the fiscal year ended June 30, 2023. The maximum liability insurance coverage for directors and officers as a group is $10,000,000, subject to a deductible of $250,000 per claim (such deductible was $100,000 prior to May 1, 2021), 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 a deductible and covers directors and officers when the general directors and officers civil liability insurance policy has been depleted and in certain other preset 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 $250,000 deductible, in cases where the Corporation has, or should have, compensated the directors and officers concerned.

9 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 September 7, 2024**,** a proposal in respect of any matter to be raised at such meeting.

10 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 discussions and analysis of financial position, and results of operations which, together with other information, are available on www.sedarplus.ca and may also be obtained by contacting:

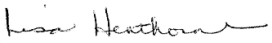
Investors Relations Department
H_2O Innovation Inc.
330, rue St-Vallier Est, Suite 340
Quebec City, Quebec, G1K 9C5
418-688-0170
investor@h2oinnovation.com

11 APPROVAL OF THE CIRCULAR

The Board of Directors of the Corporation approved the contents of the Management Proxy Circular and the delivery of the necessary documents to the shareholders on October 19, 2023.

Quebec City, Quebec, October 19, 2023.

H_2O INNOVATION INC.



Lisa Henthorne
Chair 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. Stewardship of the Corporation - 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. Issuance of securities - Authorize the issuance of securities of the Corporation as required in accordance with applicable laws.

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

4. Reliability and integrity of accounting principles and practices - 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. Compensation - Approve the compensation paid to executive officers and directors, including variable remuneration, equity compensation and non–arm's length consulting arrangements.

6. Integrity of the CEO and other executive officers - 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. Qualifications and independence of the auditor - 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. Performance of the independent auditor - 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. Approval of the annual audited consolidated financial statements - 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 GOVERNANCE, REMUNERATION AND ESG COMMITTEE

The Governance, Remuneration and ESG Committee (the "Committee") of H_2O Innovation Inc. (the "Corporation") is appointed by the Board of Directors for the purpose of providing oversight, assessment, guidance and/or recommendations to the Board of Directors on the following matters: (i) corporate governance affairs, (ii) internal controls, (iii) compensation of the Executive Officers and Board of Directors members, (iv) employee benefits and talent management, (v) risk management, (vi) health & safety and environmental compliance and (vii) cybersecurity.

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 its first meeting following the annual meeting of the shareholders or at any other meeting if a vacancy occurs. The Board of Directors also appoints a chairperson among the Committee 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 in person or via conference call; provided however that the Committee should meet at least twice a year, in April and in September.

All Committee members shall act honestly and in good faith while keeping the Corporation's best interests in mind and exercising 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 corporate governance guidelines or principles applicable to the Corporation, including those 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 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 and (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 of Directors any changes deemed appropriate by the Committee.
3. Review, for recommendation to the Board of Directors, the Corporation's code of business conduct and ethics applicable to its directors, officers, and employees 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 the shareholders of the Corporation, if any.
6. Assess the integrity of the Chief Executive Office and other Executive Officers of the Corporation by any means deemed necessary by the Committee.
7. Review, for recommendation to the Board of Directors, position descriptions for the Chairman of the Board of Directors, the President and Chief Executive Officer and the chair of each committee.

B. Internal Controls

8. Receive, for information purpose, the internal control reports presented by the management to the Audit Committee.

C. Succession Planning, Performance Review and Compensation for Executive Officers and Directors

9. Review, for recommendation to the Board of Directors, corporate process for succession planning, periodical review of succession plans for key management, including the President and Chief Executive Officer.
10. Review on an annual basis, for recommendation to the Board of Directors, the remuneration to be paid to the Corporation's Executive Officers and managers based on their performance, skills and experience, including, without limitation, base salary, annual variable remuneration and equity compensation, as the case may be. 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.
11. Review on a regular basis, for recommendation to the Board of Directors, the remuneration to be paid by the Corporation to the members of the Board of 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.
12. Review, for recommendation 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.
13. Review, for recommendation 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, share units, or any other plan or program where shares or options to acquire shares may be granted.
14. Discuss with the Board of Directors the competencies and skills that are expected from a candidate for the position of President and Chief Executive Officer of the Corporation and provide recommendations to the Board of Directors with respect to the hiring of a selected candidate for this position.

D. Talent Management and Employee Benefits

15. Provide guidance and oversight on talent management to ensure that the Corporation attracts and retains the talents needed to deliver its business objectives.
16. Review investments and strategies made by the Corporation for employee training, education and development.
17. Provide strategic guidance on employee benefits-related matters such as health and medical plans and programs, costs, competitiveness, market tendencies and benchmarking.

E. Risk Management

18. Provide oversight of, and review for recommendation to the Board of Directors, (i) the Corporation's material risks of any nature, (ii) the corporate risk profile developed by the management, (iii) the mitigation plan proposed by the management, and (iv) monitor the implementation of appropriate actions, systems and insurance policies to manage the risks identify in the corporate risk profile.
19. On an annual basis, review the Corporation's commercial insurance coverage to ensure all risks are sufficiently covered and recommend to the Board of Directors any changes, modifications or additions to be made to the commercial insurance coverage of the Corporation.
20. Assess the effectiveness and the independence of risk management functions and the risk awareness culture throughout the organization.
21. 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.
22. Inquire on the Corporation's conditions to identify potential future risks and discuss with the Corporation's management adequate plans to properly address the future risks identified.

F. Health & Safety and Environmental Compliance

23. Review and monitor Corporation's protocols, processes, policies and activities with respect to health and safety and environmental compliance to ensure compliance with applicable laws, legislation and policies.
24. Recommend actions for developing policies, programs and procedures to ensure that the principles set out in the Corporation's policies related to health, safety and security, and environmental matters, are being adhered to and achieved.
25. Monitor management's action plans to address emerging issues and review the sufficiency of resources available for carrying out the actions and activities recommended.
26. Review environmental compliance issues and environmentally sensitive incidents to determine that the Corporation (i) is taking all necessary action in respect of those matters especially, without limitation, when conducting its operation and maintenance activities, and (ii) has been diligent in carrying out its responsibilities and activities in that regard.
27. Review management's report on the identification, assessment and management of risks relating to health, safety, security and environmental matters.

G. Cybersecurity

28. Provide oversight with respect to the Corporation's information technology use and protection, including but not limited to data governance, privacy and cybersecurity.
29. Review, on an annual basis, the policies, procedures and plans (i) intended to provide security, confidentiality, availability and integrity of the information and data, (ii) with respect to the Corporation's information technology systems, and (iii) to respond to a material cyber incident or event.
30. Review with Corporation's management disaster recovery capabilities.

H. General

The Committee shall 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. Furthermore, the Committee may discuss any other matter as delegated by the Board of Directors in terms of corporate governance, remuneration and risks.

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.