SaskWater

YOUR PARTNER IN WATER

2016–17

ANNUAL REPORT

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SaskWater is Saskatchewan's commercial Crown water utility, helping communities, First Nations and industry gain access to reliable and professional water and wastewater services.

The history of SaskWater goes back to 1966, when we began operations as the Saskatchewan Water Supply Board. The head office was relocated from Regina to Watrous in 1977, and in 1984, the Saskatchewan Water Corporation was created with its head office in Moose Jaw. All the personnel and property of the former Board were transferred to the new corporation. In 2002, SaskWater received a new mandate to operate exclusively as a commercial water utility.

SaskWater provides professional water and wastewater services to 62 communities, eight rural municipalities, 83 rural pipeline groups, 16 industrial and 242 commercial and domestic end-user customers.

In addition, SaskWater remotely monitors facilities for four communities and provides operator training to 29 Saskatchewan First Nations.

SaskWater's services directly and indirectly reach approximately 80,000 people in Saskatchewan.

In order to provide these services, SaskWater owns nine water treatment plants, three wastewater facilities, 140 kilometres of canal and 935 kilometres of pipeline. SaskWater also owns or leases 42 booster and pump stations.

Supporting economic growth and the people of Saskatchewan has always been at the core of SaskWater's purpose. As Saskatchewan's communities and industries grow with the province's expanding economy, SaskWater works hard to supply its customers with the infrastructure, customer service and water resources they need to prosper.

Corporate Profile

SaskWater is committed to providing the highest level of service to its customers. That promise is reflected in the corporation's vision, mission and values.

VISION: We are the best at connecting water for life and growth, partnering for a better tomorrow.

MISSION: to provide safe, reliable and sustainable water and wastewater services for Saskatchewan.

VALUES:

- **Integrity** – We act ethically with respect, honesty, courtesy and fairness.
- **Professionalism** – We provide quality, expertise and excellence in the delivery of our services, and we are accountable for our actions.
- **Teamwork** – We promote co-operation and commitment to achieve our common goals.
- **Safety** – We are committed to safety in all aspects of our operations.
- **Innovation** – We pursue continuous improvement and innovative solutions.
- **Environment** – We respect and support the environment and communities where we live and work.

SaskWater has defined four strategic goals to guide the corporation: **Customer Driven, Pursuing Excellence, Valuing Employees** and **Succeeding Financially**. Our 2016–17 Annual Report provides details on how we are accomplishing all four goals.

SaskWater's Value Proposition to its Customers

HIGH STANDARDS

Staff dedication to quality control ensures customers receive safe and reliable water services.

KNOWLEDGE

Staff's technical expertise helps determine the most cost-effective solutions for customers' water and wastewater services.

INNOVATION

SaskWater utilizes access to knowledge and innovation exchange networks and has a commitment to pilot innovative new ideas and technologies.

ASSET ENHANCEMENT

Investment in asset renewal, asset management, staff training and remote monitoring increases corporate efficiencies and quality service.

PARTNERSHIPS

Strong working relationships with regulatory and other government agencies, consultants and contractors enable SaskWater to provide timely and efficient services to customers.

CORPORATE RESPONSIBILITY

SaskWater's Community Investment program supports Saskatchewan communities through sponsorships and donations.

Financial and Operating Highlights

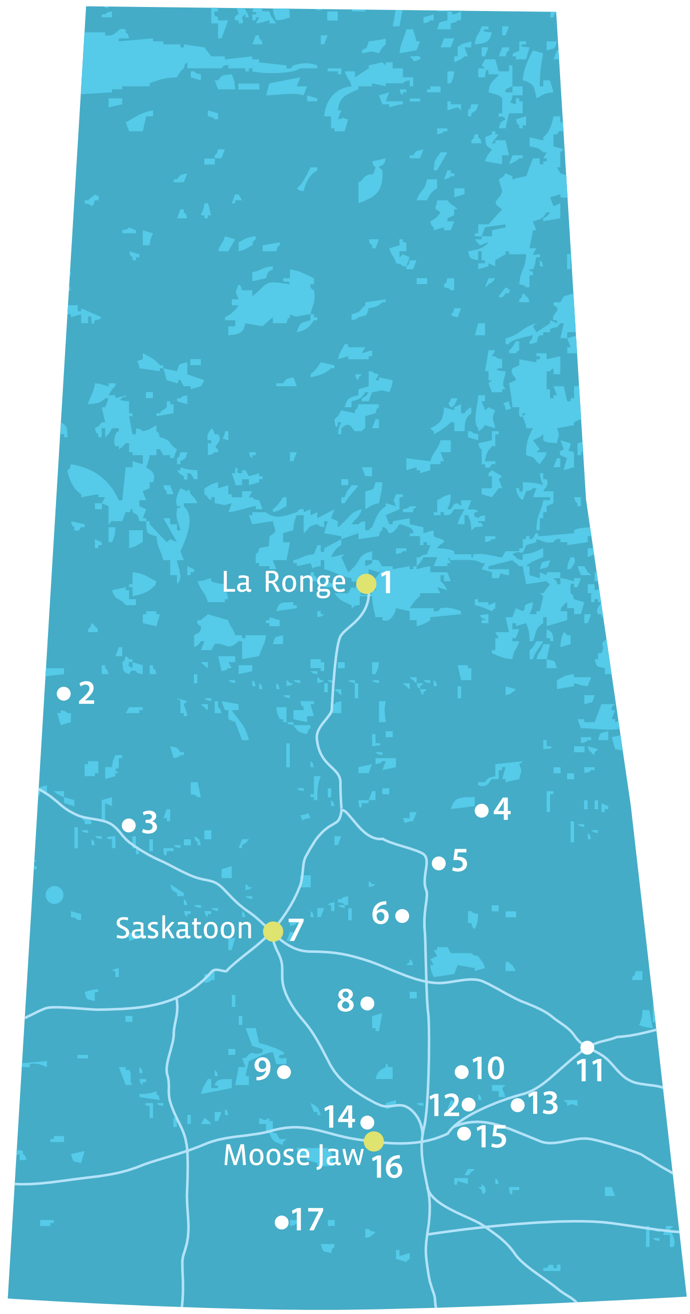
Financial Highlights ($ thousands):	Year Ended March 31 (2016–17)	Year Ended March 31 (2015–16)	January 2015 to March 2016 (15 months)
Total revenue	$ 53,038	$ 48,032	$ 58,988
Total expenses	44,709	40,466	49,998
Operating income	8,329	7,566	8,990
Net finance expense	(1,852)	(1,961)	(1,644)
Net income	$ 6,477	$ 5,605	$ 7,346
Other comprehensive income	6	16	16
Total comprehensive income	$ 6,483	$ 5,621	$ 7,362
Unrealized gains (losses) included in net finance amount	$ (100)	$ (577)	$ (355)
Dividends	$ 1,646	$ 1,632	$ 1,929
Debt ratio	44.70%	45.70%	45.70%
Operating Highlights (cubic metres):			
Non-potable water distributed	35,750,599	38,575,459	47,531,827
Potable water distributed	7,147,698	7,156,958	8,767,039

Systems Map

CURRENT SERVICE IN SASKATCHEWAN

SaskWater currently owns and/or operates potable, non-potable and wastewater infrastructure in the following locations/regions:

1 La Ronge Area
2 Pierceland
3 Meota–Cochin–Jackfish Lake Area
4 Nipawin
5 Melfort Area
6 Wakaw–Humboldt Area
7 Saskatoon Area
8 Hanley–Watrous–Lanigan Area
9 Elbow
10 Cupar
11 Melville
12 Edenwold
13 Fort Qu'Appelle
14 Buffalo Pound Area
15 White City
16 Moose Jaw (Geothermal)
17 Gravelbourg



Letter of Transmittal

Moose Jaw, June 2017

To Her Honour
The Honourable Vaughn Solomon Schofield, S.O.M., S.V.M.
Lieutenant Governor of Saskatchewan
Province of Saskatchewan

Dear Madam:

I have the honour to submit herewith the Annual Report of the Saskatchewan Water Corporation for the 12-month period ending March 31, 2017.

The report includes the financial statements, duly certified by auditors for the corporation, in the form approved by the Treasury Board and in accordance with *The Saskatchewan Water Corporation Act*.

I have the honour to be your obedient servant.

Sincerely,

Scott Moe
Minister Responsible for
Saskatchewan Water Corporation

Minister's Message

It is a pleasure to present SaskWater's 2016-17 Annual Report. The report's theme, *Your Partner in Water,* speaks to the work SaskWater completed throughout the year to support the service requirements of its customers whether through ongoing consultations, the initiation of new projects or the completion of infrastructure upgrades.

2016-17 was a challenging year in all areas of government, and SaskWater proved its commitment to Keeping Saskatchewan Strong by increasing earnings, managing costs and continuing to supply safe, reliable and sustainable water and wastewater services to its customers.

SaskWater continues to achieve financial success as a provincial Crown utility which, not only contributes to the growth of the customers it serves, but also to the province as a whole.

Sincerely,

Scott Moe
Minister Responsible for
Saskatchewan Water Corporation

Letter to Stakeholders

SaskWater's vision is to be the best at connecting water for life and growth, partnering for a better tomorrow. This commitment is supported by an emphasis on the collaborative relationship we have with our customers and the delivery of excellent service. Whether working with existing customers or potential new customers, our focus is on customer dialogue. This allows all parties to understand the infrastructure needs, the condition of systems, operational issues, expectations for the future and the financial requirements to attain it all. This focus enabled SaskWater to achieve a number of significant accomplishments in 2016–17.

The highlight of the year for the corporation is undoubtedly the successful partnership established in June with the City of Melville, making them the fifth city in the province to be served by SaskWater. SaskWater officially stepped in as owners and operators of the city's existing water treatment plant on July 1, 2016, with a commitment to provide Melville's 4,500 residents and the surrounding area with a brand new water supply system by the end of 2019.

The new water supply system will include two new wells, a 32-kilometre pipeline, a new water treatment plant and additional storage. This is slated to come into service as the existing system reaches the end of its useful life. Work is now underway on the engineering, with construction expected to begin in 2017–18.

SaskWater also worked collaboratively with customers on the Wakaw-Humboldt regional system to develop a capital plan and new rate agreement. These enabled the corporation to invest $6.3 million in upgrades and improvements to ensure the continued delivery of safe, reliable drinking water. The new deal allowed SaskWater to achieve substantial completion on a new potable water storage reservoir and backup power system and have it in service before the fiscal year end.

Another major partnership project was working with our customers on the Elbow regional system, where major capital upgrades are required to replace the lake intake and pipeline to the water treatment plant. The project is estimated at approximately $2.5 million and a rate mechanism that supports that level of investment was required. Construction of the new infrastructure is expected to begin in early 2017–18 and be substantially completed by the end of that year.

The very positive outcomes achieved for both the Wakaw-Humboldt and Elbow regions were only made possible by the open and engaged discussion that both our customers and SaskWater brought to the table.

Following the success of the above two systems, SaskWater has begun a dialogue with our Melfort regional customers to address major capital upgrades and a new rate mechanism that will be required there as well. We look forward to advancing the process in the coming year.

As part of supporting our customer communities, SaskWater dedicated a substantial effort this year to completing 12 applications for federal-provincial infrastructure grant programs that became available. All projects required a level of engineering and customer letters of support, which meant customers and SaskWater had to be in agreement with the needs assessment, proposed solution and potential financial implications. We look forward to hearing the outcome of these applications in 2017–18.

Operations in the Melfort area became a focal point for the corporation when an oil spill in the North Saskatchewan River threatened SaskWater's Codette Lake Water Supply intake in July of 2016. A quick and innovative response from our operations team resulted in no service interruptions to any of the 9,000 residents supplied by the system.

Taking steps to expand our ROAM remote monitoring services this year, SaskWater initiated a far-reaching strategy to promote the potential benefits to Saskatchewan First Nations. In a series of seminars in Yorkton, Regina, Prince Albert and North Battleford, our Business Development team addressed 112 representatives from 50 Saskatchewan First Nations and generated an immediate request for service. Follow-up continues with other communities.

In the potash sector, we continue to collaborate with Yancoal Canada Resources Co., Ltd. on their proposed mine near Southey, SK. We have completed the technical project proposal for the pipeline, environmental assessment requirements have been addressed, and we await direction from Yancoal on the next steps for their project.

Every two years SaskWater conducts a customer satisfaction survey and the most recent survey was in 2016. The results were again very positive for the corporation, indicating an overall satisfaction rating of 8.64 out of 10, our fourth consecutive increase. Of the 114 respondents, 90.2% classified themselves as satisfied customers, which supports and reinforces our continued focus on the valued partnerships we have with our customers.

Evolution of the corporation's Information Technology (IT) Strategy in 2016–17 saw SaskWater build internal capacity while transforming to a new external service provider. The change was extensively influenced by potential efficiencies. It enables us to tailor our IT Strategy to our business processes and examine new applications that promise enhanced functionality and efficacy for several departments.

From an earnings perspective, SaskWater was able to respond to the province's call for restraint. With a budget of $6.1 million set at the beginning of this fiscal year, SaskWater realized actual earnings of $6.5 million. Through proactive measures and the diligence of staff at all levels of the organization, savings were found in many areas. Staff members were conscious of spending requests and succeeded in putting forward projects that were essential, while using good judgement to defer, or forego, items that were less critical.

In 2016–17 SaskWater's Board of Directors saw changes that welcomed new members and bid farewell to some long-serving individuals. Those newly-appointed are Don Atchison, Bill Hutchinson, Patricia Hughes, Richard Porter, Gwyn Tremblay and Linda Jijian. SaskWater extends its thanks to outgoing Board members, Lionel LaBelle and Ken Hookway for their service since 2008.

In 2017–18, SaskWater will strive to grow our business, maintain financial stability and provide excellent customer service. These objectives are well in hand thanks to our dedicated staff members who remain focused on the importance of providing safe, reliable, and sustainable water services with a smile and a positive, can-do attitude.

Gary Vidal
Chair of the Board

Doug Matthies
President and CEO

Management Discussion and Analysis

The following Management Discussion and Analysis (MD&A) considers key influences on SaskWater growth opportunities, existing business services, key strategies going forward, performance measures, 2016–17 financial results, the 2017–18 financial outlook, business risks and corporate governance. The MD&A should be read in conjunction with the audited financial statements for the year ending March 31, 2017.

During 2015, the corporation was directed by the provincial government to change its fiscal year end to March 31 to coincide with that of the Province of Saskatchewan. The first complete fiscal period consisted of 15 months ending March 31, 2016. Financial information included in the MD&A will be described as 12 months (2016–17) over 12 months (2015–16).

KEY INFLUENCES

SaskWater is a commercial Crown corporation providing water utility services. The corporation's activities are confined to the province of Saskatchewan in accordance with the government's Sask First Investment Policy.

Water and wastewater services in Saskatchewan are typically provided by municipalities who serve their own residents and any commercial or industrial businesses within their communities.

SaskWater's success has been achieved largely by seeking out opportunities in support of large industrial projects outside of existing municipalities, and in the provision of regional municipal services to multiple communities. Large industrial customers that use significant volumes of water have the resources required to justify large capital investments associated with developing and operating water supply systems. For municipalities, regional approaches can provide economies of scale to make the cost of the investment affordable, reduce operating costs and improve the ability to attract and retain certified operators. This is also influenced by the size of individual communities in the region, the distance between them, and the distance to a viable water source.

Many of the industrial companies served by SaskWater are in the potash sector and use non-potable water either for solution mining or processing the ore brought to the surface. Potash companies collectively represent almost 75% of SaskWater's non-potable water sales. Potash is largely an export commodity and the price is heavily dependent on global supply and demand factors, which in turn influence production at each of the mines operating in the province. In the face of current low prices, mining companies also consider shifting production to lower cost facilities as a means to maintain profit levels.

SaskWater owns and operates water supply systems that serve the following mine locations: Agrium, PCS Allan, PCS Cory, PCS Lanigan, Mosaic Belle Plaine, Mosaic Colonsay, K+S Bethune and BHP Jansen. Mosaic Belle Plaine and K+S Bethune are both solution mines, whereas the Agrium, PCS and Mosaic Colonsay mines are conventional shaft mines. K+S Bethune was engaged in cavern development in 2016–17 and the milling facilities are expected to be operational in 2017–18. The BHP Jansen mine has not yet been completed; however, the water supply system came into service in 2016–17.

In the municipal sector, revenue growth is driven by several factors including population growth, weather impacts on consumption, societal attitudes towards conservation, technology that impacts consumption, the age and condition of existing infrastructure, access to grant funding, changing regulations, operator availability, and the willingness of civic leaders to partner with others.

In December 2016, the federal and provincial governments announced applications would be accepted for infrastructure grant programs. This was the first major grant intake since November 2014. SaskWater is an eligible applicant under these programs and committed a significant effort to developing grant applications for systems that serve both existing and potential new customer communities. The demand for grants typically far exceeds the funds available. We look forward to working with communities where applications are successful.

There is also a growing level of interest between communities to discuss regional partnerships. This is driven by their aging infrastructure, the high cost of replacing facilities, and the advancing age of certified operators. Some of the challenging discussions that arise pertain to the varying amounts of unused capacity, the remaining life span of existing facilities in differing communities, and consensus on a governance structure.

SaskWater is able to help bridge these issues as an independent operator with a large number of certified staff, investment capacity, and a track record of good customer service while providing safe and reliable water services.

SaskWater's Core Lines of Business

- potable water supply
- non-potable water supply
- wastewater treatment and management
- certified operation and maintenance (COM)
- project management
- water and wastewater training
- remote monitoring
- leak detection audits

POTABLE WATER SUPPLY

SaskWater's potable water supply business refers to the delivery of water that is suitable for human consumption in accordance with applicable regulations. Municipalities represent the largest consumers of potable water. SaskWater also delivers potable water to rural pipeline groups and businesses.

The majority of SaskWater's municipal customers own and operate their local distribution systems and manage the relationship with their residents. SaskWater provides wholesale water delivery service to the community, which then delivers the service to its residents.

STAND-ALONE SYSTEMS

SaskWater's mandate enables the corporation to purchase and operate municipal water infrastructure or to construct new water supply and treatment systems. SaskWater currently owns and operates stand-alone systems in White City, Pierceland, Edenwold, Gravelbourg and Cupar.

REGIONAL SYSTEMS

For many rural communities, a regional water system is the most cost-effective and sustainable solution to their water needs.

SaskWater owns and operates the Wakaw-Humboldt, Codette Lake, Elbow and Melville regional potable water systems. These systems consist of a single treatment plant that produces and distributes potable water to surrounding communities through a pipeline network. Water treatment plants for these regional systems are located in Wakaw, Melfort, Elbow and Melville. Together, these systems supply potable water directly to 19 communities and several rural pipeline groups.

SaskWater also owns and operates two regional potable water systems where the water is purchased from other suppliers. SaskWater purchases potable water from the City of Saskatoon and delivers it to surrounding communities, industries, other commercial businesses, and rural pipeline groups through an extensive pipeline network. SaskWater also purchases potable water from the Buffalo Pound Water Administration Board, the City of Regina and the City of Moose Jaw, sourced from the Buffalo Pound Water Treatment Plant, and delivers it to customers in the surrounding areas.

In 2016–17, SaskWater delivered 7.1 billion litres of high-quality drinking water.

NON-POTABLE WATER SUPPLY

SaskWater's non-potable water supply business refers to the delivery of water that is not suitable for human consumption in accordance with applicable regulations.

The majority of SaskWater's non-potable water supply is delivered in large volumes to industrial customers for processing and manufacturing operations, including potash mines and fertilizer manufacturers.

Municipal customers also purchase non-potable water from SaskWater. These customers own water treatment facilities and perform their own treatment processes prior to residential delivery.

SaskWater owns and operates non-potable water systems in the areas surrounding Saskatoon, Buffalo Pound Lake and along the Saskatoon Southeast Water Supply system.

In 2016–17, SaskWater delivered 35.8 billion litres of non-potable water.

WASTEWATER TREATMENT AND MANAGEMENT

A long-standing issue in wastewater management is the need for environmentally sustainable wastewater treatment and disposal solutions.

SaskWater provides solutions ranging from simple lagoon-based treatment to complex mechanical and/or chemically-aided treatment systems.

An example of an environmentally sustainable wastewater disposal method is effluent irrigation onto a woodlot. SaskWater's research in this field has led to the development of an effluent disposal process involving a woodlot with zero discharge to the environment.

SaskWater owns and operates wastewater facilities in Nipawin, Pierceland and Fort Qu'Appelle. The Pierceland facility is a stand-alone system. The Nipawin and Fort Qu'Appelle facilities are regional wastewater systems serving multiple customers either through force mains or dump stations for commercial truck haulers.

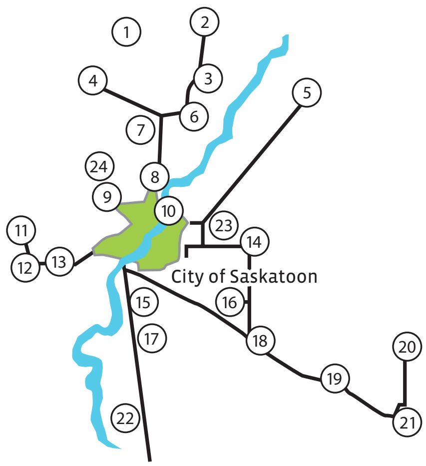
In 2016–17, SaskWater received and treated 1.0 billion litres of wastewater.

CERTIFIED OPERATION AND MAINTENANCE (COM)

SaskWater contracts with 12 communities and rural pipeline groups to provide certified operation and maintenance of their water and wastewater systems, including:

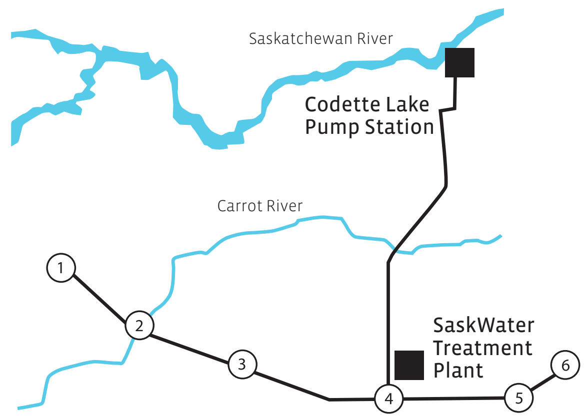
(continued on page 14)

Saskatoon Area:
Potable Water Supply System



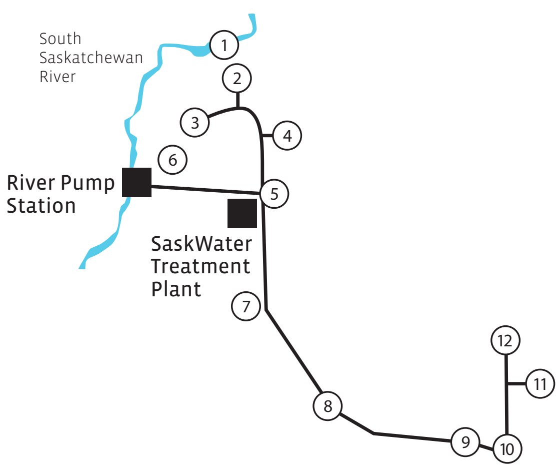
1. Hepburn
2. Hague
3. Osler
4. Dalmeny
5. Aberdeen
6. Warman
7. Martensville
8. ERCO Worldwide
9. BizHub Developments Ltd.
10. Akzo Chemicals
11. Perkins Ag Marketing Inc.
12. Prairie Pride Chick Sales Ltd.
13. Chemtrade West
14. Sunset Estates
15. Grasswood
16. Cargill Ltd.
17. Casa Rio/Wood Meadow
18. Clavet
19. Bradwell
20. Elstow
21. Allan
22. Dundurn Rural Water Utility
23. Highway 41 Rural Water Utility
24. Yellowhead Industrial Park

Melfort Area:
Potable Water Supply System



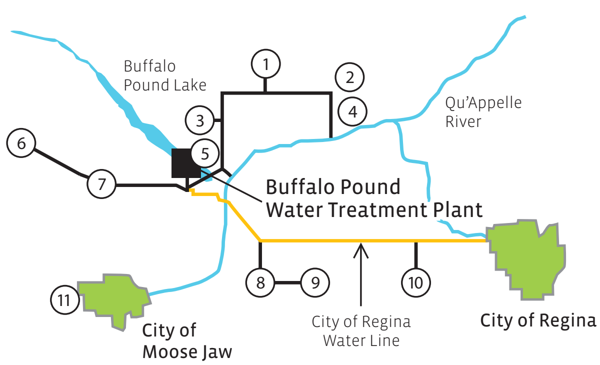
1. Weldon
2. Kinistino
3. Beatty
4. Melfort
5. Star City
6. Star City Farming

Wakaw–Humboldt Area:
Potable Water Supply System



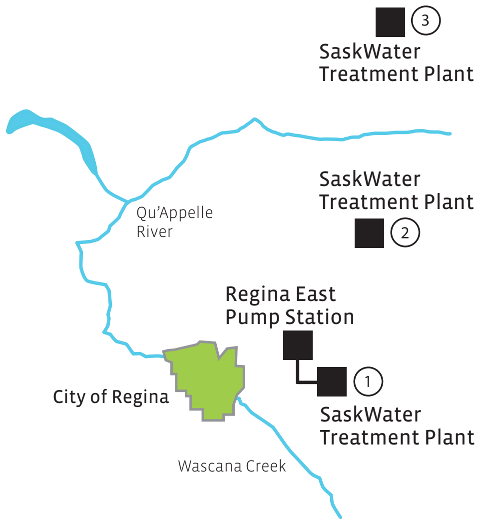
1. St. Louis
2. Hoey
3. St. Isidore-de-Bellevue
4. Domremy
5. Wakaw
6. One Arrow First Nation
7. Cudworth
8. Bruno
9. Humboldt
10. Muenster
11. Annaheim
12. Lake Lenore

Buffalo Pound Area:
Potable Water Supply System



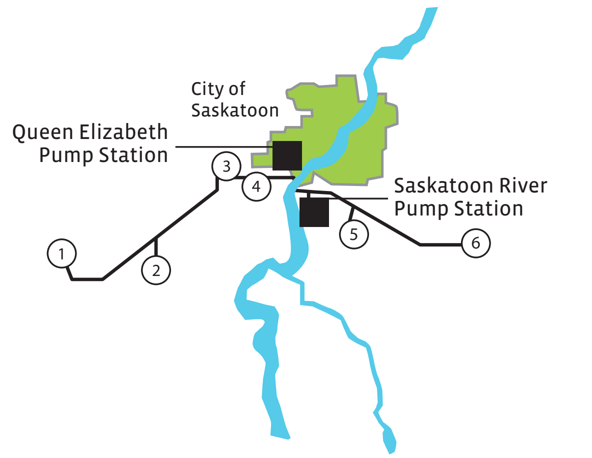
1. Bethune
2. Arm River Farming
3. Buffalo Plains Cattle Company
4. Disley
5. K+S Potash Canada
6. Marquis
7. Tuxford
8. Yara Belle Plaine Inc.
9. K+S Windsor Salt Ltd.
10. Grand Coulee
11. Caron/Mortlach Regional Public Utility Board

Regina East:
Potable Water Supply Systems



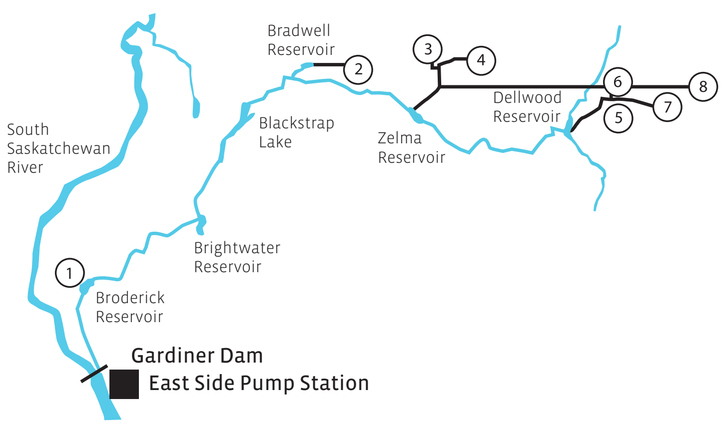
1. White City
2. Edenwold
3. Cupar

Saskatoon Area:
Non-potable Water Supply System



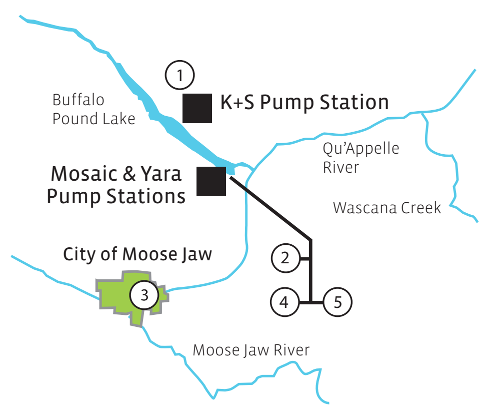
1. Agrium Potash
2. Vanscoy
3. PCS Cory and Cory Cogen
4. Cedar Villa
5. Golf Courses (WGCC/SGCC/Greenbryre)
6. Cargill

Saskatoon Southeast:
Non-potable Water Supply System



1. Broderick
2. PCS Allan
3. Mosaic Potash Colonsay ULC
4. Viscount
5. PCS Lanigan
6. Guernsey
7. Lanigan
8. BHP Jansen

Buffalo Pound Area:
Non-potable Water Supply System



1. K+S Potash Canada
2. Terra Grain Fuels Inc.
3. Temple Gardens Mineral Spa
4. Yara Belle Plaine Inc.
5. Mosaic Potash Belle Plaine

> SaskWater is able to offer the services of its qualified certified operators to communities...

- non-potable water supply
- water and wastewater treatment plants
- treated water storage facilities
- distribution systems
- wastewater collection and disposal

The above services are supervised or performed by certified operators.

COM also provides regulatory reporting and consultation, emergency planning, remote monitoring and customer support services.

SaskWater is able to offer the services of its qualified certified operators to communities and rural pipeline groups located near our existing operating centres.

PROJECT MANAGEMENT

SaskWater provides project management services for customers to plan and manage the design and construction of water and wastewater infrastructure projects.

In 2016–17, SaskWater's project management activities continued to support the potash industry as companies investigate water supplies for potential new mines.

SaskWater also plans and manages the design and construction of water and wastewater infrastructure in northern Saskatchewan on behalf of the Ministry of Government Relations. From its Prince Albert office, SaskWater provides ongoing technical advice to northern communities and First Nations for maintenance and expansion of their water and wastewater infrastructure, including responding to community emergencies related to that infrastructure.

WATER AND WASTEWATER TRAINING

SaskWater works on behalf of Indigenous and Northern Affairs Canada (INAC) to provide operating training to Saskatchewan First Nations. In 2016–17, SaskWater trained 70 water and wastewater operators at 29 First Nations.

The goal of SaskWater's training program is to assist in providing a safe water supply to residents and to safeguard their valuable water and wastewater infrastructure investment. The program began in 1978, and has evolved over the years to suit the specific water and wastewater operational needs of First Nations communities as they adapt to frequently changing technology and increasingly stringent regulatory requirements.

Benefits to First Nations communities include:

- enhanced quality of water and wastewater operation
- emergency technical assistance as required
- limited service disruptions and threats to public water quality and supply
- progressive operator development, including certification tutorial support
- annual water consumption records collection and reporting, representation at project management team meetings on behalf of First Nations receiving new facilities or significant facility upgrades and, upon request, participation in relevant stakeholder meetings

ROAM REMOTE MONITORING

ROAM—Remote Oversight and Monitoring—provides continuous monitoring of water and wastewater facilities for customers who wish to retain both ownership and operation of their systems.

Partnering with TransGas (a subsidiary of SaskEnergy), SaskWater currently uses a Supervisory Control and Data Acquisition (SCADA) system to remotely monitor 53 SaskWater and customer owned facilities across the province 24 hours a day, 365 days a year.

ROAM employs certified operators who can monitor water treatment plants, wastewater treatment plants and distribution systems. On its own facilities, remote monitoring helps SaskWater increase safety, improve service, enhance water quality monitoring and reduce costs.

The benefits for the customer include providing a higher level of service to residents and customers through constant monitoring and the ability to respond proactively to plant fluctuations and troubleshooting, potentially saving time and money.

LEAK DETECTION AUDITS

SaskWater provides leak detection audits using noise correlator technology to detect subsurface water leaks on distribution systems. Our team of highly qualified professionals is trained and equipped to support our customers with this industry best practice for maintenance and asset management.

This service strengthens SaskWater's commitment to provide safe, quality water to Saskatchewan communities as leaks of any size can damage infrastructure, contaminate a water supply, deprive a community of considerable revenue and waste a valuable natural resource.

Strategic Plan and Balanced Scorecard

SaskWater's strategic plan outlines the roadmap to achieving the corporation's long-term vision, and is founded on its mission, values and corporate goals and objectives. The vision is the guidepost to where the corporation wants to be in the future, the mission describes the corporation's unique purpose and why it exists, and the values are the principles that guide the behaviour of all employees.

SaskWater's Board of Directors reviews the strategic plan and outlines the key priorities for the year on an annual basis. For 2016–17, the key areas identified include growth, service reliability, water quality, and health and safety of customers and employees. As a subsidiary of Crown Investment Corporation (CIC), SaskWater aligned its plan with the direction received by CIC and the Government of Saskatchewan, to support the growth and development of the province.

Central to the strategic plan are SaskWater's customers. The goal of **Customer Driven** promises that SaskWater will provide excellent, high-quality customer service to existing and future customers. SaskWater's relationship with its customers is a partnership, where SaskWater works with customers to meet their needs. While this goal specifically focuses on the customer, all other goals require an emphasis on improving the service and relationship with customers.

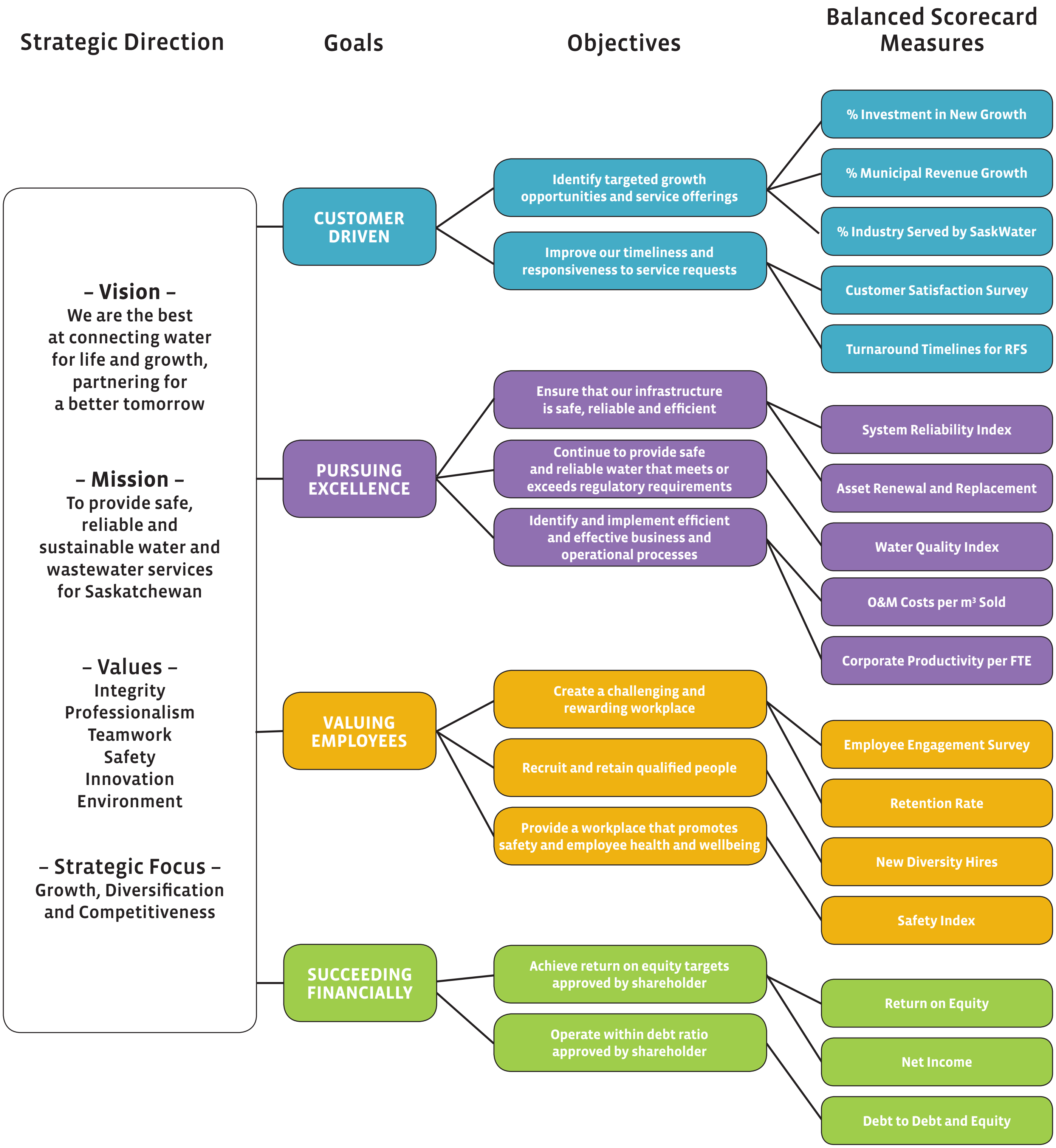
Through **Pursuing Excellence**, SaskWater will deliver efficient and effective services in a socially and environmentally responsible manner.

The **Valuing Employees** goal speaks to the importance of providing a safe, supportive and rewarding workplace for employees so that they can excel at their work.

By addressing the first three goals, SaskWater will achieve the **Succeeding Financially** goal to increase shareholder value by maintaining the financial sustainability of the corporation. Each goal is supported by key strategic objectives that describe the areas of focus for the next few years.

SaskWater measures its progress on its strategic goals and objectives through the Performance Management Program and uses a Balanced Scorecard to report the results. The corporate balanced scorecard identifies challenging targets that are to be achieved through the implementation of short and long-term plans. Performance results are reported to CIC quarterly, and SaskWater is accountable to the shareholder for meeting its targets.

Each of the following four sections discusses one of SaskWater's corporate goals and outlines the balanced scorecard targets and results as well as corporate initiatives that support SaskWater's strategic direction.


Strategic Direction
Goals
Objectives
Balanced Scorecard Measures
– Vision –
We are the best at connecting water for life and growth, partnering for a better tomorrow
– Mission –
To provide safe, reliable and sustainable water and wastewater services for Saskatchewan
– Values –
Integrity
Professionalism
Teamwork
Safety
Innovation
Environment
– Strategic Focus –
Growth, Diversification and Competitiveness
CUSTOMER DRIVEN
Identify targeted growth opportunities and service offerings
Improve our timeliness and responsiveness to service requests
% Investment in New Growth
% Municipal Revenue Growth
% Industry Served by SaskWater
Customer Satisfaction Survey
Turnaround Timelines for RFS
PURSUING EXCELLENCE
Ensure that our infrastructure is safe, reliable and efficient
Continue to provide safe and reliable water that meets or exceeds regulatory requirements
Identify and implement efficient and effective business and operational processes
System Reliability Index
Asset Renewal and Replacement
Water Quality Index
O&M Costs per m³ Sold
Corporate Productivity per FTE
VALUING EMPLOYEES
Create a challenging and rewarding workplace
Recruit and retain qualified people
Provide a workplace that promotes safety and employee health and wellbeing
Employee Engagement Survey
Retention Rate
New Diversity Hires
Safety Index
SUCCEEDING FINANCIALLY
Achieve return on equity targets approved by shareholder
Operate within debt ratio approved by shareholder
Return on Equity
Net Income
Debt to Debt and Equity

We are trustworthy, we care and we deliver

Key Strategic Objectives

- Identify targeted growth opportunities and service offerings
- Improve our timeliness and responsiveness to service requests

SaskWater and the City of Melville Partner to Build a New Water Treatment Plant

On June 27, 2016, Melville Mayor Walter Streelasky signed a Water Supply Agreement and Asset Transfer Agreement with SaskWater, making Melville the fifth city in the province to be served by SaskWater.

"As a city, we look forward to a long and co-operative working relationship with SaskWater, our new City of Melville water provider," Streelasky said. "This transfer of ownership will serve to provide a long-term dependable water supply for our citizens well into the future."

SaskWater took over ownership and operation of Melville's existing water treatment plant on July 1, 2016, and began work to build a new facility and supply system to serve the growing community and its surrounding area. At the same time, all of the water treatment plant's staff became SaskWater employees.

CUSTOMER DRIVEN

We are committed to providing exceptional and innovative service to ensure high customer satisfaction. We will demonstrate that we are trustworthy, we care and we deliver.

It was in 2015, faced with challenges of aging infrastructure and a growing population, that the City of Melville recognized the need to address the state of its water treatment plant. With the 57-year-old facility reaching the end of its useful life, city officials enlisted SaskWater's assistance.

"SaskWater prides itself on having the expertise, resources and access to capital to help Saskatchewan communities when they require facility upgrades or replacements," SaskWater President Doug Matthies said. "Our commitment to customer engagement ensures the needs of the community are top priority through all aspects of the project."

SaskWater will design, construct, operate and own the new water treatment plant, which is expected to be substantially complete by December 2019. The project also includes the construction of approximately 32 kilometres of non-potable pipeline, two wells and additional storage. The new system will meet the long-term water service needs of Melville and its customers.

The transformation from a ground and well water supply to an exclusively ground water supply will mean reliable delivery for years into the future, as well as a better quality of water.

The resulting supply system will be regional, serving not only the City of Melville, but also the Yorkville Public Utility Board.

> It was their work and the support from other areas of SaskWater that allowed us to be successful in an emergency situation.

SaskWater Responds to Husky Oil Spill in Melfort with Alternative Water Source

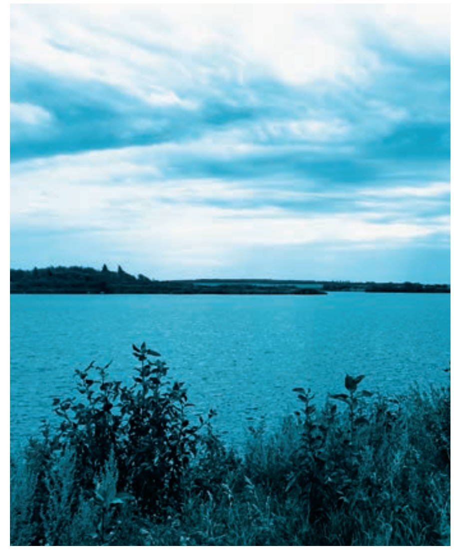
On Thursday, July 21, 2016, an estimated 225,000 litres of heavy oil leaked from a Husky Energy Inc. pipeline onto the land near Maidstone, polluting the North Saskatchewan River.

SaskWater's Codette Lake Water Supply intake, which services Melfort and area, is in the Saskatchewan River, which is fed by the North Saskatchewan River.

"We were initially prepared to shut off the system's intake as the oil sheen passed. Our intake's depth is 17 feet, which put us in a better situation than the other two cities affected (North Battleford and Prince Albert)," said Rynette Moore-Guillaume, Director of Operations.

All of the customers on the Codette Lake Water Supply system were contacted and told to have their storage at full capacity. The system serves approximately 9,000 people—five communities, one commercial customer, one large rural pipeline group and two single end users.

Plans changed on July 23rd, when the Water Security Agency (WSA) contacted SaskWater to explain that instead of staying on the surface, the diluted crude oil was



sinking to the bottom of the river bed, resulting in contamination of the entire water column.

“That’s when the emergency was heightened and we had to find a Plan B and activate it quickly,” said Moore-Guillaume.

On July 24th, staff started flushing the old 12-inch water line that was used prior to 1993 to supply the Melfort Water Treatment Plant from the Star City Reservoir. An emergency planning meeting was held with the City of Melfort to discuss the situation and to advise them of the anticipated Precautionary Drinking Water Advisory (PDWA). Due to high organics and based on difficulties SaskWater had treating the source water in 1993, it was determined that a PDWA would likely be in place while the alternate source was in use.

At 6 a.m. on July 26th, SaskWater stopped drawing water from Codette Lake and started utilizing water from the Star City Reservoir, approximately 6 km southeast of the water treatment plant. As a precaution, SaskWater requested a PDWA be issued by the WSA prior to the switch to the alternate water source. SaskWater’s Melfort staff made some process changes to assist with treating the organics and were successful in having the PDWA rescinded two days later.

“We had a number of issues throughout this period and made numerous adjustments but were able to meet the needs of our customers without having to reissue a PDWA,” said Moore-Guillaume. “The Melfort team responded very effectively and were dedicated and committed to taking care of everything that needed to be dealt with.”

“I am impressed with the teamwork of the Melfort staff and their professionalism, positive attitudes, dedication and great communication. It was their work and the support from other areas of SaskWater that allowed us to be successful in an emergency situation.”

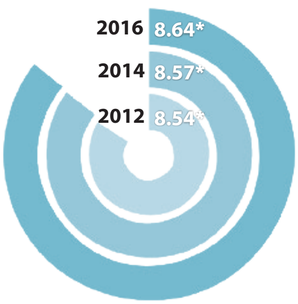
SaskWater continues to sample the water source as an ongoing requirement and provides the results to the WSA.

Customer Satisfaction Survey

SaskWater conducts a satisfaction and perception study biennially. In 2016, Insightrix Research was contracted to complete the survey with the following objectives:

- measure the importance of water services among customers
- assess overall satisfaction with SaskWater and various aspects of services
- help us understand customer perceptions of how SaskWater services are paid for
- collect suggestions on how to enhance SaskWater services

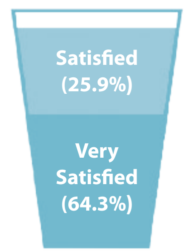
A total of 114 customers provided feedback, representing associations, industry, communities and single users. Overall satisfaction remains strong with



Overall Satisfaction

Overall satisfaction remains strong

90.2% of customers are satisfied.



Areas of Highest Satisfaction*

9.4

Providing safe drinking water

9.3

Responsiveness of SaskWater's emergency services

9.0

Providing reliable water service

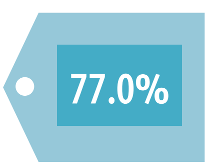
8.8

Customer service provided by SaskWater

8.6

Staff knowledge

Perception of Fair Prices



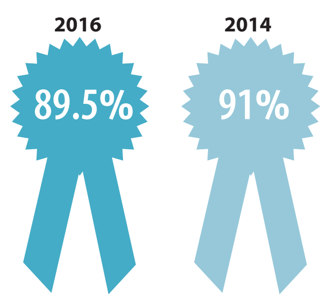
Customers continue to believe that SaskWater prices are fair.

Those who rated 7 to 10

Level of Agreement with Cost Distribution

Customers are more likely to say that residents and industry should pay the full cost of water treatment and distribution.

Likelihood to Recommend SaskWater



The likelihood to recommend SaskWater remains high.

Field dates

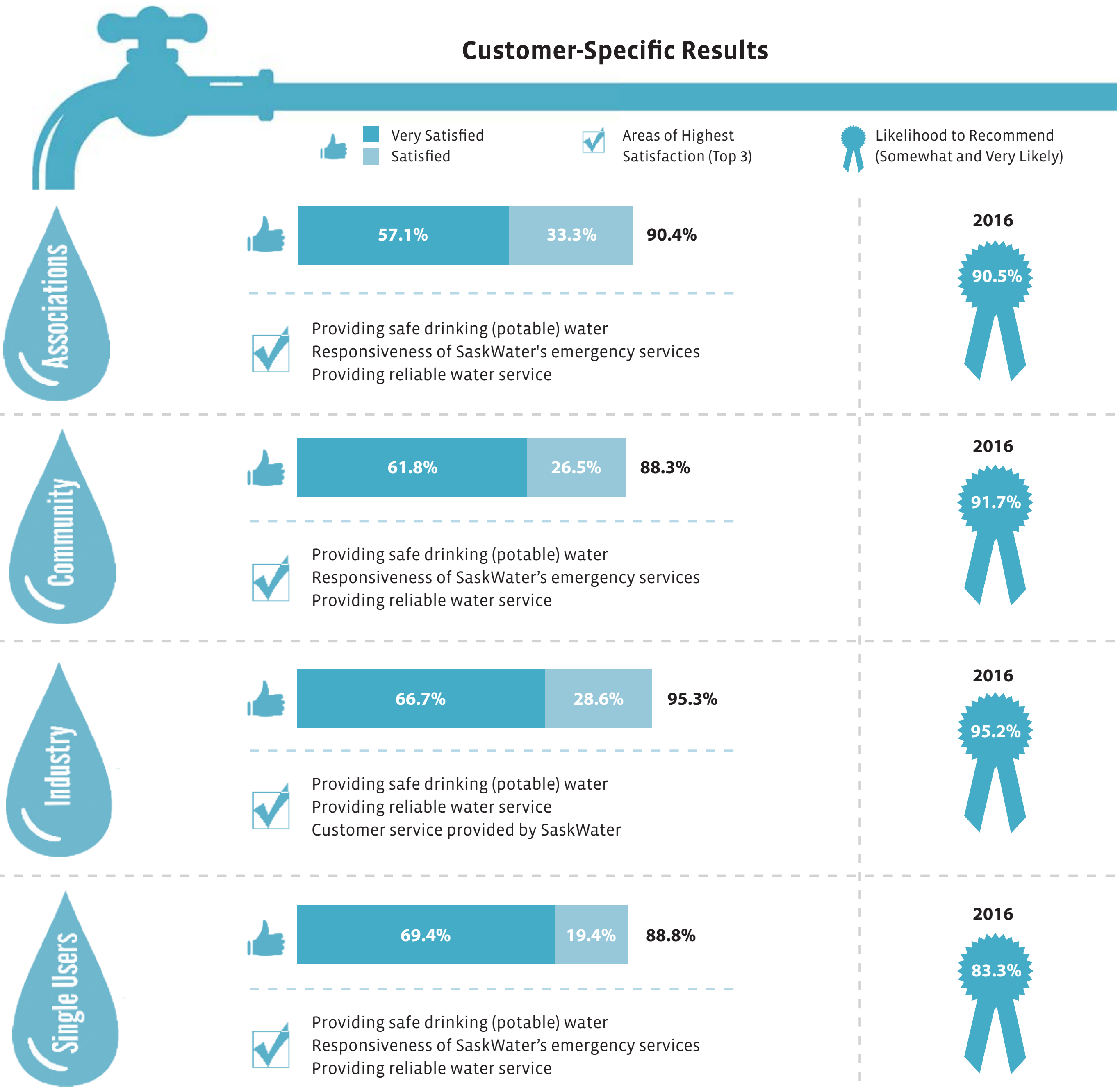
September 27, 2016 to October 25, 2016

* Average on 10-point scale

A total 114 Interviews were completed by telephone a rating of 8.64 out of 10. Of the respondents, 90.2% reported being satisfied or very satisfied.

According to Insightrix, the research study illustrates that overall satisfaction with SaskWater is very strong and continues to improve.

- Satisfaction holds steady by customer type with a slight increase for industry users.
- Key areas of focus for continuous improvement in satisfaction include understanding citizen and member needs, environmental stewardship and caring about customers.
- Continued emphasis on communication is advised, especially in times when there may be a disruption in service.



Corporate Social Responsibility and Sustainability Initiatives

SaskWater's corporate social responsibility and sustainability initiatives are guided by the *Corporate Social Responsibility and Sustainability Principles* policy that our Board of Directors approved in its current form in 2013. **Customer Driven** activities include community consultations and our Community Investment program.

COMMUNITY CONSULTATIONS

SaskWater conducts community consultations to provide a forum for communities and individuals to learn and ask questions about SaskWater projects that may impact them. During 2016–17, community open houses and information meetings took place in Elbow, Lashburn and Melville.

SaskWater consulted with the customers on the Wakaw-Humboldt system to ensure the planned upgrades at the Wakaw water treatment plant would address the service requirements of the communities we serve. (See the story on the Wakaw-Humboldt system upgrades on page 28.)

SaskWater developed and implemented guidelines to outline the process for customer engagement where municipal representatives will have an opportunity to ask questions about the services they receive from SaskWater, and any capital projects that may impact them.

COMMUNITY INVESTMENT

As one of Saskatchewan's commercial Crown corporations, we embrace our social responsibility to make a positive contribution each year to Saskatchewan communities. In 2016–17 we sponsored and/or provided promotional items to approximately 80 events in 35 communities.

One of our strategic areas for community investment has been environmental stewardship and support for our First Nations communities. In 2016–17, we provided support to:

- the Saskatchewan Prairie Conservation Action Plan
- the Wildlife Rehabilitation Society of Saskatchewan

- the Frontier College Indigenous Summer Literacy Camps
- the Saskatchewan Chamber of Commerce ABEX Awards Aboriginal Leaders of Tomorrow

Supporting the communities we serve is important to SaskWater, and in 2016–17 we continued to provide sponsorships to several of our customer communities through a wide range of opportunities including:

- the Village of Edenwold's community playground project and the City of Melfort's playground program
- events such as the La Ronge Children's Festival, the Humboldt Summer Sizzler and the Summer Solstice Festival in Gravelbourg
- fundraiser dinners, rodeos, golf tournaments, fish and boat derbies and music jamborees

SaskWater is also committed to using our Community Investment program to offer educational experiences to students in our customer communities. Some of the ways we accomplished this in 2016–17 included:

- presenting the Engineers Without Borders Water for the World workshops to 445 students in six communities
- using the benefits of our Saskatchewan Science Centre corporate membership to send students to the Science Centre

ENCOURAGING SCIENTIFIC CURIOSITY: SASKWATER SPONSORS CUPAR SCHOOL FIELD TRIP

Helium fireballs, tornado clouds and giant bubbles were just a few highlights of the day when Cupar School students made a visit to the Saskatchewan Science Centre.

The Saskatchewan Science Centre's Corporate Membership program is designed to promote science education. As a member, SaskWater supported 79 Grade 4–8 students as they explored the centre's exhibits and watched an IMAX movie on December 20, 2016.

"There was an overwhelming positive response from everyone who attended," said Shauna Hubick, a Cupar teacher who accompanied the students. "For a lot of them, it's probably brand new and exciting because they haven't been here in a while—or at all."

SaskWater is the owner and operator of a water treatment plant that serves the Cupar community, located 75 kilometres northeast of Regina.

"I was really happy and really excited," said Stacy Kim, an enthusiastic Grade 5 student, about the opportunity to visit the Science Centre. "I need science because I'm going to be a doctor," she added.

Balanced Scorecard

Strategic Objective		Measure	2016–17 Target	2016–17 Result	Indicator Light	2017–18 Target	2018–19 Target	2019–20 Target	2020–21 Target	2021-22 Target
Identify targeted growth opportunities and service offerings	1	% Investment in New Growth	7.0%	7.9%		10%	10%	10%	5%	5%
	2	% Municipal Revenue Growth	16.0%	19.3%		32%	23%	35%	50%	50%
	3	% Industry Served by SaskWater	40.4%	38.2%		36.7%	37.0%	37.9%	41.3%	43.4%
Improve timeliness and responsiveness to service requests	4	Customer Satisfaction Survey	8.50	8.64		N/A	N/A	8.50	N/A	8.50
	5	**Turnaround Timelines for Request for Service**								
		Non-Complex	94	9		89	85	80	76	72
		Medium Complex	172	136		163	155	147	140	140
		Highly Complex	222	341		211	200	190	182	182
		COM	70	53		63	56	49	42	42

Legend

- Exceeded target by 20% or greater
- On target
- Slightly off target by up to 20%
- Off target by greater than 20%
- Target information not available

SaskWater's **Customer Driven** goal is centred on the premise that customers are important to the corporation and that they deserve excellent, reliable and high-quality service. For SaskWater to be successful in growing the business, understanding this is paramount. This goal recognizes that SaskWater must fully understand and meet existing and future customers' needs, such as being timely and responsive to their requests. Two objectives for **Customer Driven** were identified as priorities: identifying targeted growth opportunities and service offerings, and improving timeliness and responsiveness to service requests. The measures are aligned according to each objective for this goal.

% Investment in New Growth shows growth by taking the net capital expenditures and dividing it against SaskWater's property, plant and equipment value for 2014. These projects include new customers looking for water, and current customers whose communities/businesses are growing or need additional water services. SaskWater's five-year targets reflect a goal to invest five to 10% of total asset value in new infrastructure. SaskWater met its target for this measure in 2016–17, with investments toward a new water supply system for Melville and new storage for the Wakaw/Humboldt water supply system.

% Municipal Revenue Growth takes into account new revenue growth for the potable, Certified Operation and Maintenance (COM) and wastewater lines of business from new and/or existing municipal customers that have increased volume requirements. SaskWater met its % Municipal Revenue Growth 2016–17 target through customer growth and increased water consumption due to drier summer conditions.

% Industry Served represents SaskWater's market share in targeted industrial water services for potable and non-potable water. SaskWater met its target for this measure in 2016–17.

SaskWater strives to maintain a high customer satisfaction level. Overall customer satisfaction with SaskWater is trending upward with an average satisfaction rate increasing from 8.54 in 2012 to 8.57 in 2014 and 8.64 in 2016 on a 10-point scale. SaskWater is targeting to maintain its 8.50 satisfaction rating for each of the two surveys planned in the next five years.

As part of efforts to improve service response time in meeting customer requests, SaskWater is tracking the average number of calendar days it takes to respond to different types of projects which are categorized as non-complex, medium complex, highly complex, and COM. SaskWater's goal is to improve response times by 30% from 2014 to 2021. Timelines are initiated the day a customer submits a completed Request for Service and terminates when a conceptual solution is provided by SaskWater. SaskWater received several requests for service for three out of the four categories in 2016–17. SaskWater did better than expected on achieving the targeted time frames for the non, medium and COM categories. SaskWater did not meet the target for the highly complex category. The project under this category was initiated in 2015–16 and carried over into 2016–17. A response was provided to the customer, and a new process was implemented internally to improve future response times for all categories.

We will be recognized as a leader in operations

Key Strategic Objectives

- **Ensure that our infrastructure is safe, reliable and efficient**
- **Continue to provide safe and reliable water that meets or exceeds regulatory requirements**
- **Identify and implement efficient and effective business and operational processes**

Infrastructure Upgrades Benefit End Users and Operators

The upgrades at the water treatment plant in Wakaw aren't only benefitting the customers on the Wakaw-Humboldt system, but also SaskWater's operations staff.

Both the backup power and the potable water storage reservoir projects were completed, in operation and performing reliably in 2016–17. The Wakaw-Humboldt regional system provides potable water to 12 communities in the area.

Craig Standish, Supervisor Regional Systems for SaskWater in Wakaw, said the upgrades will provide him and his staff the opportunity to work more

We will be recognized as a leader in operations and regional systems by delivering safe and reliable water and wastewater services and providing innovative solutions to improve the efficiency, effectiveness and long-term sustainability of our business and systems.

proactively rather than reactively, when dealing with unexpected breakdowns or emergency situations.

“We are excited to use these two new resources,” said Standish. “In the past, there was always a sense of panic in these situations because we could not be down for very long due to the ‘on demand’ nature of how the water treatment plant operated. Now we can formulate a plan and then go out and execute it.”

The backup power generator became operational at the end of January and was given its first real test on January 31st, 2017. SaskPower had a planned outage at 1 p.m. and the generator started and ran flawlessly during the three-hour outage. It is a self-contained 650 KW diesel unit that has enough power to run the entire water treatment plant and all distribution pumps, with capacity for future loads. In the event of a power outage, the generator will run and produce power within approximately 15 seconds. When power is restored, the generator will synchronize with SaskPower and do a “bump-less” transfer back to the power utility with no disruption in service.

The area experiences several major planned and unplanned power outages each year. Without the backup power, this would typically result in SaskWater’s customers being placed on Precautionary Drinking Water Advisories because of pipeline depressurization.

“We can switch over to the generator power during a storm to eliminate

> **We can switch over to the generator power during a storm… The backup power now provides our customers with 24/7 uninterrupted service.**

power blips, brown outs, etc., that occur on the electrical grid," said Standish. "The backup power now provides our customers with 24/7 uninterrupted service."

The potable water storage reservoir has been in use since mid-December, 2016. The above-ground glass-fused-to-steel tank is designed to provide an additional capacity of 4,500 m^3 (1M imperial gallons) of potable water storage.

The storage reservoir positively affects the system and its customers in the following ways:

- Increases chlorine contact time
- Provides water to customers even when there are power issues
- River pump station and non-potable water pipeline maintenance can be performed without affecting customers
- Allows for water treatment plant maintenance without disrupting service
- Allows the water treatment plant to operate at a constant flow rate

IT Migration Provides Upgrades

SaskWater took a bold step forward in the world of Information Technology in 2016–17.

By taking on dedicated staff and dissolving an existing IT support partnership, SaskWater has established its own IT identity.

"As an organization, we've grown and matured to a place where we need to think about how information technology can make us more efficient, more customer responsive," explained Jacquie Gibney, Vice President of Business Development and Corporate Services. Gibney, who led the project, said the goal was to establish an IT foundation and supports to enable SaskWater's future mandate.

Priorities like ensured business continuity, secure offsite data backups, and automating and streamlining data processes were some of the driving factors behind the project.

Paul Mayson, Manager of IT Services, oversaw the sweeping hardware updates and complex server data migration. Mayson said SaskWater is now equipped with a fully supported and upgradable system that can evolve in areas like billing, payroll, budget tracking, business process mapping or even service expansion.

"We can now take a look at new modern applications with enhanced functionality," he said.

Gibney said the upgrades will achieve efficiencies that staff will enjoy, but also open new doors for the corporation.

"We have positioned ourselves in a way that allows us to take advantage of what technology can offer," she said. "We're not only in control of our own technology strategy, we're in control of how we can leverage that technology to achieve our business strategy."

Sustaining Our Systems

SaskWater infrastructure stretches across vast areas of the province, making maintenance and upgrades on our systems a continuous focus.

"Staying ahead of our infrastructure needs is key to providing reliable service to our customers," said Eric Light, Vice President of Operations and Engineering. "Taking a proactive approach to replacement and repairs generally translates into cost efficiencies and prolonged life of the equipment."

The Saskatoon Potable East pipeline is a 12" steel pipeline, installed in 1966, that provides potable water from the City of Saskatoon to customers as far east as the Town of Allan. Due to age and condition of the pipe, the pipeline required replacement. To focus on the sections in the poorest condition and maximize the value of the original pipeline, the project was approached in phases. Phase 1, addressed in 2009, saw a 3.5-kilometre section of the pipeline replaced. Subsequent replacement of a 7.5-kilometre section of pipeline was initiated in 2015 and this second phase was completed in the 2016–17 fiscal year. Planning for the third phase will commence in the fall of 2017 with replacement of the 5-kilometre section slated for 2018.

The Bradwell Diversion Canal is an arm of the Saskatoon Southeast Water Supply (SSEWS) system, a non-potable system that feeds the Bradwell Reservoir. The Bradwell canal measures 3.75 kilometres and was originally constructed in 1972. It included sections with exposed liner and others consisting of earth-covered plastic membrane liner. Over time, the liners became susceptible to seepage issues, contributing to a loss of efficiency for canal operation. The original timber bridges and a cast-in-place concrete reservoir inlet were also nearing the end of their useful lives, further contributing to operational challenges.

In response, SaskWater rehabilitated the canal by installing a more rugged reinforced polyethylene liner topped with a layer of rock armouring. The two road crossings were rebuilt with precast concrete pipe, and a new precast concrete inlet structure was installed, complete with a travelling screen to prevent fish from entering the canal system from the Bradwell reservoir. Construction started in the fall of 2016, and is expected to be complete in the summer of 2017.

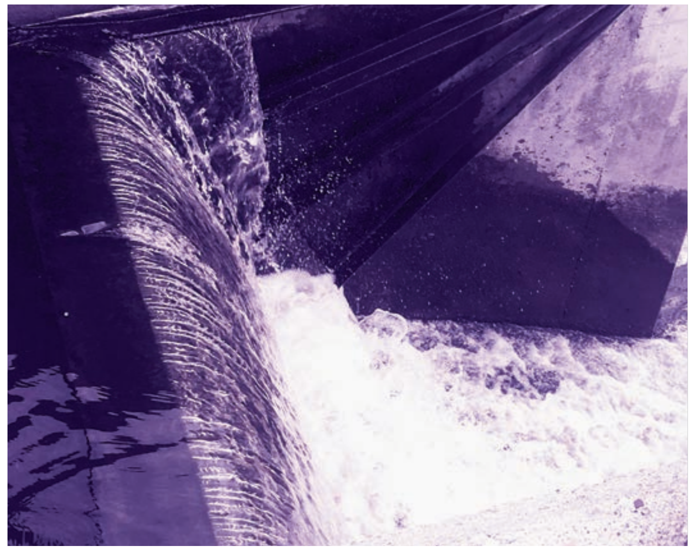
Throughout 2016–17, the SSEWS was also the focus of a five-year timber bridge and box culvert inspection program, initiated in 2015. The canal system integrates 49 timber bridges, five cattle crossings, and 14 timber box culverts along its 137-kilometre route.

For this review, SaskWater adopted the Ontario Structures Inspection Manual (OSIM), the same inspection protocols used by both the Ministry of Highways and Infrastructure and the Saskatchewan Association of Rural Municipalities.

Significant information on the condition of the structures can be obtained using the OSIM standard, which evaluates the materials as well as the severity and extent of deterioration of each element. This type of data can inform cost-saving decisions.

"Often, repairs can be made to extend the useful life and maintain safety of our structures at significantly less cost than replacing them," explained Daryl Bunnell, Manager of Construction and Maintenance Engineering.

As a result, four bridges were repaired in 2016–17 and four to six more structures will be addressed in the fall of 2017. This approach also allows SaskWater to identify and prioritize structures needing replacement, and three timber bridges are slotted for replacement in the upcoming year.



Corporate Social Responsibility and Sustainability Initiatives

Corporate social responsibility and sustainability initiatives that fall under SaskWater's goal of **Pursuing Excellence** include:

- promoting the value of water and the celebration of World Water Day 2017 by mailing out conservation information and materials to customer community schools to support their learning
- facilitating school tours of our water treatment plants
- preparing handbills to encourage customer communities to request SaskWater's *Save a drop. Save a lot.* brochures for their residents
- promoting **www.saskwater.com** as a resource for water conservation materials
- a Greenhouse Gas Committee that meets regularly to review potential initiatives to reduce greenhouse gas emissions. The committee has implemented initiatives including:
    - reducing the size of vehicles to reduce environmental footprint
    - changing inefficient lighting to more efficient LED lighting
    - implementing a pump optimization program to lower power consumption by reducing average operating pressures in water supply lines
    - reducing employee travel by increasing the use of conference call equipment and implementing external access to remote sites for diagnostic purposes
- taking an active approach to minimizing water loss on its water supply systems. The target is a water loss rate of 3% or less. (See the System Reliability Index measure in the Balanced Scorecard on page 35.)
- participating in corporate recycling of paper, plastics, electronics and batteries

Balanced Scorecard

Strategic Objective		Measure	2016–17 Target	2016–17 Result	Indicator Light	2017–18 Target	2018–19 Target	2019–20 Target	2020–21 Target	2021-22 Target
Ensure our infrastructure is safe, reliable and efficient	6	System Reliability Index	19.69	20.00		19.69	19.69	19.69	19.69	19.69
	7	Asset Renewal and Replacement	3.0%	4.2%		3.0%	2.0%	2.0%	2.0%	2.0%
Continue to provide safe and reliable water that meets and exceeds regulatory requirements	8	Water Quality Index	0.977	0.974		0.986	0.986	0.986	0.986	0.986
Identify and implement efficient and effective business and operational processes	9	O&M Costs per m^3 Sold	$0.40	$0.43		N/A	N/A	N/A	N/A	N/A
	10	Corporate Productivity per FTE ($000)	$414	$428		$416	$393	$408	$530	$538

Legend

- Exceeded target by 20% or greater
- On target
- Slightly off target by up to 20%
- Off target by greater than 20%
- Target information not available

The purpose of SaskWater's **Pursuing Excellence** goal is to deliver safe and reliable water and wastewater services to customers. Water is an essential resource, critical for life, growth and a sustained quality of life. SaskWater's customers and the Government of Saskatchewan have an expectation that the corporation supports responsible growth in an efficient and effective manner. Three objectives were identified as priorities for the corporation including: ensuring safe, reliable and efficient infrastructure; safe and reliable water that meets and exceeds regulatory requirements; and implement efficient and effective business and operational processes. Measures for these objectives have been aligned accordingly.

System Reliability Index Factor Results

	2016–17 Factor Target	2016–17 Result
Unplanned Service Interruption Factor (USIF)	30	18
Length of Interruption Factor (LIF)	93.75%	96.15%
Planned Service Interruption Factor (PSIF)	95%	100%
Water Loss Factor (WLF)	3%	2.64%

System Reliability Index tracks the reliability of SaskWater's systems and services. This measure incorporates four key factors: unplanned service interruptions, length of interruptions, compliance with interruption procedures, and water loss. Each individual factor is given a score out of one, with one being a perfect score. The 2016–17 result for System Reliability Index is on target, where SaskWater either met or exceeded each of the factors that make up the index.

Water Quality Index Factor Results

	2016–17 Factor Target	2016–17 Result
Chlorine	0.998	1.000
Turbidity	0.998	0.993
Bacteriological Analysis	1.000	1.000
Trihalomethanes (THMs)	0.913	0.974

Asset Renewal speaks to the importance of upgrading existing assets to ensure efficient and reliable service to customers. For the next five years, SaskWater is targeting to invest two to four per cent of its total asset book value towards upgrading and maintaining aging assets to ensure reliable service for customers. In 2016–17, SaskWater was on the upper-end of its desired target range for investments in existing infrastructure, with a result of 4.2%. Several systems with aging infrastructure required upgrades and/or replacements to prevent water loss or equipment failures.

The corporation works hard to ensure customers receive high quality drinking water. The Water Quality Index includes four factors that gauge the water quality status of SaskWater's 17 potable water systems. The factors chosen for this measure are considered the most critical and are tested more frequently. They include turbidity, trihalomethanes (THMs), chlorine, and bacteriological analysis. Similar to the System Reliability Index, each individual factor is given a score out of one. The Water Quality Index was on target for 2016–17. This measure will change slightly in 2017–18 to reflect the addition of weighting on each water quality factor to represent risk and impact associated with their presence in testing results.

Targets for 2017–18 to 2021–22 reflect this change. Full details regarding 2016 water quality results can be found in SaskWater's Annual Water Quality Report located at **http://www.saskwater.com/media/publications/2016-water-quality-report**

As a Crown corporation, SaskWater recognizes the importance of having an efficient workplace and using resources wisely. SaskWater is committed to operating in an efficient manner by lowering costs and/or improving productivity without compromising the safety and reliability of services. O&M (operation and maintenance) costs per m^3 measures direct operating costs over total volume sold. The 2016–17 result for O&M Costs per m^3 Sold was within target. The reduced non-potable volumes had a significant impact on the result; however, the corporation was able to stay within reasonable limits to the target by controlling internal costs. This measure has been discontinued for 2017–18 and will be replaced by a Corporate Operating Ratio that considers total operating and overhead costs.

The Corporate Productivity per FTE measure tracks employee productivity by using a ratio of earned revenue to the number of FTEs in the organization. An FTE is all paid hours worked, including overtime hours. The 2016–17 result for this measure is $428 thousand, which is on target.

We provide employees with opportunities

Key Strategic Objectives

- **Create a challenging and rewarding workplace**
- **Recruit and retain qualified people**
- **Provide a workplace that promotes safety and employee health and well-being**

Safety Culture Makes Strides

In 2016–17, SaskWater was proud to take a proactive approach to safety and keeping its employees protected.

"When it comes to safety, the work isn't hard work. Is it inconvenient? Maybe," said Miles Yeroschak, Manager of Occupational Health and Safety. "But it's a culture of caring and looking after one another that motivates people to do the work and create a safer workplace."

That's why SaskWater committed to making safety procedures as current and accessible as possible, while reinforcing a top-down understanding of crucial safety policies.

To start, SaskWater hosted compelling due diligence workshops for executive and

We provide employees with opportunities and challenges in an environment that is safe, inclusive, respectful and supportive to maximize their potential.

department managers, setting the groundwork for a strong safety culture and future programs. The sessions clearly outlined the extent of management and executive safety responsibilities, both in terms of the law and best practices. A follow-up training session will address front-line employees' roles.

From there, SaskWater looked at making procedures more user-friendly. An electronic safety data management system has been successfully tested, resulting in a shift from cumbersome on-site paperwork to an easy digital process possible on a smart phone or tablet. It's a system that can be easily tailored to different projects.

"If we need a form, it's in there and it covers what it needs to cover," said Yeroschak, noting electronic access to safety forms provides peace of mind that proper documentation is readily available when needed. "It's quick and it's easy. It's best practice and this is where the future of safety is going." Implementation of the electronic safety data management system will be completed in early 2017–18.

SaskWater also saw success this year with the introduction of a safety consultant on certain work sites. Yeroschak said every project has its unique safety program and having someone available to oversee it lets supervisors breathe easier and focus on their projects. That extra set of eyes is beneficial to site inspections, daily briefings, safety meetings and audits, and even in keeping contractors accountable to established SaskWater safety polices.

> Having the ability to use our iPhones or iPads to complete important safety documentation on a job site or in our facilities is much easier and more convenient than using paper forms.

In an age where there's an app for everything, safety is no exception, and in 2016–17 SaskWater operations staff trialled a working alone smart phone app that automatically updates our centralized monitoring centre as to an employee's whereabouts in the field. An alternative system was also piloted, this one based on a fob technology monitored by an external security company. While operators in the field are diligent with their usual check-in routines, these two technologies maintain a high level of vigilance, so that even in a moment of emergency, staff can be safely monitored.

In case emergency situations arise, the field staff at SaskWater are generally required to have First Aid training. In 2016–17, this life-saving skill set was shared with head office staff who wished to participate in the training, arming them with knowledge and skills that could prove vital in their personal lives, and further supporting a safety-minded culture in the workplace.

"We want to make sure our employees go home to their families each and every day," said Yeroschak. "Once you can create that caring culture, the rest is just filling in the blanks."

"I really appreciate being provided the opportunity to take First Aid training. Even though it's not a requirement of my job, I am thankful I now have the knowledge and confidence to help a co-worker if necessary and can also take those skills home with me as a parent of two young children."

– Courtney Mihalicz, Manager, Corporate Communications

"Due diligence training gave me a clearer picture of my roles and responsibilities as a supervisor with respect to safety. The training provided me with some tools to aid and support my employees and also an understanding of what my legal obligations are in protecting my employees from injury."

– Chris Robart, Manager, Major Projects

"Having the ability to use our iPhones or iPads to complete important safety documentation on a job site or in our facilities is much easier and more convenient than using paper forms. For those of us out in the field, it allows us to keep a more efficient and detailed record of what we are doing."

– Jeff Hindle, Senior Technologist, Region 2

"My job requires me to work alone quite often and this technology provides me with a sense of security. I know that help will be there when I need it."

– Ward Perozuk, Technologist II, Regional Systems

Professional Recognition Received

SaskWater's Manager of Human Resources, Amanda Zarubin, was recognized as a leader within her profession in 2016–17.

Zarubin was selected by editors of Canadian HR Reporter magazine to join an elite group they labelled the Top 25 HR Professionals in Canada for 2016. Those who made the list were recognized for an impressive resume full of accomplishments, an innovative program or practice, or a challenge that was met head-on.

"Having my career acknowledged like this is really motivating," said Zarubin. "I love what I do and am always looking for ways to do it better."

This prestigious honour reflects Zarubin's contributions to the HR departments at SaskWater, IMC Canada, Morris Industries, the Five Hills Health Region and Mosaic Potash.

She has received several promotions throughout her career. Prior to joining SaskWater in 2014, she was promoted to an operations role at Mosaic as the continuous improvement manager—the first HR employee in the 50-year history of the mine site to be given the opportunity.

"To be named one of the top 25 HR professionals in Canada is an amazing and well-deserved accomplishment for Amanda," said Jacquie Gibney, Vice President of Business Development and Corporate Services. "In the short time she has been with SaskWater, Amanda has made a valuable contribution and has initiated a number of positive changes within the organization."

Zarubin has a Master's degree in Human Resources Management from the University of Regina and has held a Chartered Professional in Human Resources designation since 2007.

EMPLOYEES

At SaskWater, employees are the corporation's most important asset and provide a valuable connection to our customers, industry contacts and the general public.

SaskWater has approximately 129 employees working out of headquarters in Moose Jaw and offices in Regina, Saskatoon and Prince Albert, as well as the locations identified on the systems map on page 4.

SaskWater operates in a unionized environment; 83 of our permanent employees are members of the UNIFOR Union, Local 820.

DIVERSITY

At SaskWater, we understand the importance of a diverse workforce to support our operations and help us continue to be an innovative and forward-looking corporation.

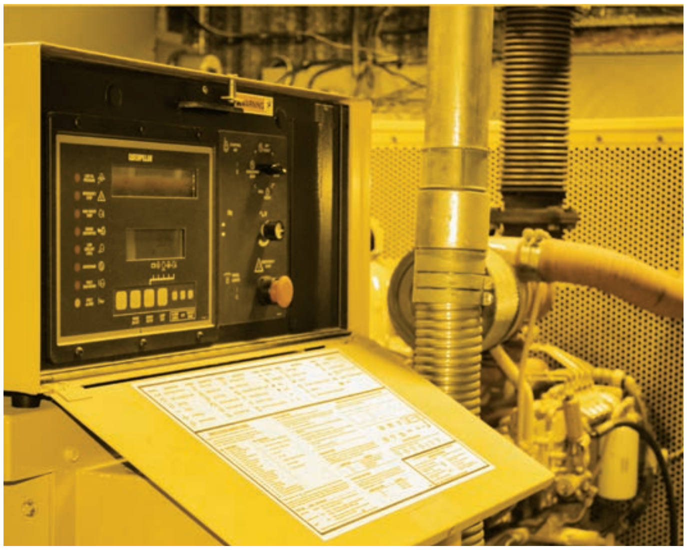
SaskWater supports a representative workforce. Strategies include attraction, retention, training and promotion of the Saskatchewan Human Rights Commission representative categories: women in under-represented positions, visible minorities, Aboriginal people, and persons with disabilities.

In 2016–17, members of these designated equity groups represented 30% of SaskWater's workforce, which is a slight increase over recent years. To further support diversity, we continue to deliver an Aboriginal Cultural Awareness Program (ACAP) to SaskWater employees. This year, four of our employees attended this program, bringing the percentage of staff who have taken this training to 87%.

We made a change in our core training requirements this year. Our employees began attending Crucial Conversations, a two-day interactive communication skills development workshop, aimed at contributing to a respectful working environment. Seventeen employees—14% of staff—attended this new training in 2016–17.

TRAINING

SaskWater encourages and supports training in the areas of ongoing education, professional development, and occupational health and safety for employees. Training is offered to upgrade employee knowledge and skills. This increases organizational effectiveness by raising overall employee performance and engagement. In 2016–17, 73 employees took part in training initiatives.



EDUCATION

In the water and wastewater industry, education is important, whether it is teaching youth about how safe drinking water gets to their taps or supporting students in their post-secondary education. Investing in post-secondary education is investing in SaskWater's future employees and the future workforce of Saskatchewan.

SaskWater's scholarships, co-op terms and internships show our commitment to recruiting promising young talent in Saskatchewan. SaskWater has supported the Gradworks program for recent post-secondary graduates, providing a variety of internships each year. We provided two co-op and three Gradworks placements in 2016–17. Rinkesh Patil completed a co-op term with SaskWater in 2015 at the Melfort Water Treatment Plant. After graduation, he was hired by SaskWater as a casual SCADA Operator in March of 2017.

"My co-op term with SaskWater was my first experience out in the water industry," said Patil. "SaskWater provided me with a positive and safe environment as a co-op student. My co-workers were very friendly and always made sure I was comfortable in doing whatever I was assigned to do. "It was a great learning experience to be able to work with experienced senior technologists and prepared me for my future employment."

After spending nine months in a Gradworks placement with SaskWater, Mitchell Markel was hired as a relief operator in February 2017.

"The Gradworks program was nice to be a part of because it helped me get my foot in the door and begin making contacts, which is crucial when first starting out in the industry," said Markel. "I learned a lot from my coach and co-workers, which definitely helped me become a permanent SaskWater employee."

SaskWater continued to offer financial awards for students in the Water Resources Engineering Technology program at Saskatchewan Polytechnic. Four awards totaling $10,000 are available—four $2,500 awards for second year students. Two awards are open to all students; the other two are intended for Aboriginal students to encourage post-secondary education for First Nations.

Corporate Social Responsibility and Sustainability Initiatives

Corporate social responsibility and sustainability initiatives under SaskWater's goal of **Valuing Employees** include developing a positive, engaged and representative workforce through:

- support for a representative workforce by consistently meeting and exceeding a percentage of new diversity hires metric in the balanced scorecard (See the % New Diversity Hires measure in the Balanced Scorecard on page 46.)
- corporate and employee support for events and charity fundraisers such as the Terry Fox Run, Anti-Bullying Day, Plaid for Dad, Habitat for Humanity and Adopt-A-Family
- participation in the Good Food Box program which is designed to promote healthy eating and support Hunger in Moose Jaw
- support for employees who volunteer their own time for external philanthropic activities such as the Moose Jaw Health Foundation Radiothon, the Festival of Trees and Sundae with Santa.

SUNDAE WITH SANTA – FULL OF SMILES

Santa and sundaes proved to be a winning combo for SaskWater as the presenting sponsor of the newest Moose Jaw Festival of Trees fundraiser.

The 25th Annual Festival of Trees gala was held November 19, 2016, and raised a total of $293,000 for the purchase of new state-of-the-art surgical equipment for the Dr. F.H. Wigmore Regional Hospital.

Sundae with Santa was added to the festival line-up on November 20, 2016, as a way to draw families into the illustrious Moose Jaw Health Foundation event. The family event raised $3,125 towards the purchase of a fetal heart-rate monitor for the hospital.

SaskWater staff provided several hours of in-kind support organizing the sold-out event. Approximately 500 children and adults enjoyed a sundae bar, created Christmas crafts, wrote letters to Santa, visited with the big guy himself and were entertained by local performers.

"I dedicate a lot of my personal time to volunteering in the community, so I was more than happy to get involved with SaskWater's Sundae with Santa volunteer team," said Darlene Guy, SaskWater's Business Development Coordinator. "Having the support of my employer to be a part of events that benefit my friends and family and the community I live in, is just one of the reasons I enjoy my job."

Balanced Scorecard

Strategic Objective		Measure	2016–17 Target	2016–17 Result	Indicator Light	2017–18 Target	2018–19 Target	2019–20 Target	2020–21 Target	2021-22 Target
Create a challenging and rewarding workplace	11	Employee Engagement Survey	N/A	N/A		N/A	74%	N/A	75%	N/A
	12	Retention Rate	92%	94%		92%	92%	92%	92%	92%
Recruit and retain qualified people	13	% New Diversity Hires	30%	33%		N/A	N/A	N/A	N/A	N/A
Provide a workplace that promotes safety and employee health and well-being	14	Safety Index	1.91	1.64		N/A	N/A	N/A	N/A	N/A

Legend

- Exceeded target by 20% or greater
- On target
- Slightly off target by up to 20%
- Off target by greater than 20%
- Target information not available

The **Valuing Employees** goal emphasizes the importance of SaskWater's employees and a workplace that is challenging, rewarding and supportive. Three areas were identified as priorities for this goal: create a challenging and rewarding workplace; recruit and retain qualified people; and create a workplace that promotes safety and employee health and well-being. SaskWater uses four measures to determine success in this area.

The Employee Engagement Survey is used to track employee engagement and to determine if management initiatives have improved it. In order to prevent employee survey fatigue the survey will be conducted every second to third year. The survey did not take place in 2016–17 and is scheduled for the 2018–19 fiscal year.

The Retention Rate tracks resignations/terminations and monitors trends that help inform workforce planning. Targets for this measure were set using benchmarks and historical data, and the targets for this measure are considered to be at the higher end of the benchmark range. SaskWater met the 2016–17 target, with a 94% retention rate. SaskWater intends to maintain a 92% target over the next five years.

SaskWater recognizes the benefits of creating a diverse workforce. The % New Diversity Hires measures new hires from four diversity categories (women in under-represented & management groups, Aboriginal people, people with disabilities, and visible minorities). SaskWater's 2016–17 result is 33%, which is slightly above what was targeted for the year. This measure, which has consistently exceeded target, will be discontinued in the balanced scorecard for 2017–18 and beyond. However, SaskWater will continue to report and benchmark annually on diversity through the Saskatchewan Human Rights Commission in order to maintain the status of Equity Partner.

Safety Index Factor Results

	2016–17 Factor Target	2016–17 Result
# Recordable Injuries	4	2
# Lost TIme	2	2
% Safety Training Completed	90	90.6

SaskWater's Safety Index tracks recordable injury rate, lost-time injury frequency rate and safety completion rate. This measure focuses on providing a safe work environment, and tracks progress towards the long-term goal of zero workplace injuries. SaskWater did better than target with a result of 1.64. Each factor that contributed to the Safety Index has also exceeded targets. In total, SaskWater had two Lost-Time Injury Frequencies and two Total Recordable Injury Rates. For all incidents, SaskWater implemented safety plans to prevent future incidents. SaskWater also met safety training requirements necessary to prevent injuries and improve knowledge of safe work practices. While the results are promising, SaskWater is at the early stage of its safety program. As the program matures, more incidents may be identified as employees become familiar with the reporting requirements. In 2017–18, the Safety Index will be replaced by two industry standard measures including Total Recordable Injury Rate (TRIR) and Lost Time Injury Severity Rate (LTIS) to better compare safety targets and results to other business and industry benchmarks.

We are committed to sustainable financial growth

Key Strategic Objectives

- Achieve return on equity targets approved by shareholder
- Operate within debt ratio approved by shareholder

Management Discussion and Analysis

2016–17 RESULTS

Earnings for 2016–17 are $6.5 million, including an unrealized loss on debt retirement funds of $0.1 million.

($ Millions)	2016–17	2015–16	Jan 2015 – Mar 2016 (15 months)
Earnings	$6.5	$5.6	$7.4

Total revenues increased by $5.0 million or 10.4% to $53.0 million for the current year, up from $48.0 million in 2015–16.

We are committed to sustainable financial growth that provides value to our shareholder, while offering competitive rates and supporting provincial growth through strategic investments and partnerships.

Revenues from water sales and treatment for the year increased by 9.1% over 2015–16. Overall consumption volumes for non-potable customers decreased in 2016–17 largely in response to global potash market conditions. However, this was more than offset by increased revenues from new potable and non-potable customers that came online during the year with non-volumetric revenues per their agreements. Additional revenue was also generated by rate increases across the water sales and treatment lines of business.

Revenues from other services include project management engineering, providing certified operators to customers who retain ownership of their infrastructure, and training and support to a number of First Nations communities. Revenue from the project management line of business decreased $1.5 million this year. This service has largely been pre-construction engineering to assist prospective new potash entrants complete their feasibility studies. This line of business generated approximately $29 million in revenue for SaskWater since 2010; however, as potash prices have fallen and new mine capacity has been developed, the interest in this service has fallen off. The remainder of the service lines of business stayed relatively consistent year over year, although there was an increase in certified operations with the addition of new customers.

Other revenue is largely the amortization of customer contributions in aid of capital. When customers contribute capital towards projects, including any grant proceeds, it reduces the investment required from SaskWater and results in a lower rate paid by customers. These financing contributions are recorded on the balance sheet as deferred revenue and are amortized to income on a similar basis as depreciation expense is recorded on the assets they helped build. SaskWater records the value of assets it constructs at the full amount incurred, and depreciates them over their useful lives. Both other revenue and depreciation increased in 2016–17 as new systems came into service and started being amortized.

($ Millions)	2016–17	2015–16	Jan 2015 – Mar 2016 (15 months)
Water Sales and Treatment	$40.4	$37.1	$45.2
Services	5.7	6.8	8.8
Other	6.9	4.1	5.0
Total Revenue	$53.0	$48.0	$59.0

($ Millions)	2016–17	2015–16	Jan 2015 – Mar 2016 (15 months)
OM&A	$11.0	$11.6	$14.5
Bulk Water	9.0	7.7	9.2
Salaries & Benefits	12.8	12.1	15.1
Amortization	11.2	8.4	10.4
Saskatchewan Taxes	0.7	0.6	0.8
Total Operating Expenses	$44.7	$40.4	$50.0

Total operating expenses increased by $4.3 million to $44.7 million for the year, up from $40.4 million in 2015–16.

Operations Maintenance and Administration (OM&A) expense for the year decreased by $0.6 million as compared to 2015–16. Project Management related expenses decreased by $0.8 million in line with reduced revenues for the year. OM&A for the remaining lines of business only increased $0.2 million as considerable management effort was expended in order to achieve this result in a period of spending restraint, while experiencing customer growth related expenditures.

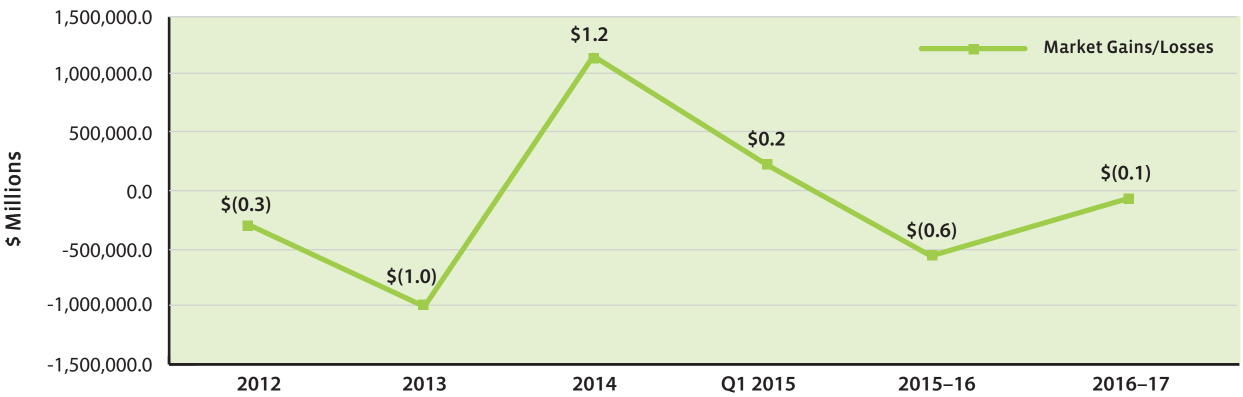
Bulk water purchases are amounts paid to buy potable water from other treatment plants and then distributed to SaskWater customers, in lieu of SaskWater building its own water treatment plant. This is largely paid to the City of Saskatoon, with some purchases also from the Buffalo Pound Water Administration Board, the City of Regina and the City of Moose Jaw. Bulk water purchases during the year were $1.3 million or 16.8% higher than 2015–16, primarily due to rate increases applied by other treatment plant operators in those areas.

Salaries and benefits increased during the year by $0.7 million or 5.8% as compared to 2015–16. The increase was a combination of resourcing adjustments to meet new customer needs and salary adjustments.

Amortization of property, plant and equipment rose $2.8 million over 2015–16 primarily as a result of new customer facilities coming online and beginning to depreciate. The majority of the increase was offset by amortization of customer contributions within other income on those facilities.

Net finance expense for the year was $1.9 million, down slightly from the $2.0 million in 2015–16. Unrealized changes in the market value of debt retirement funds resulted in a net loss of $0.1 million during the year compared to a net loss of $0.6 million in 2015–16. That favourable variance of $0.5 million was partially offset by $0.2 million lower realized trading gains on debt retirement funds held by the Ministry of Finance for the benefit of SaskWater. Also, an additional $0.2 million of interest expense on long-term debt was incurred over 2015–16 expenses that were associated with additional long-term debt issuances to finance capital investments.

($ Millions)	2016–17	2015–16	Jan 2015 – Mar 2016 (15 months)
Market Losses	$(0.1)	$(0.6)	$(0.4)
Net Finance Expense	$(1.9)	$(2.0)	$(1.6)



CAPITAL INVESTMENT

During the year, $24.1 million was spent on capital projects including new construction and expansion, existing infrastructure refurbishment and asset management programs. SaskWater invested $15.4 million from its own source funds and the remainder was received from customers as contributions in aid of capital. A number of the projects were initiated in prior years and include:

- Construction of the Zelma East Non-Potable Water Supply System to supply water for the BHP Billiton Jansen potash mine was completed.
- Design of a new water treatment plant, including new wells and supply pipeline, in the community of Melville was initiated and will be a multi-year construction project.
- Design and construction of an above-ground potable water storage reservoir was completed at our Wakaw-Humboldt Regional Water Treatment Plant.
- Design and installation of a back-up power generator was completed at our Wakaw-Humboldt Regional Water Treatment Plant.
- Design and replacement of a canal liner for the Bradwell Diversion Canal. The project replaced 3.75 kilometres of canal liner. The Bradwell Diversion Canal and Bradwell Reservoir is the source water for the PCS Allan potash mine.

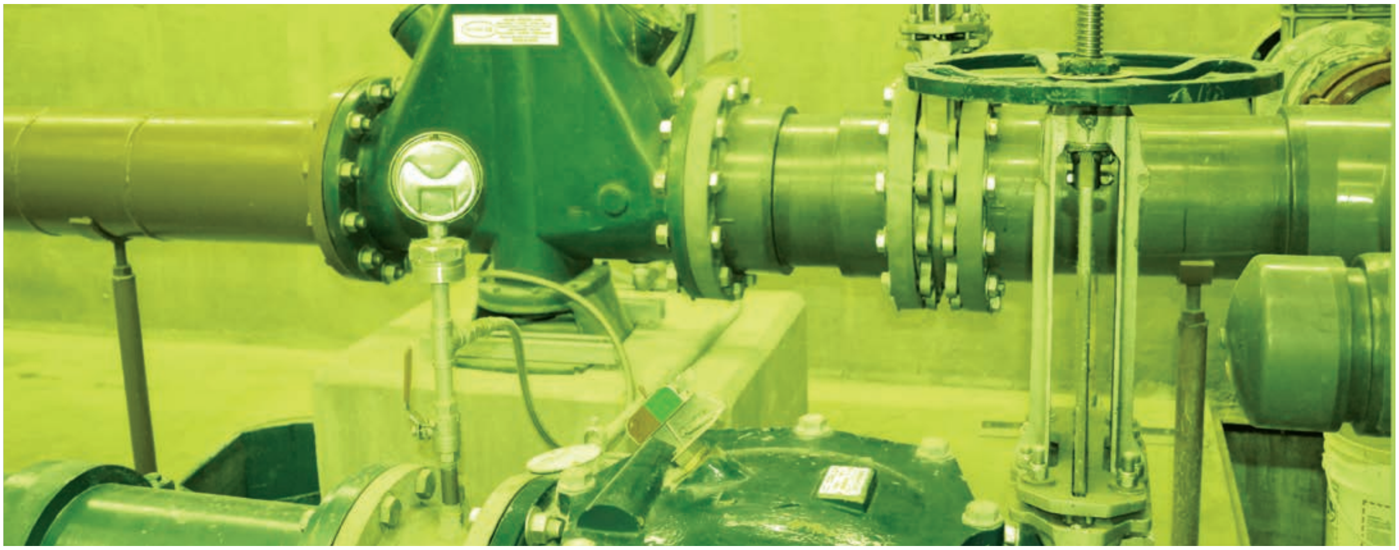
KEY FINANCIAL DATA

($ Millions)	Year ended March 31, 2017	Year ended March 31, 2016	15 months ended March 31, 2016
Total Assets	$338.1	$328.9	$328.9
Return on Equity	11.0%	10.3%	13.7%
Debt Ratio	44.7%	45.7%	45.7%
Dividends Declared	$1.646	$1.632	$1.929

LIQUIDITY AND CAPITAL RESOURCES

SaskWater secures capital investment dollars through a combination of internally generated cash from operations and from debt arranged through the Government of Saskatchewan, Ministry of Finance. The maximum short-term borrowing and maximum total borrowing are established by Order in Council as follows:

Financing ($Millions)	Authorized	Outstanding at March 31, 2017
Short Term (Promissory Notes)	$30	$7.200
Total (including short term)	$130	$66.193



2017–18 OUTLOOK

SaskWater expects total revenues from all lines of business to stay fairly consistent, moving to $53.2 million or an increase of 0.3%. We anticipate that potable and non-potable revenues will continue to grow as a result of continued growth from municipal potable customers as well as increased industrial water usage and revenue. Offsetting this growth would be a reduction to our project management revenues as projects have either been put on hold by customers or moved onto construction.

The corporation has budgeted a net income of $5.8 million for 2017–18.

SaskWater anticipates declaring a dividend for the 2017–18 fiscal year equal to 25% of profits, or approximately $1.5 million.

SaskWater expects to invest a maximum of $24.6 million net ($27.0 million gross, with the difference made up from customer contributions in aid of capital) in water and wastewater infrastructure projects in the province.

Investments include:

- Melville Potable Water Supply System and Treatment Plant
- White City – Pipeline Upgrades
- Elbow – Lake Intake and Non-potable Pipeline Replacement
- Buffalo Pound Non-Potable – Pump Station HVAC Replacement
- SSEWS Canal Improvements – Structure Replacement Program
- Saskatoon Potable Pipeline Replacement – Customer Connections

- Wakaw – Swab Launch and Retrievals
- Meter System Replacement Program
- Solar Panel Array Pump Station (Greenhouse Gas Reduction Initiative)
- General Asset Management Projects

FUTURE ACCOUNTING CHANGES

The following standards and amendments to standards have been issued but are not effective for the year ended March 31, 2017, that may have an impact on the financial statements:

- IAS 7 Statement of Cash Flows (disclosure initiative), effective January 1, 2017
- IFRS 9 Financial Instruments, effective January 1, 2018
- IFRS 15 Revenue from Contracts with Customers, effective January 1, 2018
- IFRS 16 Leases, effective January 1, 2019

The extent of the impact of these new standards and amendments to standards is not known at this time.

In July 2014, the final version of IFRS 9, Financial Instruments was issued. The standard sets out the requirements for recognizing and measuring financial assets, financial liabilities and some contracts to buy and sell non-financial items. It has also modified the hedge accounting model to better link the economics of risk management with the accounting treatment of hedges. The standard is effective for reporting periods beginning on or after January 1, 2018, and applied retrospectively with certain exceptions. Hedge accounting requirements under IFRS 9 are generally applied prospectively. Early adoption is permitted and the corporation plans to early adopt IFRS 9 effective April 1, 2017.

The corporation will reclassify its debt retirement funds from fair value through profit and loss to fair value through Other Comprehensive Income (OCI). This will result in any changes in fair value being recorded through OCI rather than profit or loss.

($ Millions) Key Financial Data					
Years	Total Comprehensive Income	Revenue	Total Assets	Return on Average Equity	Debt Ratio
2016–17	$6.5	$53.0	$338.1	11.0%	44.7%
2015–16	$5.6	$48.0	$328.9	10.3%	45.7%
2015–16*	$7.4	$59.0	$328.9	13.7%	45.7%
2014	$5.5	$43.9	$316.4	11.3%	45.0%
2013	$3.5	$42.3	$223.9	8.0%	52.9%
2012	$3.0	$41.8	$186.4	7.5%	53.9%

2015–16* data is for the 15-month period January 1, 2015 – March 31, 2016.

($ Millions) Key Operational Data				
Years	Total Customer Accounts	Total Sales Volumes (cubic metres)	Kilometres of Potable and Non-potable Pipeline	Full Time Equivalent Employees
2016–17	414	43.9 M M^3	935	123.9
2015–16	411	46.8 M M^3	935	120.0
2015–16*	411	57.4 M M^3	935	120.0
2014	406	38.0 M M^3	865	115.5
2013	406	40.1 M M^3	876	111.9
2012	402	40.7 M M^3	862	105.4

2015–16* data is for the 15-month period January 1, 2015 – March 31, 2016.

Risk Management

Providing safe, reliable and sustainable water and wastewater services is subject to risks that can affect the achievement of SaskWater's strategic goals and objectives. SaskWater manages risk through an Enterprise Risk Management (ERM) program designed to minimize the impact of risks and enable the corporation to achieve business goals and performance objectives. To ensure consistent risk management, SaskWater has implemented an Enterprise Risk Management Policy that provides an approach to manage risks and establishes the roles and responsibilities throughout the organization.

The Executive Committee is responsible for identifying risks that impact the corporation's strategic objectives and for implementing mitigation measures to manage those risks. The Board of Directors provides oversight and stewardship to the corporation and ensures that an acceptable risk management program is in place. The Board receives an annual update that provides a broad overview of the top risks and how they are being mitigated.

The following discussion outlines the top 2016–17 corporate risks and the strategies implemented to deal with them.

FINANCIAL DEPENDENCE ON INDUSTRIAL CUSTOMERS

SaskWater has been focusing on industrial growth to capitalize on opportunities that occur infrequently. However, this growth has resulted in the corporation having a greater revenue dependence on the industrial sector, leaving SaskWater vulnerable to industrial market swings. A large portion of the company's revenues are concentrated in a few large industrial customers, and SaskWater's revenues are susceptible to fluctuations in volume usage due to the nature of SaskWater's volumetric-based rates.

The strategies that SaskWater uses to mitigate this risk include:

- an annual review of potable and non-potable rates, using an industry standard cost of service methodology
- identifying minimum purchase requirements in contracts to offset the effect of volatility in service needs

- reinforcing a corporate culture to identify and implement cost-efficient operations
- pursuing business development activities that focus on diversifying the customer base in other areas, with an emphasis on leveraging existing regional water supply systems

GENERAL ECONOMIC CONDITIONS

SaskWater's growth strategy is dependent on the acquisition and operation of municipal, regional and industrial water systems in Saskatchewan. As part of this strategy SaskWater is looking to broaden current services and to expand into new service areas.

SaskWater will not be able to expand its business if suitable opportunities are not identified, or if SaskWater and a potential customer are not able to agree on the terms of a contract and/or project. This, in part, is influenced by the overall strength of the provincial economy.

A downturn in the economy can impact the growth prospects of the corporation, where projects either become delayed or cancelled, and new projects do not come to fruition. In turn, this can impact the financial expectations of the corporation, where financial goals are not met.

Mitigation strategies include:

- developing business cases for potential customer opportunities
- prequalifying customer requests
- hosting engagement sessions with customers
- reviewing annual capital plans monthly
- implementing a corporate marketing and business plan
- working co-operatively with other investment attraction agencies, most notably the Ministry of Economy, to help identify opportunities

CHANGING REGULATORY ENVIRONMENT

SaskWater's water and wastewater operations are subject to stringent regulatory requirements that govern the environment, health and safety, quality of water provided to customers, water allocation rights and the manner in which SaskWater collects, treats, discharges and disposes of wastewater.

The federal government continually reviews water and wastewater regulations, and these changes are generally adopted by the provincial regulator. Regulatory requirements for wastewater have become more stringent, requiring different timelines to do upgrades depending on the condition of water treatment facilities.

Regulatory changes in other areas of legislation may also impact SaskWater's corporate, operational and engineering activities. Any changes to legislation regarding greenhouse gas emissions, labour relations or corporate business functions could have some material impact.

Mitigation measures to manage this risk include:

- maintaining a solid working relationship with the provincial and federal regulatory agencies
- actively participating in consultation reviews of potential regulatory changes
- designing facilities with the potential for future regulatory changes in mind
- completing the capital budget in conjunction with assessments for regulatory compliance
- on-going training of certified operators to ensure facilities are operated in accordance with regulations

EMPLOYEE RELATIONS

Having a positive relationship with SaskWater's employees is critical to the success of the organization and the provision of safe, reliable water and wastewater services to customers. Employee engagement and empowerment are cornerstones in having a productive and innovative environment. Negative implications of deteriorating employee relationships are loss of productivity and the costs associated, such as a decline in innovation, employee/employer trust and possibly labour disruptions with in-scope employees.

SaskWater manages this risk by:

- promoting its commitment to train staff
- maintaining a competitive remuneration package
- committing to a safe work environment
- implementing an employee performance management system designed to link corporate objectives with individual work plans and to provide constructive feedback on performance
- communicating the corporation's plans and activities via executive site visits and an employee newsletter
- monitoring engagement levels through a biennial employee engagement survey
- meeting regularly with the management, staff and/or union to discuss any issues related to policy, mandate, corporate direction and/or legislative changes

ENGINEERING DESIGN AND CONSTRUCTION

The vast majority of SaskWater's projects require engineering design and construction activities. There are various risks at different phases of the projects.

Pre-design costing can change over the course of long-term projects, due to material price changes, labour costs, project changes and economic conditions. As the project proceeds, difficulties may arise that result in increases to costs and timelines. In both cases, any errors in communication, planning or execution can impact customers' and other stakeholders' trust and confidence in SaskWater.

When a new facility is built, there is the possibility that the water and/or wastewater system does not operate as intended. This may be the result of a faulty design or equipment, inadequate assessment of treatment or conveyance requirements, poor construction or problems related to equipment installation. This could lead to under performance of the system, or system failure, resulting in additional costs due to extra maintenance and staff time to operate, or additional capital required to correct the issue. Where additional work needs to be done, this could delay the service provided to customers, negatively impacting the corporate reputation as a provider of safe and reliable service.

SaskWater manages this risk by:

- reviewing design and costs regularly
- ensuring we have contracts and agreements in place
- establishing contracts with reputable firms
- having procedures in place to ensure review and oversight are provided by qualified staff throughout the design and construction process
- having procurement policies, procedures and guidelines in place to ensure we hire qualified consultants and purchase supplies that meet specifications
- using pilot testing programs for new water treatment processes to ensure systems constructed will meet regulatory requirements

SERVICE INTERRUPTIONS AND FAILURES

Water and wastewater works are subject to potential service interruptions, such as asset failures, which could impact customer satisfaction and the corporation's reputation and financial position. SaskWater has systems and assets, including water and wastewater treatment facilities and/or equipment, pipelines, pump stations and booster stations, some of which may require replacement due to their age and/or condition. Aging assets are expensive to maintain, operate and replace and have the potential to result in service interruptions if not maintained properly.

SaskWater's water and wastewater works are subject to other operational risks including mechanical failure, accidents, storms, power failure, and other force majeure events. Any of these situations may result in service interruptions.

Service interruptions can have an impact on both SaskWater and its customers. Customers run the risk of having no water for consumption or production purposes. Where there are extended service interruptions, customer satisfaction will be significantly impacted. With any service interruption, SaskWater runs the risk of losses to revenue, and where asset failures occur, repair costs could be substantial.

Strategies in place to mitigate these risks include:

- asset management system to proactively manage asset refurbishment
- targeted capital spending on asset refurbishment for all of SaskWater's systems, particularly for those systems that require critical asset upgrades
- emergency response plans in place for individual facilities
- vulnerability assessments, including site security
- contact procedures to notify customers in cases of service interruptions
- remote monitoring 24 hours a day, 365 days a year, to provide instant alarms in case of problems
- systems designed with some redundancy to minimize down time
- third-party system audits every five years to identify potential issues
- customers are encouraged to have water storage reserves to meet their needs in cases of service interruptions. In extreme circumstances, water may be hauled from other locations
- presence of liability insurance

INFORMATION SYSTEMS AND DATA MANAGEMENT

Information Systems are critically important in supporting all the business processes at SaskWater. From 2002 until November 2016, SaskWater received information technology (IT) services from another provincial government agency;

however, that agency was not in the business of providing IT services. Many of SaskWater's systems and data were not integrated in a way that enhanced productivity or promoted collaboration. Weaknesses have also been identified regarding disaster recovery capability. Significant IT failures could lead to loss of data and could negatively impact SaskWater's reputation, operations, financial position and earnings.

To mitigate this risk, SaskWater:

- hired an IT Manager and IT Operations Lead
- developed an IT strategy and implementation plan
- transitioned to a new IT service provider and established a disaster recovery system

OCCUPATIONAL HEALTH AND SAFETY

SaskWater's operations staff are exposed to a variety of safety risks, including confined spaces, working with hazardous chemicals and working with high voltage electrical facilities where water is located. If SaskWater does not provide adequate safety measures, such as appropriate internal procedures, training and safety equipment, staff will be at risk. Further, SaskWater's contractors and engineering staff are exposed to construction safety risks during the construction of water supply systems. SaskWater is responsible for ensuring that all safety requirements are being met. Where safety measures are not being met, SaskWater runs the risk of regulatory fines, negative impacts to reputation or finances, and/or litigation.

SaskWater manages this risk through:

- an Occupational Health and Safety program, guided by a series of policies and procedures that outline safety requirements such as personal protective equipment
- Occupational Health and Safety committees, managed by a dedicated Occupational Health and Safety professional, to identify corporate health and safety requirements of staff and contractors
- mandatory safety training requirements established as per job descriptions

CONTAMINATION OF POTABLE WATER SUPPLIES

Water is a fundamental requirement for life, and there is a high inherent risk to the public's health if contamination of water supplies were to occur. Contamination of water supplies could result in multiple health issues, severe illness and, in the worst-case scenario, death.

Contamination can result from factors such as inadequate or inappropriate treatment processes, failure to maintain appropriate levels of residual chlorine in water supplies, or external contaminants entering potable water systems.

Consequently, potable water is a highly regulated resource, and any issues require urgent responses. If a contamination were to occur, services might be either suspended or reduced until the contamination is cleared.

SaskWater's operations are regulated with stringent water treatment standards and controls covering quality of treated water; the number, frequency and form of water quality testing; and mandatory improvement to the water treatment processes if required. SaskWater strives to meet or exceed the regulatory requirements for treatment on all of its potable water supply systems to ensure the health and safety of customers.

Other mitigation strategies include:

- a corporate Water Quality Policy, whereby the corporation is required to meet or exceed provincial water quality regulations at its owned water treatment and supply facilities and Certified Operation and Maintenance (COM) sites
- extensive water quality testing and reporting
- ensuring system operators meet or exceed the regulatory requirements for education and training
- working closely with the regulatory agencies regarding SaskWater's water works infrastructure and participating in consultations about potential future regulatory changes
- a remote monitoring system that is operated 24 hours a day, 365 days a year, to augment manual operations and provide instant alarms in case of problems
- procedures to notify customers about precautionary drinking water advisories or boil water orders
- researching, testing and implementing new technologies and techniques to improve the quality of source and drinking water
- Quality Control and Quality Assurance and Emergency Response plans are in place
- day-to-day management and oversight of facilities

WEATHER AND CLIMATE VARIABILITY

Weather can have an impact on operations and revenues. Demand for water during the warm summer months is generally greater than during the cooler months in fall, winter and spring, due to additional requirements for water in connection with outside water use. Throughout the year, demand will vary with temperature, rainfall levels and rainfall frequency. Climate variability also impacts the business. During drier years, volumes typically increase, whereas they will decline during wetter years. As result, there will be a fluctuation in operation services and revenues associated with changes to water volume. Mitigation measures include:

- minimum purchase requirements in contracts protects corporation from revenue losses
- focus on efficiency to control costs (i.e. power reduction initiatives)
- volume and usage forecasting
- communication with Water Security Agency regarding water supply issues
- monitoring regulatory requirements and implementing as required
- provision of conservation messaging for customers

Corporate Social Responsibility and Sustainability Initiatives

Corporate social responsibility and sustainability initiatives under SaskWater's goal of **Succeeding Financially** include achieving accountable and transparent governance and long-term financial stability:

- To achieve accountable and transparent governance, SaskWater:
  - completed a review of the Board's Terms of Reference documents in 2016–17, to ensure they are efficient, effective and address best practices for small organizations
  - implemented an Enterprise Risk Management program and supporting policy. Every year, the corporation identifies corporate risks and assesses the top 10 against likelihood and impact. Top risks are identified in the annual report for public disclosure and submitted to Crown Investments Corporation
  - produces the annual report that documents the performance of the corporation via the balanced scorecard and financial reports for public consumption
- To address long-term financial stability for the corporation, SaskWater:
  - has a cost of service rate methodology in place, designed to recover the full cost of providing service, including a rate of return
  - developed a rate Cabinet Decision Item in 2016 for a 2017-2018 multi-year rate increase for discretionary rate customers. It was approved by Cabinet in January 2017 and will be implemented in May 2017 and May 2018
  - implemented efficiency initiatives to manage inflationary cost increases
  - found cost reductions and deferred spending to help address government fiscal challenges
  - participates in Crown collaboration efforts to identify services and resources that can be shared to reduce overall Crown costs

Balanced Scorecard

Strategic Objective		Measure	2016–17 Target	2016–17 Result	Indicator Light	2017–18 Target	2018–19 Target	2019–20 Target	2020–21 Target	2021-22 Target
Achieve return on equity targets approved by shareholder	15	Return on Equity	10.3%	11.0%	On target	9.1%	7.1%	7.5%	12.1%	11.5%
	16	Net Income	$6,098	$6,477	On target	$5,818	$4,846	$5,346	$9,353	$9,718
Operate within debt ratio approved by shareholder	17	Debt to Debt and Equity	47.8%	44.7%	On target	52.7%	60.6%	63.8%	63.9%	62.5%

Legend

- Exceeded target by 20% or greater
- On target
- Slightly off target by up to 20%
- Off target by greater than 20%
- Target information not available

The goal of **Succeeding Financially** demonstrates SaskWater's commitment to improving its financial position so that it can meet multiple commitments including investing in new growth, upgrading aging assets, reducing debt and providing a dividend to the shareholder. There are two areas of priorities for **Succeeding Financially**: achieving the return on equity targets approved by shareholder, and operate within debt ratio approved by shareholder. Three measures are used to monitor these objectives.

Both Return on Equity and Net Income are within target. A combination of unanticipated water usage in the potable sector, combined with additional cost reduction strategies, account for the increased profit.

Debt to Debt and Equity is lower than targeted for 2016–17. SaskWater had increased operational cash flows, which reduced the requirement for borrowings over the course of the year.

Management's Report on Internal Control over Financial Reporting

I, Doug Matthies, the President and Chief Executive Officer, and I, Danny Bollinger, Director, Financial Services and Chief Financial Officer, certify the following:

a. That we have reviewed the financial statements included in the Annual Report of SaskWater. Based on our knowledge, having exercised reasonable diligence, the financial statements included in the Annual Report, fairly present, in all material respects the financial condition, results of operations, and cash flows, as of March 31, 2017.
b. That based on our knowledge, having exercised reasonable diligence, the financial statements included in the Annual Report of SaskWater do not contain any untrue statements of material fact, or omit to state a material fact that is either required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made.
c. That SaskWater is responsible for establishing and maintaining effective internal control over financial reporting, which includes safeguarding of assets and compliance with applicable legislative authorities; and SaskWater has designed internal controls over financial reporting that are appropriate to the circumstances of SaskWater.
d. That SaskWater conducted its assessment of the effectiveness of the corporation's internal controls over financial reporting and, based on the results of this assessment, SaskWater can provide reasonable assurance that internal controls over financial reporting as of March 31, 2017, were operating effectively and no material weaknesses were found in the design or operation of the internal controls over financial reporting.

On behalf of management,

Doug Matthies
President and CEO
May 25, 2017

Danny Bollinger
Director, Financial Services and Chief Financial Officer

Management's Responsibility

Management has prepared the financial statements of the Corporation in accordance with International Financial Reporting Standards. The financial data included elsewhere in this report is consistent with these statements and the underlying information from which the Corporation prepared them.

Management has the primary responsibility for the integrity and objectivity of the financial statements. To fulfill this responsibility, the Corporation maintains appropriate systems of internal controls, policies and procedures. These systems provide reasonable assurance that assets are safeguarded and that the books and records reflect the authorized transactions of the Corporation.

Deloitte LLP, the Corporation's external auditors, have examined the March 31, 2017, financial statements and their report follows. The Board of Directors of SaskWater has examined and approved the statements.

On behalf of the Corporation,

Doug Matthies
President and CEO
May 25, 2017

Danny Bollinger
Director, Financial Services and Chief Financial Officer

Independent Auditor's Report

To the Members of the Legislative Assembly
Province of Saskatchewan

We have audited the accompanying financial statements of Saskatchewan Water Corporation, which comprise the statement of financial position as at March 31, 2017, and the statement of comprehensive income, the statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Saskatchewan Water Corporation as at March 31, 2017, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Deloitte LLP

Chartered Professional Accountants
Licensed Professional Accountants

May 25, 2017
Regina, Saskatchewan

Statement of Comprehensive Income

for the year ended

(thousands of dollars)

	12 months March 31 2017	15 months March 31 2016
Revenue (note 4)		
Water sales and treatment	$ 40,425	$ 45,162
Services	5,681	8,794
Other	6,932	5,032
	53,038	58,988
Expenses		
Salaries and benefits	12,825	15,124
Operations, maintenance and administration	10,978	14,488
Depreciation of property, plant and equipment	11,223	10,336
Bulk water purchases	8,974	9,224
Saskatchewan taxes	709	826
	44,709	49,998
Net income before the following	**8,329**	**8,990**
Finance income	1,032	1,607
Finance expense	(2,884)	(3,251)
Net finance expense (note 5)	**(1,852)**	**(1,644)**
Net income	**6,477**	**7,346**
Other comprehensive income	6	16
Total comprehensive income	**$ 6,483**	**$ 7,362**

See accompanying notes

Statement of Financial Position

as at

(thousands of dollars)

		March 31 2017		March 31 2016
Assets				
Current assets				
Cash (note 6)	$	4,147	$	7,192
Trade and other receivables (note 7)		6,796		9,097
Prepaid expenses and inventories (note 8)		1,104		1,091
Current portion of deferred charges		5		—
		12,052		17,380
Deferred charges		41		—
Investment – debt retirement funds (note 9)		16,502		14,769
Property, plant and equipment (note 10)		309,484		296,724
	$	**338,079**	**$**	**328,873**
Liabilities and Province's Equity				
Current liabilities				
Trade and other payables (note 11)	$	7,868	$	8,536
Notes payable (note 12)		7,200		12,999
Infrastructure deposits (note 13)		4,140		5,390
Dividends payable		440		190
Current portion of deferred revenue (note 13)		6,518		3,943
Current portion of provisions (note 14)		242		253
Current portion of long-term debt (note 15)		7,600		—
		34,008		31,311
Deferred revenue (note 13)		189,716		189,777
Provisions (note 14)		1,012		1,263
Long-term debt (note 15)		51,393		49,418
Employee benefits (note 16)		479		470
		276,608		272,239
Province's equity				
Equity advance (note 17)		8,700		8,700
Retained earnings		52,771		47,934
		61,471		56,634
	$	**338,079**	**$**	**328,873**

Commitments and contingencies (note 19)

See accompanying notes

on behalf of the Board:

Chair

Donald J. Atchison

Director

Statement of Changes in Equity

for the year ended

(thousands of dollars)

	Retained Earnings	Equity Advances	Total
Province's equity			
Balance, December 31, 2014	**$ 42,501**	**$ 8,700**	**$ 51,201**
Total comprehensive income (15 months)	7,362	—	7,362
Dividends	(1,929)	—	(1,929)
Balance, March 31, 2016	**47,934**	**8,700**	**56,634**
Total comprehensive income (12 months)	6,483	—	6,483
Dividends	(1,646)	—	(1,646)
Balance, March 31, 2017	**$ 52,771**	**$ 8,700**	**$ 61,471**

See accompanying notes

Statement of Cash Flows

for the year ended

(thousands of dollars)

		12 months March 31 2017		15 months March 31 2016
Operating activities				
Net income	$	6,477	$	7,346
Items not affecting cash from operations:				
Depreciation of property, plant and equipment		11,223		10,336
Impairment of assets		—		44
Amortization of deferred revenue		(6,138)		(4,277)
Amortization of provisions – onerous contracts		(347)		(249)
Employee benefits		15		32
Net financing expense		1,852		1,644
Gain on disposal of property, plant and equipment		(39)		(26)
Change in non-cash working capital items:				
Trade and other receivables		2,301		20,118
Prepaid expenses and inventories		(13)		(449)
Deferred charges		(46)		—
Trade and other payables		(766)		(13,385)
Infrastructure deposits		(1,250)		(13,709)
Deferred revenue		8,652		34,745
Interest paid		(2,039)		(2,272)
Interest received		40		15
Cash provided by operating activities		19,922		39,913
Investing activities				
Property, plant and equipment expenditures		(24,070)		(49,403)
Proceeds on disposal of property, plant and equipment		205		224
Cash used in investing activities		(23,865)		(49,179)
Financing activities				
Proceeds from long-term debt		9,575		15,525
Repayment of long-term debt		—		(4,807)
Net repayments of notes payable		(5,799)		(7,129)
Debt retirement fund installments		(1,482)		(1,536)
Retirement fund redemptions		—		4,397
Dividends paid		(1,396)		(1,739)
Cash provided by financing activities		898		4,711
Change in cash		(3,045)		(4,555)
Cash, beginning of year		7,192		11,747
Cash, end of year	$	4,147	$	7,192

See accompanying notes

Notes to the Financial Statements

March 31, 2017
(thousands of dollars)

1. General information

The Saskatchewan Water Corporation (the Corporation) is a corporation located in Canada. The address of the Corporation's registered office and principal place of business is 200-111 Fairford Street East, Moose Jaw, SK, S6H 1C8.

The Corporation was established on July 1, 1984, under the authority of *The Water Corporation Act* which remained in effect until September 30, 2002. On October 1, 2002, *The Saskatchewan Water Corporation Act* was proclaimed.

By virtue of *The Crown Corporations Act, 1993*, the Corporation has been designated as a subsidiary of Crown Investments Corporation of Saskatchewan (CIC). Accordingly, the financial results of the Corporation are included in the consolidated financial statements of CIC, a Provincial Crown corporation. As the Corporation is a Provincial Crown corporation, it is not subject to Federal or Provincial income taxes in Canada, but is subject to Provincial corporate capital tax.

The principal activity of the Corporation is to construct, acquire, manage or operate water facilities and to provide services in accordance with any agreements that it enters into pursuant to *The Saskatchewan Water Corporation Act*.

2. Basis of preparation

Statement of compliance

The Corporation's financial statements are prepared in accordance with International Financial Reporting Standards (IFRS).

The financial statements were authorized for issue by the Board of Directors on May 25, 2017.

Basis of measurement

The financial statements have been prepared on the historical cost basis except for the following:

- Financial instruments that are accounted for according to the financial instrument categories defined in Note 3(m).
- Provisions defined in Note 3(e).
- Employee benefit obligations defined in Note 3(i).

Functional and presentation currency

These financial statements are presented in Canadian Dollars, which is the Corporation's functional currency.

Change of year end

During 2015, the Corporation was directed by the provincial government to change its fiscal year end to March 31 to coincide with that of the Province of Saskatchewan. The first complete fiscal period consisted of fifteen (15) months ending March 31, 2016. Information included in these financial statements represent twelve (12) months of the current fiscal period as compared to the fifteen (15) month period ended March 31, 2016; as a result the information is not entirely comparable.

2. Basis of preparation (continued)

Use of estimates and judgments

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements is included in the accounting policy in Note 3, and the following notes:

- Note 10 – depreciation of property, plant and equipment
- Note 13 – deferred revenue and infrastructure deposits
- Note 14 – provisions
- Note 16 – measurement of employee benefits
- Note 19 – commitments and contingencies

3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

a) Inventories

Maintenance materials and treatment supplies inventory are recorded at the lower of weighted average cost and net realizable value. The net realizable value of inventory is the estimated market price for the same or similar items. Materials and supplies are charged to inventory when purchased and then expensed or capitalized when used.

b) Property, plant and equipment

Property, plant and equipment is recorded at cost less accumulated depreciation and any accumulated provisions for impairment. Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, and borrowing costs on qualifying assets for those projects that are under construction for a period greater than six months. Assets under construction are recorded as in progress until they are available for use, at which time they are transferred to property, plant and equipment.

To the extent that funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalization are determined by applying a capitalization rate to the expenditures on that asset. The capitalization rate is the weighted average of the borrowing costs applicable to the borrowings that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset.

3. Significant accounting policies (continued)

b) Property, plant and equipment (continued)

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The cost of replacing a part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Corporation, and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of property, plant and equipment are recognized in net income as incurred.

When property, plant and equipment is disposed of or retired, the related cost, accumulated depreciation and any accumulated impairment losses are eliminated. Any resulting gains or losses are reflected in net income for the period.

c) Depreciation

Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value.

Depreciation is recognized in net income on a straight-line or diminishing balance basis over the estimated useful lives of each part of an item of property, plant and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

The depreciation rates used for asset classes are as follows:

Property, plant and equipment	**Method**	**Rate**
Building	straight-line	2.5% to 5%
Water facilities	diminishing balance or straight-line, as appropriate	2% to 30%
Maintenance equipment and office equipment	diminishing balance or straight-line, as appropriate	10% to 30%

Depreciation methods, estimated useful lives and residual values are reviewed at each financial year end and adjusted if appropriate.

3. Significant accounting policies (continued)

d) Impairment

i) Financial assets (including receivables)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Corporation on terms that the Corporation would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, or the disappearance of an active market for a security.

The Corporation considers evidence of impairment for receivables at a specific asset level. All individual receivables are assessed for specific impairment.

In assessing the individual impairments the Corporation takes into account information related to each individual customer's current receivable position and any other factors related to the customer that are known to allow management to make estimates as to the collectability of each specific receivable.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in net income and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognized through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through net income.

ii) Non-financial assets

The carrying amounts of the Corporation's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the cash-generating unit, or "CGU").

The Corporation's corporate assets do not generate separate cash inflows. If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the CGU to which the corporate asset belongs. Where a reasonable and consistent basis can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise, they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in net income. Impairment losses recognized in respect of CGU's are allocated to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

3. Significant accounting policies (continued)

d) Impairment (continued)

ii) Non-financial assets (continued)

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognized.

e) Provisions

A provision is recognized if, as a result of a past event, the Corporation has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance expense. Currently the only provision recognized relates to onerous contracts.

f) Onerous contracts

A provision for onerous contracts is recognized when the expected benefits to be derived by the Corporation from a contract are lower than the unavoidable costs of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Corporation recognizes any impairment loss on the assets associated with that contract.

g) Government grants

Government grants are recognized initially as deferred revenue at fair value when there is reasonable assurance that they will be received and the Corporation will comply with the conditions associated with the grant. Grants that compensate the Corporation for expenses incurred are recognized in net income on a systematic basis in the same periods in which the expenses are recognized. Grants that compensate the Corporation for the cost of an asset are recognized in net income on a systematic basis over the useful life of the asset.

h) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for the services provided, net of discounts and sales taxes. Revenue from the rendering of services is recognized in the period the services are provided when there is clear proof that an arrangement exists, amounts are determinable and the ability to collect is reasonably assured.

Customer contributions are received from customers, generally in the form of cash, to assist in the construction of assets to provide services to the contributing customers. Prior to the commencement of construction these amounts are recorded as infrastructure deposits. As construction occurs these amounts are transferred to deferred revenue.

When completion of the construction is determined to be a separately identifiable service, these amounts are recognized directly into net income. When completion of construction is not determined to be separate from the ongoing supply or services, these amounts are transferred to deferred revenue and recognized in net income over the term of the contract with the customer. If the contract does not specify a period or automatically continues in effect after an initial term, the revenue shall be recognized over a period no longer than the useful life of the related assets used to provide the ongoing service.

3. Significant accounting policies (continued)

i) Employee benefits

i) Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognized for the amount expected to be paid under short-term cash bonus if the Corporation has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

ii) Defined contribution plan

A defined contribution plan is a post-employment benefit plan under which the Corporation pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognized as an employee benefit expense in net income in the periods during which services are rendered by employees.

iii) Defined benefit retirement allowance plan

The Corporation's obligation is the amount of future benefit that employees have earned in return for their service in the current and prior periods. At each year-end the future benefit is actuarially determined using the projected benefit method. Any actuarial gains or losses are recognized in other comprehensive income and the Corporation will transfer any actuarial gains or losses from other equity to retained earnings in the year it is recognized in other comprehensive income.

j) Lease payments

Payments made under operating leases are expensed on a straight-line basis over the term of the lease. Lease incentives received are recognized as an integral part of the total lease expense, over the term of the lease.

k) Finance income and expense

Finance income comprises interest income on funds invested and changes in the fair value of financial assets at fair value through profit or loss. Interest income is recognized as it accrues in net income, using the effective interest method.

Finance costs comprise interest expense on borrowings, unwinding of the discount on provisions, changes in the fair value of financial assets at fair value through profit or loss and impairment losses recognized on financial assets. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognized in net income using the effective interest method.

l) Equity advance

The Corporation periodically receives funding from its parent and sole equity holder, Crown Investments Corporation of Saskatchewan. Funding is first analyzed to determine whether the funding is a transaction with the equity holder in their capacity as an equity holder, i.e. equity injection, or whether the funding would be available to other parties for a specific purpose. If there is no requirement to comply with certain conditions relating to the operating activities of the Corporation, the funding is recorded as an equity advance. If the Corporation must comply with certain past or future conditions relating to the operating activities of the Corporation, and the funding could be available to other parties for a specific purpose, the funding is recorded as a government grant (see Note 3(g)).

3. Significant accounting policies (continued)

m) Financial instruments

i) Non-derivative financial assets

The Corporation initially recognizes loans and receivables on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognized initially on the trade date at which the Corporation becomes a party to the contractual provisions of the instrument.

The Corporation derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Corporation is recognized as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Corporation has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Financial assets at fair value through profit or loss
A financial asset is classified at fair value through profit or loss if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated at fair value through profit or loss if the Corporation manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Corporation's documented risk management or investment strategy. Upon initial recognition attributable transaction costs are recognized in net income as incurred. Financial assets at fair value through profit or loss are measured at fair value, and changes therein are recognized in net income. The Corporation has classified debt retirement funds as financial assets at fair value through profit or loss.

Loans and receivables
Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses. Loans and receivables comprise trade and other receivables.

Cash
Cash includes short-term investments with original maturities of three months or less. Bank indebtedness when incurred, forms a part of the Corporation's cash management and is included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

The Corporation does not have any assets classified as held-to-maturity.

ii) Non-derivative financial liabilities

The Corporation initially recognizes debt securities issued on the date that they are originated. All other financial liabilities are recognized initially on the trade date at which the Corporation becomes a party to the contractual provisions of the instrument.

The Corporation derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire.

(thousands of dollars)

3. Significant accounting policies (continued)

m) Financial instruments (continued)

iii) Other liabilities

Other financial liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortized cost using the effective interest method.

The Corporation does not have any financial liabilities classified as fair value through profit or loss.

n) New standards and interpretations that came into effect during the year

The Corporation adopted the following new and amended standards and interpretations effective April 1, 2016:

IAS 1 Presentation of Financial Statements

IAS 1 Presentation of Financial Statements has been revised to incorporate amendments issued by the IASB in December 2014. The amendments clarify the existing presentation and disclosure requirements in IAS 1, including the presentation of line items, subtotals and notes. They also provide guidance to assist entities to apply judgment in determining what information to disclose, and how that information is presented in their financial statements. There was no impact to the financial statements upon adoption of the amendments to the standard.

o) New standards and interpretations not yet adopted

The following standards or amendments to standards have been issued but are not effective for the year ended March 31, 2017, that may have an impact on the financial statements:

Standards or amendments to standards		Effective date
IAS 7	Statement of Cash Flows (disclosure initiative)	January 1, 2017
IFRS 9	Financial Instruments	January 1, 2018
IFRS 15	Revenue from Contracts with Customers	January 1, 2018
IFRS 16	Leases	January 1, 2019

The extent of the impact of these new standards and amendments to standards is not known at this time.

In July 2014, the final version of IFRS 9, Financial Instruments was issued. The standard sets out the requirements for recognizing and measuring financial assets, financial liabilities and some contracts to buy and sell non-financial items. It has also modified the hedge accounting model to better link the economics of risk management with the accounting treatment of hedges. The standard is effective for reporting periods beginning on or after January 1, 2018, and applied retrospectively with certain exceptions. Hedge accounting requirements under IFRS 9 are generally applied prospectively. Early adoption is permitted and the Corporation plans to early adopt IFRS 9 effective April 1, 2017.

The Corporation will reclassify its debt retirement funds from fair value through profit and loss to fair value through OCI. This will result in any changes in fair value being recorded through OCI rather than profit or loss.

(thousands of dollars)

4. Revenue

	12 months March 31 2017	15 months March 31 2016
Water sales and treatment		
Potable water supply	$ 20,029	$ 21,779
Non-Potable water supply	19,779	22,590
Wastewater treatment	617	793
	40,425	45,162
Services		
Certified operations & maintenance	1,982	1,958
Project management	2,440	5,251
Northern project management	545	680
Operator training	689	887
Leak detection	10	18
Remote monitoring	15	—
	5,681	8,794
Other		
Amortization of customer contributions	5,870	3,992
Amortization of government grants – capital related	268	285
Miscellaneous revenue	794	755
	6,932	5,032
	$ 53,038	$ 58,988

(thousands of dollars)

5. Finance income and expenses

		12 months March 31 2017		15 months March 31 2016
Finance income				
Debt retirement fund earnings	$	352	$	996
Positive changes in fair value of debt retirement funds		670		596
Other finance income		10		15
		1,032		1,607
Finance expenses				
Interest expense on short-term debt		79		209
Interest expense on long-term debt		2,015		2,067
Amortization of discount and commissions		1		—
Negative changes in fair value of debt retirement funds		771		951
Unwinding of discount on provisions		85		129
Other interest expense		12		3
Borrowing costs capitalized to qualifying assets		(79)		(108)
		2,884		3,251
Net finance expense	$	(1,852)	$	(1,644)
Interest capitalization rate		0.10%		0.10%

6. Cash

Cash consists of cash available for current purposes and restricted use cash. Restricted use cash is only available for a specific capital project as it relates to an infrastructure deposit agreement and will be drawn upon as actual expenses are incurred.

		March 31 2017		March 31 2016
Cash available for current purposes	$	7	$	1,999
Restricted use cash		4,140		5,193
	$	4,147	$	7,192

(thousands of dollars)

7. Trade and other receivables

	March 31 2017	March 31 2016
Trade receivables	$ 5,649	$ 5,025
Accrued receivables	1,210	4,131
Other receivables	12	18
	6,871	9,174
Allowance for doubtful accounts	(75)	(77)
	$ 6,796	$ 9,097

The Corporation's exposure to credit risks and impairment losses related to trade and other receivables is disclosed in Note 21.

8. Prepaid expenses and inventories

	March 31 2017	March 31 2016
Prepaid expenses	$ 419	$ 415
Inventories	685	676
	$ 1,104	$ 1,091

(thousands of dollars)

9. Investment – debt retirement funds

Under conditions attached to the Canada Pension Plan Investment Board long-term debt issues from the Province of Saskatchewan's General Revenue Fund (GRF), the Corporation is required (on an annual basis) to invest an amount equal to one per cent of the related outstanding debt. The investments, referred to as debt retirement funds, are administered by Saskatchewan's Ministry of Finance. The investments in debt retirement funds are held by the Province of Saskatchewan. The yield on the investments was 1.7% for the year ended March 31, 2017 (4.2% for the 15 months ended March 31, 2016).

The changes in the carrying amount of debt retirement funds are as follows:

	March 31 2017	March 31 2016
Debt retirement funds, beginning of year	$ 14,769	$ 16,989
Installments	1,482	1,536
Redemptions	—	(4,397)
Earnings	352	996
Change in fair value of debt retirement funds	(101)	(355)
Debt retirement funds, end of year	$ 16,502	$ 14,769

Debt retirement fund installments due in each of the next five years are as follows:

2017/18	$ 514
2018/19	514
2019/20	418
2020/21	418
2021/22	379
	$ 2,243

(thousands of dollars)

10. Property, plant and equipment

	Buildings	Water Facilities	Maintenance and Office Equipment	Assets under Construction	Land	Total
Cost						
Balance at December 31, 2014	**$ 2,859**	**$ 218,155**	**$ 4,916**	**$ 118,793**	**$ 1,734**	**$ 346,457**
Additions	128	35	1,010	48,338	—	49,511
Transfers	41	31,479	—	(31,520)	—	—
Disposals	—	(83)	(271)	—	—	(354)
Balance at March 31, 2016	**3,028**	**249,586**	**5,655**	**135,611**	**1,734**	**395,614**
Additions	—	—	459	23,690	—	24,149
Transfers	—	139,575	30	(139,605)	—	—
Disposals	—	(437)	(344)	—	(5)	(786)
Balance at March 31, 2017	**$ 3,028**	**$ 388,724**	**$ 5,800**	**$ 19,696**	**$ 1,729**	**$ 418,977**
Depreciation and impairment losses						
Balance at December 31, 2014	**$ 1,688**	**$ 83,682**	**$ $3,297**	**$ —**	**$ —**	**$ 88,667**
Depreciation	213	9,549	574	—	—	10,336
Impairment adjustment	—	44	—	—	—	44
Disposals	—	(80)	(77)	—	—	(157)
Balance at March 31, 2016	**1,901**	**93,195**	**3,794**	**—**	**—**	**98,890**
Depreciation	162	10,632	429	—	—	11,223
Impairment adjustment	—	—	—	—	—	—
Disposals	—	(430)	(190)	—	—	(620)
Balance at March 31, 2017	**$ 2,063**	**$ 103,397**	**$ 4,033**	**$ —**	**$ —**	**$ 109,493**
Carrying amounts						
Balance at March 31, 2016	$ 1,127	$ 156,391	$ 1,861	$ 135,611	$ 1,734	$ 296,724
Balance at March 31, 2017	$ 965	$ 285,327	$ 1,767	$ 19,696	$ 1,729	$ 309,484

At March 31, 2017, the Corporation had property, plant and equipment that was fully depreciated and still in use with a cost of $17,177 (March 31, 2016 $15,153).

For the year ended March 31, 2017, capitalized borrowing costs related to the acquisition of land and construction of new assets amounted to $79 (15 months ended March 31, 2016 $108), with a capitalization rate of 0.1% (2016 0.1%).

During the year ended March 31, 2017, there were no additions to Water Facility to operate certain previously impaired cost generating units. For the 15 months ended March 31, 2016, $44 were recognised as impaired during the period on previously impaired assets.

(thousands of dollars)

11. Trade and other payables

	March 31 2017	March 31 2016
Trade payables	$ 3,424	$ 1,751
Interest payable	475	377
Other payables	3,969	6,408
	$ 7,868	$ 8,536

The Corporation's exposure to liquidity risk related to trade and other payables is disclosed in Note 21.

12. Notes payable

	March 31 2017	March 31 2016
Amount outstanding	$ 7,200	$ 12,999
Interest Rate	0.487%	0.469%
Due Date	3-Apr-17	4-Apr-16

By Order-in-Council 171/2014, SaskWater is authorized to borrow up to $30 million (March 31, 2016 – $30 million) by way of temporary loans from the Province of Saskatchewan's General Revenue Fund (GRF).

The Corporation's exposure to interest rate and liquidity risk related to notes payable is disclosed in Note 21.

(thousands of dollars)

13. Deferred revenue and infrastructure deposits

	March 31 2017	March 31 2016
Deferred revenue		
Balance, beginning of the year	$ 193,720	$ 163,252
Net deferred revenue reductions	(340)	(15,661)
Transferred from infrastructure deposits	8,992	50,406
Amortization of deferred revenue	(6,138)	(4,277)
	196,234	193,720
Less: Current portion of deferred revenue	(6,518)	(3,943)
Non-current balance, end of the year	$ 189,716	$ 189,777

	March 31 2017	March 31 2016
Infrastructure deposits		
Balance, beginning of the year	$5,390	$19,099
Customer contributions received/receivable	9,349	36,870
Refund of deposits	(390)	—
Transferred to deferred revenue	(8,992)	(50,406)
Recognized as project management revenue	(1,217)	(173)
Balance, end of the year	$ 4,140	$ 5,390

14. Provisions

	March 31 2017	March 31 2016
Balance, beginning of the year	$ 1,516	$ 1,636
Settlements during the year	(251)	(304)
Provisions increased (reversed) during the year	(96)	55
Unwinding of the discount on provisions	85	129
	1,254	1,516
Less: Current portion of provisions	(242)	(253)
Non-current balance, end of the year	$ 1,012	$ 1,263

The Corporation has onerous contracts related to two potable systems. The systems have significant contracts in effect until December 31, 2022, and December 31, 2026, respectively. SaskWater evaluates these provisions on an annual basis and the changes to the provision were related to system performance that was different than anticipated.

(thousands of dollars)

15. Long-term debt

		March 31, 2017		March 31, 2016	
Date of Maturity	Coupon Rate (per cent)	Effective Rate (per cent)	Outstanding Amount	Effective Rate (per cent)	Outstanding Amount
11-May-17	4.46	4.46	$ 2,600	4.46	$ 2,600
03-Mar-18	4.45	4.45	5,000	4.45	5,000
01-Sep-19	4.16	4.16	4,500	4.16	4,500
01-Mar-20	4.14	4.14	5,093	4.14	5,093
01-Dec-21	2.96	2.96	3,900	2.96	3,900
01-Mar-24	5.32	5.32	2,100	5.32	2,100
10-Apr-25	5.05	5.05	1,700	5.05	1,700
03-Dec-30	4.32	4.32	9,000	4.32	9,000
12-Dec-35	3.29	3.29	2,407	3.29	2,407
10-Jan-36	3.18	3.18	2,400	3.18	2,400
01-Mar-41	3.29	3.29	10,718	3.29	10,718
03-Nov-36	2.94	2.94	4,575		—
02-Jun-27	2.65	2.753	5,000		—
			58,993		49,418
Less: Current portion of long-term debt			(7,600)		—
			$ 51,393		$ 49,418

By Order-in-Council 171/2014, SaskWater is authorized to borrow up to $100 million (March 31, 2016 – $100 million). All of the above loans are payable to the Province of Saskatchewan's GRF with interest payable semi-annually. The Corporation's exposure to interest rate and liquidity risk related to long-term debt is disclosed in Note 21.

Long-term debt repayments in each of the next five years are as follows:

2017/18	$ 7,600
2018/19	—
2019/20	9,593
2020/21	—
2021/22	3,900
Thereafter	37,900
	$ 58,993

Under conditions attached to certain advances from the Province of Saskatchewan, the Corporation is required to pay annually, into debt retirement funds administered by the Saskatchewan Ministry of Finance, amounts at least equal to 1% of certain debt outstanding (Note 9).

(thousands of dollars)

16. Employee benefits

a) Defined benefit retiring allowance plan

The amounts related to the defined benefit retiring allowance plan for executive, management employees and members of the UNIFOR Union are as follows:

	March 31 2017	March 31 2016
Balance, beginning of year	$ 470	$ 454
Expenses	15	32
Actuarial gains	(6)	(16)
Balance, end of year	$ 479	$ 470

An actuarial assessment is required to be completed each calendar year as at December 31, in conjunction with reporting requirements of the plan. The significant actuarial assumptions adopted in measuring the Corporation's annual accrued benefit liability are:

Discount rate	3.60%	3.60%
Inflation rate	2.25%	2.50%
Average remaining service life	11.8 years	12.3 years

The discount rate has been determined using the most recent information available on corporate bond market yields whose duration approximates the duration of the liabilities.

b) Defined contribution pension plan

The Corporation's employees participated in the Public Employees Pension Plan (the Plan), a defined contribution pension plan. The Corporation's contributions to the Plan include making regular payments into the Plan equal to 160% of the required amounts contributed by employees for current service. The total amount paid to the Plan for the year ended March 31, 2017, was $778 (15 months ended March 31, 2016 – $931).

(thousands of dollars)

17. Equity advance and capital disclosure

The Corporation does not have share capital. However, the Corporation has received advances from CIC to form its equity capitalization. The advances reflect an equity investment in the Corporation by CIC.

The Corporation's debt management plan is built on the goal of ensuring the capacity to meet long term obligations and ensuring financial health, while achieving the growth plans of the Corporation.

As a Crown corporation, SaskWater receives its long-term capital funding primarily from the Saskatchewan Ministry of Finance. SaskWater also has access to a $30 million line of credit.

The Corporation's capital consists of notes payable, long-term debt and equity, less debt retirement funds.

The Corporation monitors capital on the basis of the debt ratio. The current long-term debt ratio target is 60%, which is consistent with the prior period. The debt ratio is calculated as net debt divided by end of period capitalization as follows:

	March 31 2017	**March 31 2016**
Gross long-term debt	$ 58,993	$ 49,418
Notes payable	7,200	12,999
Debt retirement funds	(16,502)	(14,769)
Net debt	49,691	47,648
Total equity	61,471	56,634
Capitalization	$ 111,162	$ 104,282
Debt ratio	44.7%	45.7%

The Corporation has complied with all externally imposed restrictions on its debt for the year ended March 31, 2017.

(thousands of dollars)

18. Operating leases

Non-cancellable operating lease rentals are payable as follows:

	March 31 2017	March 31 2016
Less than one year	$ 607	$ 624
Between one and five years	547	238
More than five years	—	—
	$ 1,154	$ 862

The Corporation leases a number of vehicles, office equipment and five office facilities under operating leases. During the year ended March 31, 2017, an amount of $1,019 (15 months ended March 31, 2016 – $953) was recognized as an expense in net income with respect to operating leases.

19. Commitments and contingencies

a) Contractual commitments

As of March 31, 2017, the Corporation has outstanding commitments of $8,123 (March 31, 2016 – $14,031) for construction contracts and consulting agreements primarily relating to assets under construction and other service contracts.

b) Litigation

The Corporation has provided, in its accounts, for any known claims from lawsuits or other legal proceedings for which there is material risk of liability to the Corporation in accordance with management's best estimates and the advice received from legal counsel. The Corporation intends to account for any differences which may arise between amounts provided and amounts expended in the period in which the claims are resolved.

(thousands of dollars)

20. Related party transactions

a) Related parties

Included in these financial statements are transactions with various Saskatchewan Crown corporations, ministries, agencies, boards and commissions related to the Corporation by virtue of common control by the Government of Saskatchewan and non-Crown corporations and enterprises subject to joint control and significant influence by the Government of Saskatchewan (collectively referred to as "related parties"). The Corporation has elected to take partial exemption under IAS 24 *Related Party Disclosures* which allows government related entities to limit the extent of disclosures about related party transactions with government and other government related entities.

Routine operating transactions with related parties are settled at prevailing market prices under normal trade terms. The Corporation also pays Saskatchewan provincial sales tax on all its taxable purchases to the Saskatchewan Ministry of Finance. Taxes paid are recorded as part of the cost of those purchases.

b) Compensation of key management personnel

Key management personnel include the President and Vice President positions. The compensation related to key management for employee services is shown below:

	12 months March 31 2017	15 months March 31 2016
Salaries, wages and short-term employee benefits	$ 633	$ 743
Post-employment benefits	43	52
	$ 676	$ 795

21. Financial instruments and risk management

a) Fair values

Fair values are the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair values are estimates using present value and other valuation techniques which are significantly affected by the assumptions used concerning the amount and timing of estimated future cash flows and discount rates that reflect varying degrees of risk. Therefore, due to the use of judgment and future-oriented information, aggregate fair value amounts should not be interpreted as being realizable in an immediate settlement of the instruments.

(thousands of dollars)

21. Financial instruments and risk management (continued)

a) Fair values (continued)

The following summarizes the classification, carrying amounts and fair values of the Corporation's financial instruments:

		March 31, 2017 Asset (Liability)		March 31, 2016 Asset (Liability)	
	Classification[1]	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets					
Cash	FVTPL	$ 4,147	$ 4,147	$ 7,192	$ 7,192
Trade and other receivables	L&R	6,796	6,796	9,097	9,097
Debt retirement funds	FVTPL	16,502	16,502	14,769	14,769
Financial liabilities					
Trade and other payables	OL	7,868	7,868	8,536	8,536
Notes payable	OL	7,200	7,200	12,999	12,999
Dividends payable	OL	440	440	190	190
Infrastructure deposits	OL	4,140	4,140	5,390	5,390
Long-term debt	OL	58,993	61,357	49,418	53,593

[1]Classification details are as follows:

FVTPL – Fair value through profit and loss

L&R – Loans and Receivables

OL – Other Liabilities

The estimated fair values of these financial instruments have been determined based on the following methods and assumptions, and may not represent the amounts that could be realized upon settlement.

(thousands of dollars)

21. Financial instruments and risk management (continued)

b) Determination of fair values

When the carrying amount of a financial instrument is the most reasonable approximation of fair value, reference to market quotations and estimation techniques is not required. The carrying values of cash, trade and other receivables, trade and other payables and notes payable approximate their fair values due to the short-term maturity of these financial instruments.

For financial instruments listed below, fair value is best evidenced by an independent quoted market price for the same instrument in an active market. An active market is one where quoted prices are readily available, representing regularly occurring transactions. Accordingly, the determination of fair value requires judgment and is based on market information where available and appropriate. Fair value measurements are categorized into levels within a fair value hierarchy based on the nature of the inputs used in the valuation.

Level 1 – Where quoted prices are readily available from an active market.

Level 2 – Valuation model not using quoted prices, but still using predominantly observable market inputs, such as market interest rates.

	March 31, 2017		March 31, 2016	
	Level 1	Level 2	Level 1	Level 2
Debt retirement funds	$ —	$ 16,502	$ —	$ 14,769
Long-term debt	—	61,357	—	53,593

All long-term debt obligations are estimated using discounted cash flow analysis based on current market yields for similar arrangements (Level 2). Debt retirement funds are valued at closing period-end unit prices received from the Saskatchewan Ministry of Finance (Level 2).

c) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market price. Debt retirement funds are monies set aside to retire outstanding debt upon maturity. The Corporation is required to pay annually into debt retirement funds that are held and invested by the Saskatchewan Ministry of Finance. The Corporation has classified these investments as fair value through profit or loss and therefore recognized the change in the market value in net earnings for the period. The impact of fluctuations in market prices related to these investments will not be significant, therefore management has not provided a sensitivity analysis of the impact.

The Corporation is exposed to interest rate risk on the maturity of its long-term debt. However, in the current low interest rate environment, these risks are considered low. Interest rate risk on these expected future borrowings are managed, based on the refinancing needs of the Corporation, using derivative financial instruments when deemed appropriate. The Corporation had no derivative financial instruments in place to offset interest rate risk as of March 31, 2017, and March 31, 2016. The change in rate would have no impact on net income due to classification of long-term debt as other liabilities.

(thousands of dollars)

21. Financial instruments and risk management (continued)

d) Liquidity risk

Liquidity risk is the risk that the Corporation is unable to meet its financial commitments as they become due. SaskWater manages the Corporation's cash resources based on financial forecasts and anticipated cash flows. The following summarizes the contractual maturities of the Corporation's financial liabilities:

	March 31, 2017				
	6 months or less	7 – 12 months	Subsequent 1 Year	Subsequent 3 – 5 years	More than 5 years
Trade and other payables	$ 7,868	$ —	$ —	$ —	$ —
Notes payable	7,200	—	—	—	—
Dividends payable	440	—	—	—	—
Long-term debt	3,707	6,048	1,875	18,228	53,547
	$ 19,215	$ 6,048	$ 1,875	$ 18,228	$ 53,547

	March 31, 2016				
	6 months or less	7 – 12 months	Subsequent 1 Year	Subsequent 3 – 5 years	More than 5 years
Trade and other payables	$ 8,536	$ —	$ —	$ —	$ —
Notes payable	13,000	—	—	—	—
Dividends payable	190	—	—	—	—
Long-term debt	973	973	9,488	13,925	46,336
	$ 22,699	$ 973	$ 9,488	$ 13,925	$ 46,336

Future cash flows from operations and availability under existing credit facilities will be adequate to support these financial liabilities.

(thousands of dollars)

21. Financial instruments and risk management (continued)

e) Credit risk

Credit risk is the risk that one party to a transaction will fail to discharge an obligation and cause the other party to incur a financial loss. Concentrations of credit risk relate to groups of customers or counterparties that have similar economic or industry characteristics that cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions.

The Corporation is not exposed to a significant concentration of credit risk. The maximum credit risk to which the Corporation is exposed as at the following dates, is limited to the fair value of the financial assets recognized as follows:

	March 31 2017	March 31 2016
Cash	$ 4,147	$ 7,192
Trade receivables		
Current	5,309	4,654
31 – 60 days	165	101
61 – 90 days	39	57
Over 90 days	136	213
Subtotal	5,649	5,025
Allowance	(75)	(77)
	5,574	4,948
Accrued and other receivables	1,222	4,149
Debt retirement funds	16,502	14,769
	$ 27,445	$ 31,058

Provisions for credit losses are maintained and regularly reviewed by the Corporation based on an estimate of outstanding amounts that are considered uncollectible. Historically, the Corporation has not written off a significant portion of its accounts receivable balances. At March 31, 2017, the Corporation had a balance of $75 (March 31, 2016 – $77) recorded in the allowance for doubtful accounts.

Debt retirement funds are on deposit with, and being administered by, the Saskatchewan Ministry of Finance. At March 31, 2017, the Ministry has invested these funds primarily in Provincial government and Federal government bonds with varying maturities to coincide with related long-term debt maturities and are managed based on this maturity profile and market conditions. As such, the related credit risk associated with these investments as at March 31, 2017, is considered low.

Corporate Governance

Corporate governance is generally accepted as the set of processes, customs, policies, laws and institutions that affect how a corporation is directed, administered or controlled. Corporate governance includes the relationships among the stakeholders and the goals for which the corporation is governed. Effective corporate governance results in a well-run, high-performing and transparent organization, accountable to the public it serves. The shareholder, board of directors and management are instrumental in achieving effective corporate governance.

A VISION FOR ALL CROWN CORPORATIONS

SaskWater shares in the vision that the provincial government has defined for the Crown sector. This vision is for "a secure and prosperous Saskatchewan, leading the country in economic and population growth, while providing a high quality of life for all."

CROWN CORPORATION STRUCTURE

SaskWater is a statutory Crown corporation governed by *The Saskatchewan Water Corporation Act,* 2002, and is subject to the provisions of *The Crown Corporations Act,* 1993.

Crown Investments Corporation of Saskatchewan (CIC) is the Province of Saskatchewan's holding company for its commercial Crown corporations, including SaskWater.

ROLES AND RESPONSIBILITIES

The Government of Saskatchewan represents the public's interests and sets the vision for the Crown sector. Government approves and rescinds Crown Board appointments.

The CIC Board sets strategic direction for the Crown sector, sets public policy expectations, approves performance standards, allocates capital, and monitors and evaluates the Crown corporations' performance throughout the year.

The Minister Responsible for SaskWater keeps informed of Crown activities and functions as the communication channel between the Crown corporation and its stakeholders, including government, the legislature and the public.

CIC develops policy on Crown corporations and communicates and monitors strategic shareholder direction and policy to the corporation.

SaskWater's Board oversees the overall direction of the business activities of the corporation to achieve the performance targets and is responsible for the approval and implementation of the corporation's strategic plan and performance plan.

DIRECTION TO THE CROWN SECTOR

The CIC Board provides direction to SaskWater that is reflected in our strategic, business and operational plans. CIC priorities include:

- customer focus to provide the best possible service that is high quality, accessible and affordable

- infrastructure for economic development in Saskatchewan
- development of an effective workforce while striving to contain growth in the workforce
- financial and fiscal sustainability

CIC also provides direction to SaskWater for such things as programs, reporting processes and procedures, policies and administrative or legislative matters.

Source: Crown Sector Strategic Plan

BOARD OF DIRECTORS

The SaskWater Board of Directors terms of reference state that the Board will have a minimum of three (3) members and a maximum of ten (10). As of November 24, 2016, the SaskWater Board consisted of ten (10) independent directors. All are appointed for a set term by the Lieutenant Governor in Council, who also designates the Chair and Vice Chair.

RESPONSIBILITIES AND DUTIES

The Board is responsible for SaskWater's stewardship while fostering success consistent with SaskWater's mandate. The Board works with management to oversee corporate operations, including:

- setting corporate direction
- guiding strategic planning processes
- executing performance evaluations
- annual and quarterly monitoring and reporting functions
- assisting in business plan development and approval
- monitoring processes and systems used to achieve sustainable operations

The SaskWater Board of Directors met eight (8) times in 2016–17.

COMMITTEES

In 2016–17, the Board had two (2) standing committees to undertake detailed reviews and provide in-depth supervision in key areas of responsibility.

The Committees of the Board were:

- Audit and Finance, and
- Governance and Corporate Responsibility

Audit and Finance Committee – held five (5) meetings in 2016–17

Members: Ken Hookway (Chair until November 24, 2016), Don Atchison (appointed Chair February 22, 2017), Michael Gering, Gary Vidal, Glenda Whalen (until February 22, 2017), Linda Jijian (appointed February 22, 2017), Richard Porter (appointed February 22, 2017)

The Audit and Finance Committee helps the Board fulfill its financial accountability by:

- overseeing the corporation's budget, financial operations and results
- reviewing internal controls established by management and the Board
- participating in internal and external audit processes
- monitoring the adequacy and condition of capital assets
- reviewing and making recommendations on capital activities
- ensuring appropriate systems are in place to identify and manage risk

Governance and Corporate Responsibility Committee – held four (4) meetings in 2016–17

Members: Silvia Martini (Chair), Lionel LaBelle (until November 24, 2016), Gary Vidal (until February 22, 2017), Patricia Hughes (appointed February 22, 2017), Bill Hutchinson (appointed February 22, 2017), Gwyn Tremblay (appointed February 22, 2017), Glenda Whalen (appointed February 22, 2017)

The Governance and Corporate Responsibility Committee reviews and maintains SaskWater's governance practices and oversees the Board's nominating and governance activities, including:

- evaluating the performance of Board committees, Board Chair, individual directors and the President/CEO
- recommending Board and Committee structure, composition and mandate
- ensuring Board orientation and opportunities for professional development
- articulating the roles and responsibilities of the Board
- overseeing compensation policies and collective bargaining mandate

GOVERNANCE PRACTICES

In substantial alignment with current industry best practices, SaskWater's approach to corporate governance is consistent with the Canadian Securities Administrators' (CSA) Corporate Governance Guidelines and Disclosure Practices. These guidelines address areas of responsibility for effective corporate governance, including responsibility for stewardship of the corporation, the Board's role, and ensuring proper function of the Board, while maintaining its fiduciary obligation to the corporation.

SaskWater's corporate governance practices are benchmarked against CSA's Corporate Governance Guidelines.

Board of Directors

Chair, Gary Vidal, CPA, CGA

Meadow Lake

Gary Vidal is a partner in the accounting firm Pliska Vidal & Co. in Meadow Lake, where he has served his clients for nearly 30 years. He was elected Mayor of the City of Meadow Lake in September 2011, and continues to serve his community in that capacity. Gary has invested a significant amount of time in his community through his service on various boards and committees over the years. He also spent several years as a committed volunteer in the area of minor hockey.

Since joining the SaskWater board in February 2008, Gary has very much enjoyed using his leadership and financial background at the board table to contribute to the challenge of SaskWater becoming a successful business.

Vice Chair, Silvia Martini

Saskatoon

Silvia Martini is Vice President of Interlink Research, Inc. and has 30 years of entrepreneurship and leadership experience. She is a staunch advocate for Saskatchewan's leadership potential in sustainable economic and community development, and was recognized with the Raj Manek Mentorship Program's 2016 Above & Beyond Award.

Silvia is a speaker, workshop facilitator and writer on business and leadership. She completed her fifth year as a Director of the Board for the Greater Saskatoon Chamber of Commerce, and has been elected President of the Board for The Word On The Street Festival in Saskatoon. She is a graduate of the Edwards School of Business.

Silvia serves as Chair of the Board's Governance and Corporate Responsibility Committee.

Michael Gering

Swift Current

Michael Gering is President and CEO of Diamond Energy Services in Swift Current, a company he founded in 1996. He has worked in the oilfield industry since 1985.

Michael and his wife are long-time residents of Swift Current. Two of their three daughters attend the University of Saskatchewan, and one attends Great Plains College. Since September 2014, Michael has served on the Great Plains College Board of Directors.

Over the years, Michael has supported his community with involvement in Swift Current Minor Hockey and the South Saskatchewan Female Hockey League as well as participation on numerous other community and fundraising committees.

Glenda Whalen

Qu'Appelle

Glenda Whalen is a small-business owner in Saskatchewan. After many years in the field of education, Glenda pursued her Bachelor of Fine Arts Degree at the University of Regina, graduating with distinction in 2003, and worked for many years as a contracted designer. Serving her community is a high priority for Glenda. She is currently on the Town of Qu'Appelle Fundraising Committee for the new library. Glenda also actively volunteered over the years with the James Hamblin School Council, Qu'Appelle Soccer Association (founding member), Qu'Appelle Lioness, Indian Head Broncs football and Chiefs Hockey as the team manager. Glenda and her husband are owners and operators of a cattle and grain farm in the RM of South Qu'Appelle.

Glenda has obtained her Chartered Director (C. Dir.) designation from the Directors College.

Gwyn Tremblay

Regina

Gwyn Tremblay has extensive sales and marketing management experience working with global customers to promote and move Saskatchewan products.

Gwyn recently left CN Rail where she was the Overseas National Account Manager for Specialty Crops, promoting great Saskatchewan companies in feeding the world. While at CN, Gwyn completed her Conductors training so she could work with the ag producers, actually on the trains and at loading terminals, to learn about their needs.

She has recently completed her MBA with specialization in Marketing and holds a Bachelor of Arts in History and a Bachelor of Arts in Religious Studies. She currently sits as Chair for the Regina Symphony Orchestra Gala Committee, raising money to promote the arts through music in inner city schools.

Don Atchison

Saskatoon

Don Atchison is a senior business development coordinator for Canwest Commercial and Land Corporation.

Don was involved in Saskatoon City Council for almost a quarter of a century; his 13 years as mayor make him the longest-serving mayor in the City's history.

Don was named a Paul Harris Fellow by the Rotary Foundation of Rotary International; awarded the Medal of Merit by the International Association of Lions Clubs, the Consumer Choice "Man of the Year" Award, and the Canadian Sport Tourism Alliance President's Award for Public Sector Supporter; recognized as an Ambassador for Saskatoon & Region Home Builders' Association and recognized by the Saskatoon Police Service.

Don serves as Chair of the Board's Audit and Finance Committee.

Patricia Hughes

Prince Albert

Patricia Hughes was born and raised on the family farm in Tisdale, SK, and in 1994, moved to Prince Albert, where she currently resides with her family. She continues to farm with her family in Tisdale, in addition to working in Prince Albert for Transwest Air, heading up their Business Development and Marketing department.

Patricia recently completed a nine-year term with Prince Albert Community Futures, serving seven of those years as Chair. As well, she sits as Provincial Chair of Community Futures Saskatchewan and has been a Director for seven years. As Chair of CFS, she represents the province for PANWEST, supporting the Community Futures organizations across Western Canada. She was also recently appointed as a Citizen Director to the Prince Albert Police Commission Board.

Richard Porter

Warman

Richard Porter is the owner and CEO of Shellbrook Crushing, Shellbrook Trucking and several related businesses. Richard has gained a wealth of knowledge and experience as an employer dealing with large staffs and government contracts. He has a good working knowledge of both sides, as employer and employee.

Community involvement is a large part of Richard's life and over the years he has been very active with the Kinsmen Club, Telemiracle and as Chair of the Parkland School Division Board. He was a councillor in the RM of Canwood for 10 years and served as Reeve for four years.

Richard has sat on and chaired several committees, including the fundraising committee for the Parkland Integrated Health Centre in Shellbrook.

Bill Hutchinson

Regina

Bill Hutchinson's career in the private and public sectors spans four decades. Highlights include building a successful architectural practice, four terms as a member of Regina City Council, and two terms as a member of Saskatchewan's Legislative Assembly.

As a City Councillor, Bill chaired the Regina Planning Commission and served on the Regina Regional Economic Development Authority, the Board of Police Commissioners, and the Saskatchewan Urban Municipalities Association. While an MLA, he was Minister of Municipal Affairs, Minister of First Nations and Metis Relations, and Minister of Tourism, Parks, Culture and Sport.

Volunteer activity has included service on more than 20 community and provincial boards, notably SIAST (now Saskatchewan Polytechnic), SaskBuilds, and the University of Regina Senate.

Linda Jijian

Regina

Linda Jijian is currently Manager of Governance and Compliance at SaskCentral in Regina. Her experience has included research and development, wealth management, training and facilitating, and strategic positioning and planning.

Her current role includes supporting credit unions by providing them with federal and provincial legislative and regulatory support in the areas of governance and compliance. Linda also assumes the role of provincial Ombudsman as part of the provincial government's consumer protection directive.

Linda received her Chartered Financial Planner (CFP) designation, a degree in Administration, and her ProDir Certification through the Johnson Shoyama Graduate School of Public Policy and Brown Governance.

Linda is currently a Board member on the Regina Qu'Appelle Health Region, is Chair of the Policy and Governance Committee and a member of the Quality & Safety Committee.

CSA CORPORATE GOVERNANCE POLICY, NP 58-201, AND DISCLOSURE INSTRUMENT, NI 58-101F1 (SUMMARY)	COMMENTS AND DISCUSSION	DOES SASKWATER ALIGN?
COMPOSITION OF THE BOARD		
NP 58-201, section 3.1 3.1 The board should have a majority of independent directors.	All directors on the SaskWater Board (10 out of 10) are independent.	Yes
NI 58-101F1, sections 1(a) and (d) 1(a) Disclose the identity of directors who are independent; (b) Disclose the identity of directors who are not independent and the basis for that determination; (c) Disclose whether the majority of directors are independent; and (d) Disclose whether a director is a director of any other issuer that is a reporting issuer.	**Gary Vidal**, Chair: INDEPENDENT – Partner – Pliska Vidal & Co **Don Atchison:** INDEPENDENT[1] – Business Development Coordinator, Canwest Commercial and Land Corporation **Patricia Hughes:** INDEPENDENT[1] – Business Development Manager, Transwest Air **Bill Hutchinson:** INDEPENDENT[1] – Owner/CEO, Bill Hutchinson Consulting **Linda Jijian:** INDEPENDENT[1] – Manager of Governance and Compliance, SaskCentral **Lionel LaBelle:** INDEPENDENT[2] – Chief Commercialization Officer, Innovation Saskatchewan **Michael Gering:** INDEPENDENT – President, Diamond Energy Services Inc. **Ken Hookway:** INDEPENDENT[3] – Account Manager, Affinity Credit Union **Silvia Martini:** INDEPENDENT – Vice President, Interlink Research, Inc. **Richard Porter:** INDEPENDENT[1] – Owner/CEO, Shellbrook Crushing and Shellbrook Trucking **Gwyn Tremblay:** INDEPENDENT[1] – Consultant, Sales and Marketing **Glenda Whalen:** INDEPENDENT – Small business owner The determination of independence is made by the Governance and Corporate Social Responsibility Committee and is based on an assessment of the requirements in Multilateral Instrument 52-110, Audit Committees. Section 1(d) does not apply to SaskWater as SaskWater does not have share capital, and is not an issuer. [1] Appointed to the Board of Directors November 24, 2016 [2] Board of Directors appointment cancelled November 24, 2016 [3] Board of Directors appointment expired November 24, 2016	Yes
NP 58-201, section 3.2 3.2 The chair of the board should be an independent director who is the effective leader of the board and who ensures that the board's agenda will enable it to successfully carry out its duties.	The Chair of the Board is an independent director who provides leadership in Board organization, processes, effectiveness and renewal, serves as liaison between the Board and the shareholder and ensures Board agendas reflect an effective balance between the role of the Board and that of management.	Yes

CSA CORPORATE GOVERNANCE POLICY, NP 58-201, AND DISCLOSURE INSTRUMENT, NI 58-101F1 (SUMMARY)	COMMENTS AND DISCUSSION	DOES SASKWATER ALIGN?
NI 58-101F1, sections 1(f) 1(f) Disclose whether the chair of the board is an independent director; disclose the identity of the chair and describe the role of the chair.	Gary Vidal is the Chair of the Board and he is an independent director. The Chair reports to the Board and ultimately to the shareholder and is responsible for presiding over meetings of the Board and ensuring that the Board discharges its fiduciary and legal responsibilities. The Chair's primary duties include: • chairing meetings of the Board and ensuring meetings are properly convened and business is conducted legally • working with the CEO and the Corporate Secretary to set Board meeting schedules and establish agendas • monitoring meeting attendance and encouraging full participation by directors at meetings • communicating with directors between meetings • taking a lead role in assessing and addressing any concerns related to Board, Committee or director performance • assisting directors to achieve full utilization of individual abilities • promoting an open and constructive working relationship between senior management and the Board • working with Committee chairs to maintain effective communications and division of responsibilities • providing advice and counsel to the CEO and senior management • representing the shareholder's interests and perspective to management, and representing management's views to the shareholder • in conjunction with the CEO, developing productive relationships and representing the Corporation with the shareholder and key stakeholders	Yes
MEETINGS OF INDEPENDENT DIRECTORS		
NP 58-201, section 3.3 3.3 The independent directors should hold regularly scheduled meetings at which non-independent directors and members of management are not present.	As a Standing Agenda item, the Board holds an in camera session without management present at each regular meeting of the Board. All directors participate in the sessions, except where a director has a conflict with an item under discussion.	Yes

CSA CORPORATE GOVERNANCE POLICY, NP 58-201, AND DISCLOSURE INSTRUMENT, NI 58-101F1 (SUMMARY)	COMMENTS AND DISCUSSION	DOES SASKWATER ALIGN?
NI 58-101F1, sections 1(e) 1(e) Disclose whether the independent directors hold regularly scheduled meetings at which members of management are not present; disclose the number of such meetings held in the previous 12 months; if such meetings are not held, disclose what the board does to facilitate open and candid discussion among independent directors.	There were eight (8) Board meetings held in 2016–17, and during five regular meetings, in camera sessions without management present but including all directors were held. Board practices that facilitate open and candid discussion and independent judgment by directors include: • holding in camera sessions of no fixed duration where directors are encouraged to raise any issues of concern • having an independent director as Chair of the Board • clearly delineating the division of responsibilities between Board and management • providing for the Board/directors to access external advice The Board is satisfied that its governance practices foster full and open discussion and debate and that it retains the independence of mind to make decisions in the best interests of the Corporation and the shareholder.	Yes
NI 58-101F1, sections 1(g) 1(g) Disclose the attendance record of each director for board meetings held in the most recently completed financial year.	The Board held ten (10) meetings in 2016–17. The number of Board meetings attended by each director in 2016–17 is set out below. **Director** — **Meetings Attended*** Gary Vidal, Chair — 8(8)** Don Atchison[1] — 2(2) Michael Gering — 8(8) Ken Hookway[3] — 6(6) Patricia Hughes[1] — 2(2) Bill Hutchinson[1] — 2(2) Linda Jijian[1] — 1(2) Lionel Labelle[2] — 6(6) Silvia Martini — 8(8) Richard Porter[1] — 1(2) Gwyn Tremblay[1] — 2(2) Glenda Whalen — 8(8) [1] Appointed to the Board of Directors November 24, 2016 [2] Board of Directors appointment cancelled November 24, 2016 [3] Board of Directors appointment expired November 24, 2016 * For the purposes of this report, members who attended meetings in part were considered to be present ** Figures in brackets represent the maximum number of meetings for the period in which the individual was a Board member	Yes

CSA CORPORATE GOVERNANCE POLICY, NP 58-201, AND DISCLOSURE INSTRUMENT, NI 58-101F1 (SUMMARY)	COMMENTS AND DISCUSSION	DOES SASKWATER ALIGN?
BOARD MANDATE		
NP 58-201, section 3.4 3.4 The board should adopt a written mandate which explicitly acknowledges responsibility for the stewardship of the corporation and responsibility for: (a) to the extent possible, satisfying itself as to the integrity of the CEO and executive and that they have created a culture of integrity throughout the organization; (b) adopting a strategic planning process and approving at least annually a strategic plan which takes into account, among other things, the opportunities and risks of the business; (c) identification of the principal risks of the corporation's business and ensuring the implementation of appropriate systems to manage these risks; (d) succession planning, including appointing, training and monitoring senior management; (e) adopting a communications policy for the corporation; (f) the integrity of the corporation's internal control and management information systems; and (g) developing the corporation's approach to corporate governance, including a set of principles and guidelines specific to the corporation. The written mandate should also address measures for receiving feedback from stakeholders (for example, a process for stakeholders to contact independent directors); and the expectations and responsibilities of directors, including basic duties to attend meetings and review materials in advance.	The Board has written Terms of Reference that contain the majority of the elements required by the Policy. The Terms of Reference outline the Board's principal duties and responsibilities, including responsibility to function as stewards of the corporation and to: • provide leadership in setting the corporation's long-range strategic direction and annually approve the corporation's overall strategic plan • participate in identifying the principal risks of the business in which the Corporation is engaged and oversee the implementation of appropriate systems to manage the risks • appoint the CEO, evaluate the performance of senior management and ensure effective succession planning processes • adopt policies and processes to enable effective communication with the shareholder, stakeholders and the public • monitor the integrity of the Corporation's internal control and management information systems The Board has approved Terms of Reference for Directors where the expectations and responsibilities of individual directors are delineated. SaskWater regularly surveys internal and external stakeholders to obtain feedback about Corporate activities. The Chair of the Board participates in a forum established by CIC, which is composed of the chairs of all subsidiary Crown boards and senior CIC officials, where issues of mutual interest and concern are shared. Elements of the Policy not specifically identified in the Terms of Reference for the Board include (a) and (g). Respecting (a), the Board has established practices that promote a culture of ethical business conduct (see discussion under section 3.8 of NP 58-201). With respect to (g) the Board has delegated responsibility to the Governance and Corporate Responsibility Committee to oversee the Corporation's approach to corporate governance.	Substantial compliance
NI 58-101F1, section 2 2 Disclose the text of the board's written mandate.	The Board's principal responsibilities are described above. The text of the Board's Terms of Reference can be obtained by contacting the Corporate Secretary to the Board.	Yes

CSA CORPORATE GOVERNANCE POLICY, NP 58-201, AND DISCLOSURE INSTRUMENT, NI 58-101F1 (SUMMARY)	COMMENTS AND DISCUSSION	DOES SASKWATER ALIGN?
POSITION DESCRIPTIONS		
NP 58-201, section 3.5 3.5 The board should: develop clear position descriptions for the chair of the board and the chair of each board committee; together with the CEO, develop a position description for the CEO delineating management's responsibilities; develop or approve corporate goals and objectives that the CEO is responsible to meet.	The Board has approved Terms of Reference for the Board, the Chair of the Board, the Chair of each Committee, each Committee and individual directors and has adopted a Position Description for the CEO. The CEO's Position Description sets out the CEO's primary accountabilities and responsibilities. The Board Terms of Reference address management duties, and a Final Authorization Policy, applicable to monetary and non-monetary matters, sets out those matters that require Board approval and delegates other matters to management. The Governance and Corporate Social Responsibility Committee annually recommends performance indicators for the Corporation and personal goals for the CEO that are approved by the Board. The Board annually approves a business plan that includes Corporate objectives, priorities and performance indicators. The CEO is responsible to see that the Corporation achieves the business plan and to meet any other targets assigned by the Board.	Yes
NI 58-101F1, sections 3(a) and (b) 3(a) Disclose whether the board has developed written position descriptions for the chair of the board and the chair of each board committee and, if not, describe how the board delineates the role and responsibilities of each such position. (b) Disclose whether the board and CEO have developed a written position description for the CEO.	The Board has developed written position descriptions for the Chair of the Board, the Chair of each Committee and the CEO.	Yes
ORIENTATION & CONTINUING EDUCATION		
NP 58-201, sections 3.6 and 3.7 3.6 The board should ensure new directors receive comprehensive orientation and fully understand the role of the board and committees, the contribution individual directors are expected to make and the nature and operation of the business. 3.7 The board should provide continuing education opportunities for all directors to enhance their skills and abilities and ensure their knowledge of the corporation's business is current.	Management provides new directors with a comprehensive orientation to the business and the industry. CIC delivers a training program that focuses on the skills that directors need to do their jobs, effective board processes and best practices in corporate governance. Other development opportunities made available to directors are described below.	Yes

CSA CORPORATE GOVERNANCE POLICY, NP 58-201, AND DISCLOSURE INSTRUMENT, NI 58-101F1 (SUMMARY)	COMMENTS AND DISCUSSION	DOES SASKWATER ALIGN?
NI 58-101F1, sections 4(a) and (b) 4(a) Describe the measures taken to orient new directors to the role of the board, committees and directors and to the nature of the Corporation's business (b) Describe the measures taken to provide continuing education opportunities for all directors.	All new directors receive an orientation session delivered by management. The orientation session addresses key industry trends, critical business risks and challenges, the strategic plan, organizational structure and responsibilities of senior staff. New directors are able to meet informally with senior managers to learn about the business. Each year, CIC sponsors a comprehensive education program for directors of CIC subsidiary Crown boards. The program has focused on the key roles and responsibilities of boards, committees and directors, the skills directors need to effectively discharge their responsibilities and best practices and new developments in corporate governance. Directors can participate in external development opportunities related to their duties as directors where authorized by the corporation or the Board..	Yes
CODE OF BUSINESS CONDUCT AND ETHICS		
NP 58-201, section 3.8 3.8 The board should adopt a written code of business conduct and ethics applicable to directors, officers and employees of the corporation designed to promote integrity and deter wrongdoing. The code should address: (a) conflicts of interest, including transactions and agreements where a director or officer has a material interest; (b) protection and proper use of corporate assets and opportunities; (c) confidentiality of corporate information; (d) fair dealing with the corporation's security holders, customers, suppliers, competitors and employees; (e) compliance with laws, rules and regulations; and (f) reporting of illegal or unethical behavior.	Board members must comply with the *Directors' Code of Conduct*, which was developed by CIC and applies to the directors of all its subsidiary Crown boards. Officers and employees of the Corporation and its subsidiaries must comply with SaskWater's Business Code of Conduct. Both Codes are designed to promote integrity and deter wrongdoing, address the elements of the Policy as they apply to a Crown corporation and provide a mechanism to report illegal or unethical behavior.	Yes

CSA CORPORATE GOVERNANCE POLICY, NP 58-201, AND DISCLOSURE INSTRUMENT, NI 58-101F1 (SUMMARY)	COMMENTS AND DISCUSSION	DOES SASKWATER ALIGN?
NI 58-101F1, sections 5(a)		
5(a) Disclose whether the board has adopted a written code of ethical business conduct for the directors, officers and employees of the corporation; how to obtain a copy of the Code; how the board monitors compliance with the Code; and reference any material change report in the most recent financial year relating to any conduct of a director or officer that constitutes a departure from the Code.	A copy of the *Directors' Code of Conduct* can be obtained by contacting CIC. Committees of the Board monitor compliance with the *Directors' Code* and the Business Code. The Governance and Corporate Social Responsibility Committee monitors compliance with Corporate donation and sponsorship policies and is responsible to administer, monitor and enforce the *Directors' Code*. The Chair of the Committee reports to the Board at each regular meeting any such issues addressed by the Committee, and submits an annual report to the Board regarding compliance with the *Directors' Code*. The Audit and Finance Committee monitors the financial performance of the corporation and assists the Board to meet its responsibilities respecting accounting and financial reporting, risk management, internal controls and accountability. The Committee interacts directly with the internal and external auditors, who report to the Committee concerning, among other things, any instances of illegal or improper treatment of corporate assets. The Governance and Corporate Social Responsibility Committee monitors compliance with environmental, health and safety and human resource programs, including compliance with the Business Code. SaskWater does not have share capital and is not an issuer. Therefore, no material change reports have been filed.	Yes
NP 58-201, section 3.9		
3.9 The board should monitor compliance with the code and any waivers granted for the benefit of directors and executive officers should be granted by the board or a board committee. Any waivers for a material departure from the code for any directors or officers should disclose full details of the material change.	The Board has delegated to its Committees the responsibility to monitor compliance with the Codes of Conduct. The Committees report any issues dealt with pursuant to the Codes to the full Board. No waivers from either Code have been granted to any director or officer in 2016–17.	Yes

CSA CORPORATE GOVERNANCE POLICY, NP 58-201, AND DISCLOSURE INSTRUMENT, NI 58-101F1 (SUMMARY)	COMMENTS AND DISCUSSION	DOES SASKWATER ALIGN?
NI 58-101F1, sections 5(b) 5(b) Describe steps the board takes to ensure directors exercise independent judgement in considering transactions and agreements where a director or officer has a material interest.	Where a director has, or may be perceived to have, a personal interest in a transaction being considered by the Corporation, the director is responsible to declare any such interest at the meeting where the matter is considered and not to participate in discussions about or vote on the matter. Management monitors agenda items to identify any issues where a director may have a material interest and such items are not distributed to the director.	Yes
NI 58-101F1, sections 5(c) 5(c) Describe other steps the board takes to encourage and promote a culture of ethical business conduct.	The Board encourages and promotes a culture of ethical business conduct by following current best practices in corporate governance. These practices are reinforced by open and honest discussion about business issues at Board meetings and at informal gatherings between the Board and senior management. The Board expects management to act ethically in its business dealings, in accordance with all applicable legislation, the Business Code of Conduct and any directives or policies of the Board or the shareholder. Issues arising under the Business Code of Conduct are reported to and monitored by the Governance and Social Responsibility Committee and management reports to the Governance and Social Responsibility Committee respecting significant issues that have arisen pursuant to the whistle-blowing policy. Whistle-blowing reports may also be made directly to the Chair of the Governance and Social Responsibility Committee.	Yes
NOMINATION OF DIRECTORS		
NP 58-201, section 3.10 3.10 The board should appoint a nominating committee composed of entirely independent directors.	The Governance and Social Responsibility Committee functions as the nominating committee. All five (5) members of the Governance and Social Responsibility Committee, including the Committee Chair, are independent directors.	Yes

CSA CORPORATE GOVERNANCE POLICY, NP 58-201, AND DISCLOSURE INSTRUMENT, NI 58-101F1 (SUMMARY)	COMMENTS AND DISCUSSION	DOES SASKWATER ALIGN?
NI 58-101F1, sections 6(a) and (b) 6(a) Describe the process by which the board identifies new candidates for board nomination. (b) Disclose whether the board has a nominating committee composed entirely of independent directors and, if not, describe the steps the board takes to encourage an objective nomination process.	Appointments of Directors of SaskWater are a decision made by the Government through an Order in Council. The Governance and Social Responsibility Committee may, through their responsibility as nominating committee, recommend qualified nominees to the SaskWater Board for consideration and to have those nominees be recommended for consideration to the CIC Board and ultimately the Government. The Board, through the Governance and Social Responsibility Committee, reviews the composition and skill sets of directors annually with a view to maintaining an appropriate mix of expertise, experience and diversity on the Board to support the strategic direction and operating needs of the Corporation. The Governance and Social Responsibility Committee is responsible for identifying the skill sets needed on the Board, developing and maintaining a Skills Profile that delineates the competencies of current directors and identifies any skill gaps, and seeking and recommending to the Board nominees that have the required competencies to fill any identified gaps. In addition to competencies and skills, the appointment practices encourage diversity in the composition of the Board. In seeking candidates, the Committee may receive recommendations from the directors, senior management and the shareholder. Potential candidates may be interviewed to determine their overall fit with the needs of the Board, any conflicts that would preclude their effective participation and whether they have the time to devote to board work. The Committee may recommend a list of candidates for each vacant position to the Board, which in turn recommends a list of recommended candidates to the shareholder for approval. The shareholder has the legislative authority to make Board appointments. The Committee believes that following best practices related to Board appointments, maintaining a skills matrix and recruiting candidates who possess the required combination of skills, background and diversity to add value to Corporate decision-making supports an objective nomination process.	Substantial Compliance

CSA CORPORATE GOVERNANCE POLICY, NP 58-201, AND DISCLOSURE INSTRUMENT, NI 58-101F1 (SUMMARY)	COMMENTS AND DISCUSSION	DOES SASKWATER ALIGN?
NP 58-201, section 3.11 3.11 The nominating committee should have a written charter establishing the committee's purpose, responsibilities, member qualifications, member appointment and removal, structure and operations (including any authority to delegate to individual directors or subcommittees) and manner of reporting to the board. In addition, the nominating committee should be given authority to engage and compensate outside advisors necessary to permit it to carry out its work. Where a third party has a legal right to nominate directors, the selection and nomination of those directors need not involve the approval of an independent nominating committee.	The Governance and Social Responsibility Committee has written Terms of Reference setting out its purpose and principal responsibilities, which address the Committee's responsibility to lead the process of recruiting and nominating candidates for appointment to the Board, as well as the other elements of the Policy except member qualifications and the ability to delegate tasks. The Committee has authority to engage outside advisors to assist it in performing its duties, subject to the approval of the Board. The shareholder has the right to nominate candidates for appointment to the Board, and the candidates are assessed by the Governance and Social Responsibility Committee in the same way as other candidates.	Substantial Compliance
NI 58-101F1, sections 6(c) 6(c) If the board has a nominating committee, describe the responsibilities, powers and operation of the committee.	The Governance and Social Responsibility Committee performs the functions of a nominating committee, and its Terms of Reference describe the responsibilities, powers and operation of the Committee. The Committee is appointed by the Board, serves in an advisory capacity and makes recommendations to the Board within its area of responsibility. A copy of the Committee's Terms of Reference can be obtained by contacting the Corporate Secretary to the Board.	Yes
NP 58-201, section 3.12 3.12 The board should adopt a nomination process which considers the competencies and skills of the board as a whole; assesses the competencies and skills possessed by each existing director; and considers the personality and other qualities of each director. The board should also consider the appropriate size of the board, with a view to effective decision-making, and should consider the advice and input of the nominating committee.	The Board's nomination process is described above, and it meets the guidelines of the Instrument. As the Committee responsible for the Board's approach to corporate governance, the Committee makes recommendations to promote timely and effective decision-making.	Yes

CSA CORPORATE GOVERNANCE POLICY, NP 58-201, AND DISCLOSURE INSTRUMENT, NI 58-101F1 (SUMMARY)	COMMENTS AND DISCUSSION	DOES SASKWATER ALIGN?
NP 58-201, section 3.13 3.13 The nominating committee should be responsible for identifying individuals qualified to become new board members and recommending to the board the new director nominees.	The Governance and Social Responsibility Committee, serving as the nominating committee, is responsible for leading the process to identify, recruit and recommend qualified candidates for appointment to the Board.	Partial Compliance
NP 58-201, section 3.14 3.14 In making its recommendations the nominating committee should consider: the competencies and skills that the board considers necessary for the board as a whole to possess; the competencies and skills of existing directors; the competencies and skills of each nominee; and whether each new nominee can devote sufficient time and resources to board work.	The process followed by the Governance and Social Responsibility Committee complies with that set out in the Policy and is described above.	Partial Compliance
COMPENSATION		
NP 58-201, section 3.15 3.15 The board should appoint a compensation committee composed entirely of independent directors.	The Governance and Social Responsibility Committee performs the functions of a compensation committee. All five (5) of the members of the Governance and Social Responsibility Committee, including the Committee Chair, are independent directors.	Yes

<table>
<tr><th>CSA
CORPORATE GOVERNANCE POLICY,
NP 58-201, AND
DISCLOSURE INSTRUMENT,
NI 58-101F1
(SUMMARY)</th><th>COMMENTS AND DISCUSSION</th><th>DOES SASKWATER ALIGN?</th></tr>
<tr><td>NI 58-101F1, sections 7(a) and (b)

7(a) Describe the process by which the board determines compensation for the directors and officers of the corporation.

(b) Disclose whether the board has a compensation committee composed entirely of independent directors and, if not, describe the steps the board takes to ensure an objective process for determining such compensation.</td><td>All members of the Governance and Social Responsibility Committee, which serves as the compensation committee, are independent directors.

CIC has the legislative authority to fix remuneration levels and set expense guidelines for directors. The Governance and Social Responsibility Committee has authority to recommend to the Board (and the Board to CIC) adjustments to directors' compensation. The Committee receives quarterly reports respecting the remuneration received by members of the Board, and reports any anomalies to the Board.

Each director receives an annual retainer for acting as a Board member. The remuneration levels established by CIC for members of the Board are set out below.

<table>
<tr><th colspan="2">Director Remuneration Schedule</th></tr>
<tr><td>Board Chair retainer</td><td>$20,000.00</td></tr>
<tr><td>Board member retainer</td><td>$14,000.00</td></tr>
<tr><td>Audit & Finance Committee Chair retainer</td><td>$2,600.00</td></tr>
<tr><td>Other Committee Chair retainer</td><td>$2,000.00</td></tr>
<tr><td>Committee member meeting fee</td><td>$650.00</td></tr>
</table>

A copy of CIC's remuneration and expense guidelines for directors can be obtained by contacting the Corporate Secretary to the Board.

CIC has established a framework for executive compensation, and the Board can approve compensation packages within that framework. The Board has delegated responsibility for addressing and making recommendations concerning management compensation issues to the Environment & Human Resources Committee.

The Governance and Social Responsibility Committee reviews and recommends to the Board: changes to the design of the corporation's overall compensation and benefits plans; management compensation packages that reflect industry standards; performance compensation programs; and annual corporate indicators, including a sub-set used to determine performance compensation for senior management. In discharging this function, the Committee has the ability to retain external advisors, subject to approval by the Board.</td><td>Yes</td></tr>
</table>

CSA CORPORATE GOVERNANCE POLICY, NP 58-201, AND DISCLOSURE INSTRUMENT, NI 58-101F1 (SUMMARY)	COMMENTS AND DISCUSSION	DOES SASKWATER ALIGN?
NP 58-201, section 3.16 3.15 The compensation committee should have a written charter establishing the committee's purpose, responsibilities, member qualifications, member appointment and removal, structure, operations (including any authority to delegate to individual directors or subcommittees) and manner of reporting to the board. In addition, the compensation committee should be given authority to engage and compensate outside advisors necessary to permit it to carry out its work.	The Board has approved Terms of Reference for the Governance and Social Responsibility Committee, which addresses the Committee's responsibilities with respect to compensation, as well as the other elements of the Policy except member qualifications and the ability to delegate tasks. The Committee has authority to engage outside advisors to assist it in performing its duties, subject to the approval of the Board.	Substantial compliance
NI 58-101F1, sections 7(c) (c) If the board has a compensation committee, describe the responsibilities, powers and operation of the committee.	The Governance and Social Responsibility Committee serves as the compensation committee, and its Terms of Reference describe the Committee's responsibilities respecting compensation issues, as well as the powers and operation of the Committee. The Committee is appointed by the Board, serves in an advisory capacity and makes recommendations to the Board within its area of responsibility. A copy of the Committee's Terms of Reference can be obtained by contacting the Corporate Secretary to the Board.	Yes
NP 58-201, section 3.17 3.17 The compensation committee should be responsible for: reviewing and approving corporate goals and objectives relevant to CEO compensation, evaluating the CEO's performance in light of those corporate goals and objectives, and determining the CEO's compensation level based on the evaluation; making recommendations to the board respecting non-CEO officer and director compensation, incentive-compensation plans and equity-based plans; and reviewing executive compensation prior to public disclosure.	The Governance and Social Responsibility Committee annually recommends to the Board the CEO's performance targets, and leads the annual performance evaluation process for the CEO. The CEO's performance is assessed against the established Corporate objectives and the CEO's individual targets. The results of the CEO's performance are approved by the full Board, and are used in determining compensation. Respecting non-CEO officer compensation, the Committee is responsible for recommending to the Board management compensation packages, performance compensation programs and annual performance targets. The Board reviews and approves the achievement of corporate targets annually and the extent to which the targets are achieved determines management's eligibility for performance compensation. Executive compensation decisions are subject to any guidelines established by CIC. As a Crown corporation, SaskWater does not have equity-based plans. Director compensation is determined by CIC. Executive compensation information is available to the public through publication of Crown payee reports. The Committee does not review executive compensation reports prior to public disclosure.	Substantial compliance

CSA CORPORATE GOVERNANCE POLICY, NP 58-201, AND DISCLOSURE INSTRUMENT, NI 58-101F1 (SUMMARY)	COMMENTS AND DISCUSSION	DOES SASKWATER ALIGN?
OTHER BOARD COMMITTEES		
NI 58-101F1, section 8 8 If the board has standing committees of the board, other than audit, compensation and nominating committees, identify the committees and describe their function.	The Board has the Audit and Finance Committee and the Governance and Social Responsibility Committees.	Yes
BOARD ASSESSMENTS		
NP 58-201, section 3.18 3.18 The board, its committees and each individual director should be regularly assessed. An assessment should consider: with respect to the board or committees, its mandate or charter; with respect to an individual director, the applicable position description(s), as well as the competencies and skills each individual director brings to the board.	Board, Board Chair, Committee Chair and Committee evaluations as well as director peer assessments are performed annually on a two year cycle, with comprehensive Board and Board Chair evaluations being conducted one year, and director peer, Committee Chair and Committee evaluations being conducted the following year. The evaluations take into consideration the elements of the Policy. In 2016–17, Board and Board Chair evaluations were conducted.	Yes
NI 58-101F1, section 9 9 Disclose whether the board, its committees and individual directors are regularly assessed with respect to their effectiveness and contribution and, if yes, describe the process used.	The Governance and Social Responsibility Committee oversees the implementation of the above evaluation processes, and uses an external consultant in the case of director peer assessments. The evaluations are survey-based, using an instrument developed by CIC in consultation with an outside consultant and with Crown board members. Board, Chair, Committee and director performance is measured against the duties and expectations set out in their respective Terms of Reference and the specific standards outlined in the evaluation instruments. The purpose of the evaluations is to identify areas where the Board, Committee, Chair or director is managing well and to highlight areas that may benefit by additional focus and attention. Directors complete surveys to provide feedback in writing on the effectiveness and contribution of the Board, Committees, Chairs and individual directors. The Board Chair or a third party may follow up the written responses with interviews of directors to elicit additional concerns or suggestions for improvement. The Governance and Social Responsibility Committee prepares reports outlining the evaluation results, which are submitted to the Board for review and approval. The Committee recommends follow-up action required as a result of recommendations made in the evaluation reports, and tracks implementation of any action items.	Yes

CSA CORPORATE GOVERNANCE POLICY, NP 58-201, AND DISCLOSURE INSTRUMENT, NI 58-101F1 (SUMMARY)	COMMENTS AND DISCUSSION	DOES SASKWATER ALIGN?
CSA National Policy 58-101 Disclosure of Corporate Governance Practices		
10 Disclose whether or not the issuer has adopted term limits for the directors on its board or other mechanisms of board renewal and, if so, include a description of those director term limits or other mechanisms of board renewal. If the issuer has not adopted director term limits or other mechanisms of board renewal, disclose why it has not done so.	The appointment and removal of Directors is the prerogative of the Lieutenant Governor in Council pursuant to The Saskatchewan Water Corporation Act. Director appointments are not subject to term limits.	No
11(a) Disclose whether the issuer has adopted a written policy relating to the identification and nomination of women directors. If the issuer has not adopted such a policy, disclose why it has not done so. (b) If an issuer has adopted a policy referred to in (a), disclose the following in respect of the policy: (i) a short summary of its objectives and key provisions, (ii) the measures taken to ensure that the policy has been effectively implemented, (iii) annual and cumulative progress by the issuer in achieving the objectives of the policy, and (iv) whether and, if so, how the board or its nominating committee measures the effectiveness of the policy.	CIC has a written “Board of Directors’ Appointment Policy.” While the policy does not specifically refer to the identification and nomination of female Directors, it requires Crown boards to include “diversity candidates.” The term “diversity candidates” is not defined but it is interpreted as including women, Aboriginal persons, and visible minorities. CIC maintains statistics regarding diversity of each Crown board, including progress made in the percentage of women serving on Crown boards. Annually, CIC forwards information to the shareholder to be considered when Board appointment decisions are made. The information includes the skill sets required for the Board and diversity statistics. As of March 31, 2017, the Board comprised five (5) women out of a total of ten (10) members (50%).	Partial compliance
12 Disclose whether and, if so, how the board or nominating committee considers the level of representation of women on the board in identifying and nominating candidates for election or re-election to the board. If the issuer does not consider the level of representation of women on the board in identifying and nominating candidates for election or re-election to the board, disclose the issuer’s reasons for not doing so.	It is the responsibility of Executive Council to consider the level of representation of women on the Board.	Partial compliance
13 Disclose whether and, if so, how the issuer considers the level of representation of women in executive officer positions when making executive officer appointments. If the issuer does not consider the level of representation of women in executive officer positions when making executive officer appointments, disclose the issuer’s reasons for not doing so.	Executive Officer appointments are made by the CEO in consultation with the Board. The CEO gives consideration to the level of representation of women in Executive Officer positions, along with other relevant factors, when making Executive Officer appointments.	Yes

CSA CORPORATE GOVERNANCE POLICY, NP 58-201, AND DISCLOSURE INSTRUMENT, NI 58-101F1 (SUMMARY)	COMMENTS AND DISCUSSION	DOES SASKWATER ALIGN?
14(a) For purposes of this Item, a "target" means a number or percentage, or a range of numbers or percentages, adopted by the issuer of women on the issuer's board or in executive officer positions of the issuer by a specific date. (b) Disclose whether the issuer has adopted a target regarding women on the issuer's board. If the issuer has not adopted a target, disclose why it has not done so.	Although the CIC policy requires Crown boards to include "diversity candidates," the CIC policy does not adopt a specific target for representation of women on the Board.	No
(c) Disclose whether the issuer has adopted a target regarding women in executive officer positions of the issuer. If the issuer has not adopted a target, disclose why it has not done so. (d) If the issuer has adopted a target referred to in either (b) or (c), disclose: (i) the target, and (ii) the annual and cumulative progress of the issuer in achieving the target.	SaskWater does not currently have a target regarding women in Executive Officer positions.	No
15(a) Disclose the number and proportion (in percentage terms) of directors on the issuer's board who are women. (b) Disclose the number and proportion (in percentage terms) of executive officers of the issuer, including all major subsidiaries of the issuer, who are women.	The Board is currently comprises ten (10) members, five (5) of whom are women. (50%) Currently, one (1) of the three (3) Executive Officers is a woman. (33.3%)	Yes

Doug Matthies, *President and CEO*

Doug Matthies has served as President and CEO of SaskWater since July 1, 2010. Prior to joining SaskWater, Doug served in several senior capacities in the provincial government including as Deputy Minister of Finance, Deputy Minister of Agriculture and Food, General Manager of the Saskatchewan Crop Insurance Corporation and General Manager of the Saskatchewan Pension Plan.

Doug has a total of 29 years experience in the provincial government in several areas including strategic planning, policy analysis and development, financial management, program operations, public accountability, legislative and regulatory processes, and stakeholder consultations and relations. Prior to joining government in 1987, Doug worked in the private-sector accounting firm of Clarkson and Gordon and later the firm Arscott Hill & Matonovitch.

Doug has served on several boards over the course of his career including organizations in the fields of international trade, agricultural research, transportation and financial institutions. He has also been a member of various federal–provincial working groups, inter-ministry working groups and community groups.

Doug is a Chartered Professional Accountant (CPA) with a Bachelor of Administration (Distinction) degree from the University of Regina. Doug has also obtained his Chartered Director (C. Dir.) designation from the Directors College.

Jacquie Gibney, *Vice President, Business Development and Corporate Services*

Jacquie Gibney became Vice President, Business Development and Corporate Services at SaskWater in September 2014. She is responsible for human resources, administration and facility services, information technology, policy and planning, corporate communications and business development for the corporation.

Prior to joining SaskWater, Jacquie held several positions with Farm Credit Canada including Director of Corporate Communication and Change Management and Director of Strategy and Government Relations. She also spent over 20 years with the Saskatchewan Ministry of Agriculture in a variety of senior capacities including Assistant Deputy Minister responsible for industry development.

Jacquie has over 26 years of public sector experience including agriculture finance, policy and program development, corporate communication, strategic planning, government relations, research and business development.

Jacquie has a Bachelor of Science in Agriculture degree from the University of Saskatchewan and a Master's degree in Business Administration.

Eric Light, *Vice President, Operations and Engineering*

In June 2014, Eric Light assumed the duties of Vice President, Operations and Engineering. He is responsible for managing the delivery of SaskWater's core business—the operation, maintenance and service delivery for the supply of potable and non-potable water to communities and industries, and for the engineering functions to manage new capital projects and support operations. Other lines of business falling under Eric's direction include certified operation and maintenance of customer-owned waterworks, operator training and Occupational Health and Safety.

Eric has over 31 years of engineering and management experience and has been with SaskWater since 1986. His previous position was Director of Engineering, a role he had held since January 2009.

Eric has a Bachelor of Applied Science (Distinction) degree in Regional Systems Engineering from the University of Regina, as well as his Master of Engineering degree in Civil Engineering from the University of Saskatchewan. Eric is a member of the Association of Professional Engineers and Geoscientists of Saskatchewan.

Corporate Directory

Doug Matthies, President and CEO

Danny Bollinger, Director, Financial Services

OPERATIONS AND ENGINEERING

Eric Light, Vice President, Operations and Engineering

John Conway, Director, Engineering

Rynette Moore-Guillaume, Director, Operations

Glen Gillis, Manager, Northern Engineering

Miles Yeroschak, Manager, Occupational Health & Safety

BUSINESS DEVELOPMENT AND CORPORATE SERVICES

Jacquie Gibney, Vice President, Business Development and Corporate Services

Randy Avery, Director, Business Development

Kim Cave, Manager, Centralized Services

Ingrid Newton, Manager, Policy and Planning

Amanda Zarubin, Manager, Human Resources

Courtney Mihalicz, Manager, Corporate Communications

Paul Mayson, Manager, IT Services

OFFICE LOCATIONS

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