Proposed Material Change to Claystone
Waste Ltd. Municipally Controlled
Corporation Business Plan

Who was there

- Beaver County Councillors
- Beaver County CAO
- 3 support staff from Beaver County
- Claystone Waste
- 9 Members of the Public

What happened

- Reeve Smook opened the hearing at 2:30 PM
 - Opening remarks/Introductions
 - o Clarified that this hearing is for discussion only
 - o Matter will be debated at April 19, 2023 regular Council meeting
- CAO Spiess introduced the subject matter of hearing
- Reeve Smook
 - o asked for anyone to speak in favour of the proposed change no one
 - o asked for anyone to speak against the proposed change four attendees
- Two attendees made general comments
- After each speaker presented their comments or concerns, each of the Beaver County Councillors spoke, thanked people for coming and for sharing their questions and concerns.
- Council will now take time to consider the comments before the April 19, 2023, Council Meeting.
- Adjourned Public Hearing at 3:51 PM.

What we heard

Many questions were posed by the six individuals who spoke including some that are operational in nature and not related to the subject of the Public Hearing. These operational questions have been addressed separately, and will be available on Beaver County's website.

Questions raised related to the proposed Material Change surrounded a number of themes including clarity regarding the Material Change; accountability measures for any Claystone Waste subsidiary; concerns surrounding liability of any Claystone Waste subsidiary; concerns about waste-to-energy projects involving incineration of waste; and general questions about the Claystone Waste Business Plan.

Responses to questions from Claystone are listed below and organized by theme:

Clarity regarding the Material Change

What is the Material Change to the Claystone Waste Business Plan?

Claystone Waste is proposing a Material Change to its Business Plan to allow the company to acquire other companies, enter into joint ventures, or establish subsidiaries.

See full Business Plan for more information.

Why does Claystone need the ability to acquire other companies, enter into joint ventures, or establish subsidiaries? Is the current model of the Municipal Controlled Corporation not enough?

The waste management industry is a highly competitive and ever evolving sector. In order for Claystone to remain an industry leader, the company must be able to adapt quickly within an environment that can change rapidly.

The Material Change will allow Claystone to evolve and adapt to a changing business and regulatory landscape. Changing market conditions have resulted in a steady decline of municipal solid waste (MSW) tonnage coming to the regional landfill.

This trend is expected to continue as municipal waste diversion efforts intensify in the Edmonton Metropolitan Region. Shifting regulatory approaches towards zero-waste and emission reductions will also force the waste management industry to adapt and pursue new waste-to-energy and other clean technology projects.

To respond to these risks, Claystone must diversify its service offerings and develop new revenue streams. To accomplish this, the Material Change has been proposed as it will to promote future growth and ensure the sustainability of municipal dividends, and Claystone operations in the years to come.

The ability to acquire other companies, enter into joint ventures, or establish subsidiaries, an ability that Claystone does not currently have, is the most prudent approach to pursue opportunities in a manner that minimizes risk and maximizes returns for the company, its municipal shareholders, and ultimately the taxpayers of the Beaver region.

See full Business Plan for more information.

The Material Change is unclear in what it will do. What will the Material Change accomplish?

Examples of potential opportunities that would come from the authorization to acquire other companies, enter into joint ventures, or establish subsidiaries could include the following:

- Ability to acquire a transportation or hauling company to add to Claystone's Waste management service offerings;
- Partner on new projects with other companies which could include waste-to-energy and other clean technology projects;
- Own or operate waste management facilities outside of the Beaver region under a subsidiary structure.

It is important to note that the Material Change does not necessarily mean an increase in waste coming to the Beaver Regional Landfill site. It could mean that a greater percentage of the trucks already hauling waste would be owned by Claystone instead of third-party companies. It could also mean Claystone could own and operate waste management facilities in other areas of the province, which would not affect the Beaver Region except for increasing the dividends for the municipal owners.

Who makes the decision to approve a Material Change and allow Claystone to acquire other companies, enter into joint ventures, or establish subsidiaries? As a municipally controlled corporation, a Material Change to the Claystone Waste Business Plan must be approved by at least two of Claystone's shareholding municipalities representing at least 75% of the company's voting shares.

Claystone shareholding municipalities are the Town of Tofield, the Town of Viking, the Village of Ryley, the Village of Holden and Beaver County.

Accountability measures for any Claystone Waste subsidiary

Who would a Claystone Waste subsidiary be accountable to?

Any subsidiaries are required to adhere to the same constraints as the parent company.

A Claystone Waste subsidiary would be accountable to the Claystone's Board of Directors and senior management team in accordance with the Corporation's core documents and policies including the Unanimous Shareholders' Agreement, Limited Partnership Agreement, Mandate and Roles Document, and Business Plan.

See Business Plan (page 4) for more information.

Residents expressed concern that a Claystone subsidiary would be given blanket approval. A Claystone subsidiary would not have approval to operate outside what is authorized in the Claystone Waste business plan.

Due diligence and any subsequent execution of all proposed acquisitions, partnerships, divestitures or arrangements authorized via the Material Change would be conducted by Claystone's Board of Directors and senior management team in accordance with all existing policies and the Corporation's core documents.

Are there changes to Claystone Waste's legal structure?

No. The Material Change would permit Claystone to acquire other companies, enter into joint ventures, or establish subsidiaries.

This authority would not change the legal structure of the

	Claystone Waste Limited Partnership, or the voting or dividend shares of its shareholding municipalities.
How is Claystone Waste	Claystone is held to higher standards of accountability as a
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How is Claystone Waste accountable to its shareholders?

Claystone is held to higher standards of accountability as a municipally controlled corporation than private sector companies.

Claystone is accountable to its municipal shareholders and residents through its corporate structure and operating agreements. Municipal councils appoint directors to the Board of Directors of Claystone Waste and a Unanimous Shareholder Agreement between all member municipalities establishes control provisions for municipal oversight, and helps to ensure the operations of

Claystone Waste are conducted in the public interest.

The Unanimous Shareholder Agreement also dictates that in certain key matters where a major or material change to the Claystone Waste Business Plan is to be considered, the decision is not made by the Claystone Waste Board of Directors, but is subject to municipal council approval, which allows for direct resident input.

Concerns surrounding liability of any Claystone Waste subsidiary

Who pays for liability of any Claystone Waste subsidiary? Would liability fall onto municipalities or taxpayers? The purpose of any Claystone subsidiary is to manage risk and protect liability. Subsidiaries are required to have their own liability insurance and no liability will fall back on the parent company or in turn the municipalities. Any liabilities would be limited to the subsidiary.

The establishment of any Claystone subsidiary therefore protects shareholding municipalities and taxpayers from liability risk.

Concerns about waste-to-energy projects involving incineration of waste

Residents expressed opposition to waste-to-energy projects that involve incineration of waste.

Waste-to-energy is a broad term covering many methods - not only incineration, and includes anaerobic digestion (from compostables) and landfill gas recovery systems.

Incineration as an outdated technology that Claystone is not interested in pursuing. Claystone agrees that waste-to-energy projects through incineration produces air pollution and the potential release of harmful chemicals.

Claystone would seek to pursue projects such as:

Anaerobic digestion - This is a process where organic waste is

broken down by bacteria in the absence of oxygen to produce biogas, which can be burned for energy.

Landfill gas recovery - This process involves capturing methane gas produced by decomposing waste in landfills and using it as a fuel source.

Any business in the County including Claystone is still required to go through the County's Development Permit Process as well as the Provincial Regulatory Process for any waste-to-energy facilities.

General questions about the Claystone Waste Business Plan

How many other changes have been made to the Business Plan?

The Business Plan contains updated information to the last plan approved in 2020 however these updates are not material and do not require specific approvals from municipal shareholders. Updated information is provided on core business functions such as sales and marketing, operating, and human resources plans.

All changes are detailed in the <u>full Business Plan.</u>

Residents expressed opposition to accepting out-of-province waste at the Beaver Regional Landfill.

Under the updated business plan, waste from outside the province of Alberta is not permitted to be disposed of at the Beaver Regional Landfill site.

There are no changes in the business plan to out-of-province restrictions.

See Business Plan (page 5) for more information.