

Proposed Material Change to 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.

Why is a Material Change being proposed?

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 proposal for a Material Change to the Business Plan is a result of a strategic planning process undertaken by Claystone throughout 2021 and 2022. The strategic planning process found that while Claystone operations are currently sustainable and provide a predictable dividend to shareholding municipalities for the foreseeable future, that changing market forces and shifting regulatory frameworks pose risks and challenges moving forward. The strategic plan concluded that there is a need for Claystone to 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 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. The Material Change is proposed to respond to these risks and ensure that Claystone can be a waste management leader into the future as the industry evolves to new market and regulatory contexts.

Examples of potential opportunities that would come from the authorization include the ability to acquire a transportation or hauling company to promote vertical integration of Claystone service offerings, or partner on new projects with other companies which could include waste-to-energy and other clean technology projects.

What is a Material Change?

As a municipally controlled corporation owned by the Town of Tofield, the Town of Viking, the Village of Ryley, the Village of Holden and Beaver County, Claystone Waste is regulated by Alberta's Municipal Government Act and Municipally Controlled Corporation Regulation.

Under the Municipally Controlled Corporations Regulation, a Material Change is defined as "a change in the business, financing, operations or affairs of the controlled corporation that would be considered important by a reasonable person taking into account the circumstances of the controlled corporation in its entirety."

Currently, Claystone is not explicitly authorized via the business plan to acquire other companies, enter into joint ventures, or establish subsidiaries. The proposal to provide this authority to Claystone is therefore a Material Change that requires consultation with residents and approval from Claystone's shareholder municipalities.

Are there other changes 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. Updated information is provided on core business functions such as sales and marketing, operating, and human resources plans.

What is the consultation process for the Material Change?

According to the Municipal Government Act and Municipally Controlled Corporation Regulation, a proposed Material Change requires shareholding municipalities to notify and consult their residents.

This process includes providing the updated Business Plan and any supporting information to be made publicly available for 30 days for resident review. A public hearing at a regularly scheduled council meeting is also required to be held prior to a council approval. If supported by shareholder councils, the proposed Material Change would formally be considered at the Annual General Meeting of Claystone shareholders later this spring.