

POLICY NO:	315	TITLE:	Risk Management
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PURPOSE

This policy is established to ensure Aquatera Utilities Inc. (Aquatera) has an Enterprise Risk Management framework in place to identify, manage and monitor the risks that could significantly impact achievement of Aquatera's business objectives.

POLICY STATEMENT

It is the policy of Aquatera to accept and mitigate risks in support of Aquatera achieving its vision, mission and strategic plan. In doing so, Aquatera will not willingly exceed its Board-approved Risk Tolerance and Appetite (see Appendix A) while executing its strategic plan.

RESPONSIBILITIES AND AUTHORITY

Board approval, on recommendation from the Chief Executive Officer, is required for all changes to this Policy, including the assessment of Risk Tolerance or Risk Appetite.

The Chief Executive Officer is responsible to ensure that this Policy is adhered to by employees.

On behalf of the Executive Team, the Chief Financial Officer will report to the Board quarterly on the company's significant risks and will regularly report to the Audit and Risk Committee on the processes used to identify, manage and monitor significant risks.

DEFINITIONS

Risk - the potential for an event or condition occurring that will impact upon an organization's ability to fulfil on its objectives. Objectives can have different aspects (such as financial, health and safety, and environmental goals) and can apply at different levels (such as strategic, organization-wide, project, product and process).

Risk Management - coordinated activities to assess and manage the level of risk within an organization.

Risk Tolerance - reflects the limit of risk set by the organization that it would not willingly exceed after all relevant controls are in place (can be expressed in quantifiable terms e.g. level of invested capital or other subjective limits e.g. reputational risk).

Risk Appetite - is the level of risk capacity that the enterprise is willing to accept in pursuit of its objectives, provided there is a commensurate return.

MANAGEMENT OF RISK BY AQUATERA

Overview

It is the policy of Aquatera to accept and mitigate risks in support of Aquatera achieving its vision, mission and strategic plan. Aquatera supports risk taking when the risk is appropriately managed.

Aquatera assesses risk across multiple dimensions including, but not limited to:

- People
- Customers
- Stakeholders
- Value
- Finance

Process

At Aquatera, all employees are required to assess the risks that arise in their decisions that may have a significant impact on the value of the company and its customers, employees, shareholders and other stakeholders. These considerations include both short-term and long-term implications.

Aquatera will have documented risk reviews in the following contexts:

1. Significant business decisions
2. Development of plans – Strategy, Operating Plan, Budget
3. Quarterly business reviews

New or evolving risks are to be communicated to supervisors as soon as possible and warranted by the exposure.

Board Review of Risks

Management is required to report on all risks with a reasonable potential for a 'significant' event or condition to the Board quarterly. The Board receives risk assessments associated with approvals including new investments and annual budgets.

Significant events or conditions (post-mitigation) are presently defined as shown below.

"Significant" Events or Conditions				
Value	Finance	Stakeholders	Customers	People
>\$0.5 million on operating cash flows and dividends to shareholders >\$2 million impact on capital expenditures Distraction from core strategy of the business	Inability to maintain debt covenants Inability to access financing for Operating Plan	Material non-compliance with regulations or changing regulations impacting costs/capital. Not materially in compliance with shareholder requirements (including inability to comply with USA) Public brand impact	Reduction in service levels including extended outage Water quality issues with impact on customer health Damage to customers property Breach of customer data or inability to access customer systems effectively Inability to attract new Managed Operations or Shareholders	Make Aquatera unattractive employer Significant employee injury Public injury

Risk Reduction

Aquatera will take risk where necessary to fulfil on its mandate. However, where significant risk exists, management will consider ways to reduce the risk to keep the overall level of risk within the company's risk appetite and tolerance.

It is also recognized that uncertainty can lead to positive outcomes for Aquatera. All employees of Aquatera are encouraged to assume risk in a managed way when it enables them to pursue opportunities that can have a positive impact on achieving Aquatera's objectives. It is also important to acknowledge that there can be overall negative consequences as a result of failing to pursue an opportunity in order to avoid risk that Aquatera could tolerate.

RISK APPETITE AND TOLERANCE:

Aquatera recognizes that it is municipally owned and operates an essential service. Risk appetite and risk tolerance need to reflect these important characteristics. Aquatera's risk appetite and risk tolerance are outlined in Appendix A.

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Risk Management Policy

Appendix A: Aquatera Risk Appetite and Risk Tolerance

1. Purpose

This statement outlines Aquatera Utilities Inc.'s approach to risk appetite and risk tolerance to guide strategic decision-making, operational activities, and corporate governance. As a municipally owned utility, Aquatera is committed to delivering reliable, safe, and environmentally responsible services while protecting the interests of its municipal shareholders and the communities it serves.

2. Organizational Context

Aquatera has responsibilities to shareholders, customers and other stakeholders. Our services—water, wastewater, and solid waste—are essential public utilities. This necessitates a conservative approach to risk in areas affecting public health, safety, regulatory compliance, and environmental stewardship, while allowing for measured risk-taking in areas that drive innovation, efficiency, and long-term value.

3. Risk Appetite

Aquatera's **risk appetite** is defined as the level and type of risk the organization is willing to accept in pursuit of its strategic and operational objectives.

- **Strategic and Innovation Risk:** *Moderate*
Aquatera is willing to accept a moderate level of risk when pursuing innovations, partnerships, or new service delivery models that enhance sustainability, efficiency, or long-term value. Investments in non-core businesses (not municipal services) must have minimal risk. Managed Operations would be considered a core business.
- **Customer and Operational Risk:** *Low to Moderate*
We have a low tolerance for risks that could disrupt core service delivery. However, we accept moderate risk in areas that improve operational processes or reduce long-term costs.
- **Financial Risk:** *Low to Moderate*
Aquatera maintains a cautious approach to financial risk, prioritizing fiscal stability and prudent debt management, in line with shareholder expectations and municipal stewardship.
- **Reputational Risk:** *Low*
As a publicly owned utility, we prioritize public trust and are risk-averse in areas that may compromise our reputation with customers, shareholders, or regulators.
- **Regulatory and Legal Risk:** *Very Low*
We have a very low appetite for any risk that may result in non-compliance with environmental, health, safety, or regulatory obligations.

- **Environmental and Safety Risk:** *Very Low*

Aquatera has very low tolerance for risks that could endanger public health, employee safety, or the environment.

4. Risk Tolerance

Risk tolerance defines the acceptable level of variation around objectives that Aquatera is prepared to withstand before corrective action is required.

- Aquatera tolerates limited variation in operational performance, provided that service quality, environmental standards, and customer outcomes are not compromised.
- Short-term financial fluctuations are tolerated when they support long-term value creation or infrastructure or talent pool renewal.
- Variations in returns on new capital investment is tolerated when asset return expectations are high.

5. Risk Oversight and Governance

Aquatera's Executive Team and Board ensure that risk appetite and tolerance levels are embedded in corporate planning, project evaluation, and performance monitoring. Risk exposures are assessed regularly and reported through the company's Risk Management framework. All significant risks are escalated to the Board as appropriate.

6. Review and Updates

This Risk Appetite and Tolerance Statement is reviewed annually and updated as necessary to reflect changes in the operating environment, stakeholder expectations, and corporate strategy.