

# Risk Committee Terms of Reference

May 2019

## 1. Establishment of Committee

A committee of the Directors to be known as the Risk Committee (the “**Committee**”) is hereby established.

## 2. Purpose

The purpose of the Committee is to:

- a) Assist the Board of Directors (the “**Board**”) in fulfilling its responsibilities for establishing ATB Financial’s risk appetite and overseeing ATB Financial’s performance against the established risk appetite;
- b) Oversee the identification, measurement, monitoring and management of key business risks to which ATB Financial is exposed, as well as emerging trends and issues;
- c) Review, approve and oversee compliance to corporate risk management policies;
- d) Oversee compliance to legal and regulatory requirements;
- e) Set the tone at the top for the establishment and maintenance of a risk culture at ATB; and
- f) Review, monitor and report to the Board with respect to the performance and effectiveness of ATB Financial’s Risk Management function and the Chief Risk Officer (the “**CRO**”), having regard to their independence.

## 3. Membership

### a) Composition and Appointment

The Committee shall consist of not less than five Directors of the Board, one of whom shall serve as the Committee Chair (the “**Chair**”). The members of the Committee and the Chair shall be appointed and removed by the Board. In the absence of the Chair, one of the members of the Committee present shall be chosen by the Committee to preside as Chair at that meeting. Each member shall continue to be a member of the Committee until a successor is appointed, unless a member resigns, is removed or ceases to be a Director. The Board may fill a vacancy that occurs in the Committee at any time.

### b) Independence

Each member of the Committee shall meet the independence standards established by the Board as set out in the Director Independence Policy.

## 4. Meetings

### a) Procedure

Unless otherwise determined by the Board or provided in By-law No.1, the Committee shall determine and regulate its procedures in all respects. The duties of the Chair, the Secretary of the Committee and any requirements with respect to calling of meetings, attendance at meetings and voting shall be as set out in By-law No.1, except as hereinafter provided.

### b) Support

The Committee will be supported by the CRO, the Senior Vice President, Credit and the CCO and other invitees of the CRO.

### c) Quorum

A majority of the members of the Risk Committee shall constitute a quorum. If a quorum cannot be obtained for any meeting, other members of the Board may, at the request of the Chair or the Chair of the Board, serve as members of the Risk Committee for that meeting.

d) Reporting to the Board

The Chair or his or her designate shall report to the Board on material matters arising at the Committee meetings and, where applicable, present the Committee's recommendations to the Board for its approval.

e) Delegation

The Committee may, from time to time, delegate to its Chair any powers or responsibilities of the Committee itself. This delegation will include a reporting accountability back to the Committee.

f) Access to Management

In fulfilling its responsibilities, the Committee, through the Chair, shall have unrestricted access to management and team members of ATB Financial, which will be coordinated through the CRO. The Committee, without consent of the Board, shall have the authority to investigate any matter with full access to the books, records, facilities, management and employees of ATB Financial and to retain external advisors to assist it in fulfilling its responsibilities.

g) In Camera Meetings

The Committee shall have regularly scheduled meetings without management present.

**5. Roles and Responsibilities**

The Committee shall have the responsibilities set out in Schedule "A" as well as any other matters as may be delegated to the Committee by the Board from time to time.

The Committee and each of its members shall comply with such additional requirements as are specified in the *ATB Financial Act* and Regulation and in the by-laws and resolutions of the Board in effect from time to time.

<b>Description of Action</b>	<b>Date</b>	<b>Owner</b>
Recommended by General Counsel, SVP Corporate Operations, & Corporate Secretary	May, 2019	General Counsel, SVP Corporate Operations, & Corporate Secretary
Recommended by Risk Committee	May, 2019	
Recommended by Governance & Conduct Review Committee	May, 2019	
Approved by Board of Directors	May, 2019	

"Joan Hertz"

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Joan Hertz  
Chair of the Board of Directors

Schedule "A"

Roles and Responsibilities Calendar  
 ✓ When Performed

Roles and Responsibilities	Annually	Every 3 Years	As Required
<b>Risk Appetite</b>			
1. <u>Risk Appetite Statement</u> – Review and, if advisable, recommend ATB Financial’s Risk Appetite Statement to the Board for approval	✓		
2. <u>Risk Appetite Framework</u> – Review and, if advisable, recommend ATB Financial’s Risk Appetite Framework to the Board for approval		✓ (every 2 years)	
3. <u>Strategic Plan</u> – Review the alignment of ATB Financial’s strategic plan with the Risk Appetite Statement	✓		
4. <u>Risk Limits and Delegation</u> – Review and approve ATB Financial’s proposed risk limits established in the context of Board-approved risk appetite to manage ATB Financial’s exposure to its key business risks. This includes: a. The delegated lending authority of the Chief Executive Officer (“CEO”) and the delegation framework to be implemented by the CEO; b. The directional strategy for clients exceeding the Single Counterparty Risk Management Limits. c. Monitoring work out plans prepared by management (including litigation, if applicable), including impaired loans and high risk loans where the borrower’s loan loss allowance is in excess of \$15,000,000. d. Approving recommendations from the CEO or his or her delegates with respect to loans or other credit exposure to single name borrowers, where such exposure exceeds the delegated lending authority then established by Board resolution; and e. Any other specific risk limits and/or delegations that may form part of a Board level Risk Policy.	✓		✓
<b>Policies and Procedures</b>			
5. <u>Significant Risks</u> - Review and approve ATB Financial’s key policies and procedures for the identification, measurement, monitoring and management of key business risks to which ATB Financial is exposed consistent with the Risk Appetite Statement and risk limits	✓		
6. <u>Regulatory and Legal Risk</u> – Review and approve policies and procedures for the identification and management of ATB Financial’s regulatory and legal risks associated with activities that may impact ATB Financial’s reputation or credibility, including but not limited to ATB Financial’s Regulatory Compliance Management (the “RCM”) policy and framework. This includes a review of Senior Management’s assessment of ATB’s compliance with laws and regulations and the effectiveness of the RCM framework, as well as reviewing findings of regulators	✓		
<b>Monitoring and Reporting</b>			

7. Review Senior Management's reports pertaining to ATB Financial's risk profile, stress tests conducted including the effectiveness of the stress tests program, identified material risks associated with ATB Financial's business and operations, emerging risks and trends and compliance with risk limits and delegation with a view to assessing overall adherence to ATB Financial's Risk Appetite Statement	✓		✓
8. Review the report from Internal Audit respecting compliance to internal policies and the effectiveness of internal controls and procedures with respect to the management of key business risks, as well as reports from the CRO relating to the effectiveness of risk rating systems and key risk models	✓		✓
9. Review and challenge Senior Management's assessment and evaluation of the effectiveness of its systems and programs relating to the calculation and adequacy of its risk-based capital requirements, and approve ATB Financial's Internal Capital Adequacy Assessment Process	✓		
10. Review the effectiveness of, and challenge Senior Management on, internal financial models, such as Risk-Adjusted Return on Capital	✓		
11. <u>Outsourcing</u> – Review reports on ATB Financial's compliance with the Outsourcing Policy established by Senior Management and the status of each material outsourcing arrangement	✓		
12. <u>New Strategies, Products or Services</u> – Review reports on the effectiveness of ATB Financial's risk assessment processes relative to new strategies, products or services	✓		
13. <u>Private Equity Investments</u> - Approve, as required, all new or increased private equity-style capital investments that exceed the delegated authority then established by Board resolution.			✓
<b>Chief Risk Officer, Chief Compliance Officer and Risk and Compliance Programs</b>			
13. In consultation with the CEO and in conjunction with the Human Resources Committee, recommend to the Board the appointment and removal of the CRO as an officer of ATB and annually review succession planning for the CRO.	✓		✓
14. In consultation with the CRO, review and approve the appointment or termination of the Chief Compliance Officer (CCO).	✓		✓
15. Review and approve the mandate of the CRO and CCO together with ATB Financial's Risk Management and Compliance programs, organizational structure, resources and budget, having regard to its role as an independent control function.	✓		
16. Oversee and assess the effectiveness of the Risk Management and Compliance function, including, if appropriate, periodically engaging an independent third party to assess the effectiveness of the Risk Management and Compliance function and reviewing the results of that assessment.	✓		✓

17. Provide the CRO and Chief Compliance Officer (CCO) with unfettered access to the Committee and provide a forum for the CRO and the CCO to raise any issues with respect to their relationships and interaction with Senior Management			✓
<b>Governance</b>			
18. Evaluate and review its performance and its compliance to its terms of reference and provide a report to the Board, through the Governance and Conduct Review Committee	✓		
19. Assess the appropriateness of its terms of reference, taking into account any applicable legislative and regulatory requirements, as well as best practices for crown corporations or financial service industry participants and report to the Board, through the Governance and Conduct Review Committee	✓		