

Audit Committee Terms of Reference

November, 2020

1. Establishment of Committee

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

2. Purpose

The purpose of the Committee is to:

- a) Assist the Board of Directors of ATB Financial (the “**Board**”) in their oversight of:
 - i) The integrity of ATB Financial’s financial statements and other financial information provided by, or on behalf of, ATB Financial; and
 - ii) The adequacy and effectiveness of ATB Financial’s systems of internal controls, including controls regarding financial reporting and financial reporting processes generally;
- b) Maintain free and open communication between the Board, the Office of the Auditor General or their agent (the “**Auditor**”), the Vice President, Internal Assurance (the “**VP, Assurance**”) and management of ATB Financial; and
- c) Review, monitor and report to the Board with respect to the performance of the Auditor, ATB Financial’s internal assurance function and the finance function having regard to their independence from the business they review.

3. Membership and Organization

a) Composition and Appointment

- i) The Committee shall consist of not less than three 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 other 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 the member resigns, is removed or ceases to be a director.
- ii) At least three members shall be “financially literate” (defined as “the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by ATB Financial’s financial statements”), or must become financially literate within a reasonable period of time after appointment to the Committee; and
- iii) At least one member shall have such “accounting or related financial management expertise” as the Board, using its business judgement, interprets such qualification.

b) Independence

Each member of the Committee shall meet the independence standards established by the Board.

4. Meetings

i) Procedure

Unless otherwise determined by the Board or provided in ATB Financial 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.

ii) Support

The Chief Financial Officer (the “CFO”) shall support the Committee.

iii) Quorum

A majority of the members of the Audit 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 Audit Committee for that meeting.

iv) **Reporting to the Board**

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

v) Delegation

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

vi) Meetings

The Committee shall meet at least once per quarter (within sixty (60) days following the end of each of the financial quarters, but prior to the release of the financial results for each such quarter), or more frequently as circumstances may dictate. The VP, Assurance and the Auditors are entitled to receive notice of, attend and be heard at each Audit Committee meeting and are entitled to discuss matters with the Committee, without management present.

vii) Access to Management and Outside Advisors

In fulfilling its responsibilities, the Committee, through the Chair, shall have unrestricted access to management and employees of ATB Financial, which will be coordinated through the CFO. The Committee, without the 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 and to retain external advisors to assist it in fulfilling its responsibilities.

viii) 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 *Alberta Treasury Branches Regulation* and in the by-laws and resolutions of the Board in effect from time to time.

Description of Action	Date	Owner
Recommended by the General Counsel, SVP Corporate Operations & Corporate Secretary	November, 2020	General Counsel, SVP Corporate Operations & Corporate Secretary
Recommended by the Audit Committee	November 2020	
Recommended by the Governance & Conduct Review Committee	November 2020	
Approved by the Board of Directors	November 2020	

Joan Hertz
Chair of the Board of Directors

Schedule “A”

Roles and Responsibilities Calendar

✓ When Performed

Roles and Responsibilities	Quarterly	Annually	Every 3 years	As Required
Financial Affairs and Reporting				
<p>1. <u>Financial Statements</u> - Review and discuss with management and the Auditor and in the case of annual financial statements recommend to the Board for approval prior to release, and in the case of interim financial statements approve:</p> <ul style="list-style-type: none"> a) the annual or interim financial statements and related information, including the annual report, all interim financial statement management discussion and analysis disclosure (“MD&A”) (collectively the “Financial Reports”); b) any public announcements following the approval of Financial Reports releasing the results contained in the Financial Reports (collectively the “Financial Release”) <p>(the Financial Reports and the Financial Release collectively referred to as the “Financial Disclosure”)</p> <p><i>In reviewing the annual financial statements with the Auditor and management (and if applicable, the interim financial statements):</i></p> <p>A. Understand the effects upon the Financial Disclosure of any of the following:</p> <ul style="list-style-type: none"> a. Management analysis of financial reporting issues and judgments, including analysis of alternate accounting methods; b. Key areas of risk for material misstatement of the Financial Disclosure, including critical accounting estimates or areas of measurement uncertainty; c. Significant accounting policies and any changes thereto including the specific principles involved and their method of application; d. The Auditor’s judgment about the quality and acceptability of such accounting policies; e. Any significant judgments in accounting estimates; f. The methods used to account for significant or unusual transactions; g. Accounting policies or accounting treatment with respect to: <ul style="list-style-type: none"> i. Regulatory or professional pronouncements and emerging issues; and 	<p>✓</p>	<p>✓</p> <p>(Annual Financial Statements In May)</p>		

<ul style="list-style-type: none"> ii. Regulatory and accounting initiatives, including off-balance sheet structures; h. Controversial or emerging areas for which there is a lack of authoritative guidance or consensus; i. Difficult or contentious matters noted in the audit; j. Changes to the audit scope or strategy; k. Any internal control deficiencies identified during the course of the audit; and l. Areas of financial statement disclosure that could be improved. <p>B. Obtain explanations from the Auditor and management on whether:</p> <ul style="list-style-type: none"> a. The Annual Report and Interim Report present fairly the financial position, the results of operations and the cash flows of ATB Financial; b. Actual financial results for any period varied significantly from budgeted or projected results; c. Any changes in financial ratios and relationships in the Annual Report and Interim Report are consistent with changes in ATB Financial's operations and financing practices; d. International Financial Reporting Standards have been consistently applied; e. There are any actual or proposed changes in accounting or financial reporting practices; f. ATB Financial's financial controls are functioning effectively; and g. The Financial Disclosure contains adequate and appropriate disclosures and disclaimers. 				
Material Events and Transactions				
<p>2. <u>Material Events and Transactions</u> - Review management reports on any significant or unusual events, transactions or litigation claims that could have a material impact on the Financial Disclosure or that could adversely affect the well-being of ATB Financial</p>	✓			✓

Roles and Responsibilities	Quarterly	Annually	Every 3 years	As Required
Safe Disclosure				
<p>3. <u>Safe Disclosure Reports</u> - Review management reports respecting reports received pursuant to Safe Disclosure Program involving financial controls or financial irregularities</p>				✓
Internal Controls				
<p>4. <u>Internal Controls</u> -</p> <p>a. Require management to design, implement and maintain adequate and effective systems and processes for internal controls, including internal controls over financial reporting and for the prevention, identification and detection of fraud, financial irregularities and errors; and</p> <p>b. Review the process relating to the certifications of the Chief Executive Officer (the “CEO”) and CFO on the design and effectiveness of ATB Financial’s internal controls over financial reporting.</p>	✓			
<p>5. <u>Certification</u> - Obtain a statement from the CEO and CFO that they have each reviewed the Financial Disclosure and based upon his or her knowledge:</p> <p>a. the Financial Disclosure does not contain any untrue statement of material fact or omit a material fact necessary to make the financial statements, in light of the circumstances in which they are made, not misleading; and</p> <p>b. the Financial Disclosure present fairly in all material respects the financial condition of ATB Financial</p>	✓			
<p>6. <u>Internal Assurance</u>- Review a report from the VP, Assurance respecting compliance to internal policies and the effectiveness of internal controls and procedures with respect to the management of financial risk. Ensure that management responds appropriately and in a timely manner to all recommendations by the VP, Assurance, as endorsed by the Board.</p>	✓			

External Auditor				
<p>7. <u>Audit Plan</u> - Review the objectives and general scope of the Auditor's proposed audit plan and audit fee, and discuss with the Auditor any significant changes made thereto</p>		✓		
<p>8. <u>Auditor</u> – Oversee the relationship between the Auditor and management:</p> <p>A) Review and discuss with the Auditor:</p> <ul style="list-style-type: none"> a. Any material issues raised by the Auditor; b. All substantive correspondence between the Auditor and management; c. Any disagreements with management regarding financial reporting; d. Any recommendations of the Auditor; e. ATB Financial's accounting policies and any significant judgments in accounting estimates; <p>B) Ensure management responds appropriately and in a timely manner to all recommendations by the Auditor endorsed by the Board; and</p> <p>C) In respect of subsidiaries of ATB, review any issues raised by the Auditor that have a material impact on ATB.</p>	✓			

Internal Assurance				
9. <u>Organizational Framework</u> - Review and approve the organizational structure of Internal Assurance and the mandate of the VP, Assurance and ensure no unjustified restrictions or limitations are made to his or her authority or scope of work		✓		
10. <u>Budget/Resources</u> - Review and approve the annual audit plan, budget, resources, activities and deliverables of Internal Assurance		✓		
11. <u>Appointment</u> - Approve the appointment or dismissal of the VP, Assurance.			✓	✓
12. <u>Effectiveness</u> - Oversee and assess the effectiveness and independence of the Internal Assurance function and the VP, Assurance		✓		✓
13. <u>Effectiveness Review</u> - Periodically, engage an independent third party to assess the internal assurance function in accordance with professional standards promulgated by the Institute of Internal Auditors and review the results of that assessment				✓ Every 5 years
14. <u>Succession Plan</u> - Review the succession plan for the VP, Assurance.		✓		
15. <u>VP, Assurance Compensation</u> - Review and approve the remuneration of the VP, Assurance		✓		
16. <u>Internal Assurance Charter</u> - Review and approve the Internal Assurance Charter		✓		

Roles and Responsibilities	Quarterly	Annually	Every 3 years	As Required
Capital Management, Liquidity and Funding				
17. <u>Financial Plan</u> – Review the performance against the Financial Plan (which includes the capital and liquidity plans) [to be completed via the review of the Financial Disclosure]	✓			
18. <u>Wholesale Borrowing</u> - Review and approve proposed increases to ATB Financial’s wholesale borrowing limit with the Province of Alberta				✓
19. <u>Financial Instruments</u> - Review and approve any new securitization products or debt instruments that may have a material impact on the Financial Disclosure				✓
Finance Function				
20. <u>Organizational Framework</u> - Review and approve the Finance department organizational framework and mandate of the CFO		✓		
21. <u>CFO</u> - In consultation with the CEO and in conjunction with the Human Resources Committee (HRC) recommend to the Board the appointment and removal of the CFO as an officer of ATB, and annually review succession planning for the CFO with the Audit Committee Chair to provide feedback to the CEO and HRC Chair on the performance of the CFO.				✓
22. <u>Budget/ Resources</u> - Review the Finance department’s financial plan and staff resources and recommend to the Board for approval		✓		
23. <u>Effectiveness Review</u> – Periodically assess the Finance department and review the results of that assessment				✓

Compensation Plans				
<p>24. AN Program - With respect to the Achievement Note Program (“AN Program”):</p> <p>a. Oversee valuation matters in relation to the AN Program, including reviewing and approving the annual valuation and valuation formula of ATB Investor Services</p>		<p>✓ (comprehensive valuation every 3 years)</p>		
Governance and General Matters				
<p>25. Committee Performance - Evaluate and review its performance and its compliance to its terms of reference and report to the Board, through the Governance and Conduct Review Committee</p>		<p>✓</p>		
<p>26. Terms of Reference - 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</p>		<p>✓</p>		