

Approved: February 26, 2009

**ALBERTA TREASURY BRANCHES  
RISK COMMITTEE  
TERMS OF REFERENCE**

**1. Purpose**

The purpose of the Risk Committee (the “**Committee**”) is to:

- a) Understand, identify, measure, monitor and control the significant risks to which ATB is exposed under ATB’s risk management framework;
- b) Review and recommend for approval of the Board of Directors of ATB (the “**Board**”) policies that establish appropriate approval levels and procedures for managing significant risks with respect to which ATB is exposed;
- c) Ensure that management has established policies, procedures and practices to identify, measure, manage and assess significant risks to which ATB is exposed, which shall include market, operational, liquidity, credit, insurance, regulatory and legal risks; and
- d) Review and monitor the application and effectiveness of ATB risk policies and ensure that such policies comply with applicable legal and regulatory requirements including any relevant guidelines under the *Alberta Treasury Branches Act* (the “**Act**”) and in the absence of relevant guidelines under the Act, take into account the standards of sound business and financial practices prescribed by Canada Deposit Insurance Corporation or guidelines prescribed by the Office of the Superintendent of Financial Institutions and the Alberta Superintendent of Financial Institutions.

**2. Membership**

a) Composition

The Committee shall consist of not less than five Directors of the Board, one of whom shall serve as the Committee Chair (the “**Chair**”) and shall include the Chair of the Audit Committee. The members of the Committee and the Chair shall be appointed by the Board. Members should have an understanding of issues related to risk management or have related business experience or be willing to acquire relevant knowledge.

b) Independence

Each member of the Committee shall meet the independence standards established by the Board. No member shall be an affiliated director as determined pursuant to the Act nor a current or former executive of ATB.

**3. Organization**

a) Procedure

Unless otherwise determined by the Board or provided in ATB 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 Chief Risk Officer (the “**CRO**”) and the Senior Vice President, Credit (the “**SVP Credit**”).
- c) Secretary  
The Secretary is the Corporate Secretary to the Board, or his or her designate.
- d) Meeting Materials and Minutes  
Minutes of meetings of the Committee shall be recorded by the Secretary and subsequently presented to the Committee for approval. All members of the Board may access any materials available to the Committee, on request to the Secretary.
- e) Quorum  
For meetings held only for the purpose of credit approvals, a quorum will be three (3) members of the Committee. For all other meetings of the Committee, the participation of one half of the members of the Committee shall constitute a quorum.
- f) Reporting  
The Committee shall report at each Board meeting on its proceedings in the intervening period, including decisions made within its authority and recommendations made to the Board. Minutes of the Committee (draft to enable timeliness) shall be provided to the Board for information.
- g) 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.
- h) Meetings
  - i) The Committee shall meet at least once per quarter, or more frequently as circumstances may dictate and any quarterly meetings will be scheduled in advance for each fiscal year. Each quarterly meeting shall include an in-camera session, with members of ATB management and others present only by invitation; and
  - ii) Other meetings of the Committee are at the call of the Chair as notified by the Secretary or his or her designate. If the Chair is unwilling to call a meeting, a meeting may be called by a member of the Committee, or a Director of the Board by notifying the Chair and the Secretary with the reason for calling a meeting.
- i) Access to Management and Outside Advisors  
The Committee, through the Chair of the Committee, shall have unrestricted access to management of ATB, which will be coordinated through the CRO, the SVP Credit or the President and Chief Executive Officer (the “**CEO**”). The Committee, without the consent of the Board, shall have the authority to retain external advisors to assist in fulfilling its responsibilities.

#### 4. Roles and Responsibilities

The Committee shall have the responsibilities set out below as well as any other matters as may be delegated to the Committee by the Board from time to time:

a) Identification and Management of Risk

i) Policies and Procedures - At least annually, review and recommend to the Board for approval, ATB's key procedures and policies developed and implemented by management to identify, evaluate and effectively manage significant risks to which ATB is exposed. Specifically, the Committee shall have responsibility for reviewing risk policies related to:

- 1) **Credit risk** including, without limitation, policies with respect to with respect to:
  - (A) Reasonable and prudent investment and lending policies, standards and procedures, and any amendments thereto in respect of ATB investment and credit portfolios;
  - (B) Credit risk management policies including any amendments thereto governing the amount, nature, characteristics, quality and concentration of the investment and credit portfolios and any off-balance sheet activities including guarantees and indemnities outside of the normal course of business; and
  - (C) Loan loss allowances, including amendments.
- 2) **Financial, market and liquidity risk** including, without limitation, policies with respect to risks related to asset liability management controls, liquidity (as well as other treasury related risks), interest rate fluctuation, foreign exchange, and the investment portfolio, including derivatives and any amendments thereto.
- 3) **Regulatory and legal risk** including, without limitation, policies with respect to:
  - (A) Legal and regulatory risks identified by management for the effective identification and control of ATB's reputation and legal risks;
  - (B) Privacy and other procedures to ensure confidentiality and to prevent misuse of customer and associate information by Directors, Officers and Associates; and
  - (C) Outsourcing arrangements.

- 4) **Reputational risk** including, without limitation, policies with respect to:
    - (A) Enterprise risks related to the reputation or credibility of the organization; and
    - (B) Various strategic initiatives and the implementation of any approved business plan.
  - 5) **Insurance risks** including, without limitation, policies with respect to insurability.
  - 6) **Operational risk** including, without limitation, policies with respect to:
    - (A) Technology risks associated with disaster recovery, business continuity and systems; and
    - (B) All operational processes and centralization.
  - 7) All **other significant risks** to which ATB is exposed.
- ii) **Monitoring** – Unless otherwise noted, at least annually, review and monitor ATB’s risk management performance and obtain, on a regular basis, reasonable assurance that ATB risk management policies for significant risks are being adhered to.
- iii) **Reporting** – Unless otherwise noted, at least annually, review management’s reports on significant risks, including credit risk, financial, market and liquidity risk, regulatory and legal risk, reputational risk, insurance risk, operational risk and other significant risks to which ATB is exposed. Specifically:
- 1) On at least a quarterly basis, review management’s reports on:
    - (A) The effectiveness and application of credit risk management policies, related standards and procedures, and the control environment with respect to credit decisions and any Internal Audit reports with respect thereto;
    - (B) The investment and credit portfolios, including reports on the identification, assessment, monitoring and management of credit risks;
    - (C) All customer derivative and treasury derivative related activity;
    - (D) Capital liquidity and funding requirements; and
    - (E) The appropriateness and application of the loan loss allowance established.
  - 2) On at least an annual basis, review management’s reports on:

- (A) The effectiveness and application of policies with respect to financial, market and liquidity risk and other treasury related risk, operational risk, legal and regulatory risk, insurance risk, privacy risk and reputational and strategic risk and related standards and procedures, and the control environment with respect thereto;
- (B) The identification, assessment, monitoring, and management of financial, market and liquidity risk and other treasury related risks, operational risks, legal and regulatory risk, insurance risk, privacy risk and identified reputational or strategic risks;
- (C) Each outsourcing arrangement and the status of each material outsourcing arrangement; and
- (D) ATB's compliance with employment related laws and regulations and report any material finding to the Board.

3) On at least an annual basis, review management's forecasts as to future liquidity scenarios and liquidity scenario testing reports.

iv) Risk Impact - When requested by the Board, consider and advise the Board on the risk impact of any strategic decision that the Board may be contemplating, including considering whether such strategic decision is within the risk tolerance established by ATB from time to time.

b) Credit Risk

In addition to the foregoing, specifically with respect to credit risk, the Committee shall:

i) At least annually:

- 1) Confirm the delegated lending authority of the CEO and review the delegation framework to be implemented by the CEO;
- 2) Monitor the activities of the Credit Committee and Special Debts Committee of management; and
- 3) Review and approve the directional strategy for Connections exceeding \$100,000,000 in aggregate loan exposure.

ii) As required:

- 1) Monitor work out plans prepared by management (including litigation, if applicable) of high risk loans, including impaired loans and loans over **\$1 million**; and
- 2) Approve 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 the Board resolution.

c) Legal and Regulatory Risk

In addition to the foregoing, specifically with respect to legal and regulatory risk, the Committee shall:

i) At least annually:

- 1) Review and recommend for approval by the Board, ATB's Legislative Compliance Management (the "**LCM**") framework, and ensure that the LCM is established and maintained;
- 2) Review sufficient appropriately aggregated information to address issues that are material to ATB;
- 3) Establish thresholds for the type, content and frequency of reports it receives;
- 4) Monitor remediation progress in respect of material problems; and
- 5) Periodically reassess the effectiveness of the LCM framework.

ii) At least annually ensure that outstanding litigation claims and other contingencies that could have a material effect upon the financial position or operating results of ATB and its subsidiaries and the financial impact of any enterprise risk management activities have been considered by management and have been appropriately disclosed in the financial statements.

d) Reputational Risk

In addition to the foregoing, specifically with respect to reputational risk, the Committee shall:

- i) Oversee the continued development and implementation of the enterprise risk management processes of ATB and on request, provide guidance to management with respect to any policies or procedures not specifically related to currently identified risks and with respect to periodic reassessment and priority characterization of key enterprise risks; and
- ii) Ensure that management has dedicated sufficient resources to enterprise risk management.

e) Governance and General Matters

With respect to governance matters and other actions not identified above, the Committee shall:

i) At least annually:

- 1) Provide the Board, through the Governance and Conduct Review Committee, with an annual assessment of its performance, the competency of its members and its compliance to its terms of reference;

- 2) 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;
- 3) Review and approve the mandate of the CRO;
- 4) Provide a forum for the CRO to raise any issues with respect to the relationship and interaction between Enterprise Risk Management and Senior Management;
- 5) Receive and review a report from Internal Audit respecting compliance to internal policies and the effectiveness of internal controls and procedures with respect to the management of credit and financial risk; and
- 6) Perform such other responsibilities as the Board shall determine by resolution.

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

Approved by the Board of Directors of Alberta Treasury Branches as of February 26, 2009.

Robert Splane  
Chairman