

AFSC BOARD OF DIRECTORS

RISK COMMITTEE TERMS OF REFERENCE

I. Purpose

To assist the Board of Directors (the “**Board**”) in its oversight responsibilities on matters relating to AFSC’s: (i) enterprise risk culture, appetite and tolerance; (ii) enterprise risk management framework; (iii) emerging risks; and (iv) program risks and changes.

II. Independence and Conflicts of Interest

Independence: All members of the Risk Committee (the “**Committee**”) shall be independent directors of AFSC and free from any relationship that, in the opinion of the Board, would interfere with the exercise of his or her independent judgment as a member of the Committee.

Conflicts of Interest: Where a matter for decision in which a Committee member has reasonable grounds to believe that the Committee member or an associated person has an actual or apparent private interest is before the Committee, the Committee member must declare that interest and withdraw from the meeting without participating in the consideration of the matter or voting on the matter.

III. Composition and Meetings

Composition: The Committee shall be comprised of at least four members. The Chair of the Board shall be an *ex-officio* and voting member of the Committee, and the remaining members of the Committee shall be appointed by the Board to serve at the pleasure of the Board. The Board may designate one or more alternates to the Committee at the request of the Committee Chair in order to meet the quorum requirements for a Committee meeting. If an alternate is so appointed for a meeting, then that alternate is a member of the Committee only for that meeting. Each year, the Board and the HR & Governance Committee shall review Committee membership.

Appointment and Role of Chair: The Board shall appoint the Chair of the Committee. The Chair of the Committee serves as both the Committee's contact with the Board and with management, providing leadership to enhance the Committee's effectiveness. The Chair is responsible for overseeing the Committee's meetings, as well as the process of informing the Board of its activities and related recommendations. The Committee members present at a meeting may elect one of their number to serve as the meeting's chair if the Chair of the Committee is not present.

Frequency of Meetings: The Committee will convene at least four times annually, or more often as necessary.

Timing and Venue of Meetings: Meetings will be convened by the Chair of the Committee. The Committee shall meet to allow adequate time for all Board members to be well informed of the deliberations and recommendations of the Committee for considering the Committee’s report at the Board meeting. The meetings may be held virtually, either by an online video platform or by teleconference. The Committee may also meet in-camera as required.

Quorum: A quorum is defined as a majority of the Committee members present at the meeting, including the Chair. The Committee Chair at a meeting will call an alternate to attend at the meeting if a member is required to meet quorum.

Minutes: Minutes of all Committee meetings must be maintained and made available to the Board. If necessary, AFSC will arrange for administrative support to record minutes at meetings.

Voting: Every Committee member, including the Chair and all *ex-officio* members, has the right to vote. A motion to bind all members of the Committee may be passed by the affirmative votes of a majority of the Committee members present at any meeting of the Committee at which a quorum is present. If there is a tie in the Committee vote, the Board will decide the motion. The Committee Chair at the meeting in which there is a tie will present the motion for resolution to the Board at the next Board meeting.

IV. Responsibilities and Duties

1. Risk Culture, Appetite and Tolerance

Oversee AFSC's risk culture through AFSC's identification and management of its enterprise-wide risks within the context of the mandate and roles prescribed by the Ministry.

Ensure that management establishes an appropriate tone and culture with respect to risk identification, risk awareness, risk-taking and risk mitigation.

Assess, and recommend to the Board for approval, AFSC's risk appetite statement and monitor compliance with its models and limits.

Review key risk indicator reports submitted by management to ensure that AFSC's risk tolerances are respected.

Review, and recommend to the Board for approval, management's reports on AFSC's portfolio of assets and liabilities from a risk perspective.

2. Risk Management Framework

Review and provide recommendations to the Board regarding the adoption and evaluation of AFSC's enterprise risk management framework.

Review and provide recommendations to the Board regarding the adoption and evaluation of AFSC's enterprise risk management policies concerning key risks including, but not limited to, financial, reinsurance, market, reputational, and operational risks (such as credit, insurance, digital services etc.).

Review and assess the effectiveness of AFSC's enterprise-wide risk management framework and recommend improvements to management where appropriate.

Review and address management's corrective actions for identified deficiencies in AFSC's risk management framework.

3. Emerging Risks

Review proposals from management for new initiatives and significant changes to existing businesses to ensure appropriate risk assessment and mitigation plans are put in place.

Continually scan AFSC's business environment to identify emerging risks and, for planning purposes, bring such emerging risks to the attention of the Board.

4. Program Risks

Review updates from management regarding risks, either current or anticipated, that will impact AFSC's programs.

Review updates from management about material proposed changes to AFSC programs, which may either be internally recommended by management, or externally imposed by the provincial or federal government.

Provide feedback to management about AFSC's programs based on feedback received from industry groups and individual producers.

5. Other

Annually review the Committee Terms of Reference to ensure continued relevance and appropriateness, and recommend updates to the Board if necessary.

Annually perform a self-assessment of Committee performance.

Review and provide input on disclosures regarding the role of the Committee in AFSC's annual report.

Perform other duties and responsibilities as may from time to time be delegated by the Board.

Annually review, and recommend to the Board for approval, other risk related items.