

# Enterprise Risk Board Committee Charter

Revised and Adopted  
June 20, 2018

## I. INTRODUCTION

The Enterprise Risk Management Board Committee Charter is the governing document that outlines the purpose, organization and responsibilities of the Enterprise Risk Management (“ERM”) Board Committee. The ERM Board Committee will assist the Board of Directors in fulfilling its oversight responsibilities with regard to the risks inherent in the Bank and the review, assessment, and control processes with respect to such risks.

## II. PURPOSE

The purpose of the Enterprise Risk Management Board Committee (the “Committee”) includes the following:

- Based on the Bank’s strategy and its external environment, further develop, articulate, and communicate an understanding of the Bank’s risk profile, risk appetite, risk tolerance, and risk capacity.
- Enhance means of identifying, qualifying, quantifying, measuring, monitoring, and mitigating key risks.
- Educate the Board, management, and employees about the Bank’s Risk Culture and their responsibilities to identify and manage risks – develop and communicate “risk smart” thinking across the Bank.
- Review key systems, processes, and decisions to build risk assessment data into critical business systems.
- Monitor the external environment including competitive, technological, political, economic, and regulatory developments and assess the potential impact on the Bank.
- Establish guidance for key business lines including maximum permitted concentrations relative to Capital and other appropriate limits and guidelines to control risk.
- Review and Challenge the Bank’s key strategic/regulatory exercises and documents including stress testing exercises, Risk Management related policies and activities, Capital Plans, etc.

## III. ORGANIZATION

### Membership

The Committee members shall be appointed by the Board of Directors and serve at the pleasure of the Board. The Committee will consist of at least one independent director who qualifies as a financial expert. The Committee will include the Bank’s Chairman (who will also chair the Committee), President/CEO, and Vice Chairman, along with members of the Bank’s ERM Management Committee (see ERM Management Committee Charter). The Committee shall meet as necessary to fulfill its duties and responsibilities, but not less frequently than quarterly. A meeting of the Committee may be called by its chairman or any member. The Chief Risk Officer will also separately meet with the independent Board Risk Committee members. A CRO session with the independent directors provides an unfiltered path for the communication of risk and creates an atmosphere of open dialogue which can then be escalated to the full Board.

### Meetings

The Committee may request any officer or employee of the Bank, or any special counsel or advisor, to attend a meeting of the Committee or to meet with any members of, or consultant to the Committee. The agenda for each Committee meeting will provide time during which the Committee can meet separately in executive session.

## Minutes

Minutes of its meetings shall be recorded, approved and maintained on behalf of the Committee. The CRO session with the independent directors will also be noted in the minutes that it is occurring. The Committee shall periodically report its activities to the Board of Directors and make such recommendations as it deems necessary or appropriate. At all times, reports to the full Board shall include breaches of any Key Risk indicators as well as Expected Losses in the CRE portfolio under severe forecast scenarios. The Committee shall self assess its effectiveness at least annually.

## Charter

This ERM Board Charter may be reviewed and amended from time to time to reflect changes to the Bank's strategy or lines of business and to ensure the Charter effectively meets regulatory requirements. Any findings, modifications, or changes to the Charter shall be disclosed and presented to the ERM Board Committee.

## IV. RESPONSIBILITIES

The Committee will have the responsibility to:

- Define and monitor the Bank's Risk Culture.
- Establish, communicate, and monitor its Risk Appetite, Risk Tolerance, and Risk Capacity.
- Review significant financial and other risk exposures and the steps management has taken to monitor, control and report such exposures, including, but not limited to, the eight regulatory defined risk types:
  1. Credit
  2. Market (including interest rate risk)
  3. Liquidity
  4. Price
  5. Operational
  6. Compliance
  7. Strategic
  8. Reputation
- Evaluate key risk exposure and establish applicable limits.
- Review and evaluate the Bank's policies and procedures with respect to risk assessment and risk management.
- Maintain an inventory and evaluation of all key risks across the Bank.
- Ensure the three "lines of defense" (including 1. Lines of Business, 2. Risk Management, and 3. Internal Audit) are properly structured and resourced to effectively perform their risk management functions.
- Address any significant findings of the Risk Management and Internal Audit Departments with respect to the risk management activities of the Bank together with management's responses and follow up to these reports.
- Review significant reports from regulatory agencies and any new regulatory guidance related to risk exposures.
- Review the scope of the Bank's Enterprise Risk Management Committee and its planned activities with respect to the risk management review of the Bank.
- Review the Bank's technology risk management including, among other things, business continuity planning, cyber security, and data security.
- Report periodically and escalate issues of primary significance to the Board of Directors.
- Oversee the Bank's various "stress testing" processes and Model Risk Management.