



Butterfield

TOR(Charter):	RISK POLICY & COMPLIANCE COMMITTEE
APPROVED BY:	Board of Directors
APPROVAL DATE:	18 February 2019
EFFECTIVE DATE:	18 February 2019
PREVIOUS UPDATES:	12 February, 2018, 28 February, 2017, 25 July, 2016, 19 February, 2016, 27 February, 2015
SCOPE:	Butterfield Group
TOR(CHARTER) SPONSOR:	Group Chief Risk Officer and Group Head of Compliance
NEXT REVIEW DATE:	February 2020

Mandate

The Committee is responsible for providing oversight and advice to the Board of Directors (the “Board”) of The Bank of N.T. Butterfield & Son Limited (the “Company”) in relation to the current and potential future risk profile of the Company and its consolidated subsidiaries (the “Group”) and its future risk strategy, including determination of risk appetite and tolerance. It also oversees the design, implementation and effectiveness of risk management and measurement strategies across the Group, including adherence with Risk Management Policies and compliance with risk-related regulatory requirements.

1. Authority & Escalation

- 1.1 The Committee operates under delegated authority from the Board.
- 1.2 The Committee may engage independent counsel and other advisers, as it determines necessary, to carry out its duties at the Group’s expense. The General Counsel and Group Chief Legal Officer shall be notified prior to counsel or external advisors being engaged by the Committee.
- 1.3 The Committee will report to the Board, identifying any matters within its remit in respect of which it considers that action or improvement is needed, and making recommendation as to the steps to be taken.
- 1.4 The Committee provides oversight of the effective management of risk-based capital through Capital Assessment and Risk Profiling (“CARP”) and recommends CARP for approval to the Board as required by applicable regulatory authorities.
- 1.5 The Committee receives regular reports from the Group Risk Committee (“GRC”), which is the Company’s most senior management committee responsible for risk governance within the Group’s management structure. Accordingly, the Committee will be in a position to assess the effectiveness of the Group’s Credit, Asset & Liability Provisions and Audit and Risk Policy & Compliance committees of the Group’s subsidiaries.
- 1.6 The Committee receives recommendations from the GRC regarding risk appetites and tolerances and other risk-related policies for approval by the Board.



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2. Committee Members Quorum and Alternates

- 2.1 The Committee shall consist of a majority of non-executive directors, and must consist of a minimum of three non-executive Directors.
- 2.2 Members of the Committee shall be appointed by and replaced by the Board and shall hold office until their successors are appointed, or until they cease to be Directors of the Company.
- 2.3 The Board shall appoint the Committee Chairman, and may appoint a Deputy Chairman.
- 2.4 A majority of the members of the Committee shall constitute a quorum, one of whom shall be the Committee Chairman. If a quorum cannot be obtained, the Board Chairman may appoint another Director who will have full voting rights.
- 2.5 Alternates for Committee members will not be accepted (except as provided in 2.4 above).
- 2.6 The Committee shall appoint a Committee Secretary who is not a member of the Committee.
- 2.7 A Committee member may resign by giving written notice to the Board and may resign Committee membership without resigning from the Board.
- 2.8 The Committee may delegate authority to individuals or sub-committees when it deems appropriate.

3. Committee Proceedings

- 3.1 The Committee Chairman shall chair the meeting; however, in his/her absence, one of the other Committee members shall be chosen by the Committee to preside.
- 3.2 The Committee may invite or require other persons to attend meetings where appropriate to assist the Committee in fulfilling its duties.
- 3.3 Meetings of the Committee shall be called by the Committee Secretary at the request of its Chairman or any two members of the Committee with at least two weeks' notice being given.
- 3.4 Committee meetings shall be held as circumstances dictate, but at a minimum four times a year.
- 3.5 Prior to each meeting, the Committee Secretary will produce a package consisting of a meeting agenda, accurate minutes of the previous meeting(s) in draft form, and reports consistent with the meeting agenda.
- 3.6 The Committee shall receive regular reports from the Chief Risk Officer regarding the application of the Group's risk management framework and ad hoc reports as requested by the Committee Chairman.
- 3.7 The Committee shall receive regular reports from the Group Head of Compliance regarding the application of the regulatory risk management framework and ad hoc reports as requested by the Committee Chairman.
- 3.8 The Committee will conduct or require investigations within its scope of responsibility.



- 3.9 The appointed Committee Secretary will produce accurate summary minutes of its proceedings in draft form to the Committee members reasonably promptly and shall at the directions of the Committee Chairman, promptly distribute to Committee members after each meeting a report summarizing the key matters discussed and resolved at such meeting. Copies of such minutes and reports are to be provided to the Secretary of the Board.
- 3.10 The Committee Chairman or designate will provide a summary of Committee proceedings at the next Board meeting.
- 3.11 The Committee will evaluate its performance on an annual basis, and will evaluate its compliance with the Committee's Terms of Reference on an annual basis. The Committee will also review these Terms of Reference and applicable Group policies and standards on an annual basis.

4. Principal Duties

It shall be the responsibility of the Committee to:

- 4.1 Promote a culture of risk awareness and compliance within the Group.
- 4.2 Review, monitor and understand the risk profile of the Group. This shall be undertaken through the ongoing process of identification, evaluation and management of all material risks, in particular longer-term macro and strategic threats to the organisation.
- 4.3 Consider management's proposals regarding specific risk appetites and tolerances that should be established in relation to the principle business risks that may be assumed by the Group in the execution of its current and future business strategy on at least an annual basis, and to recommend them, if advisable, to the Board for approval.
- 4.4 Review, at least annually, the alignment of the Group's strategic plan with these risk appetites.
- 4.5 Review and recommend for approval to the Board key policies developed for the Group relating to the identification, measurement, monitoring and control of these business risks and to review them at least annually taking into consideration any legal or regulatory changes, emerging risk trends, concentrations or new risk exposures assumed.
- 4.6 Oversee the effectiveness of the processes, principles, and operating procedures through which management identify, evaluate and manage risk exposures assumed and assure compliance with applicable laws and regulations, including those associated with the prevention of money laundering and terrorist financing
- 4.7 Review and if necessary approve certain risk limits and delegated authorities proposed by management on an annual basis, including (but not limited to) those relating to interbank exposures, investment exposures and credit transactions exceeding the authority limited delegated to the Group Credit Committee.
- 4.8 Review the performance of the Group relative to agreed risk appetites and to receive reports from the Group's Risk Management, Compliance and Finance divisions relating to any significant issues that require, or are subject to, remedial action or recommendation arising in the period under review.



- 4.9 Regularly, and at least annually, review management's report on the results of stress and scenario testing performed and the impact of the crystallisation of identified risks and threats to the Group, ensuring; (i) the appropriateness and timing of these analyses; (ii) the adequacy of the methodologies used to simulate the aggregate risk of loss that the organisation could potentially face *in extremis*; (iii) the sufficiency of the risk mitigation in place or proposed, and; (iv) its recommendation relating to level of capital at risk that should be established (commonly referred to as the Capital Adequacy and Risk Profile process), recommending the results of this process to the Board for approval.
- 4.10 Review the scope and nature of the work undertaken by the Group's Risk Management and Compliance Divisions, the adequacy of the resources and infrastructure supporting the risk management framework and its overall effectiveness as an independent control function in connection with the management of:
- (i). Credit risk;
 - (ii). Market and Interest Rate risk;
 - (iii). Liquidity risk
 - (iv). Investment risk
 - (v). Operational risks (including those associated with Business Continuity); and
 - (vi). Information Security (Cyber Risk)
 - (vii). Data Privacy
 - (viii).Regulatory risk and Compliance.
- 4.11 Review the findings of any regulatory examinations conducted across the Group and all significant correspondence with the Group's regulators, including the sufficiency and timeliness of management's response.
- 4.12 Liaise with the members of subsidiary Audit Risk & Compliance Committees to promote consistent practices across such committees, where this is considered appropriate.
- 4.13 Consider and review management's recommendations annually relating to the Group's insurance programme and to make recommendations to the Board relating to the lines and limits of coverage established. For the avoidance of doubt, it is noted that oversight of the Group's D&O insurance coverage has been delegated by the Board to the Corporate Governance Committee.
- 4.14 Review the due diligence performed in respect of any proposed strategic transaction that may be undertaken by the Group prior to its approval by the Board.
- 4.15 Assist on such other matters as may be referred to it by the Board.