

BY-LAW NO. 2

A by-law relating to review and approval procedures
to be followed by ATB Financial to ensure compliance
with sections 13 to 21 of the *Alberta Treasury Branches Regulation*
(procedures respecting the obligations of related parties to disclose information
to ATB Financial and approvals under the *Regulation*)

[As recommended by the Governance and Conduct Review Committee February 13, 2018 and
approved by the Board of Directors March 1, 2018.]

BY-LAW NO. 2

ARTICLE 1 PRINCIPLES

- 1.1 ATB Financial recognizes that Related Party Transactions (as defined below) can represent potential or actual conflicts of interest and may raise questions about whether such transactions are consistent with ATB Financial's and its stakeholders' best interest. Therefore, this Bylaw regarding the review and approval of Related Party Transactions has been adopted by the Board of Directors in order to set forth the procedures under which certain transactions must be reviewed and approved or ratified. This By-Law replaces in its entirety By-Law No. 2 Related Party By-Law passed September 17, 2007.
- 1.2 ATB Financial will enter into transactions with Related Parties only as permitted by the the *ATB Financial Act*, RSA 2000 c A-37, as amended (the "**Act**"), as applicable, the *Alberta Treasury Branches Regulations* ("the **Regulation**"), and this Bylaw.

ARTICLE 2 DEFINITIONS

2.1 In this By-law:

(a) Definitions in the Act

Except where otherwise defined herein or where the context otherwise specifies or requires, words and phrases defined in the Act or Regulations have the same meaning when used in this By-law.

(b) Additional definitions

- (i) "**Board**" means the Board of Directors of ATB Financial appointed pursuant to subsection 3(1) of the Act;
- (ii) "**Chief Risk Officer**" means the Chief Risk Officer of ATB Financial or his or her delegate;
- (iii) "**Committee**" means the Governance and Conduct Review Committee established by the Board;
- (iv) "**Corporate Secretary**" means the corporate secretary of the Board or his or her delegate;
- (v) "**Director**" means a member of the Board;
- (vi) "**Fair Market Rate**" has the meaning ascribed to that term in subsection 12(a) of the Regulations;
- (vii) "**Related Party**" has the meaning ascribed to that term in subsection 13(1) of the Regulations;
- (viii) "**Senior Officer**" has the meaning ascribed to that term in subsection 12(b) of the Regulations; and
- (ix) "**Subsidiary**" means a subsidiary of ATB Financial.

ARTICLE 3 DISCLOSURE

3.1 Related Party Disclosure

- (a) ATB Financial shall ensure all Related Parties are informed of their duties and have a clear understanding of their responsibilities on regulatory requirements pertaining to disclosure in conducting transactions or business with ATB Financial.
- (b) Upon his or her appointment as a Director or Senior Officer (as the case may be) and on an annual basis thereafter, each Director shall disclose to the Corporate Secretary and each Senior Officer shall disclose to the Chief Risk Officer, to the best of their knowledge:
 - (i) the names and addresses of any person who is a Related Party to that person; and
 - (ii) the ATB Financial branch or head office department where such Related Party transacts their business, where applicable.
- (c) Each Related Party shall advise:
 - (i) their Related Party status to ATB Financial staff when conducting transactions or business with ATB Financial or its Subsidiaries; and
 - (ii) any person who is a Related Party to that person that they are a Related Party and subject to the restrictions imposed under this By-law.
- (d) Each Director or Senior Officer must notify the Corporate Secretary or Chief Risk Officer, as the case may be, within 30 days regarding any change to the Related Party information provided as required by this section.

ARTICLE 4 RELATED PARTY TRANSACTIONS

4.1 For the purposes of this By-law, “**Related Party Transaction**” means any transaction or series of similar transactions entered into by ATB Financial or a Subsidiary with a Related Party, including but not limited to:

- (a) guarantees;
- (b) investment of any securities;
- (c) business transactions;
- (d) loans;
- (e) conditional sales contracts;
- (f) deposits;
- (g) consulting services agreements;
- (h) sale or purchase of assets;
- (i) lease agreements;
- (j) licence agreements;

- (k) purchase and sales contracts;
- (l) the purchase and sale of term deposits, securities and other financial instruments;
- (m) the opening and operating of accounts;
- (n) the issuance of insurance policies.

4.2 Notwithstanding section 4.1, a Related Party Transaction does not include payment of remuneration to the:

- (o) Auditor General;
- (p) Directors of ATB if the remuneration has been approved by the Lieutenant Governor in Council; or
- (q) Directors of the Subsidiaries if the remuneration has been approved by ATB.

4.3 Neither ATB Financial nor its Subsidiaries shall, directly or indirectly, enter into a Related Party Transaction or change any material terms of any existing Related Party Transaction, unless the Related Party Transaction is:

- (r) preapproved by the Committee in accordance with this By-law; or
- (s) approved in accordance with the procedures set out in this By-law.

4.4 Subject to section 4.3, neither ATB Financial nor its Subsidiaries shall, directly or indirectly, enter into a Related Party Transaction, with a person who ceases to be a Related Party, during the 12 month period after which that person ceased to be a Related Party, unless the transaction is at Fair Market Rate.

ARTICLE 5 STANDARDS OF REVIEW AND APPROVAL

5.1 Pre-Approved Transactions

- (a) The Committee is hereby authorized to pre-approve any Related Party Transaction, whether such approval is given with respect to a specific transaction or a class of transactions.
- (b) ATB Financial and its Subsidiaries are permitted to enter into any transaction with a Related Party that has been pre-approved in accordance with section 5.1(a) and such transaction is not required to be individually approved by the Committee.

5.2 Disclosure and Approval of Related Party Transactions

The following applies only to Related Party Transactions that are not pre-approved by the Committee pursuant to section 5.1:

- (c) A Related Party shall promptly disclose, in writing, each proposed Related Party Transaction or change in Related Party Transaction to the Chief Risk Officer, which disclosure shall include a description of:
 - (i) the proposed Related Party Transaction and aggregate dollar amount; or

- (ii) the proposed change or changes to the existing Related Party Transaction.
- (d) Where the Chief Risk Officer has an interest in a Related Party Transaction, the Related Party shall notify the Corporate Secretary of the transaction.
- (e) Upon receipt of a disclosure of a Related Party Transaction:
 - (i) the Chief Risk Officer shall advise the Chair of the Committee (the “**Chair**”) of the disclosure and provide such additional information as may be reasonably required to establish whether the criteria set out in this By-law are satisfied; and
 - (ii) the Chair shall present the request to approve the Related Party Transaction to the Committee. If Committee approval is not feasible, the Chair shall either approve or not approve, in writing, the Related Party Transaction and shall seek ratification by the Committee of any such Related Party Transaction at its next regularly scheduled meeting.
- (f) In determining whether to approve the Related Party Transaction, the Committee, or the Chair, as applicable, may take into account, among other factors it deems appropriate, the following factors:
 - (i) whether the transaction is at rates or under terms that are comparable to the rates or terms that are offered generally to: (a) customers of ATB Financial in the ordinary course of business of ATB Financial; (b) ATB Financial employees; or (c) Senior Officers;
 - (ii) the extent of the Related Party’s interest in the transaction;
 - (iii) the business reasons for ATB Financial to enter into the transaction and the nature of alternative transactions, if any;
 - (iv) the materiality of the transaction to ATB Financial;
 - (v) the potential reputational risks to ATB Financial of entering or not entering into the transaction, if any; and
 - (vi) whether the transaction would present a significant conflict for the Related Party.
- (g) If the Committee does not approve the Related Party Transaction, it may direct additional actions including, but not limited to:
 - (i) immediate discontinuance or rescission of the transaction; or
 - (ii) modification of the transaction as may reasonably be required to ensure substantive compliance with this By-law.
- (h) No Director shall participate in any discussion or vote in relation to a Related Party Transaction in which that Director has a direct or indirect interest, unless so requested by the Chair.

5.3 Review of Committee Decision

- (i) A Related Party may make a written request to the Chair of the Board that the Board review the decision made by the Committee.
- (j) The Corporate Secretary shall advise the Chair of the Board, in writing, as to any matter respecting a Related Party that is referred to the Board and provide such details as the Chair of the Board may require.
- (k) If the Board elects to review the decision of the Committee, subject to section 5.2(f), the Board shall decide by resolution whether to approve or not approve the transaction and in so doing may consider the factors set out in section 5.2(d) and may take any action set out in section 5.2(e).

ARTICLE 6 RELATED PARTY TRANSACTION DEFAULT

6.1 If a Related Party defaults on any material terms or conditions of any Related Party Transaction:

- (i) the Related Party shall notify the Chief Risk Officer who shall promptly notify the Chair in writing of the default and provide such further details as the Chair may reasonably request.
- (ii) the Chair shall consult with the Committee, and the Committee shall determine the action to be taken with respect to the Related Party Transaction, and in so doing, shall consider the factors set out in subsection 5.2(d); and
- (iii) the Committee shall determine the action, if any, to be taken with respect to the status within ATB Financial of the Related Party.

ARTICLE 7 BREACH OF BY-LAW

7.1 Directors or Senior Officers

- (a) In any case where it is alleged that a Director or Senior Officer has breached this By-law, the Committee shall determine whether a Director or Senior Officer has breached this By-law.
- (b) If it is determined that a material breach of this By-law has occurred, the Committee may do any of the following:
 - (i) in the case of a Senior Officer other than the Chief Executive Officer, recommend to the CEO disciplinary action, up to and including, the termination of that Senior Officer's appointment;
 - (ii) in the case of a Director or the Chief Executive Officer, recommend to the Board disciplinary action, up to and including, that the Board request the Lieutenant Governor in Council to terminate his or her appointment;
 - (iii) require that the Director or Senior Officer account for and pay to ATB Financial any profit or gain in any manner made by that Director or

Senior Officer or by any person who is a Related Party of that Director or Senior Officer as a result of any Related Party Transaction with ATB Financial;

(iv) require that the Director or Senior Officer pay to and indemnify and save harmless ATB Financial in respect of each and every loss, damage, cost and expense sustained, paid or incurred by ATB Financial arising as a result of the transaction or the entering into of a contract with such Director or Senior Officer or a Related Party of that Director or Senior Officer.

(c) The provisions of this By-law are not intended to limit the authority of ATB Financial or the Board to pursue any other civil or other action or proceeding against a Director, Senior Officer, Related Party, or any other party.

ARTICLE 8 REPORTING

8.1 Reporting

At least annually, the Chief Risk Officer shall report to the Board or its committee:

- (a) on the number, type and dollar amount of Related Party Transactions in the aggregate, the nature of the Related Party relationship and information about the Related Party Transactions entered into since the last report; and
- (b) on the effectiveness of the procedures developed by management to comply with this By-law.