

***DIRECTORS INDEPENDENCE  
POLICY***

***August 2022***

## 1.0 SCOPE OF APPLICATION

This Policy only applies to Directors of ATB Financial.

## 2.0 POLICY PURPOSE & OBJECTIVES

The Board of Directors of ATB Financial (the “Board”) must operate independently of management to maximize its effectiveness. The purpose of this Policy is to adopt standards for determining whether a Director of the Board is independent within the meaning of applicable Canadian securities law and corporate governance standards.

In its determination of independence standards for Directors, ATB Financial complies with the provisions of the ATB Financial Act (ATB Act) and ATB Financial Regulation and any applicable guidelines issued by the Alberta Superintendent of Financial Institutions (ASFI). In addition, ATB Financial voluntarily adopts the applicable requirements and guidance of the following:

- Canadian Securities Administrators (CSA) National Policy 58-201 Corporate Governance Guidelines (NP 58-201);
- CSA National Instrument 58-101 Disclosure of Corporate Governance Practices (NI 58-101);
- CSA National Instrument 52-110 Audit Committees (NI 52-110); and
- Office of the Superintendent of Financial Institutions Canada (OSFI) Corporate Governance Guideline.

## 3.0 DEFINITIONS

For the purposes of this Policy, the following definitions apply:

**Auditor** means the firm that is ATB Financial’s, or any of its subsidiaries’, internal or external auditor as at the relevant time or period, and includes the Auditor General of Alberta and its agent;

**Director** means any Director of the Board of Directors of ATB Financial;

**Executive Officer** means an entity’s chair or vice-chair (if such positions are held on a full-time basis), president, principal financial officer, principal accounting officer (or, if there is not such accounting officer, the controller), any vice-president in charge of a principal business unit, division or function including sales, finance or production, any other officer who performs a policy-making function, and any other person who performs similar policy-making functions for the entity. In addition, it includes any other person the Board has appointed as an officer of ATB Financial;

**Immediate Family Member** means an individual’s spouse, parents, children, stepchildren, siblings, mothers and fathers-in-law, sons and daughters-in-law, brothers and sisters-in law,

and anyone (other than an employee of either the individual or the individual's Immediate Family Member) who shares the individual's residence;

**Not in Good Standing** means in respect of a loan which:

- a. Any payment of principal or interest is 90 days or more overdue;
- b. Interest is not being accrued on the books of the lender because it is doubtful whether the interest or principal will be repaid or received; or
- c. The rate of interest is reduced by the lender because the borrower is financially weak.

**Significant Borrower** means:

- a. an entity that has outstanding indebtedness for money borrowed from ATB Financial in an aggregate principal amount that exceeds an amount equal to 25% of the equity of the entity (or any amount prescribed by regulation); and
- b. an individual who has outstanding indebtedness for money borrowed from ATB Financial, other than a loan secured by a mortgage on the principal residence of that individual, in an aggregate principal amount that exceeds an amount equal to the greater of \$200,000 and 25% of the individual's net worth (or any amount prescribed by regulation).

**Spouse** means an individual who:

- a. is married to another individual and is not living separate and apart within the meaning of the Divorce Act (Canada), from the other individual,
- b. is living with another individual in a marriage-like relationship, including a marriage-like relationship between individuals of the same gender; or
- c. is an adult interdependent partner within the meaning of the Adult Interdependent Relationships Act (Alberta).

**Substantial Investment** means an investment by a person in an entity if the person and any entities controlled by the person together beneficially own shares:

- a. to which are attached voting rights exceeding 10% of the voting rights attaching to outstanding voting shares of the entity, or
- b. which represent ownership of more than 25% of the shareholders' equity of the entity.

## **4.0 POLICY ESSENTIALS**

### **4.1 Policy Requirements**

ATB Financial shall operate within the boundaries of the following policy requirements and key provisions:

- (1) A majority of the Directors of ATB Financial shall be independent as determined by

this Policy.

- (2) Each member of the Audit Committee shall also meet the additional independence criteria for audit committee members set out below.

#### **4.2 Meaning of Independent**

- (1) A Director shall be independent if the Governance and Conduct Review Committee has affirmatively determined that the Director has no direct or indirect **material relationship** with ATB Financial.
  - a. A **material relationship** means a relationship which could, in the view of the Board, reasonably be expected to interfere with the exercise of a Director's independent judgment.
  - b. In considering the nature and extent of a Director's relationship with ATB Financial, the Board will be guided by the criteria, as set out below, however the Board shall consider all facts and circumstances that it deems relevant in determining whether a Director is independent.
- (2) Despite section 4.2(1) above, a Director shall not be deemed to be independent if:
  - a. **Employment Relationships**
    - i. The Director is, or has been within the last three years, an employee or Executive Officer of ATB Financial or any of its subsidiaries;
    - ii. The Director's spouse is a current employee of ATB Financial or any of its subsidiaries;
    - iii. The Director's Immediate Family Member is, or has been within the last three years, an Executive Officer of ATB Financial or any of its subsidiaries;
    - iv. The Director or an Immediate Family Member is, or has been within the last three years, an Executive Officer of an entity where any of ATB Financial's or a subsidiary's current Executive Officers serves or served at that same time on the entity's compensation committee;
    - v. The Director received, or an Immediate Family Member employed as an Executive Officer of ATB Financial or any of its subsidiaries received, more than CAD\$75,000 in direct Compensation from ATB Financial or any of its subsidiaries during any 12 month period within the last three years.

“Compensation” does not include:

- remuneration for acting as a member of the Board or any Committees; or
  - the receipt of fixed amounts of compensation under a retirement plan (including deferred compensation) for prior service with ATB Financial or any of its subsidiaries if the compensation is not contingent in any way on continued service;
- vi. Despite the foregoing, a Director shall not be disqualified from being independent solely because the Director or his or her Immediate Family Member has previously acted as interim Chief Executive Officer (CEO) of ATB Financial or acted as a Chair or Vice Chair of the Board or any Board Committee on a part time basis.
- b. *Audit Firm Relationships*
- i. *Firm Partner*
    - A. The Director or an Immediate Family Member is a current partner of the Auditor;
  - ii. *Firm Employee*
    - A. The Director is a current employee of the Auditor;
  - iii. *Audit Activities*
    - A. The Director or an Immediate Family Member was within the last three years, a partner or employee of the Auditor and personally worked on ATB Financial's audit within that time; or
    - B. The Director's spouse, minor child or stepchild, or child or stepchild who shares a home with the Director is a current employee of the Auditor and participates in the firm's audit, assurance or tax compliance (but not tax planning) practice.
- c. *Commercial Relationships*
- i. The Director or the Director's spouse is:
    - A. an individual;
    - B. a partner in, or an employee of, a partnership; or
    - C. an officer or an employee of, a person who has a Substantial Investment in, a company that annually receives payments from ATB Financial for goods or services in an amount that exceeds 10% of the total annual billings of the person, partnership or company, as the case may be.
- d. *Lending and Banking Relationships*
- i. The Director or the Director's spouse,

- A. is a Significant Borrower, a director, officer or employee of a Significant Borrower, or a person who controls one or more entities, which together, would be a Significant Borrower;
  - B. beneficially owns or controls directly or indirectly,
    - (1) 10% or more of the issued and outstanding voting shares of a Significant Borrower that is a corporation; or
    - (2) a 10% or greater interest in a Significant Borrower that is an entity other than a corporation; or
  - C. the Director is a relative of an individual referred to in paragraphs A or B above who has the same residence as the individual.
- ii. Despite the foregoing paragraph, ATB Financial provides personal banking services, extensions of credit and other financial services in the ordinary course of business and all such services will be deemed not material for the purposes of director independence determinations, provided such services:
- A. are made in the ordinary course of business and on substantially the same terms made available to comparable customers; and
  - B. do not qualify as loans Not in Good Standing from ATB Financial and the Director is not a director, officer, or employee of a person that controls an entity with a loan that is Not in Good Standing from ATB Financial or its affiliates.
- e. Substantial Investment
- i. The Director has a Substantial Investment in an affiliate of ATB Financial.

#### 4.3 Additional Requirements for Audit Committee Members

- (1) All members of the Audit Committee shall be independent based upon the criteria set out in this Policy.
- (2) In addition, a Director shall not be considered to be independent for the purposes of serving on the Audit Committee if he or she:
  - a. Accepts, directly or *indirectly*, any consulting, advisory or other *Compensatory Fee* from ATB Financial or any of its subsidiaries, other than as remuneration for acting in his or her capacity as a member of the Board or any Committee, or as a part-time chair or vice-chair of the Board or any Committee;
 

*Compensatory Fees* do not include the receipt of fixed amounts of compensation under a retirement plan (including deferred compensation) for prior service with ATB Financial if the compensation is not contingent in any way on prior service.

*Indirect* acceptance by an Audit Committee member of any consulting, advisory or other compensatory fees includes payments of such fee to:

- i. A spouse, minor children or stepchildren, or stepchildren or children sharing a home with the Director; or
- ii. An entity in which such Director is a partner, member, an officer such as a managing director occupying a comparable position or executive officer, or occupies a similar position (except limited partners, non-managing members and those occupying similar positions who, in each case, have no active role in providing services to the entity) and which provides accounting, consulting, legal, investment banking or financial advisory services to ATB Financial or any of its subsidiaries.

- b. Is an **Affiliated Person** of ATB Financial or any of its subsidiaries;

**Affiliated Person** means:

- i. A person that directly or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, the entity; provided that a person is deemed not to be in control of an entity if the person is not the beneficial owner, directly or indirectly, of more than 10% of any class of voting securities of the entity and is not an Executive Officer of an entity;
- ii. A Director who is also an employee of an affiliate;
- iii. A general partner of an affiliate;
- iv. A managing member of an affiliate; or
- v. An Executive Officer of an affiliate.

#### 4.4 Relationships That Do Not Affect Director Independence

Subject to the foregoing, the relationships below are presumed NOT to affect a director's independence, unless otherwise determined by the Governance and Conduct Review Committee in respect of a specific Director in accordance with section 4.5. This list is not exhaustive, and therefore, the fact that a particular relationship is not listed below does not mean that the relationship affects the independence of the Director:

- (1) Having previously acted as an interim CEO of ATB Financial or acting or having previously acted, as a chair or vice chair of the Board or a Committee of ATB Financial on a part time basis;
- (2) Maintaining a brokerage, margin, banking or similar account with ATB Financial provided the Director does not receive any benefit not customarily provided by ATB Financial to similar account holders who are not Directors;
- (3) Purchasing investment products, securities, insurance products or other products and services from ATB Financial or its subsidiaries on terms no more favourable to the Director than to those customarily provided by ATB Financial to persons who are not Directors;

- (4) Provided the Director is not a member of the Audit Committee, receiving compensation for services from ATB Financial for services rendered as a consultant or in any other capacity, provided such compensation does not exceed \$75,000 during any 12 month period in the past 3 years or 10% of his or her annual billings in any fiscal year;
- (5) A spouse of a Director (other than Director who is a member of the Audit Committee) can receive compensation for consulting services provided the amount paid by ATB Financial does not exceed 10% of the spouse's annual billings;
- (6) Owning an interest in a partnership or a fund that is sponsored or managed by ATB Financial or its subsidiaries, as long as the terms on which the Director acquired the interest and participates are no more favourable to the Director than to those customarily provided by ATB Financial to persons who are not Directors;
- (7) Any other relationship or transaction in which the amount involved does not exceed \$75,000; or
- (8) Having an Immediate Family Member with any of the above relationships.

#### 4.5 Annual Determination

The Governance and Conduct Review Committee shall make a determination concerning the independence of each Director on an annual basis and, for newly appointed Directors, at the time when such Director joins the Board and shall update the Board on determinations. In making these determinations, the Governance and Conduct Review Committee shall consider all relevant facts and circumstances, including, without limitation:

- (1) Annual disclosure provided by each Director;
- (2) Corporate information provided with respect to corporate accounts payable;
- (3) Related party and affiliated Director disclosure as required by ATB Financial Related Party By-law No. 2; and
- (4) Commercial, charitable and other community relationships of Directors.

#### 4.6 Annual Evaluation of Director Independence

In conducting its evaluation of director independence, the Governance and Conduct Review Committee shall follow the following procedures:

- (1) Receive a report from the Chief Legal and Sustainability Officer & Corporate Secretary (CLSO) on the independence status of the individual directors based on the results of the due diligence process including any particular cases of potential material relationships, as well as the proportion of independent members of the Board and its committees;
- (2) Review with the CLSO the due diligence process and the factors considered to arrive at the conclusions as to the independence status of the directors, and consider any particular cases of potential material relationships; and



(3) Report annually to the Board on the independence status of the directors.

## 5.0 IMPLEMENTATION TIME FRAME & REVIEW CYCLE

The Policy shall be implemented promptly upon approval. The Policy shall be subject to a review by the Governance and Conduct Review Committee at least once every three years.

## 6.0 APPENDICES

Appendix A - Director Independence Table

## 7.0 POLICY GOVERNANCE

Description of Action	Date	Policy Owner
Recommended by Legal Services	August, 2022	Stuart McKellar, Chief Legal and Sustainability Officer & Corporate Secretary
Reviewed by Governance and Conduct Review Committee	August, 2022	
Approved by the Board		

”Joan Hertz”

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Joan Hertz  
Chair of the Board of Directors

**Appendix A**  
**DIRECTOR INDEPENDENCE**

The below tables are intended to assist the Board of Directors of ATB Financial in determining the independence of individual Directors in accordance with ATB Financial's *Director Independence Policy*. To assess whether a Director is independent, the Director should mark each cell with a "Yes" or "No" as it applies to the Director or other specified individual, but may disregard the cells that are not applicable (N/A). Where a Director marks a "Yes", a Director shall not be deemed to be independent.

<b>EMPLOYMENT RELATIONSHIPS</b>						
	Current employee of ATBF or Subsidiary	Employee of ATBF or Subsidiary within the last 3 years	Current Executive Officer of ATBF or Subsidiary	Executive Officer of ATBF or Subsidiary within the last 3 years	Currently or within the last 3 years, an Executive Officer of an entity where any of ATBF or Subsidiary's Executive Officers serves or served at that same time on the entity's compensation committee	Received more than CAD \$75,000 in direct compensation from ATBF or Subsidiary during any 12 month period within the last 3 years
Director						
Director's Spouse		N/A				(only if Spouse was employed as an Executive Officer of ATBF or Subsidiary at the time of receipt)
Director's Immediate Family Member	N/A	N/A				(Only if Immediate Family Member was employed as an Executive Officer of ATBF or Subsidiary at the time of receipt)

<b>AUDIT FIRM RELATIONSHIPS</b>				
	Current partner of Auditor	Current employee of Auditor	Partner or employee of Auditor within last 3 years <u>and</u> personally worked on ATBF's audit within that time	Current employee of Auditor <u>and</u> participates in the firm's audit, assurance or tax compliance (but not tax planning) practice
Director				
Director's Spouse		N/A		
Director's Immediate Family Member		N/A		N/A
Director's minor child or stepchild, or child or stepchild who shares a home with the Director		N/A		

<b>COMMERCIAL RELATIONSHIPS</b>			
	Annually receives payments from ATBF for goods or services in an amount that exceeds 10%	Partner in, or employee of, a partnership that annually receives payments from ATBF for goods or services in an amount that exceeds	Officer or employee of, or a person who has a Substantial Investment in, a company that annually receives payments from ATBF for goods or

	of individual's total annual billings	10% of partnership's total annual billings	services in an amount that exceeds 10% of the company's total annual billings
Director			
Director's Spouse			

<b>LENDING AND BANKING RELATIONSHIPS</b>						
	Is a Significant Borrower, a director, officer or employee of a Significant Borrower, or a person who controls one or more entities, which together, would be a Significant Borrower	Beneficially owns or controls (directly or indirectly) 10% or more of the issued and outstanding voting shares of a Significant Borrower that is a corporation	Beneficially owns or controls (directly or indirectly) a 10% or greater interest in a Significant Borrower that is an entity other than a corporation	Receives personal banking services, extensions of credit or other financial services from ATBF that are <u>not</u> made in the ordinary course of business and are <u>not</u> on substantially the same terms made available to comparable customers		Has a loan, or is Director, officer or employee of a person that controls an entity with a loan, that is Not in Good Standing from ATBF or its affiliates
Director						
Director's Spouse				N/A		N/A
Director's Relative who has the same residence as the individual				N/A		N/A

<b>SUBSTANTIAL INVESTMENT</b>		
		Substantial Investment in an affiliate of ATBF
Director		

**AUDIT COMMITTEE MEMBERS ONLY**

In addition to the above criteria, a Director shall not be considered to be independent *for the purposes of serving on the Audit Committee* if he or she marks an “X” below:

	<b>COMPENSATORY FEES</b>	<b>AFFILIATED PERSON</b>				
	Accepts any consulting, advisory or other Compensatory Fee from ATBF or Subsidiary	Person that directly or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, ATBF or Subsidiary	Director and Employee of an affiliate of ATBF or Subsidiary	A general partner of an affiliate of ATBF or Subsidiary	A managing member of an affiliate of ATBF or Subsidiary	An Executive Officer of an affiliate of ATBF or Subsidiary
Director						
Director’s Spouse		N/A	N/A	N/A	N/A	N/A
Director’s minor children or stepchildren, or stepchildren or children sharing the same home with the Director		N/A	N/A	N/A	N/A	N/A
Entity in which Director is a partner, member, an officer such as a managing director occupying a comparable position or Executive Officer, or occupies a similar position		N/A	N/A	N/A	N/A	N/A