

## Members

The Risk Oversight committee (committee) of the board of directors (board) of the Federal Home Loan Bank of Topeka (FHLBank) will consist of at least five directors appointed by the board chairperson who will also appoint the chair of the committee. The chair of the Audit committee shall serve as a member of the committee and the chair of the committee shall serve as a member of the Audit committee. At least one member of the committee must have risk management experience that is commensurate with the FHLBank's capital structure, risk appetite, complexity, activities, size and other appropriate risk-related factors. Committee members shall have, or acquire within a reasonable time after being added to the committee, a practical understanding of risk management principles and practices relevant to the FHLBank. Any member of the board shall be considered to be sufficiently independent to serve as a member of the committee if that director does not have a disqualifying relationship with the FHLBank or its management that would interfere with the exercise of that director's independent judgment. Such disqualifying relationships include, but are not limited to:

1. Being employed by the FHLBank in the current year or any of the past five years;
2. Accepting any compensation from the FHLBank other than compensation for service as a director;
3. Serving or having served in any of the past five years as a consultant, advisor, promoter, underwriter or legal counsel of or to the FHLBank; or,
4. Being an immediate family member of an individual who is, or has been in any of the past five years, employed by the FHLBank as an executive officer.

## Purpose

The board is ultimately responsible for overseeing the FHLBank's enterprise-wide risk management (ERM) program. To meet their fiduciary responsibilities, board members must understand and remain sufficiently informed about the FHLBank's overall risk exposures (both inherent and residual). The committee assists the board by providing oversight of the FHLBank's ERM program as follows:

1. Promoting a proper 'tone at the top' throughout the FHLBank consistent with FHLBank's primary values of: (a) integrity; (b) diversity, equity and inclusion; (c) partnership; (d) excellence; and (e) accountability.
2. Serving as the primary venue for discussion of the FHLBank's risk management philosophy, risk appetite, risk tolerances and risk-related policies before submission to the board for approval;
3. Reviewing and recommending the FHLBank's risk philosophy, risk appetite and associated risk appetite metrics to the board for approval;
4. Identifying key risk and performance metrics for the FHLBank's Risk Dashboard to assist the committee and board in determining that the FHLBank's overall risk profile aligns with the FHLBank's mission objectives and are consistent with the FHLBank's Strategic Business Plan (SBP) and board-approved risk appetite;
5. Monitoring and evaluating the FHLBank's overall risk profile in relation to the FHLBank's SBP and board-approved risk appetite;
6. Monitoring and evaluating the FHLBank's category-level risk exposures to business, compliance, credit, liquidity, market and operations risk;
7. Reviewing actions taken by the FHLBank to correct deficiencies in risk management practices;
8. Reviewing exceptions to / deviations from key risk-related policies (in particular, the Risk Management Policy and Member Products Policy), including the appropriateness of management's actions (already taken or proposed to be taken); and
9. Monitoring the ERM framework of the FHLBank, including ensuring that the FHLBank's risk management function: (a) maintains proper independence; (b) is appropriately staffed and trained; and (c) has unrestricted access to records, personnel and physical properties relevant to the performance of its duties.

## Specific Duties and Responsibilities

As indicated in the Purpose section of the charter, the committee's primary responsibility is oversight of the FHLBank's risk governance and ERM program. While the board is responsible for approving applicable risk policies, FHLBank senior management is responsible for complying with risk measurement parameters established by the board, understanding risk positions, and implementing a risk management program on an enterprise-wide basis. The specific duties and responsibilities of the committee related to policy development and risk assessments include the following:

1. Advising the board with respect to the approval and amendment of the following policies consistent with the mission and safe and sound operation of the FHLBank:
  - a. Anti-Money Laundering Policy
  - b. Business Resiliency Policy
  - c. Compliance Policy
  - d. Enterprise Security Policy
  - e. FHFA Confidential Supervisory Information Policy
  - f. Internal Control Policy
  - g. Member Products Policy
  - h. Model Risk Management Policy
  - i. Operational Risk Event Reporting Policy
  - j. Risk Assessment Policy
  - k. Risk Management Policy, including outlines of the charter responsibilities for management committees responsible for key risk management activities
  - l. Vendor Risk Management Policy
2. Reviewing the annual FHLBank-wide risk assessment, which includes entity level and business unit risk assessment results, and other periodic risk assessment reports prepared by senior management that identify and evaluate all material risks, including both qualitative and quantitative aspects, that could adversely affect the achievement of the FHLBank's strategic objectives and/or compliance requirements and assisting the board in understanding the nature, level and management of the FHLBank's risks. Other interactions with and responses to regulatory authorities (Federal Housing Finance Agency (FHFA), Securities and Exchange Commission, etc.) are considered board responsibilities.
3. Identifying and monitoring emerging and current significant risk issues that could adversely affect the achievement of the FHLBank's strategic objectives and/or compliance requirements through discussion and evaluation of the FHLBank's risk exposures and residual risk levels in light of current market conditions, established risk limits, operating performance, and other relevant factors. This includes the need for scenario analysis or stress testing to be conducted by management, which would be completed by management on a regular basis and reported back to the committee along with conclusions and recommendations for the committee's review and consideration.
4. Oversee management's regulatory stress testing process, including periodic stress testing of interest rate risk management positions.
5. Oversee the following operations risk-related functions of the FHLBank on behalf of the board:
  - a. Business Resiliency Program
  - b. End User Developed Computing Program
  - c. Enterprise Security Program
  - d. Fraud Awareness Program
  - e. Model Risk Management Program
  - f. Operational Risk Event Reporting Program
  - g. Sarbanes-Oxley Section 404 Compliance Program
  - h. Vendor Risk Management Program
6. Reviewing the capabilities for, and adequacy of resources allocated to, ERM, including a review of FHLBank risk management personnel, systems, procedures and other risk management capabilities as part of the annual planning and budgeting process.

7. Working with the FHLBank President and Chief Executive Officer (CEO) to select and, where appropriate, replace the FHLBank's Chief Risk Officer (CRO). The CRO may be removed only with the approval of the committee. The CRO shall report directly to the FHLBank President and CEO and independently to the committee.
8. Working with the FHLBank President and CEO to select and, where appropriate, replace the FHLBank's Chief Compliance and Ethics Officer (CCEO). The CCEO may be removed only with the approval of the committee. The CCEO shall report directly to the FHLBank President and CEO and independently to the committee.

### **Outside Advisors / Consultants / Counsel**

The committee shall have the authority to retain and terminate independent advisors, consultants and counsel as it determines appropriate to assist it in the full performance of its duties and responsibilities. The committee shall also have authority to approve any related fees and other retention terms related to the independent advisors, consultants and counsel. The FHLBank shall provide for appropriate funding, as determined by the committee, for payment of compensation to any advisor, consultant or counsel retained by the committee. The committee shall annually assess the need for an independent consulting firm to conduct an external benchmarking engagement or best practices review of the FHLBank's ERM program. Any communications between the committee and legal counsel in the course of obtaining legal advice will be considered privileged communications of the FHLBank, and the committee will take all necessary steps to preserve the privileged nature of those communications.

### **Meetings**

The committee will meet at least on a quarterly basis, in person, via video conference or telephonically, and at such times as the committee shall determine. The committee shall meet in executive session: (1) at least quarterly without management present; (2) at least quarterly with the CRO and Associate CRO; (3) at the request of the CCEO; and (4) with other officers as the committee deems appropriate. The committee will report all of its activities to the board and make such recommendations to the board for action from time to time as deemed appropriate related to its charter duties and responsibilities. Quorum requirements and procedures for calling special meetings are set forth in the Board of Directors' Operating Guidelines.

### **Charter**

The committee shall review its charter annually. The committee shall perform an annual self-assessment to conduct an evaluation of its performance and, as part of that self-assessment, confirm that all responsibilities outlined in this charter have been fulfilled.

### **Minutes**

Written minutes shall be prepared for each meeting, including any risk management decisions and/or recommendations, with a copy made available to the board. Approved committee minutes will be provided to the FHFA.