

**Federal Home Loan Bank of Topeka  
Risk Oversight Committee Charter**

**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 should have extensive risk management expertise and/or related risk management experience. 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 risk management process. 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 enterprise risk management (ERM) program as follows:

1. 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;
2. Reviewing and recommending the FHLBank's risk philosophy, risk appetite and associated risk appetite metrics to the board for approval;
3. 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 the FHLBank's Strategic Business Plan and board-approved risk appetite;
4. Monitoring and evaluating the FHLBank's overall risk profile in relation to the FHLBank's Strategic Business Plan and board-approved risk appetite;

5. Monitoring and evaluating the FHLBank's category-level risk exposures to business, compliance, credit, liquidity, market and operations risk;
6. Reviewing actions taken by the FHLBank to correct deficiencies in risk management practices;
7. 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);
8. Monitoring the ERM framework of the FHLBank, including ensuring that the FHLBank's risk management function maintains proper independence and is appropriately staffed, trained and has unrestricted access to records, personnel, and physical properties relevant to the performance of its duties; and
9. Promoting effective management of all risk categories and fostering the establishment and maintenance of an appropriate risk management culture throughout the FHLBank that encourages ethical conduct and compliance with applicable laws, rules, regulations and standards.

### **Specific Duties and Responsibilities**

As indicated in the *Purpose* section of the charter, the committee's primary responsibility is one of oversight of the FHLBank's risk governance and risk management processes. 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 structure 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 Continuity Policy
  - c. Compliance Policy
  - d. FHFA Confidential Supervisory Information Policy
  - e. Enterprise Information Security 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. Significant Vendor Management Policy
2. Reviewing the annual FHLBank-wide risk assessment 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 new and/or emerging risks 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 reviewing and approving the FHFA Stress Test Policy (as the "designated committee" of the board) established to comply with the FHFA's rule on stress testing.
5. Oversee the following risk-related functions of the FHLBank on behalf of the board:
  - a. Business Continuity Program
  - b. Enterprise Information Security Program
  - c. Fraud Awareness Program
  - d. Model Risk Management Program
  - e. Operational Risk Event Reporting Program
  - f. Sarbanes-Oxley Compliance
  - g. Significant Vendor Management Program
6. Reviewing the sufficiency 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, evaluate 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.

#### **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 Enterprise Risk Management (ERM) Program, with one completed no less frequently than every five years.

#### **Meetings**

The committee will meet at least on a quarterly basis, either in person or telephonically, and at such times and places 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; and (3) with other officers as it deems

appropriate. It 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 with a copy made available to the board. Approved committee minutes will be provided to the FHFA.