

Terms of Reference

A. PURPOSE

The Audit and Conduct Review Committee (the "Committee") is responsible for performing the duties set out in this Terms of Reference to enable the Board of Directors (the "Board") of Concentra Bank (the "Bank") to fulfill its oversight responsibilities in relation to:

- the integrity of the Bank's financial reporting;
- the effectiveness of the Bank's system of internal controls, including internal controls over financial reporting;
- the performance of the Bank's internal audit function and the qualifications, performance, and independence of the Bank's Chief Internal Auditor;
- management of the external audit relationship, including overseeing the compensation, qualifications, independence, and performance of the external auditors and the Board's annual recommendation to Shareholders for the appointment of the external auditors;
- standards of business conduct and ethics for directors, senior management, and employees;
- oversight of related party transactions, conflicts of interest, and the disclosure of confidential information; and
- oversight of the Bank's subsidiary, by acting as the Audit and Conduct Review Committee for Concentra Trust.

B. COMMITTEE COMPOSITION AND PROCEDURES

1. Composition

The Committee shall consist of not less than three directors appointed annually by and from the Board, none of whom shall be an employee of the Bank or an affiliate of the Bank. Each Committee member shall be unaffiliated, as determined in accordance with the regulations made under the *Bank Act* (Canada). The majority of the Committee's members shall be independent, as determined by the Independence Standard approved by the Board.

2. Appointment and Removal of Committee Members

Each Committee member and the Chair of the Committee shall be appointed or re-appointed by the Board, on the recommendation of the Governance Committee, following the Annual Meeting of shareholders and shall remain a member until a successor is appointed, unless the member resigns, is removed, or ceases to be a director. The Board may fill a vacancy in the membership of the Committee.

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3. Competencies

Every Committee member shall be Financially Literate¹. At least two Committee members must have Financial/Accounting Expertise as defined in the Board's approved Competency Matrix at a level four or five.

4. Quorum

A quorum for conducting business shall be a majority of the Committee's members.

5. Voting

All resolutions coming before the Committee for decision at a duly constituted meeting shall be decided by a majority vote of the members present in the meeting. In the case of a tie vote, the Committee Chair shall cast a second vote, causing the motion to succeed or fail.

6. Meetings

The members of the Committee shall hold meetings as required to carry out this Terms of Reference and, in any case, not less than once quarterly. The Chair of the Committee, any two members of the Committee, the Chair of the Board, or the President and Chief Executive Officer may call a meeting of the Committee. Meetings may be conducted in accordance with the provisions contained in the Bank's Bylaws. The Committee shall dedicate a portion of each regular quarterly meeting, or at such other times as required, to meet separately with each of the Chief Financial Officer, the Chief Internal Auditor, and the external auditors, and to meet on its own without members of management or the external auditors. The external auditors are entitled to attend and be heard at each Committee meeting.

7. Notices of Meetings

Notice of the time and place of each meeting will be given in accordance with legal and regulatory requirements, Board policy, and the Bank's Bylaws.

8. Secretary and Minutes

The Corporate Secretary, his or her designate, or any other person the Committee requests shall act as recording secretary at Committee meetings. Minutes of Committee meetings shall be maintained.

9. Access to Management and Outside Advisors

The Committee shall have unrestricted access to management and employees of the Bank. The Committee shall have the authority to retain and terminate external legal counsel, consultants, or other advisors to assist it in fulfilling its responsibilities and to set and pay the compensation for these advisors without obtaining prior approval

¹ "Financially Literate" means having an understanding of and familiarity with reading, interpreting, and understanding a set of financial statements, information, and principles, that present a breadth and level of complexity of accounting issues that are comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Bank's financial statements, and can contribute to discussion about financial objectives and performance.

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of the Board or any officer of the Bank. The Committee shall ensure its expenditures are reasonable and shall report such expenditures to the Board. The Bank shall provide appropriate funding, as determined by the Committee, for the services of these advisors.

10. Review of Committee Functioning

The Committee shall regularly review and assess the adequacy of its Terms of Reference, evaluate its effectiveness in fulfilling its mandate under this Terms of Reference, and report on the results of its assessment to the Governance Committee.

11. Interface with Other Committees

To facilitate open communication between this Committee and the Risk Committee, and where the Chair of the Risk Committee is not a member of this Committee, he or she may receive notice of and attend by invitation, as a non-voting observer, each meeting of the Committee. In addition, this Committee may meet jointly with the Risk Committee, as required at the discretion of the Chairs of this Committee and the Risk Committee, to discuss topics relevant to both Committees.

12. Reporting

The Committee shall report to the Board following each meeting with respect to its activities and recommendations. It will also report to the Board on the annual financial statements and returns that must be approved by the Board under the *Bank Act* (Canada).

C. DUTIES AND RESPONSIBILITIES

The Committee shall have the duties and responsibilities set out below, as well as any other matters that are specifically delegated to the Committee from time to time by the Board.

1. Financial Reporting and Statements

The Committee shall oversee:

- a) the appropriateness of the Bank's accounting and financial reporting and any significant changes to accounting or financial reporting as recommended by management or the external auditors;
- b) compliance with any material proposed changes in regulations relevant to financial reporting to which the Bank is subject;
- c) key estimates and judgments of management that may be material to the Bank's financial reporting; and
- d) the resolution of significant auditing and financial reporting issues identified during the relevant fiscal period.

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The Committee shall review with management and the external auditors the following information prior to review and approval by the Board and disclosure to the public or regulators, as applicable:

- a) the annual audited consolidated financial statements, together with the report of the external auditors thereon, and related management discussion and analysis;
- b) quarterly financial results of the Bank and its subsidiaries;
- c) such returns of the Bank that require Board approval, as stipulated by the Office of the Superintendent of Financial Institutions under the *Bank Act* (Canada);
- d) the Bank's annual budget;
- e) unaudited financial information that may be made available to the public from time to time;
- f) annual financial statements and regulatory returns of subsidiaries of the Bank, as appropriate; and
- g) any other financial information as requested by the Board or Committee.

The Committee's review of any financial statement or financial information shall include a review with management of the identification and impact of significant risks and uncertainties, litigation matters that could significantly affect the Bank's financial statements, and key estimates and judgments of management that may be material to the statements or disclosure. Before recommending any financial statements or financial information to the Board for approval, the Committee shall seek confirmation from management that such financial statements or financial information fairly present, in all material respects, the financial condition, results of operations, and cash flows of the Bank as of the relevant date and for the relevant periods.

2. Capital Management

The Committee shall oversee the effective management and use of capital, including reviewing, prior to Board approval, any proposed share restructuring, the Bank's dividend strategy, and the declaration of dividends. In particular, the Committee shall ensure, through the effective management of capital, that the Bank maintains financial stability, viability, and sustainability as a going concern. The Committee shall communicate with the Risk Committee, as required, to ensure alignment between the Bank's approach to both capital risk and capital management.

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3. External Auditors

The Committee shall oversee the Bank's relationship with and the effective performance of its external auditors, and shall specifically:

- a) annually review and recommend for Board approval the external audit appointment recommendation to shareholders;
- b) annually review and recommend for Board approval the letter of engagement and compensation of the external auditors, ensuring that the level of audit fees is commensurate with the scope of work undertaken;
- c) annually review and approve the audit plan, ensuring the audit plan is risk based and covers all relevant activities over a measurable cycle;
- d) review and recommend for Board approval other assurance engagement letters, as required;
- e) annually review and evaluate the qualifications, performance, and independence of the external auditors, including ensuring compliance with the provisions of the *Bank Act* (Canada);
- f) ensure that an appropriate policy is in place within the Bank with respect to the provision of non-audit services by the external auditors;
- g) review any concerns that may be brought forward by the external auditors, including any difficulties they may encounter in conducting their audit, any control deficiencies, and management's response to such concerns; and
- h) ensure the Bank follows the policies of any current or former external auditor with respect to the hiring of its partners, employees, or former partners and employees.

4. Internal Controls

The Committee shall oversee the effectiveness of the Bank's internal controls, and shall specifically:

- a) ensure management implements and maintains appropriate systems of internal controls, including internal controls over financial reporting and for the prevention and detection of fraud and error;
- b) review reports from management and the Chief Internal Auditor on the following matters:
 - i) the design and operating effectiveness of internal controls and any significant control breakdowns;
 - ii) any significant deficiencies and material weaknesses in the design or operation of internal controls which are reasonably likely to adversely

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affect the company's ability to record, process, summarize, report, and disclose financial information; and

- iii) any fraud involving management or other employees;
- c) review and approve the procedures established for the receipt, retention, treatment, and resolution of complaints received by the Bank regarding accounting, internal accounting controls, or auditing matters, including confidential and anonymous submissions from employees, as part of the Bank's Whistleblower Corporate Policy and procedures, and carry out the Committee's responsibilities under the Bank's Whistleblower Corporate Policy and procedures, as required;
- d) discuss with management whether any control deficiencies identified may be systemic or pervasive; and
- e) review the Bank's financial disclosure controls and procedures to confirm that material information about the Bank that is required to be disclosed under applicable law is disclosed on a timely basis.

5. Internal Audit

The Committee shall oversee the Internal Audit function, including any aspects of the internal audit function that are outsourced to a third party, and shall specifically:

- a) ensure the function is sufficiently independent to perform its responsibilities;
- b) review and approve the internal audit mandate; and
- c) review and approve the annual audit plan, including the risk assessment methodology and any significant changes thereto, and satisfy itself that the plan is appropriate, risk-based, and addresses all relevant activities and significant risks over a measurable cycle.

6. Business Conduct and Ethics

The Committee shall oversee the establishment and maintenance of policies in respect of ethical personal and business conduct at the Bank and monitor compliance in respect of such policies and procedures to maintain a strong ethical culture throughout the Bank. In doing so, the Committee shall:

- a) annually review and recommend for Board approval the Bank's Code of Conduct and Ethics (the "Code"), which includes the standards of business conduct and ethical behavior for the directors and employees of the Bank;
- b) monitor compliance with the Code, including approving, where appropriate, any waiver from the Code to be granted for the benefit of any director or executive officer of the Bank;

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- c) establish and monitor procedures to resolve conflicts of interest, including techniques for the identification of potential conflict situations and for restricting the use of confidential information;
- d) review and approve policies for assessing the suitability and integrity of the Bank's Responsible Persons; and
- e) monitor the Bank's procedures to provide disclosure of information to the Bank's clients that is required to be disclosed by the *Bank Act* (Canada) and the Bank's procedures to handle client complaints.

7. Conduct Review and Related Party Transactions:

The Committee shall oversee conduct review and related party transactions, including satisfying itself that procedures and practices are established by management as required by the *Bank Act* (Canada) and the *Trust and Loan Companies Act* (Canada).

8. Oversight Functions:

The Committee shall oversee the internal audit function and the finance function, and shall specifically:

- a) review and approve, jointly with the Human Resources Committee, the appointment or removal of the Chief Financial Officer ("CFO") and the Chief Internal Auditor (the "CIA");
- b) annually review and approve the CFO's and CIA's respective mandates and the mandates of their respective functional areas;
- c) ensure that the CFO and CIA have unfettered access to the Committee and have sufficient stature and authority within the Bank to fulfill the role and responsibilities of their positions as outlined in their respective mandates;
- d) ensure that the CIA maintains his or her independence from the businesses whose activities s/he reviews, according to the nature of the oversight function;
- e) approve each of the CFO's and CIA's organizational structures, budgets, and resources;
- f) annually review and assess the effectiveness of each of the Finance Function and Internal Audit Function; and
- g) annually assess the performance of each of the CFO and CIA in fulfilling their respective roles and convey the Committee's assessment to the Human Resources and Compensation Committee and the Chief Executive Officer for their use as input into the compensation approval process.

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9. Corporate Policies:

The Committee shall review and recommend to the Board for approval the Corporate Policies under the jurisdiction of the Committee to manage, including:

- a) Whistleblower Corporate Policy;
- b) Related Parties Corporate Policy;
- c) Responsible Persons Assessment Corporate Policy;
- d) Code of Conduct/Conflict of Interest Corporate Policy;
- e) Internal Control Environment Corporate Policy; and
- f) Privacy Corporate Policy.

The Committee shall also review exceptions to Corporate Policies within its jurisdiction and ensure that remedial action plans are in place to remedy any potential non-compliance.

D. RESOURCES

The President/Chief Executive Officer shall appoint internal resources as required to the Committee.