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 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 control 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;
- the management of the external audit relationship, including oversight over the retention, compensation, qualifications, independence and performance of the external auditors;
- standards of business conduct and ethics for directors, senior management and employees;
- oversight over related party transactions, conflict of interest and the disclosure of confidential information; and
- 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 of Directors, none of whom shall be an employee of the Bank or an affiliate of the Bank. Each Member of the Committee shall be i) unaffiliated, as determined in accordance with the regulations made under the Bank Act (Canada) and ii) the majority of the Committee shall be independent, as determined by the Independence Standard approved by the Board.¹

2. Appointment and Removal of Committee Members

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

¹ At such time as Concentra Bank is required to comply with legal/regulatory standards associated with reporting issuer status, the composition of the Committee must be composed entirely of independent Directors.
3. **Competencies**
   Every member of the Committee shall be Financially Literate\(^2\). At least two Committee members must have Financial/Accounting Expertise as defined in the Competency Matrix\(^3\) at a level four or five.

4. **Quorum**
   A quorum for conducting business shall be a majority of the members of the Committee. All resolutions coming before the Committee for decision at a duly constituted meeting shall be decided by a majority vote of members present in the meeting. In the case of a tie vote, the Committee Chair shall have a second and casting vote, or may choose to refrain from casting a second vote, causing the motion to fail.

5. **Meetings**
   The members of the Committee shall hold meetings as required to carry out this Terms of Reference, and in any case, no less than once quarterly. The external auditors are entitled to attend and be heard at each Committee meeting. 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 by-laws. 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.

6. **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 by-laws.

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

8. **Access to Management and Outside Advisors**
   The Audit and Conduct Review 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

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\(^2\) 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.

\(^3\) The Concentra Bank Director Competency Matrix as approved on an annual basis.
in fulfilling its responsibilities and to set and pay the compensation for these advisors without obtaining prior approval of the Board of Directors or any officer of the Bank. The Bank shall provide appropriate funding, as determined by the Audit and Conduct Review Committee, for the services of these advisors.

9. **Review of Committee Functioning**
   The Committee shall regularly review and assess the adequacy of its Terms of Reference. It will also annually evaluate its effectiveness in fulfilling its mandate under this Terms of Reference and report on the results of the annual assessment to the Governance Committee.

10. **Interface Between Audit and Conduct Review and Risk 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 Audit and Conduct Review Committee and Risk Committee Chairs, to discuss topics relevant to both Committees.

11. **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 Audit and Conduct Review Committee shall have the functions 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 will provide oversight over:
   
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) 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) Significant auditing and financial reporting issues discussed during the fiscal period and the method of, and ultimate resolution thereof.
Prior to review and approval by the Board, if required, the Committee shall review with management and the external auditors the following information prior to 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’s 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 presentation and impact of significant risks and uncertainties, litigation matters that could significantly affect the Bank’s financial statements, as well as 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 provide oversight over the effective management and use of capital including, reviewing prior to approval by the Board 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.
3. **External Auditors**
The Committee shall provide oversight over the Bank’s relationship and the effective performance of its external auditors including, but not limited to:

a) Annually reviewing and recommending to the Board of Directors the appointment of the external auditors for shareholder approval.

b) Annually reviewing and recommending for approval by the Board of Directors 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 reviewing and approving the audit plan, ensuring the audit plan is risk based and covers all relevant activities over a measurable cycle.

d) Reviewing and recommending for approval by the Board of Directors other assurance engagement letters, as required.

e) Reviewing and evaluating on an annual basis, the qualifications, performance and independence of the external auditors, including ensuring compliance with the provisions of the Bank Act (Canada) in this regard.

f) Ensuring that an appropriate policy is in place within the Bank with respect to the provision of non-audit services by the external auditors.

g) Reviewing any concerns that may be brought forward by the external auditors, including any difficulties they may encounter in conducting their audit, any external auditor’s letters with respect to control deficiencies as well as management’s response to such concerns.

h) Ensuring the Bank follows the policies of the current or former external auditor with respect to the hiring of partners, employees and former partners and employees of external auditors.

4. **Internal Controls**

a) Review and recommend for approval by the Board of Directors on a regular basis the Internal Control Environment Corporate Policy.

b) Require management to implement and maintain appropriate systems of internal control; including, internal controls over financial reporting and for the prevention and detection of fraud and error.

c) Review reports from management and the Chief Internal Auditor on the following:

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

iii) any fraud involving management or other employees.
d) Require management to establish procedures and 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, 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.

e) Discuss with management whether any deficiencies identified may be systemic or pervasive.

f) In overseeing the Bank’s financial disclosure controls the Committee shall review the disclosure controls and procedures that have been adopted by the Bank, 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 and any aspects of the internal audit function that are outsourced to a third party and shall satisfy itself that the function is sufficiently independent to perform its responsibilities. In particular, the Committee shall review and approve the internal audit mandate, 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;

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.
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 be responsible for conduct review and oversight of 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 Loans Companies Act (Canada).

8. Oversight Functions:
The Committee will oversee internal audit, and the finance function, including but not limited to:
   a) Reviewing and approving, jointly with the Human Resources Committee, the appointment or removal of each of the Chief Financial Officer (“CFO”) and the Chief Internal Auditor (the “CIA”);
   b) Annually reviewing the CFO’s and CIA’s respective mandates and the mandates or terms of reference of their respective functional areas;
   c) Ensuring that the CIA maintains his or her independence from the businesses whose activities s/he reviews, according to the nature of the oversight function, and that, together with the CFO, have unfettered access to the Committee and has sufficient stature and authority within the Bank to fulfill the role and responsibilities of the position as outlined in their respective mandates;
   d) Approving each of the CFO’s and CIA’s organizational structures, budgets and resources;
   e) Annually reviewing and assessing the effectiveness of each of the Finance Function and Internal Audit Function; and
   f) Annually assessing the effectiveness of each of the CFO and CIA in fulfilling their respective roles, conveying its appraisal of the performance against the individual’s mandate and objectives as input to both the Human Resources and Compensation Committee and the Chief Executive Officer into the compensation approval process.

9. Corporate Policies:
The Committee shall review and recommend to the Board those Corporate Policies under the jurisdiction of the Committee as relevant and required to fulfill the role and responsibilities of the Committee set out in this Terms of Reference, specifically:
   a) Whistleblower Corporate Policy;
   b) Accounting Corporate Policy;
   c) Litigation Management Corporate Policy;
   d) Related Parties Corporate Policy;
e) Responsible Persons Assessment Corporate Policy;

f) Code of Conduct/Conflict of Interest Corporate Policy; and

g) Internal Control Environment 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 the potential non-compliance.

**RESOURCES**

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