

# BOSTON PRIVATE

WEALTH ▫ TRUST ▫ PRIVATE BANKING

## AUDIT AND FINANCE COMMITTEE CHARTER

Approved by the Audit and Finance Committee - July 25, 2017

Approved by the Compensation, Governance and Executive Committee - July 25, 2017

Approved by the Board of Directors - July 26, 2017

### I. General Statement of Purpose

The purpose of the Audit and Finance Committee of the Board of Directors (the "Committee") of Boston Private Financial Holdings, Inc. (the "Company") is to:

- assist the Board of Directors (the "Board") in its oversight of (1) the process of reporting the Company's financial statements, (2) the system of internal controls as it relates to financial reporting, (3) the audit process, (4) the Company's process for monitoring compliance with laws and regulations and code of conduct; and (5) the qualifications, independence and performance of the Company's independent registered public accounting firm;
- assist the Board by conducting analyses and making recommendations to the Board and management regarding the Company's financial planning, capital structure, capital raising, dividends, and proposed acquisitions or mergers;
- prepare the report required by the rules of the Securities and Exchange Commission (the "SEC") to be included in the Company's annual proxy statement; and
- review and approve certain related actions as delegated by the Board.

### II. Composition

The number of individuals serving on the Committee shall be fixed by the Board of Directors from time to time but shall consist of no fewer than three (3) members of the Board, each of whom must (1) be "independent" as defined under the NASDAQ Marketplace Rules, (2) satisfy the criteria for independence set forth in Section 301 of the Sarbanes-Oxley Act of 2002 (the "S-O Act"), and (3) not own or control 20% or more of the Company's voting securities, or such lesser amount as may be established by the SEC in rules promulgated pursuant to Section 301 of the S-O Act.

Each member of the Committee must be able to read and understand fundamental financial statements, including a company's balance sheet, income statement, and cash flow statement. At least one member of the Committee shall meet the requirements for being a "financial expert" under the rules promulgated by the SEC and have sufficient financial expertise in the accounting and auditing areas.

The Compensation, Governance and Executive Committee shall recommend nominees for appointment to the Committee annually and as vacancies or newly created positions occur. The members of the Committee shall be appointed annually by the Board and may be replaced or removed by the Board with or without cause. Resignation or removal of a Director from the Board, for whatever reason, shall automatically and without any further action constitute resignation or removal, as applicable, from the Committee. Any vacancy on the Committee, occurring for whatever reason, may be filled only by the Board. The Board shall designate one member of the Committee to be Chairman of the Committee.

### **III. Meetings**

The Committee is to meet a minimum of four (4) times per year in person or by conference telephone or other communications equipment by means of which all person participating in the meeting can hear each other, with any additional meetings as often as it determines is appropriate to carry out its responsibilities under this charter. A majority of the members of the Committee shall constitute a quorum for purposes of holding a meeting and the Committee may act by a vote of a majority of the members present at such meeting. In lieu of a meeting, the Committee may act by unanimous written consent. The Chairman of the Committee, in consultation with the other committee members, may determine the frequency and length of the Committee meetings and may set meeting agendas consistent with this Charter. The Committee may hold private meetings with auditors and will hold executive sessions on a periodic basis, as determined to be needed by the Chair of the Committee.

### **IV. Responsibilities and Authority**

The Committee's responsibilities shall be to:

#### **A. Review of Charter**

- The Committee shall review and approve the Audit and Finance Committee charter on at least an annual basis and recommend approval of the same to the Compensation, Governance and Executive Committee of the Board of Directors, and to the Board of Directors of the Company, as appropriate.

#### **B. Matters Relating to Selection, Performance and Independence of the Independent Registered Public Accounting Firm**

- The Committee shall have the sole authority to appoint (subject, if applicable, to stockholder ratification), terminate and determine funding for the Company's independent registered public accounting firm.
- The Committee shall be directly responsible for oversight of the work of the independent registered public accounting firm (including resolution of disagreements between management and the independent registered

public accounting firm regarding financial reporting) for the purpose of preparing or issuing an audit report or related work.

- The Committee shall instruct the independent registered public accounting firm to report directly to the Committee.
- The Committee shall pre-approve all auditing services and the terms thereof (which may include providing comfort letters in connection with securities underwritings) and non-audit services (other than non-audit services prohibited under Section 10A(g) of the Exchange Act or the applicable rules of the SEC or the Public Company Accounting Oversight Board) to be provided to the Company by the independent public accounting firm; provided, however, the pre-approval requirement is waived with respect to the provision of non-audit services for the Company if the “*de minimus*” provisions of Section 10A(i)(1)(B) of the Exchange Act are satisfied. This authority to pre-approve non-audit services may be delegated to one or more members of the Committee, who shall present all decisions to pre-approve an activity to the full Committee at its first meeting following such decision.
- The Committee may review and approve the scope and staffing of the independent registered public accounting firms’ annual audit plan(s).
- The Committee shall request that the independent registered public accounting firm provide the Committee with the written disclosures and the letter required by Independence Standards Board Standard No. 1, as modified or supplemented, require that the independent registered public accounting firm submit to the Committee on a periodic basis a formal written statement delineating all relationships between the independent registered public accounting firm and the Company, discuss with the independent registered public accounting firm any disclosed relationships or services that may impact the objectivity and independence of the independent registered public accounting firm, and based on such disclosures, statement and discussion take or recommend that the Board take appropriate action in response to the independent registered public accounting firm’s report to satisfy itself of the independent registered public accounting firm’s independence.
- The Committee may consider whether the provision of the services covered in Items 9(e)(2) and 9(e)(3) of Schedule 14A of the Exchange Act (or any successor provision) is compatible with maintaining the independent registered public accounting firm’s independence.

- The Committee shall assure the regular rotation of the lead audit partner and lead reviewing partner as required under Section 10A(j) of the Exchange Act.
- The Committee may recommend to the Board policies with respect to the potential hiring of current or former employees of the independent registered public accounting firm.

C. Audited Financial Statements and Annual Audit

- The Committee shall review the overall audit plan (both internal and external) with the independent registered public accounting firm and the members of management who are responsible for preparing the Company's financial statements, including the Company's Chief Financial Officer and/or principal accounting officer or principal financial officer (the Chief Financial Officer and such other officer or officers are referred to herein collectively as the "Senior Accounting Executive").
- The Committee shall review and discuss with management (including the Company's Senior Accounting Executive) and with the independent registered public accounting firm:
  - (i) the Company's annual audited financial statements, including (a) all critical accounting policies and practices used or to be used by the Company and (b) any significant financial reporting issues that have arisen in connection with the preparation of such audited financial statements, prior to the filing of the Company's Annual Report on Form 10-K;
  - (ii) any analyses prepared by management, the internal auditors and/or the independent registered public accounting firm setting forth significant financial reporting issues and judgments made in connection with the preparation of the financial statements, including analyses of the effects of alternative GAAP methods on the financial statements. The Committee may consider the ramifications of the use of such alternative disclosures and treatments on the financial statements, and the treatment preferred by the independent registered public accounting firm. The Committee may also consider other material written communications between the independent registered public accounting firm and management, such as any management letter or schedule of unadjusted differences;
  - (iii) the adequacy of the Company's internal controls and procedures for financial reporting;

- (iv) major changes in and other issues regarding accounting and auditing principles and procedures, including any significant changes in the Company's selection or application of accounting principles; and
  - (v) the effect of regulatory and accounting initiatives, as well as off-balance sheet transactions and structures, on the financial statements of the Company.
- The Committee shall review and discuss with the independent registered public accounting firm (outside of the presence of management) how the independent registered public accounting firm plans to handle its responsibilities under the Private Securities Litigation Reform Act of 1995, and request assurance from the auditor that Section 10A of the Private Securities Litigation Reform Act of 1995 has not been implicated.
  - The Committee shall review and discuss with the independent registered public accounting firm any audit problems or difficulties and management's response thereto. This review shall include (1) any difficulties encountered by the auditor in the course of performing its audit work, including any restrictions on the scope of its activities or its access to information, (2) a discussion of the responsibilities, budget and staffing of the Company's internal audit function, and (3) any significant disagreements with management.
  - The Committee shall review and discuss with the independent registered public accounting firm those matters brought to the attention of the Committee by the auditors pursuant to Statement on Auditing Standards No. 61 ("SAS 61") and may otherwise consider in connection with its review of any difficulties that the auditor may have encountered with management or others:
    - (i) any restrictions on the scope of the independent registered public accounting firms' activities or access to requested information;
    - (ii) any accounting adjustments that were noted or proposed by the auditors but were "passed" (as immaterial or otherwise);
    - (iii) any communications between the audit team and the audit firm's national office regarding auditing or accounting issues presented by the engagement;
    - (iv) any management or internal control letter issued, or proposed to be issued, by the auditors; and
    - (v) any significant disagreements between the Company's management and the independent registered public accounting firm.

- The Committee shall review and discuss with the independent registered public accounting firm the report required to be delivered by such auditors pursuant to Section 10A(k) of the Exchange Act.
- The Committee shall discuss with the CEO and CFO of the Company (1) all significant deficiencies and material weaknesses in the design or operation of internal controls and procedures for financial reporting which could adversely affect the Company's ability to record, process, summarize and report financial information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act, within the time periods specified in the SEC's rules and forms, and (2) any fraud involving management or other employees who have a significant role in the Company's internal controls and procedures for financial reporting.
- Based on the Committee's review and discussions (1) with management of the audited financial statements, (2) with the independent registered public accounting firm of the matters required to be discussed by SAS 61, and (3) with the independent registered public accounting firm concerning the independent registered public accounting firm's independence, the Committee shall make a recommendation to the Board as to whether the Company's audited financial statements should be included in the Company's Annual Report on Form 10-K for the last fiscal year.
- The Committee shall prepare the Committee report required by Item 306 of Regulation S-K of the Exchange Act (or any successor provision) to be included in the Company's annual proxy statement.

#### D. Unaudited Quarterly Financial Statements

- The Committee shall discuss with management and the independent registered public accounting firm, such issues as may be brought to the Committee's attention by the independent registered public accounting firm pursuant to Statement on Auditing Standards No. 100.
- Review interim financial reports with management and the external auditors before filing with regulators, and consider whether they are complete and consistent with the information known to committee members.

#### E. Oversee and Monitor Internal Controls

- Review quarterly reports on any significant deficiency or material weakness in the Company's internal controls or any fraud involving an employee associated with internal controls.

- Discuss, at least quarterly with management, and the independent auditor the quality and adequacy of the Company's internal controls, including the prevention or detection of management override or compromise of the internal control system.
- Review with management and the independent auditor, the basis for the reports required pursuant to Section 404 of the Sarbanes Oxley Act of 2002 and regulations promulgated thereunder and Section 36 of the Federal Deposit Insurance Act with respect to internal controls over financial reporting and other matters.

F. Procedures for Addressing Complaints and Concerns

- The Committee shall establish procedures for (1) the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls, or auditing matters and (2) the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters.
- The Committee may review and reassess the adequacy of these procedures periodically and adopt any changes to such procedures that the Committee deems necessary or appropriate.

G. Oversight of Capital Planning and Allocation, Budget, Mergers and Acquisitions, and Dividends

- Review the Company's operating budget, capital structure, and the financial implications of compensation plans on a regular or as required basis, and provide recommendations to the Board or take delegated decisions as appropriate and mandated.
- Review and analyze the annual stress test performed by management and provide recommendations to the Board, as appropriate.
- Review and analyze the projected cash flows as presented by management, and provide recommendations to the Board, as appropriate.
- Evaluate the Company's financial performance relative to appropriate financial and return metrics consistent with building long-term shareholder value.
- Review the Company's dividend policy and recommend specific dividend action to the Board for approval.
- Review the Company's capital policy and annual capital plan and provide recommendations to the Board for approval.

- Review and approve (without further approval of the full Board) any capital decisions, acquisitions, sales or other dispositions involving the Company's assets in an amount that is below 5% of the Company's consolidated equity capital. For any such transaction mentioned above which is \$5 million or less for a single transaction, or is required to comply with relevant regulatory requirements (*i.e.*, to maintain regulatory capital ratios), the Committee grants authority to management to engage in such transaction without further approval by the Committee or the Board, provided that management provides the Committee with prompt notice of the transaction(s) upon consummation. Management will notify the Committee of any transaction mentioned above that requires the approval of the full Board before such transaction is presented to the Board for its approval.
- Review management's acquisition or merger recommendations, evaluate the terms and conditions of said proposals, and review definitive agreements for recommendation to the Board.
- Review the results of due diligence and report such results to the Board, with recommendations, to facilitate Board review and approval of definitive agreements regarding acquisitions, capital decisions, sales or other dispositions of the Company's assets in amounts in excess of the levels identified above.

#### H. Internal Audit

- Review the annual risk assessment process undertaken by Internal Audit ("IA").
- Review and discuss the independence, responsibilities, budget and staffing of IA.
- Review and approve, annually, the Company's annual audit plan and all major changes to the plan, including a general review of those programs established by the Affiliate Partners.
- Monitor the status of the internal audit plan.
- Ensure that there are not unjustified restrictions or limitations, and review and concur in the appointment, replacement or dismissal of the General Auditor ("GA").
- At least once per year, review the performance of the GA and concur with the annual compensation and salary adjustment.



- Review the effectiveness of the internal audit function, including compliance with The Institute of Internal Auditors' mandatory guidance including the Definition of Internal Auditing, the Code of Ethics, and the International Standards for the Professional Practice of Internal Auditing.
- On a regular basis, meet separately with the GA to discuss any matters that the Committee or IA believes should be discussed privately.
- At least once per year, require that the GA confirm the organizational independence of IA.

#### I. Regular Reports to the Board

- The Committee shall regularly report to and review with the Board any issues that arise with respect to the quality or integrity of the Company's financial statements, the Company's compliance with legal or regulatory requirements, the performance and independence of the independent registered public accounting firm, and any other matters that the Committee deems appropriate or is requested to review for the benefit of the Board.

### V. Additional Authority

The Committee is authorized, on behalf of the Board, to do any of the following as it deems necessary or appropriate:

- *Engagement of Adviser* - Engage independent counsel and such other advisers it deems necessary or advisable to carry out its responsibilities and powers, and, if such counsel or other advisers are engaged, shall determine the compensation or fees payable to such counsel or other advisers.
- *Legal and Regulatory Compliance*
  - (i) The Committee may discuss with management and the independent registered public accounting firm the legal and regulatory requirements applicable to the Company and its subsidiaries and the Company's compliance with such requirements. The Committee may, if it determines it to be appropriate, make recommendations to the Board or other committees of the Board with respect to the Company's policies and procedures regarding compliance with applicable laws and regulations.
  - (ii) The Committee may discuss with management legal matters (including pending or threatened litigation) that may have a material effect on the Company's financial statements or its compliance policies and procedures.

## **General**

- The Committee may form and delegate authority to subcommittees consisting of one or more of its members as the Committee deems appropriate to carry out its responsibilities and exercise its powers.
- The Committee may perform such other oversight functions as may be requested by the Board from time to time.
- In carrying out its responsibilities, the Committee shall be entitled to rely upon advice and information that it receives in its discussions and communications with management and such experts, advisers and professionals with whom the Committee may consult. The Committee shall have the authority to request that any officer or employee of the Company, the Company's outside legal counsel, the Company's independent registered public accounting firm or any other professional retained by the Company to render advice to the Company attend a meeting of the Committee or meet with any members of or advisers to the Committee. The Committee shall also have the authority to engage legal, accounting, valuation, or other advisers to provide it with advice and information in connection with carrying out its responsibilities.

## **VI. Compensation**

A member of the Committee may not, other than in his or her capacity as a member of the Committee the Board or any other committee established by the Board, receive from the Company any consulting, advisory or other compensatory fee from the Company.

Notwithstanding the responsibilities and powers of the Committee set forth in this Charter, the Committee does not have the responsibility of planning or conducting audits of the Company's financial statements or determining whether the Company's financial statements are complete, accurate and in accordance with GAAP. Such responsibilities are the duty of management and, to the extent of the independent registered public accounting firm's audit responsibilities, the independent registered public accounting firm. In addition, it is not the duty of the Committee to conduct investigations or to assure compliance with laws and regulations or the Company's Code of Conduct.