

## **FEDERAL HOME LOAN BANK OF BOSTON CHARTER OF THE AUDIT COMMITTEE**

*This Charter is intended as a component of the flexible framework within which the Board, assisted by its committees, directs the affairs of the Bank. While it should be interpreted in the context of all applicable laws, regulations and listing requirements, as well as in the context of the Bank's Certificate of Incorporation and By Laws, it is not intended to establish by its own force any legally binding obligations.*

### **Purpose**

The purpose of the Audit Committee ("Committee") is to oversee the integrity of the Bank's financial statements and financial reporting processes; management's implementation and maintenance of effective administrative, risk management, operating, and accounting internal control systems; compliance with legal and regulatory requirements; assessing the qualifications, independence, and performance of the external auditors; and the constitution and performance of the Bank's internal audit function.

### **Composition and Independence**

The chair of the board of directors (the "Board") shall select the members of the Committee and designate its chair subject to the approval of the Board. The chair of the Board shall serve as an ex-officio member of the Committee. The Committee shall satisfy the composition requirements set forth in the Federal Housing Finance Agency's (the "FHFA's") regulations, which are, as of the date of the latest renewal of this charter:

- a minimum of five members;
- a balance of members from community financial institutions and other members, to the extent practicable;
- a balance of independent and member directors, to the extent practicable;
- the terms of the members shall be appropriately staggered so as to provide for continuity of service; and
- at least one member shall have extensive accounting or related financial management experience and be designated the Committee's financial expert.

Additionally, each member of the Committee shall satisfy the independence criteria set forth in the applicable requirements, which are, as of the date of the latest renewal of this charter, that no member of the committee can have a disqualifying relationship with the Bank or management that would interfere with the exercise of that director's independent judgment. Such disqualifying relationships include, but are not limited to:

- employment by the Bank in the current year or any of the past five years;
- accepting any compensation from the Bank other than compensation for services as a board director;
- serving or having served in any of the past five years as a consultant, advisor, promoter, underwriter, or legal counsel of or to the Bank; or

- being an immediate family member of an individual who is or has been in any of the past five years, employed by the Bank as an executive officer.

### **Governance**

At any meeting of the Committee, a majority of the members of the Committee (not including the chair of the Board) shall constitute a quorum for the transaction of business. A majority of the members of the Committee present at any meeting, a quorum being present, shall decide questions submitted for decision. The chair of the Board may vote on any matter before the Committee, but shall not be counted in determining the number of Committee members necessary to constitute a quorum; however, if present, the chair of the Board shall be counted for purposes of establishing a quorum at any meeting of the Committee.

The Committee meets at least four times a year. All Committee members are expected to attend each meeting, in person or via virtual or telephonic attendance. Written minutes shall be prepared for each meeting and a copy of such minutes forwarded to the Corporate Secretary or Assistant Corporate Secretary for filing and distribution to the Board and the FHFA.

### **Responsibilities over Internal Audit**

The Committee has the responsibility to select, evaluate and, where appropriate, replace the internal auditor. Additionally, the internal auditor:

- may be hired or removed only with the approval of the Committee;
- reports directly to the Committee on substantive matters;
- is ultimately accountable to the Committee and the Board in order to maintain independence and objectivity; and
- has access to all Bank records.

The Committee also has responsibility for oversight over the internal audit function and shall:

- review and approval of the charter for the internal audit department and enable internal audit to fulfill its mission;
- review the scope of audit services required, significant accounting policies, significant risks and exposures, audit activities and audit findings;
- confirm that the scope of IA activities is appropriate, and annually review and approve the audit plan and significant changes, as needed, thereto;
- confirm that IA has sufficient resources, in both quantity and sufficiency, to accomplish its objectives, and annually approve and evaluate its staffing and budget;
- oversee IA's monitoring of management's response to audit issues;
- establish executive sessions with the internal auditor;
- review the results of the internal quality assurance and improvement program and periodic external quality assurance reviews;
- assess the performance and determine the compensation of the internal auditor

### **Responsibilities over External Audit**

The Committee is directly responsible for overseeing the external audit function by:

- appointing, compensating, retaining and overseeing the work of the external auditor;
- approving the external auditor's annual engagement letter and ensuring it conforms with applicable requirements;
- meeting with and holding regular executive sessions with the external auditors;
- annually reviewing the performance of the external auditor, including performing and documenting a comprehensive assessment of the external audit firm's performance, including a review of audit quality indicators, internal quality control procedures, including the external auditor's process for performing quality control review, and results of the most recent inspection conducted by the PCAOB;
- Monitoring and assessing external auditor independence;
- setting clear hiring policies for employees or former employees of the external auditor;
- assuring that the external auditor submits a formal written statement regarding relationships and services which may adversely affect independence and for discussing with the external auditor any disclosed relationships that may impact objectivity and independence;
- receiving, reviewing, and discussing reports from the external auditor on critical accounting policies and practices used, all alternative treatments of financial information within GAAP related to material items that have been discussed with management, ramifications of the use of such alternative treatments, and the treatment preferred by the external auditor;
- reviewing the external auditor's proposed audit scope and approach, including coordination of audit effort with internal audit;
- pre-approving any non-audit services to be performed by the external auditor;
- reviewing with the external auditor any difficulties the auditor encountered and management's response;
- assuring that adequate policies and procedures are in place so that the Committee may assess the expertise and capacity of the external auditor to fulfill its duties and obligations; and
- ensuring the rotation of the lead audit partner of the external auditor every five years.

The external auditor shall report directly to the Committee.

### **Oversight of the Bank's Internal Control System**

The Committee is responsible for ensuring that senior management has established and is maintaining an adequate internal control system within the Bank by reviewing the Bank's:

- internal control system and the resolution of identified material weaknesses, significant deficiencies, and reportable conditions in the internal control system, including the prevention or detection of management override or compromise of the internal control system;
- programs and policies designed to ensure compliance with applicable laws, regulations and policies and monitoring the results of those compliance efforts; and
- annual audited financial statements, quarterly SEC filings, and earnings releases.

Additionally, the Committee shall establish and maintain procedures for:

- the receipt, retention, and treatment of complaints received by the Bank regarding accounting, internal accounting controls, or auditing matters; and
- the confidential, anonymous submission by Bank employees of concerns regarding questionable accounting or auditing matters.

### **Other Duties**

The Committee is also responsible for:

- meeting periodically with management, internal auditors, and the external auditor;
- ensuring that management provides the Committee with adequate information and reports sufficient for the Committee to carry out its duties and responsibilities, and to challenge management and auditors where appropriate;
- ensuring that both the internal auditor and the external auditor have unrestricted access to the Committee without the need for any prior management knowledge or approval;
- directing senior management to maintain the reliability and integrity of the accounting policies and financial reporting and disclosure practices of the Bank;
- reviewing the basis for and discussing with management and the external auditor the Bank's annual audited financial statements and the external auditor's opinion rendered with respect to such financial statements (including the nature and extent of any significant changes in accounting principles or the application therein) and quarterly financial statements, including reviewing the Bank's specific disclosures under "Management's Discussion and Analysis of Financial Condition and Results of Operations" and earnings releases;
- ensuring that policies are in place that are reasonably designed to achieve disclosure and transparency regarding the Bank's true financial performance and governance practices;
- reviewing and clearly understanding how management and the external auditor assess financial statement materiality.
- providing an independent, direct channel of communication between the Board and the internal and external auditors;
- conducting or authorizing investigations into any matters within the audit committee's scope of responsibilities;
- ensuring that the Bank has policies in place to notify the FHFA of any accounting treatments or policies identified as having significant legal, reputation, or safety and soundness risk with a focus on accounting treatments or policies that do not employ GAAP or preferred methods;
- reviewing the policies established by senior management to assess and monitor implementation of the Bank's strategic business plan and the operating goals and objective contained therein;
- as set forth in the Bank's Up the Ladder Policy, serving as the Bank's Qualified Legal Compliance Committee for the purposes of Part 205 of the Securities and Exchange Commission's Rules of Practice; and
- reporting periodically its findings to the Board.

### **Authority and Funding to Engage Advisers**

The Committee has the authority to engage independent counsel and other advisers, as it determines necessary to carry out its duties.

The Committee determines, and the Bank shall make available appropriate funding, as determined by the Committee, for payment of:

- compensation to the external auditor engaged to prepare or issue an audit report or perform other audit, review or attest services for the Bank;
- compensation to any independent advisers or counsel engaged by the Committee; and
- ordinary administrative expenses that are necessary or appropriate for the Committee to carry out its duties.

#### **Periodic Review of Audit Committee Charter, Applicable Requirements and Self-Evaluation**

The Committee shall review and assess the adequacy of the Committee charter on at least an annual basis, and shall recommend to the Board any amendments it believes to be appropriate. The Board shall review and assess the adequacy of the Committee Charter on an annual basis, shall amend the Committee Charter whenever it deems appropriate to do so, and shall re-approve the Committee charter not less often than every three years.

At least annually, the Committee shall review, with any appropriate professional assistance, the committee's performance in light of the requirements of laws, rules, and regulations that are applicable to its activities and duties. The committee should also assess whether it is operating consistent with applicable regulatory guidance.

Additionally, no less frequently than every two years, the Committee shall assess the costs and benefits of engaging an independent third party to evaluate one or more accounting policy areas and report its findings to the board of directors and the FHFA. If the Committee determines that the results of any such assessment warrant a targeted evaluation, the Committee should then consider the appropriate form and scope of engagement.

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