

# **BROOKLINE BANCORP, INC.**

## **Audit Committee Charter**

**January 17, 2006**

### **I. Purpose**

The Audit Committee (the “Committee”) is a committee of the Board of Directors (the “Board”). Its primary function is to assist the Board in monitoring:

- the integrity of the Company’s financial statements
- the qualifications and independence of the Company’s independent auditor
- the performance of the Company’s internal audit function and independent auditor
- the Company’s disclosure controls and system of internal controls over financial reporting

The Audit Committee shall 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.

The Committee should foster adherence to, and encourage continuous improvement of, the Company’s policies, procedures and practices. The Committee should also provide an open avenue of communication among financial and senior management, the internal audit function, the independent auditor and the Board.

The Committee has the authority, to the extent it deems necessary or appropriate, to retain independent legal, accounting or other advisors. The Company shall provide for appropriate funding, as determined by the Committee, for payment of compensation to the independent auditor for the purpose of rendering or issuing an audit report and to any advisors employed by the Committee.

The Committee will report regularly to the Board. The Committee shall review and assess the adequacy of this Charter annually and recommend any proposed changes to the Board for approval.

### **II. Composition and Meetings**

The Committee shall be comprised of at least three directors, as determined by the Board. Each Committee member shall be an independent director, as defined by all applicable rules and regulations, including the listing standards of Nasdaq, and free from any relationship (including disallowed compensatory arrangements) that, in the opinion of the Board, would interfere with the exercise of his or her independent judgment as a member of the Committee.

All members of the Committee shall 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 have past employment experience in finance or accounting, requisite professional certification in accounting, or other comparable experience. The Board shall determine whether at least one member of the Committee qualifies as an “audit committee financial expert” in compliance with criteria established by the SEC and other relevant

regulations. The existence of such member, including his or her name and whether he or she is independent, shall be disclosed in periodic filings as required by the SEC.

The members of the Committee shall be elected by the Board and shall serve until their successors are duly elected and qualified. Unless a Chair is elected by the full Board, the members of the Committee may designate a Chair by majority vote of the full Committee membership.

The Committee shall meet at least quarterly or more frequently as circumstances dictate. Each regularly scheduled meeting shall conclude with an executive session of the Committee absent members of management and on such terms and conditions as the Committee may choose. As part of its responsibility to foster open communication, the Committee will meet periodically with management, the internal auditor and the independent auditor in separate executive sessions to discuss any matters that the Committee or each of those parties believe should be discussed privately. The Committee will meet quarterly with the independent auditor and management to discuss the Company's financial statements.

### **III. Duties and Responsibilities**

The Committee, to the extent it deems necessary or appropriate, shall:

#### *Financial Statement and Disclosure Matters*

- Review and discuss with management and the independent auditor the Company's annual audited financial statements, including disclosures made in management's discussion and analysis, and recommend to the Board whether the audited financial statements should be included in the Company's Form 10-K.
- Review and discuss with management and the independent auditor the Company's quarterly financial statements prior to the filing of the Company's Form 10-Q, including the results of the independent auditor's review of the quarterly financial statements.
- Discuss with management and the independent auditor significant financial reporting issues and judgments made in connection with the preparation of the Company's financial statements, including any significant changes in the Company's selection or application of accounting principles.
- Review and discuss with management and the independent auditor any major issues as to the adequacy of the Company's internal controls, any special steps adopted in light of material control deficiencies and the adequacy of disclosures about changes in internal control over financial reporting.
- Review and discuss with management and the independent auditor the Company's internal controls report and the independent auditor's attestation of the report prior to the filing of the Company's Form 10-K.
- Review and discuss quarterly reports from the independent auditor on:
  - (a) all critical accounting policies and practices used or to be used
  - (b) all alternative treatments of financial information within generally accepted accounting principles that have been discussed with management, ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the independent auditor
  - (c) other material written communications between the independent auditor and management, such as any management letter or schedule of unadjusted differences

- Discuss with management the Company’s earnings press releases, including the use of “pro forma” or “adjusted” non-GAAP information, as well as financial information and earnings guidance provided to analysts and ratings agencies. Such discussions may be on general terms (i.e., discussion of the types of information to be disclosed and the type of presentation to be made).
- Discuss with management and the independent auditor the effect of regulatory and accounting initiatives as well as off-balance sheet structures on the Company’s financial statements.
- Discuss with management the Company’s major financial risk exposures and the steps management has taken to monitor and control such exposures, including the Company’s risk assessment and risk management policies.
- Review with management, corporate counsel and the independent auditor the status of legal matters, including the significance of such matters on the Company’s financial statements, and the adequacy of disclosures regarding such matters in the Company’s financial statements and SEC filings.
- Review with management and the independent auditor all related party transactions and determine that all required disclosures are included in the Company’s annual report and annual proxy statement.
- Review with the independent auditor the matters required to be discussed by Statement on Auditing Standards No. 61 relating to the conduct of the audit, any difficulties encountered in the course of the audit, any restrictions on the scope of activities or access to requested information, and any significant disagreements with management.
- Review disclosures made to the Audit Committee by the Company’s chief executive officer and chief financial officer during their certification process for the Form 10-K and Form 10-Q about any significant deficiencies in the design or operation of internal controls or material weaknesses therein and any fraud involving management or other employees who have a significant role in the Company’s internal controls.
- Ensure that a public announcement of the Company’s receipt of an audit opinion that contains a going concern qualification is made promptly.

*Oversight of the Company’s Relationship with the Independent Auditor*

- Appoint, compensate and oversee the work performed by the independent auditor for the purpose of preparing an audit report on the Company’s financial statements or related work. Review the performance of the independent auditor and remove the independent auditor if circumstances warrant. The independent auditor shall report directly to the Committee and the Committee shall oversee the resolution of disagreements between management and the independent auditor in the event they arise. Consider whether the auditor’s performance of permissible non-audit services is compatible with the auditor’s independence.
- Review and evaluate the lead partner of the independent auditor team. Ensure the rotation of the lead audit partner and the audit partner responsible for reviewing the audit as required by law.
- Obtain and review a report from the independent auditor at least annually regarding:
  - (a) the internal quality control procedures of the independent auditor’s firm
  - (b) any material issues raised by the most recent internal quality control review, peer review or by any inquiry or investigation by governmental or professional authorities, within the preceding five years, respecting one or more independent audits carried out by the firm, and any steps taken to deal with any such issues
  - (c) all relationships between the independent auditor and the Company

- Review and pre-approve both audit and non-audit services to be provided by the independent auditor (other than with respect to non-significant exceptions permitted by the Sarbanes-Oxley Act of 2002) in accordance with the Company's pre-approval policy presented on Attachment A hereto.
- Meet with the independent auditor prior to the audit to discuss the planning and staffing of the audit.
- Discuss with the independent auditor material issues on which the national office of the independent auditor was consulted by the Company's audit team.
- Employees or former employees of the independent auditor who participated in any capacity in the audit of the Company will not be hired by the Company unless (a) it is determined that such a hiring would not violate any rules and regulations and (b) the hiring is pre-approved by the Board.

#### *Oversight of the Company's Internal Audit Function*

- Review and approve the appointment and replacement of the senior internal audit executive or any independent firm engaged to perform internal audit services. If an independent firm is engaged, review the qualifications of the firm, including the lead auditor assigned to perform the audit services, and approve the fees for the services rendered.
- Review activities, organizational structure and qualifications of the internal audit function.
- Review the significant reports to management prepared by the internal auditor and management's responses.
- Review the internal audit charter annually and recommend changes, if any.
- Review periodically with the independent auditor the budget, staffing and responsibilities of the internal audit function.
- Review periodically with the internal auditor any significant difficulties, disagreements with management or scope restrictions encountered in the course of the function's work.

#### *Other Responsibilities*

- Discuss with management and the independent auditor any correspondence with regulators or governmental agencies and any reports which raise material issues regarding the Company's financial statements or accounting policies.
- Obtain from the independent auditor assurance that the Audit Committee has been adequately informed of any illegal act detected by, or which comes to the attention of, the independent auditor and that any specific conclusions reached by the independent auditor with respect to such illegal acts have been reported to the Audit Committee.
- Approve all related party transactions that require disclosure in the proxy statement pursuant to Item 404 of SEC Regulation S-K.
- Establish procedures for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters, and the confidential, anonymous submission by employees of concerns regarding questionable accounting or auditing matters.

#### **IV. Limitation of Audit Committee's Role**

While the Committee has the responsibilities and powers set forth in this Charter, it is not the duty of the Committee to plan or conduct audits or to determine that the Company's financial statements and disclosures are complete and accurate and are in accordance with generally

accepted accounting principles and applicable rules and regulations. These are the responsibilities of management and the independent auditor.

## **Attachment A**

### **Audit Committee Pre-Approval Policy**

#### **I. Statement of Principles**

The Audit Committee (the “Committee”) is required to pre-approve the audit and non-audit services performed by the independent auditor in order to assure that the provision of such services does not impair the auditor’s independence. Unless a type of service to be provided by the independent auditor has received general pre-approval, it will require specific pre-approval by the Committee. Any proposed services exceeding pre-approved cost levels will require specific pre-approval by the Committee.

The appendices to this policy describe the audit, audit-related and tax services that have the pre-approval of the Committee. The term of any general pre-approval is 12 months from the date of pre-approval, unless the Committee specifically provides for a different period. The Committee will revise the list of pre-approved services periodically based on subsequent determinations.

#### **II. Delegation**

The Audit Committee may delegate pre-approval authority to one or more of its members. The member or members to whom such authority is delegated shall report any pre-approval decisions to the Committee at its next scheduled meeting. The Committee does not delegate its responsibilities to pre-approve services performed by the independent auditor to management.

#### **III. Audit Services**

The annual audit services engagement terms and fees will be subject to the specific pre-approval of the Committee. The Committee will approve, if necessary, any changes in terms, conditions and fees resulting from changes in audit scope, Company structure or other matters.

In addition to the annual audit services engagement approved by the Committee, the Committee may grant pre-approval for other audit services, which are those services that only the independent auditor reasonably can provide. The Committee has pre-approved the audit services listed in Appendix A. All other audit services not listed in Appendix A must be pre-approved by the Committee.

#### **IV. Audit-Related Services**

Audit-related services are assurance and related services that are reasonably related to the performance of the audit or review of the Company’s financial statements and that are traditionally performed by the independent auditor. The Committee believes that the provision of audit-related services does not impair the independence of the auditor and has pre-approved the audit-related services listed in Appendix B. All other audit-related services not listed in Appendix B must be pre-approved by the Committee.

## **V. Tax Services**

The Committee believes that the independent auditor can provide tax services to the Company such as preparation of tax returns, tax compliance, tax planning and tax advice without impairing the auditor's independence. However, the Committee will not permit the retention of the independent auditor in connection with a transaction initially recommended by the independent auditor, the purpose of which may be tax avoidance and the tax treatment of which may not be supported by the Internal Revenue Code and related regulations. The Committee has pre-approved the tax services listed in Appendix C. All tax services involving large and complex transactions not listed in Appendix C must be pre-approved by the Committee.

## **VI. All Other Services**

All other services not addressed in the above sections may be provided by the independent auditor only if such services do not impair the auditor's independence. The Committee has not pre-approved a list of other services. All other services require specific pre-approval by the Committee.

A list of the SEC's prohibited non-audit services is attached to this policy as Exhibit 1. The SEC's rules and relevant guidance should be consulted to determine the precise definitions of these services and the applicability of exceptions to certain of the prohibitions.

## **VII. Pre-Approval Fee Levels**

Pre-approval fee levels for all services to be provided by the independent auditor will be established periodically by the Committee. Any proposed services exceeding these levels will require specific pre-approval by the Committee.

## **VIII. Supporting Documentation**

With respect to each proposed pre-approved service, the independent auditor will provide detailed back-up documentation to the Committee regarding the specific services to be provided.

## **IX. Procedures**

Requests or applications to provide services that require approval by the Committee will be submitted to the Committee by both the independent auditor and the chief financial officer of the Company, and must include a statement by each of them as to whether, in their view, the request or application is consistent with the SEC's rules on auditor independence.

**Appendix A****Pre-Approved Audit Services for the Year 2006**

Approved January 17, 2006

**Service****Range of Fees**

Services associated with SEC registration statements, periodic reports and other documents filed with the SEC or other documents issued in connection with securities offerings (e.g. comfort letters, consents), and assistance in responding to SEC comment letters

\$1,000 - \$25,000

Consultations by the Company's management as to the accounting or disclosure treatment of transactions or events and/or the actual or potential impact of final or proposed rules, standards or interpretations by the SEC, FASB or other regulatory or standard-setting bodies. (Under SEC rules, some consultations may be "audit" services rather than "audit-related" services)

\$1,000 - \$15,000

**Appendix B****Pre-Approved Audit-Related Services for the Year 2006**

Approved January 17, 2006

**Service****Range of Fees**

Agreed-upon procedures related to verification of calculations pertaining to the Company's management performance bonus awards

\$1,000 - \$5,000

Consultations by the Company's management as to the accounting or disclosure treatment of transactions or events and/or the actual or potential impact of final or proposed rules, standards or interpretations by the SEC, FASB or other regulatory or standard-setting bodies. (Under SEC rules, some consultations may be "audit-related" services rather than "audit" services)

\$1,000 - \$15,000

Due diligence services pertaining to potential business acquisitions

\$1,000 - \$75,000

**Appendix C****Pre-Approved Tax Services for the Year 2006**

Approved January 17, 2006

**Service****Range of Fees**

Preparation of U.S. federal and state income and other tax returns

\$20,000 - \$50,000

Tax compliance and tax advisory services that do not impair independence

\$5,000 - \$20,000

## **Exhibit 1**

### **Prohibited Non-Audit Services**

- Bookkeeping or other services related to the accounting records or financial statements of the Company
- Financial information systems design and implementation
- Appraisal or valuation services, fairness opinions or contribution-in-kind reports
- Actuarial services
- Internal audit outsourcing services
- Management functions
- Human resources
- Broker-dealer, investment adviser or investment banking services
- Legal services
- Expert services unrelated to the audit