



CAMBRIDGE BANCORP

AUDIT COMMITTEE CHARTER

(Approved July 17, 2017)

The Board of Directors (the “Board”) of Cambridge Bancorp (the “Company”) has established an Audit Committee (the “Committee”) and approved this Charter to outline its role and duties.

I. Statement of Purpose

The Committee shall assist the Board’s oversight of the Company’s accounting and financial reporting processes, including its internal audit function, risk management oversight, the external and internal audits of the Company’s financial statements, the integrity of the financial statements of the Company, the qualifications, independence and performance of the independent auditor engaged by the Company and compliance with applicable legal and regulatory requirements.

II. Structure and Membership

1. Number. The Committee shall consist of at least three members (the “Members”) of the Board.
2. Independence. Except as otherwise permitted by the applicable NASDAQ rules, each Member shall be independent as defined by NASDAQ rules, meet the criteria for independence set forth in Rule 10A-3(b)(1) under the Securities Exchange Act of 1934 (the “Exchange Act”) (subject to the exemptions provided in Rule 10A-3(c)), and not have participated in the preparation of the financial statements of the Company or any current subsidiary of the Company at any time during the past three years. Specifically, the NASDAQ rules state that a director does not qualify as “independent” if:
 - (a) such director is, or during the past three years was, an employee of the company or any parent or subsidiary of the company or an immediate family member of an individual who is, or in the past three years has been, employed by the company or any parent or subsidiary of the company as an executive officer. Prior service as an interim Chairman or Chief Executive Officer will not disqualify an otherwise independent director;
 - (b) such director accepts or has an immediate family member who accepts any payments from the company or any parent subsidiary of the company in excess of \$120,000

- during the current or any of the past three fiscal years. This disqualification does not apply to (i) compensation for board service, (ii) payments arising solely from investments in the company's securities if available to all security holders, (iii) compensation to an immediate family member who is a non-executive employee of the company or of a parent or subsidiary of the company, (iv) compensation for prior service as an interim Chairman or Chief Executive Officer, (v) benefits under a tax-qualified retirement plan, (vi) non-discretionary compensation, or (vii) personal loans to executives permitted by the Securities Exchange Act of 1934, as amended;
- (c) such director is, or has an immediate family member who is, a partner in, or a controlling shareholder or an executive officer of, any organization to which the company made, or from which the company received, payments (other than payments arising solely from investments in the company's securities and available to all security holders or payments under non-discretionary charitable contribution matching programs) that exceed the greater of 5% of the recipient's gross revenues for that year or \$200,000, in any of the most recent three fiscal years;
 - (d) such director is, or has an immediate family member who is, employed as an executive officer of another company at any time during the most recent three fiscal years at which any of the listed company's officers serve on such other company's compensation committee; or
 - (e) such director is, or has an immediate family member who is, a current partner of the company's outside auditor, or such director or immediate family members was a partner or employee of the company's outside auditor who worked on the company's audit engagement at any time during the past three fiscal years.
3. Financial Literacy. Each Member of the Committee must be able to read and understand fundamental financial statements, including the Company's balance sheet, income statement, and cash flow statement, at the time of his or her appointment to the Committee. In addition, at least one Member must have past employment experience in finance or accounting, requisite professional certification in accounting, or any other comparable experience or background which results in the individual's financial sophistication, including being or having been a chief executive officer, chief financial officer or other senior officer with financial oversight responsibilities.
 4. Chair. The Board shall designate one Member to serve as Chairperson.
 5. Compensation. The compensation of Members shall be as determined by the Board or a committee thereof charged with such duty. No Member may receive, directly or indirectly, any consulting, advisory or other compensatory fee from the Company or any of its subsidiaries, other than fees paid in his or her capacity as a member of the Board or a committee of the Board.
 6. Selection and Removal. Each member shall be appointed by the Board, upon the recommendation of the Corporate Governance Committee and shall serve until his or her successor is duly elected. No Committee member shall simultaneously serve on the audit

committees of more than two other public companies, unless the Board has determined that such simultaneous service would not impair the ability of such member to effectively serve on the Committee.

III. Authority and Responsibilities

General

The Committee shall discharge its responsibilities, and shall assess the information provided by the Company's management, internal audit function and the independent auditor, in accordance with its business judgment. Management is responsible for the preparation, presentation and integrity of the Company's financial statements and for the appropriateness of the accounting principles and reporting policies that are used by the Company. The independent auditors are responsible for auditing the Company's financial statements and for reviewing the Company's unaudited interim financial statements. The authority and responsibilities set forth in this Charter do not reflect or create any duty or obligation of the Committee to plan or conduct any audit, to determine or certify that the Company's financial statements are complete, accurate, fairly presented, or in accordance with generally accepted accounting principles or applicable law, or to guarantee the independent auditor's report.

Oversight of Independent Auditors

1. Selection. The Committee shall be solely and directly responsible for appointing, evaluating, retaining and, when necessary, terminating the engagement of the independent auditor. The Committee may, in its discretion, seek shareholder ratification of the independent auditor it appoints.
2. Independence. The Committee shall take appropriate action to oversee the independence of the independent auditor. In connection with this responsibility, the Committee shall obtain and review a formal written statement from the independent auditor describing all relationships between the auditor and the Company, including the disclosures required by Independence Standards Board Standard No. 1. The Committee shall actively engage in dialogue with the auditor concerning any disclosed relationships or services that might impact the objectivity and independence of the auditor.
3. Compensation. The Committee shall have sole and direct responsibility for setting the compensation of the independent auditor. The Committee is empowered, without further action by the Board, to cause the Company to pay the compensation of the independent auditor.
4. Preapproval of Services. The Committee shall preapprove all audit services to be provided to the Company, whether provided by the principal auditor or other firms, and all other services (review, attest and non-audit) to be provided to the Company by the independent auditor.
5. Oversight. The independent auditor shall report directly to the Committee, and the Committee shall have sole and direct responsibility for overseeing the work of the

independent auditor, including resolution of disagreements between Company management and the independent auditor regarding financial reporting. In connection with its oversight role, the Committee shall, from time to time as appropriate, receive and consider the reports required to be made by the independent auditor regarding:

- critical accounting policies, estimates and practices;
- alternative treatments within generally accepted accounting principles for policies and practices related to material items that have been discussed with Company management, including ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the independent auditor; and
- other material written communications between the independent auditor and Company management including how the Company's system of financial and internal controls compare with industry practices.

The committee will periodically evaluate the qualifications, performance and independence of the independent auditor, including (a) obtaining periodic reports on the independent auditor's quality control procedures, any material issues raised by recent internal quality control and peer reviews of the auditor and any recent inquiry or investigation by governmental or professional authorities respecting any independent audits carried out by the auditor, and any steps taken to deal with such issues, (b) monitoring the independent auditor's relationships with the Company and the Bank, and (c) ensuring the requisite rotation, and limitations on the employment, of auditor personnel, and present its conclusions to the Board.

Audited Financial Statements

1. Review and Discussion. The Committee shall review and discuss with the Company's management and independent auditor the Company's annual audited financial statements, including the matters about which Statement on Auditing Standards No. 16 (Communications with Audit Committees) requires discussion, and quarterly unaudited financial statements, and other significant financial statements and reports of a financial nature. This review will include the financial reporting process and the quality and adequacy of the Company's internal controls designed to provide reasonable assurance as to the integrity, objectivity, consistency and fair presentation of the financial statements of the Company, including (a) any significant deficiencies or material weaknesses in the design or operation of those controls that could adversely affect the Company's ability to accurately record, process, summarize and report financial data in a timely fashion, (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal controls and (c) any arrangements that affect or are relevant to develop an understanding of the financial statements.
2. Recommendation to Board Regarding Financial Statements. The Committee shall determine whether it will recommend to the Board that the Company's audited financial statements be included in the Company's Annual Report on Form 10-K, and as appropriate, make recommendations with respect to Form 10-Q filings and related financial statements.

3. Audit Committee Report. The Committee shall prepare an annual committee report for inclusion where necessary in the proxy statement of the Company relating to its annual meeting of security holders.

Oversight of Internal Audit and Risk Management

1. Administrative Oversight. The Director of Internal Audit shall report directly to the Committee however administratively to the Chief Financial Officer of the Company. The Committee shall: (a) approve, select and/or terminate the internal auditor; (b) participate in the performance evaluation and determination of compensation for the internal auditor; and (c) review the charter, organizational structure and budget for the internal audit function.
2. Oversight of Internal Audit Activities. The Committee shall oversee the scope of work of the Internal Audit function including review and monitoring of; (a) the annual goals and objectives; (b) the findings of internal audits and related management responses and actions; (c) the adequacy and effectiveness of internal accounting controls and compliance with applicable regulations; (d) the effectiveness of the electronic data processing procedures, controls and related security programs; and (e) review the independent auditors' letter to management, and other comments, if any, regarding the system of internal accounting controls and review any management response thereto.
3. Risk Management. The Committee shall oversee, review and monitor, including discussing with management, the internal auditors and the independent auditor, the Company's and the Bank's major risk exposures and the steps management is taking to monitor and control such exposures, including the Company's enterprise risk management approach, risk assessment and risk management policies.

Internal Controls, Whistleblower Policy, and Compliance with Laws and Regulations

1. Controls & Procedures. The Committee shall administer the Board's oversight of the Company's internal control over financial reporting, disclosure controls and report any known or possible violations of the Code of Ethics to the Corporate Governance Committee. The Committee shall receive and review the reports of the Chief Executive Officer and Chief Financial Officer required by Rule 13a of the Exchange Act.
2. Procedures for Complaints. The Committee shall establish procedures for (i) the receipt, retention and treatment of complaints received by the Company regarding accounting, compliance, internal accounting controls or auditing matters; and (ii) the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting, compliance or auditing matters.
3. Compliance with Laws and Regulations. The Committee shall review the Company's policies related to compliance with laws, regulations, conflicts of interest and the investigation of misconduct or fraud and the implementation of such policies. The

Committee shall monitor findings related to compliance and management responses and actions to resolve any findings.

4. Communications. The Committee shall provide an open avenue of communication among the Committee, the internal auditor, the independent auditor, management and the Board.
5. Additional Powers. The Committee shall have such other duties as may be delegated from time to time by the Board.

IV. Procedures and Administration

1. Meetings. The Committee shall meet as often as it deems necessary in order to perform its responsibilities, but in any event, no less than once per quarter. The presence (either in person or via a telecommunications device) of a majority of all members shall constitute a quorum for the transaction of business, and the affirmative vote of a majority of the members present shall be sufficient to take any action. The Committee may also act by unanimous written consent in lieu of a meeting. The Committee shall keep minutes of all meetings. The Committee may invite members of management, auditors, or others to attend meetings and provide pertinent information as necessary. It will periodically meet separately in executive session with management, with internal auditors and with the independent auditor. Meeting agendas will be prepared and provided in advance to members, along with appropriate briefing materials.
6. Subcommittees. The Committee may form and delegate authority to one or more subcommittees (including a subcommittee consisting of a single member), as it deems appropriate from time to time under the circumstances. Any decision of a subcommittee to preapprove audit, review, attest or non-audit services shall be presented to the full Committee at its next scheduled meeting.
7. Reports to the Board. The Committee shall report regularly to the Board the results of Committee activities and 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 Company's independent auditors, and the performance of the internal audit function.
8. Charter & Assessment. The Committee shall instruct management to publicly disclose the charter and any amendments to the charter on the Company's website and/or as otherwise required by the Securities and Exchange Commission ("SEC"), the regulations of the primary market on which the Company's common stock is traded, and rules or regulations of any other regulatory body having authority over the Company or its securities. At least annually, the Committee shall review and reassess the adequacy of this Charter and recommend any proposed changes to the Board for approval. Additionally, the Committee will periodically assess the performance of the Committee and report to the Board.

9. Independent Advisors. The Committee is authorized, without further action by the Board, to engage such independent legal, accounting and other advisors as it deems necessary or appropriate to carry out its responsibilities. Such independent advisors may be the regular advisors to the Company. The Committee is empowered, without further action by the Board, to cause the Company to pay the compensation of such advisors as established by the Committee.

10. Funding. The Committee is empowered, without further action by the Board, to cause the Company to pay the ordinary administrative expenses of the Committee that are necessary or appropriate in carrying out its duties.