

CHARTER
CANANDAIGUA NATIONAL CORPORATION AND
THE CANANDAIGUA NATIONAL BANK AND TRUST COMPANY
AUDIT AND RISK COMMITTEE

1. *Audit and Risk Committee Composition and Meetings*

The Audit and Risk Committee shall be comprised of three or more directors as determined by the Board of Directors. Audit and Risk Committee members shall be recommended by the Chairman of the Board of Directors and approved by Board of Directors.

Audit and Risk Committee members shall be outside directors and independent of management as defined in 12 CFR §363.5(a). An outside director is a director who is not, and within the preceding fiscal year has not been, an officer or employee of the institution or any affiliate of the institution.

The Audit and Risk Committee shall meet quarterly, or more frequently as circumstances dictate. The Audit and Risk Committee Chair shall approve an agenda in advance of each meeting. The Audit and Risk Committee will communicate with management quarterly and the External Auditor at least annually to discuss the Company's financial statements.

2. *Management Responsibilities*

It is the responsibility of management to prepare the Company's financial statements and ensure they are complete and accurate and are in accordance with generally accepted accounting principles. The Federal Deposit Insurance Corporation Improvement Act requires management to design, document, evaluate, and report on the effectiveness of operations of its internal control over financial reporting. Further, it is the responsibility of management to assure compliance with laws and regulations and the Company's Code of Conduct.

3. *Audit and Risk Committee Purpose*

The Audit and Risk Committee is appointed by the Board of Directors to assist the Board in fulfilling its oversight responsibilities. The Committee will work with management, the Board of Directors and the Internal and External Auditor in an open, positive and constructive manner. It will be visible and will clearly communicate the Committee's role and expectations to appropriate groups within the Company. It will be a constructive resource to management, will be well-informed and knowledgeable about the business and will provide leadership by building and maintaining supportive and trusting relationships with management and the auditors. The Committee will help establish the overall tone for quality financial reporting, sound business risk controls and ethical behavior throughout the Company.

The Audit and Risk Committee's primary functions are to:

- Monitor the integrity of the Company's financial reporting process and system of internal controls regarding finance, accounting, security, regulatory and legal compliance.
- Monitor the independence and performance of the Company's External Auditor and internal auditing department.
- Provide an avenue of communication among the External Auditor, management, the internal auditing department, and the Board of Directors.

Audit and Risk Committee Charter (cont.)

- Arrange at least once during each calendar year for a suitable audit of significant fiduciary activities as described in 12 CFR 9.
- Review with the Internal Auditor the Risk Assessment program and approve the annual internal audit plan.
- Monitor quarterly internal audit's adherence to the approved internal audit plan.
- Consider for expansion of basic internal audit work when significant issues arise or when significant changes occur in the institution's environment, structure, activities, risk exposures, or systems.
- Receive reports and documents related to all subsidiaries' internal and External Audit activities.

The Audit and Risk Committee has the authority to conduct any investigation appropriate to fulfill its responsibilities, and it has direct access to the External Auditor as well as anyone in the organization. The Audit and Risk Committee has the ability to retain, at the Company's expense, special legal, accounting, or other consultants or experts it deems necessary in the performance of its duties.

4. Audit and Risk Committee Responsibilities and Duties

Review Procedures

- Review and reassess the adequacy of this Charter at least annually and submit the Charter to the Board of Directors for approval.
- Review the Company's annual audited financial statements and reports as needed including discussion with management and External Auditor of significant issues regarding critical accounting policies, practices, and judgments.
- Review significant findings prepared by the External Auditor and the internal auditing department together with management's responses.

External Auditor Engagement

- Be directly responsible for the appointment, compensation, and oversight of the work undertaken by any public accounting firm employed for the purpose of issuance of the audit report.
- Review the independence and performance of the auditors and annually engage the External Auditor or discharge the auditors when circumstances warrant.
- Review and discuss with the External Auditor on an annual basis all significant relationships they have with the Company that could impair the auditor's independence.

Audit and Risk Committee Charter (cont.)

- Review the External Auditor's audit plan including scope, staffing, locations, reliance upon management and internal audit, and general audit approach.
- Discuss the results of the audit with the External Auditor, including certain matters required to be communicated to the Audit and Risk Committee.
- Observe all requirements and restrictions pertaining to the External Audit.
 - All services provided by the External Auditor are to be pre-approved by the Audit and Risk Committee. The Chair of the Audit and Risk Committee may approve engagement of services that arise between Audit and Risk Committee meetings.
 - The External Auditor is prohibited from providing the following non-audit services: bookkeeping; financial information systems design and implementation; appraisal or valuation; actuarial services; internal audit outsourcing; management functions or human resources; broker dealer, investment advisor or investment banking; legal or expert services unrelated to the audit; any other service determined by the Board to be impermissible.
 - The lead External Audit partner and reviewing partner are required to rotate off the engagement after 5 years and must stay off the engagement for 5 years. Other partners (non-lead, tax or other specialist partners) must rotate after seven years and must stay off the engagement for two years. The Audit and Risk Committee will evaluate the partners on the account to ensure they meet the rotation requirement at time of audit proposal.

Other External Audit Engagements

- Be directly responsible for the appointment, compensation, and oversight of the work undertaken by the External Auditor for income tax compliance services or related work.
- Engage third party vendors to assist the Internal Audit Department in fulfilling its schedule, e.g. External Loan Review and IT.

Internal Audit Department

- Review the budget, staffing, schedule, activities, risk assessment, and independence of the internal audit department.
- Review the appointment and performance of the Chief Auditor.
- Ensure that the Chief Auditor reports directly to the Audit and Risk Committee regarding audit issues and is apprised of department administrative matters, e.g. resources, appraisals, and compensation by Bank executives.
- Review reports prepared by the internal audit department together with management's response and follow-up to these reports.

Audit and Risk Committee Charter (cont.)

Enterprise Risk Management

- The Audit and Risk Committee recognizes that together with Executive Management, it is responsible for ensuring that CNC/CNB's risks are managed in a sound manner. The Audit and Risk Committee is responsible for oversight of the Enterprise Risk Management Program. The Audit and Risk Committee will be expected to receive an Enterprise Risk Management report quarterly providing risk ratings or trends in Risk Categories identified in the Enterprise Risk Management policy. In addition to the Audit and Risk Committee, the Board Committees provide oversight to the Risk Management process within their scope of responsibilities.

Other Audit and Risk Committee Responsibilities

- Review with the Company's counsel any legal matters that could have a significant impact on the organization's financial statements.
- 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 the Company of concerns regarding questionable accounting or auditing matters (Whistleblower Program).
- Approve an annual report of the Committee for inclusion in the Company's proxy statement, in accordance with applicable rules and regulations.
- Maintain minutes of meetings and periodically report to the Board of Directors on significant results of the foregoing activities.
- Perform any other activities consistent with this Charter, the Company's by-laws, and governing law, as the Committee or the Board of Directors deems necessary or appropriate.

Audit and Risk Committee revision: 11/4/2020

Nominating and Governance Approval: 01/06/2021

Board Approval: 04/21/2021