

**CHARTER OF THE ENTERPRISE RISK MANAGEMENT COMMITTEE  
OF  
THE BOARD OF DIRECTORS  
OF  
THE FAUQUIER BANK**

**I. Purpose**

The purpose of the Enterprise Risk Management Committee (the “Committee”) of the Board of Directors (the “Board”) of The Fauquier Bank (“TFB”) is to assist the Board in its oversight of (i) strategic and emerging risks that have the potential to impact TFB, (ii) the risk management function and activities of TFB, (iii) the effectiveness of risk management systems, practices and procedures developed by management.

**II. Structure**

The Committee shall consist of no fewer than four (4) members of the TFB Board. All members of the Committee shall meet the applicable independence (or similar) requirements of The NASDAQ Stock Market, Inc. and any other applicable regulatory authority. One of the Committee members shall be designated by the Board to serve as Chairman of the Committee. The Chairman of the Committee shall preside at all meetings of the Committee. In the absence of the Chairman, and provided a quorum is present, the remaining members of the Committee may designate from among the Committee’s membership a Chairman *pro tem* to preside at such meeting. Members of the Committee shall be appointed annually by the Board, or more frequently in the case of vacancies, and shall serve at the pleasure of the Board. The members shall serve until their resignation, retirement, or removal by the Board or until successors shall be appointed and qualified. All members of the Committee shall have a working familiarity with basic finance and accounting or related financial management expertise and at least one member shall have past employment experience in finance and accounting, or 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.

**III. Responsibilities and Duties**

The Committee will carry out the following responsibilities in coordination, where appropriate, with the Board and other Board committees:

- Assist the Board in identifying, assessing, mitigating and monitoring reasonably potential material enterprise risks, in coordination with other Board committees that perform specific risk functions and monitoring through their respective activities, and while recognizing that management is responsible for the day to day management of risks.
- Oversee, on the basis of proposals from management, the creation and subsequent assessment of an ERM Framework and Risk Appetite Statement for approval by the Board in relation to the management of risk. The ERM Framework and Risk Appetite

Statement will include the definitions of the categories of risk and include qualitative, quantitative and tolerance standards in relation to each category. The ERM Framework and Risk Appetite Statement will be reviewed periodically (and at least annually) to take into account changes in the internal and external environment, as well as reports and findings of the Audit Committee as they relate to the performance of controls.

- Review the adequacy of the resources to perform its risk management responsibilities.
- Review the scope of work of the enterprise risk management function and planned activities with respect to the risk management activities.
- Review all regulatory reports from regulatory agencies relating to risk management and regulatory compliance and the responses to such reports.
- Review and make recommendations to the Board about the Board's role in holding management accountable for controlling and managing risk, and offering credible challenges to management regarding risk management when necessary or appropriate.
- Review and approve annually all risk management policies, systems, practices and procedures developed by management.
- Meet with the Chief Executive Officer, Chief Financial Officer, Chief Credit Officer, Chief Information Officer, The Security Officer and other members of management and other Board committees, as needed or advisable, to discuss matters related to risk management.
- Review and recommend to the Board the approval of any major transactions or decisions affecting TFB's risk profile or exposure.
- Monitor the processes for identifying and monitoring significant risks.
- Approve and monitor, with management, acceptable levels of risk tolerance.
- Receive regular reports from members of senior management on areas of material enterprise risk to TFB.
- Review various risk management reports prepared by members of management at regular intervals during the year. This review should include, at least annually, an assessment of enterprise risks that have the potential to affect TFB. In addition, the review should include discussion with management of significant issues regarding (i) emerging risks that warrant immediate attention, (ii) gaps in risk management capabilities, (iii) the status of improvement initiatives, (iv) exceptions versus policy and established limits, and (v) changes in key variables beyond management's control (e.g., interest rates or regulatory requirements) and their potential effect on earnings, cash flow, capital and/or the business plan.
- Perform other activities related to this charter as requested by the Board.
- Institute and oversee special investigations, as advisable or necessary, and receive reports on litigation and fraud.

#### **IV. Operations and Meetings**

The Committee shall establish its own rules of procedure, which shall be consistent with the Bylaws of TFB and this charter. Meetings of the Committee shall occur from time to time as called by the Chairman of the Committee or as requested by the Board or the Board's Chairman, but not less frequently than four times annually. The Committee shall meet separately, periodically, with the Chief Executive Officer, Chief Financial Officer, Chief Credit Officer,

Chief Information Officer, and Security Officer and with internal and external auditors. A minimum of three (3) members of the Committee shall constitute a quorum and all matters shall be determined by a majority vote of the members present. The Committee may at any time adjourn to an Executive Session at which only members of the Committee and invited guests may be present.

The Committee shall utilize such resources, in its capacity as a Committee of the Board, as the Committee shall determine to be necessary and proper to (i) compensate any other advisor employed by the Committee including, but not limited to, independent counsel if determined by the Committee to be necessary to carry out its duties and responsibilities, (ii) pay such administrative expenses as are necessary and appropriate to carry out its duties and responsibilities, and (iii) investigate any issues the Committee deems important. The Committee shall have an open and unrestricted communication channel with all employees of TFB, as well as internal and external auditors or accountants, consultants, advisors and independent counsel.

#### **V. Reports**

The Committee shall keep written minutes and other relevant records of each meeting, which are subject to the approval by the members of the Committee and, once approved, shall be provided to the Board for its review and/or ratification and maintained with the books and records of TFB. Said documentation will be compiled by the Corporate Secretary. Following each of the meetings of the Committee, the Chairman of the Committee shall report to the Board regarding the activities of the Committee.

#### **VI. Annual Performance Evaluation**

The Committee shall annually undertake a self-evaluation of the Committee, including its effectiveness and compliance with this charter. The Committee shall deliver to the Board a report setting forth the results of its evaluation, including any recommended amendments to this charter and any recommended changes to TFB policies and procedures, which shall then be discussed with the full Board and acted upon as appropriate.

#### **VII. Reliance on Others**

Nothing in this charter is intended to preclude or impair any protection provided by applicable law for good faith reliance by members of the Committee on reports or other information provided by others.

Approved by the Board of Directors October 19, 2017

*Edna T. Brannan*

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Secretary