

**Fauquier Bankshares, Inc.**  
**Board of Directors**  
**Audit Committee Charter**

**Statement of Policy**

A soundly conceived, effective Audit Committee is essential to the management, operation, and financial reporting process of Fauquier Bankshares, Inc. and its subsidiaries (the “Company”). The Audit Committee shall provide assistance to the Board of Directors in fulfilling its responsibilities to the shareholders, potential shareholders, and investment community in overseeing and monitoring (1) the quality and integrity of the Company’s financial statements and the Company’s accounting and financial reporting processes, (2) the independent public accountant’s qualifications, independence and performance, (3) the performance of the Company’s internal audit function, and (4) the compliance by the Company with legal and regulatory requirements. In so doing, it is the responsibility of the Audit Committee to maintain free and open communication between the directors, the independent public accountant, the internal auditors, and the management of the Company.

The Audit Committee shall have the sole authority to select, evaluate and, where appropriate, replace the independent public accountant. The Audit Committee shall be directly responsible for the compensation and oversight of the work of the independent public accountant (including resolution of disagreements between management and the independent public accountant regarding financial reporting) for the purpose of preparing or issuing an audit report or related work. The independent public accountant shall report directly to the Audit Committee.

**Organization**

**Members**

The Audit Committee shall be composed of at least three (3) directors who are independent of the management of the Company and are free of any relationship that, in the opinion of the Board of Directors, would interfere with their exercise of independent judgment as a committee member. Each member of the Audit Committee shall meet the independence, experience, and financial literacy requirements of the listing requirements of The NASDAQ Stock Market, Inc., Section 10A(m)(3) of the Securities Exchange Act of 1934 (the “Exchange Act”) and the rules and regulations of the Securities and Exchange Commission (the “Commission”), as determined by the Board. At least one member of the Audit Committee shall have past employment experience in finance or accounting, requisite professional certification in accounting or any other comparable experience or background which results in the member’s financial sophistication. In addition, at least one member of the Audit Committee shall be an “audit committee financial expert” as defined by the Commission, or the Company shall explain why it has

no such expert in the Company's annual report. Audit Committee members shall not simultaneously serve on the audit committee of more than two other public companies. The members of the Audit Committee and its Chair shall be annually appointed by the Board of Directors. Audit Committee members may be replaced by the Board.

Committee membership standards will be maintained in accordance with applicable banking laws and regulations.

### **Meetings**

The Audit Committee shall meet as often as it determines, but not less frequently than once per fiscal quarter. For the transaction of business at any meeting of the Audit Committee, a majority of the members shall constitute a quorum. The act of a majority of the committee members participating at any meeting of the Audit Committee at which a quorum is present shall be the act of the Audit Committee.

At the committee's discretion, the management of the Company, the internal auditors, the independent public accountant and/or Corporate Secretary may be requested to attend any meeting or portion thereof of the Audit Committee. Any such attendance by a person who is not a member of the Audit Committee shall be in a non-voting capacity.

The Audit Committee shall provide an open avenue of communication between the internal auditors and independent public accountant and the Audit Committee, and periodically shall meet separately in private sessions with management, the internal auditors, and the independent public accountant. The Audit Committee shall report on its activities to the Board of Directors on a regular basis.

### **Minutes**

Minutes shall be prepared for all meetings of the Audit Committee to document the committee's discharge of its responsibilities. The minutes shall provide an accurate record of the proceedings, and shall be reviewed and approved by Committee members prior to being presented to the Board of Directors.

### **Annual Evaluation and Charter**

The Audit Committee shall evaluate the performance of the Audit Committee annually, and review and reassess the adequacy of the Audit Committee Charter annually and recommend any proposed changes to the Board of Directors for approval.

### **Outside Advisors**

The Audit Committee shall have 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 Audit Committee, for

payment of: (i) compensation to the independent public accountant for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Company; (ii) compensation to any advisors employed by the Audit Committee; and (iii) ordinary administrative expenses of the Audit Committee necessary or appropriate to carry out its duties.

### **Authority and Responsibilities**

The Audit Committee has authority to conduct or authorize investigations into any matters within its scope of responsibilities.

In fulfilling its stated role under the Audit Committee's Statement of Policy, the responsibilities of the Audit Committee are as follows:

### ***Oversight of the Company's Relationship with the Independent Public Accountant***

The Audit Committee shall:

1. Be directly responsible, in its capacity as a committee of the Board of Directors, for the appointment, compensation, retention and oversight of the work of the independent public accountant (including resolution of disagreements between management and the independent public accountant regarding financial reporting) for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Company. In this regard, the Audit Committee shall exercise sole authority to appoint, evaluate, and, as necessary, replace the independent public accountant (subject, if applicable, to shareholder ratification). The independent public accountant shall report directly to the Audit Committee.
2. Preapprove all audit and permitted non-audit services, and the compensation, fees and terms for such services provided by the independent public accountant, subject to the de minimis exception for permitted non-audit services described in Section 10A(i)(1)(B) of the Exchange Act, which are approved by the Audit Committee prior to the completion of the audit. (By approving the audit engagement, an audit service within the scope of the engagement shall be deemed to have been preapproved). In addition, the Audit Committee shall establish policies and procedures for the engagement of the independent public accountant to provide permitted non-audit services, which may include approval in advance by a subcommittee or member or members of the Audit Committee of all permitted non-audit services to be performed by the independent public accountant.
3. Review and evaluate the lead partner of the independent public accountant team.
4. At least annually, obtain a report by the independent public accountant describing: (a) the accounting firm's internal quality-control procedures, (b) any material issues raised by the most recent internal quality-control review, or peer review, of the firm, 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 (c) any steps taken to deal with any such issues.
5. At least annually, obtain and review a report by the independent public accountant describing any relationships between the firm and the Company and any other relationships that may adversely affect the independence of the accounting firm. Actively engage in a dialogue with the independent public accountant with respect to any disclosed relationships or services that may impact the objectivity and independence of the accounting firm. Evaluate the qualifications, performance and adequacy of the quality controls of the accounting firm and consider the independence of the accounting firm, including whether the accounting firm's provision of permitted non-audit services is compatible with maintaining the firm's independence. The committee shall present its conclusions with respect to the independent public accountant to the Board of Directors.
  6. Ensure the rotation of the audit partners as required by law. Consider whether, in order to assure continuing auditor independence, it is appropriate to adopt a policy of rotating the independent accounting firm on a regular basis.
  7. Set clear hiring policies for employees and former employees of the independent public accountant.
  8. Meet with the independent public accountant prior to the audit to discuss the planning, staffing and scope of the audit. The audit scope shall include a requirement that the independent public accountant inform the Committee of any significant changes in the audit plan.

#### ***Oversight of Financial Reporting and Disclosure Matters***

9. Review and discuss with management the Company's financial reporting process, financial statements and major disclosures, and the adequacy and effectiveness of the Company's system of internal controls and disclosure controls and procedures.
10. Review and discuss with the independent public accountant and the internal auditors the Company's system of internal controls, including information technology security and control and including any major issues as to the adequacy of the Company's internal controls (together with management's responses and any special steps adopted in light of material control deficiencies).
11. Review and discuss with the independent public accountant the adequacy of the Company's financial reporting process and receive from the independent public accountant reports required by the PCAOB.
12. Review and discuss with management and the independent public accountant the annual audited financial statements, including disclosures made under "Management's Discussion and Analysis of Financial Condition and Results of

Operations” and management’s critical accounting policies and practices, and recommend to the Board whether the audited financial statements should be included in the Company’s Form 10-K.

13. Review and discuss with management and the independent public accountant the Company’s quarterly financial statements, including the results of the independent public accountant’s reviews of the quarterly financial statements and disclosures made in management’s discussion and analysis and management’s critical accounting policies and practices, prior to the filing of its Form 10-Q.
14. Review and discuss with management and the independent public accountant their analyses of significant financial reporting issues and judgments made in connection with the preparation of the Company’s financial statements, the appropriateness of accounting principles followed by the Company, significant changes in the Company’s selection or application of accounting principles, and major issues regarding the Company’s accounting principles and financial statement presentations.
15. Discuss with management and the independent public accountant and/or internal auditors the effect of regulatory and accounting initiatives.
16. Discuss with management and independent public accountant and/or internal auditors the effect of new and/or significant balance sheet and off-balance sheet structures on the Company’s financial statements.
17. Request, receive and review with the independent public accountant, a report relating to (a) all critical accounting policies and practices 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 public accountant; and (c) any material written communications between the independent public accountant and management, such as any management letter or schedule of unadjusted differences.
18. Meet periodically with management, the independent public accountant, and the internal auditors to discuss 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.
19. Discuss with management and the independent public accountant 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 rating agencies. Such discussion may be done generally (consisting of discussing the types of information to be disclosed and the types of presentations to be made).

20. Review disclosures made to the Audit Committee by the Company's CEO and CFO during their certification process for the Form 10-K and Form 10-Q about any significant deficiencies or material weaknesses in the design or operation of internal controls and any fraud involving management or other employees who have a significant role in the Company's internal control over financial reporting.
21. Discuss with the independent public accountant the matters required to be discussed by PCAOB Standards relating to the conduct of the audit, including any audit problems or difficulties, including any restrictions on the scope of the independent public accountant's activities or on access to requested information, and any significant disagreements between management and the independent public accountant, and management's response thereto.
22. Prepare a report for inclusion in the Company's proxy statement, disclosing that the Audit Committee reviewed and discussed the audited financial statements with management and discussed with the independent public accountant the matters required by PCAOB Standards and, based upon these discussions, recommend to the Board of Directors whether the audited financial statements should be included in the annual report on Form 10-K.
23. Discuss "quality of earnings" with the CEO, CFO, and other executives as well as independent public accountant and/or internal auditors if desired. Review as necessary, but at least annually. Identify any issues addressed, and their resolution.

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

24. Annually approve the internal audit charter..
25. Annually approve the risk based Audit Universe Schedule and the supporting risk assessments.
26. Review the annual internal audit program in terms of the scope of the audits as outlined in the corresponding engagement letters or schedules of the audits to be conducted, and review the internal audit budget and staffing levels.
27. Discuss with the independent public accountant and management the internal auditor's responsibilities, budget and staffing and any recommended changes in the planned scope of the internal audit.
28. Review the significant reports to management prepared by the internal auditors and management's responses.
29. On a regular basis, meet separately with the internal auditors' team leaders to discuss any matters that the Committee or the internal auditor believes should be discussed outside of management's presence.

30. Appoint and, as necessary, replace the internal auditors, if such function is outsourced, or if such function is staffed internally by the Company, appoint and as necessary, replace the senior internal auditing staff member.
31. Review the effectiveness of the internal audit function, including whether or not the function should be outsourced or staffed internally.
32. Inquire regarding the adequacy and effectiveness of the Company's system of internal controls over financial reporting and any recommendations for improvements.

### ***Compliance Oversight Responsibilities***

33. Establish procedures for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters, and procedures for the confidential, anonymous submission by employees of concerns regarding questionable accounting or auditing matters.
34. Review reports and disclosures of insider and affiliated party transactions and pre-approve all such transactions required to be approved pursuant to the listing standards of The NASDAQ Stock Market, Inc.
35. Discuss with management and the independent public accountant any correspondence with regulators or governmental agencies and any published reports which raise material issues regarding the Company's financial statements or accounting policies.
36. Discuss with the Company's legal counsel matters that may have a material impact on the financial statements or the Company's compliance policies.
37. Review the effectiveness of the system for monitoring compliance with laws and regulations and the results of management's investigation and follow-up (including disciplinary action) of any instances of noncompliance.

### ***Investigative Authority***

The Committee shall be empowered to investigate any matter brought to its attention with full access to all Company books, records and personnel, using special counsel or outside experts when necessary or appropriate.

### ***Limitation of the Audit Committee's Role***

While the Audit Committee has the responsibilities and powers set forth in this Charter, it is recognized that the members of the Audit Committee are not full-time employees of the Company and are not, and do not represent themselves to be, accountants or auditors by profession. As such, it is not the duty of the Audit Committee or its members 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, the internal auditors and the independent public accountant.

Each member of the Audit Committee shall be entitled to rely on (1) the integrity of the persons and organizations within and outside the Company from which it receives information, (2) the accuracy of financial and other information provided to the Audit Committee by such persons or organizations absent actual knowledge to the contrary (Which shall promptly be reported to the Board of Directors) and (3) representations made by management as to any non-audit services provided by the independent public accountant to the Company.

Adopted by the Board of Directors, Fauquier Bankshares, Inc., on December 19, 2017

*Edna T. Brannan*

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Edna T. Brannan, Corporate Secretary