

## **Union Bankshares, Inc. and its subsidiary**

### **Audit Committee Charter**

#### **PURPOSE**

The Audit Committee (“Committee”) shall assist the Board of Directors (“Board”) with its oversight of (i) the integrity of the Company’s financial statements, (ii) the Company’s compliance with accounting, legal and regulatory requirements, (iii) the external independent auditor’s qualifications and independence, and (iv) the performance of the Company’s internal audit function and of the external independent auditor’s external audit function. In addition, the Committee shall perform any other duties assigned to the Committee by law under applicable rules and regulations of the Securities and Exchange Commission (“SEC”), The NASDAQ Stock Market LLC (“NASDAQ”) and the Federal Deposit Insurance Corporation (“FDIC”).

Although the Committee has the oversight responsibilities and powers set forth in this Charter, it does not have a duty to prepare financial statements, to plan or conduct audits, to establish or perform internal controls or procedures, or to determine that the Company’s financial statements and disclosures are complete and accurate and in accordance with Generally Accepted Accounting Principles (“GAAP”) or applicable laws and regulations. Those are the duties and responsibilities of management and the external independent auditor.

#### **COMPOSITION - MEETINGS**

The Committee shall consist of at least three directors appointed annually by a resolution passed by a majority of the full Board and each of whom shall satisfy the independence and qualification requirements established by the SEC, NASDAQ and the FDIC. The resolution shall also designate the Chairman of the Committee. All members should be financially sophisticated and at least one member of the Committee shall qualify as an “audit committee financial expert” as defined by the SEC. The audit committee expert shall not only be financially sophisticated but also 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.

The Committee shall meet at least quarterly or more frequently as necessary, shall keep minutes of its proceedings, and shall report regularly to the Board of Directors.

#### **DUTIES, RESPONSIBILITIES AND AUTHORITY**

In carrying out its purposes, the Committee shall have the following duties, responsibilities and authority:

##### **Financial Reporting**

- Annually, review the Disclosure Control Committee Charter and recommend any proposed changes to the Board for approval.
- Prior to release, review and approve the quarterly press release on earnings.
- Review with management and the external independent auditor the Company’s annual report on Form 10-K prior to filing with the SEC but after review by the Disclosure Control Committee, legal counsel and external independent auditor, including the annual financial statements and disclosures contained therein, as well as any certification, report, opinion or review rendered by executive management or the external independent auditor in connection with the preparation and certification of the foregoing. Provide a recommendation to the Board as to whether the audited financial statements should be included in the Report on Form 10-K and filed with the SEC.
- Review the Company’s quarterly reports on Form 10-Q prior to filing with the SEC but after review by the Disclosure Control Committee, legal counsel and external independent auditor, including the financial statements and disclosures contained therein, as well as any certification, report, opinion or review rendered by executive management or the external independent auditor in connection with the

preparation and certification of the foregoing.

- Submit the report that is required of the Committee by the rules of the SEC to be included in the Company's annual meeting proxy statement.
- Annually, with management and the external independent auditor, review the basis for their respective reports required by 12 CFR 363.2 and 12 CFR 363.3 under FDIC Part 363 – Annual Independent Audits and Reporting Requirements.
- Review with management and the external independent auditor the effectiveness of the Company's internal control structure, including any significant control deficiencies or material weaknesses.
- One member of the audit committee will serve on the Disclosure Control Committee.
- At least one member of the Audit Committee will sign the Call Report signature page on behalf of the directors of the Company's subsidiary, Union Bank (the "**Bank**").

#### **The External Independent Auditor**

- Review and approve the written terms of the engagement of the external independent auditor to ensure that they do not contain any limitation of liability provision that indemnifies the external independent auditor against third party claims, limits or releases the external independent auditor from actual or potential claims (other than claims for punitive damages), or otherwise limits the remedies available to the Company.
- Appoint, compensate, and oversee the work of the external independent auditor for the Company in connection with the preparation and issuance of any audit report or related work, including a review of the proposed scope of such work; and review and resolve any disputes between management and the external independent auditor. The Committee shall also have the authority to terminate the engagement of the external independent auditor, as it deems necessary or appropriate. The external independent auditor shall report directly to the Audit Committee.
- Review with the external independent auditor an overview of the overall audit strategy, including the timing of the audit, and discuss the significant risks identified during the auditor's risk assessment procedures.
- Prior to filing the Company's annual report on Form 10-K with the SEC, or as appropriate, prior to filing of the Company's quarterly reports on Form 10-Q, review with the external independent auditor (i) critical accounting and financial reporting policies and practices used by the Company; (ii) alternative treatments of financial information as permitted by GAAP that have been discussed with the management of the Company, including the ramifications of such alternative treatments and the proper disclosure thereof, as well as any treatment of such financial information that may have been preferred by the external independent auditor, (iii) the auditor's judgments about the quality, not just the acceptability, of the Company's accounting principles as applied in its financial reporting, (iv) critical audit matters under Public Company Accounting Oversight Board ("PCAOB") Auditing Standard 3101, *The Auditor's Report on an Audit of Financial Statements when the Auditor Expresses an Unqualified Opinion*, (v) off-balance-sheet transactions, joint ventures, contingent liabilities, or derivative transactions, and their impact on the fairness of the financial statements, (vi) other material written communications between the external independent auditor and management, and (vii) other communications as required by PCAOB Auditing Standard No. 1301, *Communications with Audit Committees*, and other applicable audit standards, or any superseding Auditing Standard that is subsequently adopted by the Public Company Accounting Oversight Board (PCAOB) and approved by the SEC.
- Meet separately, in executive session, at least annually, or more frequently as appropriate, with management and the external independent auditor.

- Serve as the channel of communication between the external independent auditor and the Board.
- At least annually, review the qualifications, performance and independence of the external independent auditor, including any potential conflicts of interest that may exist between the Company and the external independent auditor; review the auditor's policies governing the hiring of individuals who are or have been a part of the external independent audit engagement team; and ensure compliance with applicable audit partner rotation requirements.
- Review any significant written communication between management of the Company and the external independent auditor including, without limitation, the external independent auditor's observation on internal control matters, management letters, and schedule of unadjusted differences, if any, or any other audit problems or difficulties as well as management's response.
- At least annually, (i) obtain and review a report of the external independent auditor that describes the auditor's internal quality control procedures, any material issues raised by the most recent internal quality control review, peer review or PCAOB review or inspection of the firm or by any other inquiry or investigation by governmental or professional authorities in the past five years regarding any audit performed by the audit firm and any steps taken to deal with any such issues, and all relationships between the firm and the Company or the Bank; and (ii) discuss the report with the external independent auditor, and any relationships or services that may impact the auditor's objectivity and independence.
- Pre-approve any non-audit services performed on behalf of the Company by the external independent auditor that are not prohibited by law or regulation and ensure that the Company properly discloses such services. The authority to grant pre-approvals may be delegated to one or more designated members of the Committee whose decisions will be reported to the full Committee at its next regularly scheduled meeting.

### **Internal Audit**

- Select the company engaged to perform the outsourced internal audit function for the Company (referred to in this Charter as the "**internal audit company**") and review and approve the terms of its engagement, including compensation and scope of the work.
- Work with a competent employee designated by the Bank to act as the liaison between the internal audit company and the Committee (the "**Liaison**") in connection with management of the outsourced internal audit function, including assistance with selecting the internal audit company, determining the scope of and scheduling of internal audit activities, and coordinating resolution of open audit and examination issues. The Liaison shall report directly to the Committee solely for communicating matters related to the internal audit function.
- Review and approve (i) the internal audit plan annually, including any material changes to the internal audit company's audit methodology; and (ii) all other third-party arrangements utilized in completing the annual internal audit plan.
- At least annually, review the effectiveness of the internal audit function and its impact on the Company's financial reporting process.
- Ensure that the internal audit company, to fulfill its functions, has both adequate resources and access to all necessary functions, records, property and communications with Company and Bank management and employees.
- Review significant findings of the internal audit company, and management's responses to those findings, including an assessment of the risk attributed to unresolved issues.
- At least annually, meet separately, without the Liaison or other members of management present, with

representatives from the internal audit company to discuss any matters that they or the Committee believe should be discussed in executive session.

### **Internal Controls and Procedures**

- Annually review with management and the external independent auditor, the basis for disclosures made in the annual report to stockholders regarding the control environment of the Company.
- At least annually consider, in consultation with management, the external independent auditor and the external internal audit company the adequacy of the Company's internal controls including the resolution of identified significant deficiencies and material weaknesses, if any.
- Review deficiencies, if any, identified by management, the external independent auditor or the internal audit company, in the design or operation of internal controls, which may impact the certifications of the Chief Executive Officer or Chief Financial Officer required by the Sarbanes-Oxley Act of 2002.
- Periodically, as appropriate, review policies and procedures with respect to risk assessment and risk management in connection with the Company's financial reporting.

### **Other Duties**

- Review significant findings of regulatory examiners, and management's response to those findings, including an assessment of the risk attributed to unresolved issues.
- Establish and ensure that procedures are in place for (i) the receipt, retention and treatment of complaints or concerns received by the Company from any source, either internally or externally, in connection with any accounting, internal control, or auditing matters, and (ii) the submission by employees of the Company, on a confidential and anonymous basis, of communications involving any employee concerns regarding questionable accounting, internal control or auditing matters.
- Review any related party transactions in accordance with the Union Bankshares, Inc. Related Person Transactions Approval Policy.
- Annually review and assess the adequacy of this Charter and recommend any proposed changes to the Board for approval.
- Oversee the Company's enterprise-wide risk management program, including with respect to management of information technology and cybersecurity risks.
- Perform such other duties as the Board may delegate to the Committee from time to time.

### **RESOURCES AND AUTHORITY**

The Committee shall have the authority to direct an investigation into any matter related to the Company's business and affairs. The Committee may also retain at the Company's expense and without approval from the Board or management its own outside counsel and any other advisors that the Committee deems necessary in connection with carrying out its duties. This does not preclude advice from internal counsel or the Company's outside counsel. The Committee shall determine, in its sole discretion, the level of funding to compensate the external independent auditor and any counsel or other advisor employed by the Committee and the Company shall be obligated to make such funding available.