

RIVERVIEW  
FINANCIAL  
CORPORATION

and Its Subsidiaries

# AUDIT COMMITTEE CHARTER

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# AUDIT COMMITTEE CHARTER

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## **Authorization**

The Joint Audit Committee of Riverview Financial Corporation and Riverview Bank (Riverview) is a standing committee of the Board of Directors (Board) authorized by Riverview's Bylaws.

## **Purposes**

The primary function of the Joint Audit Committee of Riverview is to assist the Board fulfilling its oversight responsibilities with respect to audit. Oversight includes the financial reporting process, the system of internal control over financial reporting, independence requirements, the audit process, and the institution's process for monitoring compliance with laws and regulations with respect to financial reporting. As such the Audit Committee will review:

- A. The fair presentation of Riverview's financial statements in all material respects and Riverview's systems of internal accounting and financial controls over financial reporting;
- B. The performance of the independent registered public accounting firm (audit firm);
- C. The quarterly review and annual independent audit of Riverview's financial statements, the engagement of the independent auditors and evaluation of independent auditor's qualifications, independence, and performance;
- D. Riverview's compliance with legal and regulatory requirements, including disclosure controls and procedures with respect to financial reporting.

The report of the Audit Committee required by the rules of the Securities and Exchange Commission (SEC) shall be included in Riverview's annual proxy statement.

While the Audit Committee has responsibilities and powers set forth in this Charter, it is not the duty of the Audit Committee to plan or conduct audits or to determine if Riverview's financial statements are complete and accurate and are in accordance with generally accepted accounting principles and applicable rules and regulations. These are the responsibilities of management and independent auditors. In carrying out its oversight responsibilities, as permitted under the Pennsylvania Business Corporation Law of 1988, as amended, the Audit Committee members are entitled to rely in good faith on the expertise, integrity and knowledge of management, the internal and independent auditors and corporate counsel.

## **Membership and Structure**

The Audit Committee is appointed by the Board of Directors upon the recommendation of the Governance Committee and shall be comprised of three or more directors as determined by the Board who shall be independent of institution management (as required by the independence requirements of the Sarbanes Oxley Act of 2002, Section 10A(m)(3) of the Exchange Act and the rules and of the SEC, and the Marketplace Rules of The Nasdaq Stock Market Inc.).

The Board of Directors shall appoint a Chairman from among the members of the Committee who are members of the Board and serve a term of one year to coincide with the annual stockholder's meeting. The term is renewable.

All members of the Audit Committee will have a general understanding of finance and accounting practices and each member shall be free of any relationship, that, in the opinion of the Board of Directors would, under applicable laws and regulations, make the director not independent. The Audit Committee must consist of at least one member deemed to be a "financial expert" as defined by the SEC.

## **Authority**

The Audit Committee has authority to conduct or authorize investigations into any matters within its scope of responsibility. It is empowered to:

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- A. Appoint, compensate, and oversee the work of any registered public accounting firm employed by the institution. The Audit Committee shall consult with executive management but shall not delegate these responsibilities.
- B. Resolve any disagreements between management and the auditor regarding financial reporting;
- C. Pre-approve all auditing and non-audit services;
- D. At its sole discretion, retain independent counsel, accountants, or others to advise the committee or assist in the conduct of an investigation. Riverview shall provide funding, as determined by the Audit Committee, for payment of compensation to the independent auditors and to any advisors employed by the Audit Committee. Any communications between the Audit Committee and legal counsel in the course of obtaining legal advice will be considered privileged communications of Riverview, and the Audit Committee will take all necessary steps to preserve the privileged nature of those communications;
- E. Review and assess the adequacy of the Committee and this Charter at least annually and recommend any revisions to the Board;
- F. Review and discuss with management and the audit firm, prior to the filing of any SEC periodic report, the complete set of audited financial statements and related disclosures and based on such review and discussion ratify the filing of such report;
- G. Discuss with management and the audit firm the effect of the adoption of new and proposed accounting standards and regulatory initiatives;
- H. Review disclosures made to the Audit Committee by Riverview's Disclosure Committee concerning the existence of any significant deficiencies in the design or operation of internal controls or material weaknesses therein and any fraud involving management or other employees;
- I. Ensure that members of its audit committee and its audit firm meet independence standards;
- J. Review and discuss with the audit firm and management all audit reports and management's responses thereto;
- K. Seek any information it requires from employees - all of whom are directed to cooperate with the committee's requests - or external parties; and
- L. Meet with Riverview officers, the audit firm, or outside counsel, as necessary.

The Audit Committee may form and delegate authority to subcommittees, comprised of one or more members of the Committee, as necessary or appropriate. Each subcommittee shall have the full power and authority of the Audit Committee.

The Audit Committee may conduct or authorize investigations into any matter, within the Audit Committee's scope of responsibilities, brought to its attention.

### **Meetings**

The committee will meet at least four times a year, with authority to convene additional meetings, as circumstances require.

- A. All committee members are expected to attend each meeting, in person or via tele- or video-conferencing.
- B. The committee will invite members of management, auditors, or others to attend meetings and provide pertinent information, as necessary. Private meetings will be held with auditors and executive sessions.
- C. Meeting agendas will be prepared and provided in advance to members, along with appropriate briefing materials.
- D. The Audit Committee shall hold a separate executive session with the individuals from the audit firm, at least annually.
- E. The Chairman may, at least once every year, invite the general counsel to indicate if there are any matters to be raised in a separate executive session.

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- F. The Audit Committee will report and be responsible to the Board of Directors and shall provide a copy of the minutes of each meeting to the Board of Directors for approval.
- G. On an annual basis, the entire Board of Directors based upon the recommendation of the Governance Committee shall appoint members of the Committee and select the Committee chairperson. The chairperson shall be responsible for the leadership of the Committee, including overseeing the agenda, presiding over the meetings and reporting to the Board of Directors. If the Committee chairperson is not present at the meeting, the remaining committee members of the Committee may designate an action chairperson.
- H. The members of the Committee shall serve until their successors are duly elected and qualified by the Board. No member of the Committee shall be removed except by majority vote of the Board. The Board shall have the authority to fill vacancies or add additional members to the Committee. A member shall promptly notify the Chairperson of the Committee who will notify the Governance Committee if the member is no longer an Independent Director and such member shall be removed from the Committee.

## **Control Responsibilities**

The committee will carry out control responsibilities for financial statements, internal controls over financial reporting and audit.

## Financial Statement and Disclosure Matters

The Audit Committee is to:

- A. Review significant accounting and reporting issues, including complex or unusual transactions, highly judgmental areas, and recent professional and regulatory pronouncements, and understand their impact on the financial statements.
- B. Review with management and the audit firm the results of the audit, including any difficulties encountered in performing the audit.
- C. Review the annual financial statements, and consider whether they are complete, are consistent with information known to committee members, and reflect appropriate accounting principles.
- D. Review other sections of the annual report and quarterly filings before release and consider the accuracy and completeness of the information.
- E. Review with management and the audit firm all matters required to be communicated to the committee under generally accepted auditing standards (GAAS).
- F. Understand how management develops interim financial information, as well as the nature and extent of the audit firm's involvement.
- G. Review interim financial reports with management and the audit firm before filing with regulators and consider whether they are complete and consistent with the information known to committee members.
- H. Discuss with management, Riverview's major financial risk exposures and the steps management has taken to monitor and control such exposures, including Riverview's risk assessment and risk management policies.
- I. Review and approve a management prepared report annually for inclusion in Riverview's proxy statement relating to its annual shareholder's meeting. In that report, the Audit Committee will state whether it has:
  - a. reviewed and discussed the audited financial statements with management;
  - b. discussed with outside auditors the matters required to be discussed in accordance with Auditing Standards No. 61; and
  - c. received from the outside auditors the written disclosures and the letter required by Independence Standards Board Standard, as that standard may be modified or supplemented from time to time, and has discussed with the outside auditors, the outside auditor's independence.

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## Internal Control

It is the Audit Committee's responsibility to:

- A. Review the implementation of key accounting policies and financial reporting.
- B. Evaluate the overall effectiveness of the internal control and financial risk-management framework.
- C. Consider the effectiveness of the institution's internal control systems, including information technology security and control.
- D. Understand the scope of the audit firms review of internal control over financial reporting, and obtain reports on significant findings and recommendations, together with management's responses.

## Authorization of Riverview's Whistleblower Policy

Establish procedures for the receipt, retention, and treatment of complaints received by Riverview regarding accounting, internal accounting controls, or auditing matters, and the confidential, anonymous submission by Riverview employees of concerns regarding questionable accounting or auditing matters.

## Oversight of Riverview's Relationship with the External Audit Firm

It is the Audit Committee's responsibility to:

- A. Evaluate the qualifications, performance, and independence of the audit firms.
- B. Review the audit firm's proposed audit scope and approach, including coordination of audit effort with internal audit.
- C. Review the performance of the audit firm, and exercise final approval on their appointment or discharge.
- D. Review and confirm the independence of the audit firm by obtaining statements from those auditors on relationships between the audit firm and Riverview, including non-audit services, and discuss the relationships with the auditors. (Independence Standards Board Standard No. 1- "Independence discussions with Audit Committees"). The Audit Committee shall present its conclusions to the Board, and if so determined by the Audit Committee, recommend that the Board take additional action to satisfy itself of the qualifications, performance and independence of the auditors.
- E. On a regular basis, meet separately with the audit firm to discuss any matters that the committee or auditors believe should be discussed privately.
- F. Review the "Report on the Annual Audit of the Bank".
- G. Review the "Terms of Engagement" of the audit firm.
- H. Discuss with the audit firm any audit problems encountered in the course of audit work, including any restriction on audit scope or access to information.
- I. Discuss with the audit firm the appropriateness of the accounting policies applied in the institution's financial reports.
- J. Ensure that significant findings and recommendations communicated by the audit firm and management's proposed responses are received, discussed, and appropriately acted on.
- K. Review the performance of the audit firm and make recommendations to the Board of Directors for the appointment, reappointment, or termination of appointment of the audit firm.
- L. Recommend to the Board, policies for Riverview's hiring of employees or former employees of the independent auditors which guidelines shall meet the requirements of applicable law and listing standards, as applicable.

## Oversight of Audit and Risk Review (ARR)

- A. Review and discuss the appointment and replacement of the audit firms.

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- B. Review and discuss the ARR findings that have been reported to management, management's responses, and the progress of the related corrective action plans.
- C. Review and evaluate the adequacy of the work performed by the auditors and ARR and ensure that ARR is independent and has adequate resources to fulfill its duties, including implementation of the annual audit plan.

## **Reporting Responsibilities**

The Audit Committee shall:

- A. Regularly report to the Board of Directors about committee activities, issues, and related recommendations.
- B. Provide an open avenue of communication between the audit firm and the Board of Directors.
- C. Report annually to the shareholders, describing the committee's composition, responsibilities and how they were discharged, and any other information required by rule, including approval of non-audit services.
- D. Review any other reports the institution issues that relate to committee responsibilities.

## **Other Responsibilities**

The Audit Committee shall also:

- A. Perform other activities related to this charter, as requested by the Board of Directors.
- B. Institute and oversee special investigations, as needed.
- C. Review and assess the adequacy of the committee charter annually, requesting board approval for proposed changes, and ensure appropriate disclosure as may be required by law or regulation.
- D. Confirm annually that all responsibilities outlined in this charter have been carried out.
- E. Evaluate the committee's and individual members' performance on a regular basis.

## **Access to Personnel/Information**

- A. The Audit Committee shall have unrestricted access to members of management and staff, and to any information it needs to carry out its responsibilities.
- B. The Audit Committee may request the audit firm to conduct any internal inquiry on an issue falling within the scope of its responsibilities.