

BAR HARBOR BANKSHARES

AUDIT COMMITTEE CHARTER

As of March 9, 2020

PURPOSE

The Audit Committee (the “Committee”) is appointed by the Board of Directors (the “Board”) of Bar Harbor Bankshares (the “Company”). The purpose of the Committee is to assist the Board in fulfilling its oversight responsibility relating to: (1) the Independent Registered Public Accounting Firm’s (“Independent Auditor”) qualifications, performance, and independence; (2) the integrity of the Company’s consolidated financial statements and system of internal controls; (3) the performance of the Company’s internal audit function (“Internal Audit”); and (4) the Company’s compliance with legal and regulatory requirements, including the Company’s disclosure controls and procedures.

MEMBERSHIP

The Committee shall be comprised of at least three members of the Board. These members must meet the independence, experience and expertise requirements of the New York Stock Exchange (“NYSE”), the Securities Exchange Act of 1934, as amended, the Sarbanes-Oxley Act of 2002, and any other applicable laws, rules and regulations. Section 407 of the Sarbanes Oxley Act of 2002 requires one “financial expert” under the SEC requirements of listed company Audit Committees. Item #32 of Appendix A to part 363.5(b) of the FDIC Rules and Regulations specifies that the Audit Committee should contain at least 2 members with banking experience/financial expertise. As such, at least two (2) members of the Committee will qualify as a ‘audit committee financial expert’ as defined by the United States Securities and Exchange Commission (“SEC”) and the FDIC.

The members and the Chair of the Committee shall be appointed or removed by the Board acting on the recommendation of the Corporate Governance Committee.

DUTIES AND RESPONSIBILITIES

The Committee shall have the duties and responsibilities set forth below.

Meetings

The Committee shall meet as often as it deems necessary, but not less frequently than quarterly. The Chair or at least two other members of the Committee has the authority to call meetings of the Committee. A majority of the members of the Committee present at a meeting shall constitute a quorum.

The Chair of the Committee shall preside at all meetings of the Committee. The agendas for the meetings shall be set under the direction of the Chair. The Chair shall report regularly to the Board on the status of its oversight responsibilities.

The Committee shall periodically meet separately with management, Internal Audit, the Independent Auditors, regulatory examiners, and legal counsel as it deems appropriate for carrying out its responsibilities. The Committee shall also meet in executive session at their discretion.

Independent Registered Public Accounting Firm

In a manner that the Committee deems appropriate to fulfill its duties and responsibilities, the Committee shall:

- Annually appoint and retain a qualified Independent Registered Public Accounting Firm (“Independent Auditor”). The Independent Auditor shall report directly to the Committee and the Committee shall have
 - a. the authority to oversee, compensate and replace the Independent Auditor at the Committee’s discretion; and
 - b. responsibility regarding the resolution of any disagreements between management and the Independent Auditor regarding financial reporting. Any selection of the Independent Auditor by the Committee may be subject to shareholders’ approval, as determined by the Board.
- Approve the fees to be paid by the Company to the Independent Auditor for the annual audit of (i) the Company’s consolidated financial statements; and (ii) the effectiveness of the Company’s internal control over financial reporting.
- Pre-approve permitted non-audit services and the estimated fees for such services to be performed for the Company by the Independent Auditor.
- Review annually a report from the Independent Auditor describing (i) the Independent Auditor’s internal quality control procedures; and (ii) all relationships between the Company and the Independent Auditor. The Independent Auditor shall discuss any material issues raised by the Independent Auditor’s most recent internal quality review, raised by peer reviews, or raised by any inquiry or investigation by governmental or professional authorities, including the Public Company Accounting Oversight Board (“PCAOB”), within the preceding five years, and any corrective actions taken to deal with such issues. The Committee shall discuss with the Independent Auditor whether any disclosed relationships or services, or any other factors, may impact the objectivity and independence of the Independent Auditor.
- In connection with the annual selection of the Company’s Independent Auditor, evaluate the qualifications, performance and independence of the Independent Auditor, including the lead partner. Annually, the Committee shall present its conclusions with respect to the Independent Auditor to the full Board.

Financial Statement and Disclosure Matters

In a manner that the Committee deems appropriate to fulfill its duties and responsibilities, the Committee shall:

- Review with management and the Independent Auditors: (1) the audited consolidated financial statements proposed to be included in the Company’s Annual Report on Form 10-K, including the Company’s disclosures under “Management’s Discussion and Analysis of Financial Condition and Results of Operations”; and (2) the Independent Auditors’ review of the annual audited consolidated financial statements. The Committee shall also review and discuss the results of the annual audit and any other matters that the Independent Auditor is required to communicate under applicable laws,

listing standards and PCAOB standards. After review, the Committee shall determine whether to approve the filing of the Company's Form 10-K with the SEC.

- Review with management, the Internal Auditor, and the Independent Auditor, management's assessment of the Company's internal controls over financial reporting and the related report issues by the Independent Auditor: (1) any significant deficiencies and material weaknesses in the design or operation of the Company's internal controls over financial reporting; (2) any fraud (irregardless of materiality) involving management or other employees having a significant role in internal controls over financial reporting; and (3) any changes in the Company's internal controls over financial reporting during the most recent fiscal quarter that have materially affected, or are reasonably likely to materially affect, such internal controls.
- Review the remediation actions taken by management to resolve any significant deficiencies or material weaknesses in internal controls that are reported by the Independent Auditor.
- Review with management and the Independent Auditors: (1) the unaudited consolidated financial statements proposed to be included in the Company's Annual Report on Form 10-Q, including the Company's disclosures under "Management's Discussion and Analysis of Financial Condition and Results of Operations"; and (2) the Independent Auditors' review of the unaudited consolidated financial statements. The Committee shall also review and discuss any other matters that the Independent Auditor is required to communicate under applicable laws, listing standards and PCAOB standards. After review, the Committee shall determine whether to approve the filings of the Company's Form 10-Q with the SEC.
- Review and discuss with management and the Independent Auditor other material written communications between the Independent Auditor and management, such as any management letter or schedule of unadjusted differences.
- Review the Committee report required by the rules of the SEC to be included in the Company's annual proxy statement.
- Review with management and the Independent Auditor related party transactions with the independent auditor in accordance with applicable accounting standards.

Internal Audit

In a manner that the Committee deems appropriate to fulfill its duties and responsibilities, the Committee shall:

- Approve the appointment, replacement and compensation of the Internal Auditor.
- Annually review the performance, independence and compensation, of the Internal Auditor.
- Review periodic reports from the Internal Auditor regarding the activities of Internal Audit, including its responsibilities, staffing, budget, and quality control procedures.
- Review and approve the Internal Auditor's proposed annual internal audit plan, risk assessment used in developing the annual audit plan, and periodic reports on the status of and changes to the annual internal audit plan.

- Discuss with the Internal Auditor the results of internal audit activities, including updates on the progress of remediation efforts required to address significant items raised by such activities.
- Approve assurance and consulting services performed by outsourced vendors used to complete the annual audit plan;

Compliance with Legal and Regulatory Requirements

In a manner that the Committee deems appropriate to fulfill its duties and responsibilities, the Committee shall:

- Receive from the Internal Auditor, periodically, and from management, as appropriate, communications and presentations on significant operating and control issues in internal audit reports, management letters, and regulatory authorities' examination reports, and on the initiation and status of significant special investigations; and initiate such other inquiries into the affairs of the Company as it deems appropriate.
- Receive periodic presentations from management and the Independent Auditor on (i) the identification and resolution status of material weaknesses and reportable conditions in the internal control environment, including any significant deficiencies in the design or operation of internal controls that could adversely affect the Company's ability to record, process, summarize and report financial data; and (ii) any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal controls.
- Review presentations from management regarding complaints received by the Company regarding accounting; internal accounting policies, procedures or controls; auditing matters; and the confidential anonymous submission of accounting or auditing concerns by employees. Periodically review the policy and procedures for handling employee ("Whistleblower") complaints.
- Pursuant to the NYSE listing standards, discuss with management guidelines and policies to govern the process by which risk assessment and risk management are undertaken, including the assessment of the Company's major financial risk exposures and the steps management has taken to monitor and control such exposures.
- Review periodically with management and the Company's legal counsel the Company's nature and status of significant legal matters and regulatory matters that may have a material impact on the Company's financial statements.

Access to Records

The Committee and Internal Auditor shall have full access to any relevant records of the Company. The Committee has the authority to obtain, at its discretion, advice and assistance from independent internal or external financial, legal, accounting or other advisors, and to hire and compensate external advisors at the Company's expense. The Committee may request that any officer or other employee of the Company, the Company's outside counsel or any other person meet with any members of, or consultants to, the Committee.

Limitation of Audit Committee's Role

While the Committee has the responsibilities set forth in this charter, the Committee recognizes that: (1) the Company's consolidated financial statements are the responsibility of management, not the Committee; (2) the Independent Auditor is responsible for planning and conducting the annual audit to determine (i) whether the Company's annual consolidated financial statements present fairly, in all material respects, the financial position of the Company in accordance with accounting principles generally accepted in the United States of America; and (ii) whether the Company maintained, in all material respects, an effective system of internal controls over financial reporting; (3) the Internal Auditor is responsible for planning and conducting internal audits in accordance with the approved annual audit plan; and (4) it is not the duty of the Committee to conduct investigations or to assure compliance with laws and regulations or the Company's Code of Ethics.

Amendments

The Committee shall review and reassess this charter annually and propose any recommended changes to the Governance Committee. The Board may amend this charter, from time to time, upon recommendation of the Governance Committee.