

# Charter of the Audit Committees of the Boards of Directors

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## Table of Contents

Statement of Purpose .....	2
Committee Membership.....	3
• Independence: .....	3
• Understanding of Finance and Accounting: .....	3
• Appointment of Audit Committee Chair: .....	3
Meetings of Audit Committees .....	4
Allocation of Resources .....	4
Authority of the Audit Committees .....	4
Responsibilities of the Audit Committees .....	5
A. Review Procedures.....	5
B. Independent Auditors.....	6
C. Other Responsibilities of the Audit Committees.....	7

## **Statement of Purpose**

Each of the respective Boards of Directors (individually a “Board”, and collectively, the “Boards”) of Sierra Bancorp and its wholly-owned subsidiary, Bank of the Sierra (“Bank”) (jointly, the “Company”) have established an Audit Committee (individually, a “Committee” and collectively, the “Committees”) in fulfilling their oversight responsibilities.

The Committees are duly constituted through the delegation of each Boards’ authority via its charter and by-laws. The Committees shall meet simultaneously to address matters affecting the Company but will meet separately if necessary to address issues that are relevant to one entity but not the other, or to consider transactions between the two entities or other matters where Sierra Bancorp and the Bank may have different interests.

The Committees are responsible for oversight of the Company’s Audit Program, Audit Plans and monitoring of internal and external audit activities and findings. The Committees are also responsible for overseeing the Company’s accounting and financial reporting processes and the audits of its financial statements.

Appointment and oversight of the Company’s independent auditors, including monitoring of their independence, is a core responsibility of the Audit Committee of Sierra Bancorp. The Committees will also have oversight of the Director of Internal Audit, all internal and external auditors and resources applied to conduct internal auditing activities of the Company.

The function of the Committees is oversight. The management of the Company is responsible for the preparation, presentation, and integrity of the Company’s financial statements and for the effectiveness of its internal control over financial reporting. Management and the internal auditing department are responsible for maintaining appropriate accounting and financial reporting principles and policies and internal control and procedures that provide for compliance with accounting standards and applicable laws and regulations. In fulfilling its responsibilities hereunder, it is recognized that the members of the Audit Committees are not fulltime employees of the Company and are not, and do not represent themselves to be, performing the functions of auditors or accountants. As such, it is not the duty or responsibility of the Audit Committees or its members to conduct “field work” or other types of auditing or accounting reviews or procedures.

## **Committee Membership**

- *Independence:*

The Audit Committees shall be comprised of three or more directors as determined by the Boards, each of whom shall be an independent director as defined under Rule 5605(a)(2) of the Nasdaq Stock Market, LLC; has not participated in the preparation of the financial statements of the Company at any time during the past three years; and meets the criteria for independence set forth in Rule 10A-3(b)(1) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”) (subject to the exemptions provided in Rule 10A-3(c) under the Exchange Act). In addition, each member of the Audit Committees will be free from any relationship that would interfere with the exercise of his or her independent judgment. No member of the Audit Committees, other than in his or her capacity as a member of the Board of Directors or of the Audit Committees, may accept any consulting, advisory or other compensatory fee from the Company. No member of the Audit Committees may be an officer, employee, or affiliated person of the Company or any parent or subsidiary thereof. Each member of the Bank Audit Committee shall also meet the definition of an “independent director” as such term is defined by the Federal Deposit Insurance Corporation (FDIC).

- *Understanding of Finance and Accounting:*

All members of the Audit Committees must have a basic understanding of finance and accounting and be able to read and understand fundamental financial statements, and at least one member of each of the Audit Committees shall have accounting or related financial management expertise which results in the member’s financial sophistication and qualifies as an “audit committee financial expert” as such term is defined in Item 407(d)(5) of Regulation S-K under the Securities Act of 1933, as amended (the “Securities Act”).

- *Appointment of Audit Committee Chair:*

The members of the Audit Committees shall be appointed by the Board. If an Audit Committee Chair is not designated or present, the members of the Audit Committees may designate a Chair by majority vote of the Audit Committees’ membership.

### **Meetings of Audit Committees**

The Audit Committees shall meet at least four times per year, or more frequently as circumstances dictate. The Audit Committees may meet privately in executive session at least annually with management (Chief Financial Officer and Chief Accounting Officer), the independent auditors, the Director of Internal Audit, and as a committee to discuss any matters that the Audit Committees or any of these groups believe should be discussed.

In addition, the Sierra Bancorp Audit Committee, management, and the independent auditors will meet at least quarterly to review the Company's financial statements prior to filing the Quarterly Report (10-Q) or the Annual Report (10-K) and related earnings releases.

### **Allocation of Resources**

The Company will allocate the resources needed to ensure compliance with the Audit Committees' Charter, Internal Audit Policy, and Audit Planning.

### **Authority of the Audit Committees**

The Committees will retain all authority necessary to ensure proper oversight of The Company. Specific authority will include but not necessarily be limited to the following.

- The Audit Committees have the authority to conduct any investigation appropriate to fulfilling its responsibilities, and it has direct access to the independent auditors as well as anyone in the Company.
- The Audit Committees have the authority to retain, at the Company's expense, special legal, accounting, or other consultants or experts it deems necessary in the performance of its duties.
- The Audit Committees have the authority to appoint and determine the compensation of the independent auditors, and the Company shall provide appropriate funding for such compensation.
- The Audit Committees have the authority to resolve disagreements between the Company's management and the independent auditors regarding financial reporting, and
- The Audit Committees have the authority to approve and direct activities of the Director of Internal Audit and the Internal Audit Plan of the Company.

## **Responsibilities of the Audit Committees**

### *A. Review Procedures.*

1. Review and reassess the adequacy of this charter at least annually, submit the charter to the Board of Directors for approval annually, and post any updates on the Company's website in accordance with SEC regulations.
2. Review the Company's annual audited financial statements on Form 10-K, quarterly unaudited financial statements on Form 10-Q, and quarterly earnings releases with unaudited financials prior to filing or distribution, which review should include discussion with management and the independent auditors of significant issues regarding accounting principles, practices, and judgments.
3. To inquire of the Company's Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") as to the existence of any significant deficiencies or material weaknesses in the design or operation of internal controls over financial reporting, and as to the existence of any fraud that involves management or other employees who have a significant role in the Company's internal control over financial reporting.
4. Discuss any significant changes to the Company's accounting principles and policies with the CFO and Chief Accounting Officer.
5. On at least an annual basis, review with the Company's counsel any legal matters that could have a significant impact on the Company's financial statements, compliance with applicable laws and regulations, and inquiries received from regulators or governmental agencies, if any.
6. Review and approve the Internal Audit Policy annually.
7. Review and approve the Internal Audit risk assessment and Audit Plan annually.
8. Review and approve the use of any third-party firm that will provide outsourced or co-sourced internal audit assistance and monitor the Director of Internal Audit's oversight of such outsourced internal audit firms.
9. Monitor independence of internal audit staff and the Director of Internal Audit.

10. Review, in conjunction with the CEO, the performance and compensation of the Director of Internal Audit on an annual basis.
11. Receive and review all reports prepared by third-party outsourced internal audit firms with the Director of Internal Audit.
12. Receive monitoring results from the Director of Internal Audit with respect to findings from in-house and outsourced internal audits, including management responses and necessary remediation efforts. Discuss the nature and implications of internal audit findings on business practices, financial health, and governance of the Company.

*B. Independent Auditors.*

1. The Sierra Bancorp Audit Committee is directly responsible for the appointment, compensation, retention, and oversight of the work of the independent auditor.
2. The Sierra Bancorp Audit Committee shall approve the fees and other significant compensation to be paid to the independent auditors. The Audit Committee shall pre-approve all audit and permissible non-audit services to be performed by the independent auditors, provided that pre-approval is not required with respect to non-audit services if:
  - The aggregate amount of all such non-audit services provided to the Company constitutes 5% or less of the total amount paid by the Company to its independent auditor during the fiscal year in which the non-audit services are provided; and
  - Such services were not recognized at the time of the engagement to be non-audit services; and
  - Such services are promptly brought to the attention of the Sierra Bancorp Audit Committee and are approved by the Sierra Bancorp Audit Committee or by one or more members of the Sierra Bancorp Audit Committee to whom authority to grant such approvals has been delegated by the Sierra Bancorp Audit Committee prior to the completion of the Audit.
3. On an annual basis, the Sierra Bancorp Audit Committee shall obtain a formal written statement from the independent auditor consistent with Public Company Accounting Oversight Board (“PCAOB”) Ethics and

*Independence Rule 3526, Communication with Audit Committees Concerning Independence.*

4. Discuss any items required to be communicated to the Sierra Bancorp Audit Committee by the independent auditors in accordance Auditing Standard No. 1301 (AS1301), *Communications with Audit Committees*, issued by the PCAOB as well as any other applicable PCAOB Audit Standards.
5. Discuss, as appropriate, any major issues regarding accounting principles and financial statement presentations, including any significant changes in the Company's selection or application of accounting principles, and major issues as the adequacy of the Company's internal controls and any internal control letter issued, or proposed to be issued, by the independent auditors.
6. Review the form of opinion the independent auditors propose to render.
7. The Sierra Bancorp Audit Committee shall review the independent auditors' plan and discuss scope, staffing, locations, reliance upon internal audit, potential areas of risk and critical audit matters, and general audit approach.
8. The Sierra Bancorp Audit Committee shall consider the independent auditors' judgments about the quality and appropriateness of the Company's accounting principles as applied in its financial reporting, including any Critical Accounting Matters.
9. Review and evaluate the qualifications, performance, and independence of the lead partner of the independent auditors.
10. Discuss with the independent auditors any significant issues arising from the most recent PCAOB inspection of the independent auditors to the extent relevant to the Company, including the independent auditor's response to any identified deficiencies.

*C. Other Responsibilities of the Audit Committees.*

1. Annually prepare a committee report as required by the Securities and Exchange Commission (SEC) to be sent to shareholders as part of the Company's annual proxy statement.

## Charter of the Audit Committees of the Boards of Directors

2. Approve any other third-party engagements related to special legal, accounting, or other consultants or experts it deems necessary in the performance of its duties.
3. Perform any other activities consistent with this Charter, the Company's bylaws, and governing law, as the Committees or the Boards deem necessary or appropriate.
4. Maintain minutes of meetings and periodically report to the Boards on significant results of the forgoing activities.
5. Establish procedures and monitor the:
  - the receipt, retention, and addressing of complaints received by the Company regarding accounting, internal controls, or auditing matters, whether from internal or external sources who wish to remain anonymous, as well as the reporting of violations of the code of conduct and allegations of fraud or corruption; and
  - the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters.
6. Have ultimate responsibility for determining matters of interpretation with respect to the audit and accounting related portions of the Company's Code of Ethics, and for making all final decisions concerning any disciplinary actions relating to those portions of the Code.