

# **COLUMBIA BANKING SYSTEM, INC. COLUMBIA STATE BANK**

## **AUDIT COMMITTEE CHARTER**

Reviewed by:

S. Newman, General Auditor; K. Baruffi, General Counsel; H. Robbins, President & CEO; R. Lund, Audit Committee Chair

Approved:

By: Audit Committee – July 23, 2019

By: Board of Directors – July 24, 2019

### **Audit Committee Charter**

This Audit Committee Charter has been adopted by the Board of Directors (the “Board”) of Columbia Banking System, Inc. (the “Company”) on recommendation by the Audit Committee of the Board (the “Committee”). The Committee shall review and reassess this Charter annually.

### **Committee Purposes**

The purpose of the Committee is to oversee the quality and integrity of the Company’s accounting, auditing, internal control, and financial reporting processes and, as appropriate, certain compliance activities and actions as well as the audits of the Company’s financial statements. The Committee will have the authority and duties set forth in this Charter and also have such other duties as may from time to time be assigned by the Board.

The Committee’s job is one of oversight. Management is responsible for the preparation of the Company’s financial statements and for maintaining appropriate accounting and financial reporting principles and policies and internal controls and procedures that provide for compliance with accounting standards and applicable laws and regulations; and the independent auditors are responsible for auditing the Company’s financial statements and the Company’s internal controls over financial reporting. The Committee and the Board recognize that management, the internal audit staff and the independent auditors have more resources, time, detailed knowledge and information regarding the Company’s accounting, auditing, internal control and financial reporting practices than the Committee does. Accordingly, while the Committee has the duties and responsibilities set forth in this Charter, the Committee is not responsible for certifying the financial statements, for planning the audit or for determining whether the Company’s financial statements are complete and accurate and are in accordance with generally accepted accounting principles (“GAAP”).

### **Composition**

The Committee shall be comprised of three or more directors as determined by the Board, each of whose qualifications include independence and financial literacy, as determined under the Sarbanes-Oxley Act

of 2002 (the “Act”) and applicable rules of the NASDAQ Stock Market, Inc. (“NASDAQ”) and the Securities and Exchange Commission (“SEC”), as such requirements may be modified or supplemented from time to time. All members of the Committee must be able to read and understand fundamental financial statements, including the Company’s balance sheet, income statement and cash flow statement, and the Committee shall have at least one member who has past employment experience in finance or accounting, requisite professional certification in accounting, or other comparable experience which results in the member’s financial sophistication. No member of the Committee shall have participated in the preparation of the financial statements of the Company or any current subsidiary of the Company at any time during the past three years. The Board will identify at least one member of the Committee who is an “audit committee financial expert” under the requirements of the Act and the applicable rules of the SEC. Committee members enhance their familiarity with finance and accounting by participating in educational programs conducted by the Company or a qualified outside resource. No member of the Committee may accept any consulting, advisory, or other compensatory fee from the Company or any of its subsidiaries, other than permitted by applicable rules of the NASDAQ and the SEC.

The members of the Committee shall be elected by the Board at the annual organizational meeting of the Board or until their successors shall be duly elected and qualified. Unless a Chair is elected by the full Board, the members of the Committee may designate a Chair by majority vote of the full Committee membership. One member of the Committee shall be appointed as Chair. In the absence of the Chair, a quorum of the members may nominate an interim Chair. The Chair shall maintain regular communication with the General Auditor, the Chief Executive Officer, the Chief Financial Officer, Chief Accounting Officer and the lead independent audit partner.

## **Resources and Authority of the Audit Committee**

The Committee shall maintain free and open communication with the independent auditors, the internal auditors and Company management. In discharging its duties and responsibilities, the Committee is empowered to investigate any matter relating to the Company, including accounting, auditing, internal control, compliance or financial reporting practices brought to its attention, with full access to Company books, records, facilities and personnel.

The Committee shall have the resources and authority appropriate to discharge its duties and responsibilities, including the authority to select, retain, terminate, and approve the fees and other retention terms of special or independent counsel, accountants or other experts and advisors, as it deems necessary or appropriate without seeking approval of the Board or management. To this end, the Committee shall receive appropriate funding from the Company, as determined by the Committee in its capacity as a committee of the Board, for the payment of compensation to the Company’s independent auditors, any other accounting firm engaged to perform services for the Company and any other such experts and advisors.

The Committee may, in its discretion, delegate all or a portion of its duties and responsibilities to a subcommittee of the Committee.

## **Meetings and Reports**

The Committee shall meet at least four times a year or more frequently as the Committee considers necessary to fulfill its oversight responsibilities. The Committee will meet with the internal auditors at least four times per year. At least three times each year, the Committee shall have a private meeting with

the independent auditors as well as the General Auditor. The independent auditors and management may be invited by the Committee to participate in specific portions of Committee meetings to provide information, expertise and to facilitate discussion when appropriate. Members of the Committee may participate in a meeting of the Committee by means of a conference call or other similar communications equipment by means of which all persons participating in the meeting can hear each other.

The Committee shall report regularly to the Board of Directors. Such report to the Board may take the form of an oral report by the Chair or any other member of the Committee designated to make such report.

## **Committee Responsibilities**

The general activities of the Committee in carrying out its responsibilities are described below. The Committee shall be responsible for:

- The appointment, compensation, retention and oversight of the work of the Company's independent auditors, subject to approval on a non-binding, advisory basis by the shareholders of the Company. The Company's independent auditors will report directly to the Committee.
- The appointment, compensation, retention, and oversight of the work of any other registered public accounting firm engaged for the purpose of preparing or issuing an audit report or to perform audit, review, and attestation services. Any such registered public accounting firm will report directly to the Committee.
- Pre-approval of all auditing services and permissible non-audit services to be provided to the Company by the Company's independent auditors, and establishing policies and procedures for the Committee's pre-approval of permissible services to be provided by the Company's independent auditors or other registered public accounting firm on an ongoing basis. Such approval will be provided in advance of the independent auditor commencing services. The Committee has the sole authority to make these approvals, although such approval may be delegated to the Chair so long as the approval is presented to the full committee at its next scheduled meeting.
- Overseeing the relationship with the independent auditors, receiving and reviewing audit reports, providing the auditors full access to the Committee, and the Board as appropriate, and reporting appropriate matters.
- Reviewing and approving the fees to be paid to the Company's independent auditors and otherwise being responsible for the compensation of such auditors. In such regard, the Committee will determine the appropriate funding necessary to compensate any accounting firm engaged for the purpose of rendering or issuing an audit report or related work or performing other audit, review or attest services for the Company, and will work with the Board as a whole to ensure that such funds are provided pursuant to the Company's obligation to do so.
- Reviewing and evaluating, together with the Board, management, and the General Auditor, the qualifications, performance and independence of the independent auditors, including the lead partner of the independent auditors.
- Obtaining annually from the independent auditors a formal written statement (it being understood that the independent auditors are responsible for the accuracy and completeness of such statement) that describes (1) the independent auditors' internal quality control procedures, (2) any material issues raised by the most recent internal quality control review, peer review or Public Company Accounting Oversight Board ("PCAOB") review or inspection of the independent auditors or by any other inquiry or investigation by governmental or professional authorities in the past five years regarding one or more audits carried out by the independent auditors and any steps taken to deal

with any such issues, and (3) all relationships between the firm and the Company or any of its subsidiaries; and discussing with the independent auditors any relationships or services disclosed in the statement that may impact the quality of audit services or objectivity and independence of the Company's independent auditors.

- Discussing with management the timing and process for implementing the rotation of the lead independent audit partner, the concurring partner and any other active audit engagement team partner.
- Considering whether there should be a rotation of the audit firm itself.
- Reviewing the Company's hiring policies for employees or former employees of the independent auditors.
- Obtaining from the independent auditors in connection with any audit a timely report relating to the Company's annual audited financial statements describing all critical accounting policies and practices used, all alternative treatments within GAAP for policies and practices related to material items that have been discussed with management, ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the independent auditors, and any material written communications between the independent auditors and management, such as any "management" letter or schedule of unadjusted differences.
- Discussing 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 accounting deficiencies.
- Reviewing annually a written statement provided by the Company's independent auditors describing fees billed for each of the last two fiscal years for each of the following categories of services rendered by the independent auditors: (i) the audit of the Company's annual financial statements for the most recent fiscal year and the reviews of the financial statements included in the Company's Quarterly Reports on Form 10-Q or services that are normally provided by the independent auditors in connection with statutory and regulatory filings or engagements; (ii) assurance and related services not included in clause (i) that are reasonably related to the performance of the audit or review of the Company's financial statements, in the aggregate and by each service; (iii) tax compliance, tax advice and tax planning services, in the aggregate and by each service; and (iv) all other products and services rendered by the independent auditors, in the aggregate and by each service.
- Reviewing and discussing the Bank's quarterly Allowance for Loan and Leases Losses (ALLL) and related methodology and any material changes thereto.
- Reviewing and discussing the type and presentation of information to be included in the Company's earnings releases.
- Reviewing in advance all filings with the SEC containing (or incorporating by reference) the Company's financial statements, including the Quarterly Reports on Form 10-Q and the Annual Report on Form 10-K and "Management's Discussion and Analysis of Financial Condition and Results of Operations" in such filings.
- Reviewing the audited financial statements and discussing them with management and the independent auditors. These discussions shall include any matters raised by the independent auditors, including any matters required to be discussed under the PCAOB Auditing Standard No. 1301 and such other matters as the Committee or the independent auditors shall deem appropriate. Based on such review and the Committee's evaluation of the independence of the auditors, the Committee shall make its recommendation to the Board as to whether the Company's audited financial statements should be included in the Company's Annual Report on Form 10-K (or the Annual Report to Shareholders, if distributed prior to the filing of the Form 10-K).
- Meeting with management, the independent auditors and, if appropriate, the General Auditor to:

- discuss the scope of the annual audit;
  - discuss any significant matters arising from any audit, including any audit problems or difficulties, whether raised by management, the internal auditors or the independent auditors, relating to the Company's financial statements;
  - discuss any difficulties the independent auditors encountered in the course of the audit, including any restrictions on their activities or access to requested information and any significant disagreements with management;
  - review the form of opinion the independent auditors propose to render to the Board and shareholders; and
  - discuss, as appropriate: (i) 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 to the adequacy of the Company's internal controls and any special audit steps adopted in light of material control deficiencies, (ii) analyses prepared by management and/or the independent auditors setting forth significant financial reporting issues and judgments made in connection with the preparation of the financial statements, including analyses of the effects of alternative GAAP methods on the financial statements; (iii) the effect of regulatory and accounting initiatives, as well as off-balance sheet structure, on the financial statements of the Company; and (iv) any critical audit matters.
- Preparing and issuing annually any report or other disclosures, including any recommendation of the Committee, to be included in the Company's proxy statement, as required by the rules of the SEC.
  - Overseeing internal audit and loan review activities, including annually reviewing and approving of the department charter, budget, risk assessment methodology and annual audit plan and significant changes thereto. This includes oversight of any externally sourced audit work.
  - Receiving and reviewing internal audit and loan review reports.
  - Reviewing the results of internal audit and loan review quality assurance reviews (internal and external).
  - Providing the General Auditor full access to the Committee (and the Board as appropriate) to report appropriate matters.
  - Discussing with management and the General Auditor the internal audit function within the organization and its independence, objectivity, responsibilities, plans, budget, staffing, and results, including whether there are inappropriate scope or resource limitations or significant disagreements with management.
  - Reviewing the performance of the General Auditor and, in conjunction with the Chief Executive Officer, taking action it deems appropriate. The Committee approves all decisions regarding the performance evaluation, appointment, or removal of the General Auditor as well as the General Auditor's annual review of compensation.
  - Discussing with management, the internal auditors and the independent auditors the quality and adequacy of and compliance with the Company's internal controls, including an inquiry of the Company's Chief Executive Officer and Chief Financial Officer as to the existence of any significant deficiencies or material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Company's ability to record, process, summarize and report financial information, and as to the existence of any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal control over financial reporting.

- Discussing with management and/or the Company’s counsel any legal matters, including the status of pending litigation, that may have a material impact on the Company’s financial statements, and material reports or inquiries from regulatory or governmental agencies.
- Reviewing and discussing any management letter or internal control letter and management responses with the independent auditors, internal auditors and management.
- Resolving all disagreements between the Company’s independent auditors and management regarding financial reporting.
- Reviewing alleged fraudulent actions or violations of law reported by internal audit and/or compliance staff, by the independent auditors or by any other risk management function in the Company.
- Keeping the independent auditors informed of the Committee’s understanding of the Company’s relationships and transactions with related parties that are significant to the Company. Reviewing and discussing with the independent auditors the firm’s evaluation of the Company’s identification of, accounting for and disclosure of its relationships and transactions with related parties. This would include any significant matters arising from the annual audit regarding the Company’s relationships and transactions with related parties.
- If the function is not performed by another committee of independent Company directors, reviewing and approving all related party transactions within the scope of Item 404(a) (“Transactions With Related Persons”) of Regulation S-K promulgated by the SEC.
- Reviewing and providing oversight over procedures for the receipt, retention and treatment of complaints received by the Company regarding fraud, financial statements, disclosures, accounting, internal accounting controls, or auditing matters, and the confidential, anonymous submission by employees or agents of the Company of any concerns regarding the same. Such procedures are set forth in *Exhibit A*.
- Reviewing and assessing the adequacy of this Charter at least annually and recommending any changes to the Board, and completing a self-evaluation separately or together with the overall Board self-evaluation procedures.
- Together with the Enterprise Risk Management Committee of the Board, overseeing the Company’s major financial risk exposures and the steps management has taken to monitor and control such exposures.
- Obtaining from the independent auditors assurance that the audit was conducted in a manner consistent with PCAOB financial statement audit requirements, including external auditor independence rules, and the requirements of Section 10A of the Securities and Exchange Act of 1934, as amended (the “Exchange Act”).
- Reviewing and discussing any reports concerning material violations submitted to it by Company attorneys or outside counsel pursuant to the SEC attorney professional responsibility rules (17 C.F.R. Part 205) or otherwise.
- Overseeing compliance with the Company’s Code of Ethics for Senior Financial Officers (the “Code”), investigating any alleged breach or violation of the Code, and enforcing the provisions of the Code.
- Reporting its activities to the Board on a regular basis and making recommendations as deemed necessary with respect to any of the above.
- Undertaking certain responsibilities delegated from the Board with respect to compliance activities and actions, including the review of compliance reporting as deemed appropriate by the Board.

The Committee may consider undertaking additional duties to fulfill its oversight functions.

## **Exhibit A**

### **Complaint Procedures**

The Company shall forward to the Audit Committee of the Board of Directors (the “Committee”) any complaints that it receives regarding fraud, financial statement disclosures, accounting, internal accounting controls, or auditing matters (“Financial Disclosure Matters”).

Any Company employee or agent may submit any concerns regarding Financial Disclosure Matters including fraud, audit, accounting control and finance matters by speaking with their supervisor, the Human Resources Department, or a member of executive management. Executive management will provide the reported information to the Committee.

As an alternative, an employee or agent may also report these matters, on a confidential, anonymous basis (if the employee so desires) to Ethicspoint. This outside service can be accessed by the Ethicspoint link provided on Company computers or by a toll free Hotline to Ethicspoint. 1-866 -ETHICSP (1-866-384-4277). Ethicspoint assures complete employee anonymity and confidentiality unless the employee/ agent chooses to self-identify. Ethicspoint provides the reported information to the Company’s Audit Committee Chair. If the employee wishes to discuss the matter with the Committee, he or she will be provided with contact information. The Committee shall retain any such complaints for a period of no less than seven years.