

COMMERCE BANCSHARES, INC.

AUDIT AND RISK COMMITTEE CHARTER

Committee Purpose

The Audit and Risk Committee (“Committee”) is appointed by the Board of Directors to assist the Board in monitoring and oversight of:

Audit

- The internal control over financial reporting of Commerce Bancshares, Inc. (the “Company”) and the audits of its financial statements
- The independent auditor’s qualifications and independence
- The performance of the Company’s internal audit function and independent auditors
- The internal audit director’s impartiality and independence
- Compliance by the Company with legal and regulatory requirements

Risk

- The Company’s risk management governance structure and risk management framework, including the strategies, policies, and processes established by management to identify, assess, measure, and manage the major risks facing the Company
- The performance of the Company’s internal credit review function

Committee Membership

The Committee shall consist of no fewer than three members. The members of the Committee shall meet the independence and experience requirements of Section 10A(m)(3) of the Securities Exchange Act of 1934 (the “Exchange Act”), Nasdaq and the rules and regulations of the Securities and Exchange Commission (“Commission”). Committee members must be able to read and understand financial statements at the time of their appointment. At least one member of the Committee shall be an “audit committee financial expert” as defined by the Commission. Additionally, Committee must include at least one member having experience in identifying, assessing, and managing risk exposures of large, complex firms and shall be designated as the “risk expert”. The Committee will be chaired by a member meeting the relevant standards of independence and experience by applicable regulatory authorities.

The members of the Committee shall be appointed by the Board on the recommendation of the Committee on Governance/Directors. Committee members may be replaced by the Board at any time, with or without cause.

Meetings

The Committee shall meet as often as it determines, but not less frequently than quarterly. All members are expected to attend each meeting, in person or via telephone or video conference. A quorum for meeting purposes will consist of a majority of the current membership and the Committee may act by a vote of a majority of members present at such meeting. Meeting agendas will be prepared and provided in advance to members, along with appropriate materials.

The Committee shall meet periodically with management, the internal audit director, the credit review director, the chief risk officer, and the independent auditor in separate executive sessions. The Committee may request any officer or employee of the Company or the Company's outside counsel or independent auditor to attend a meeting of the Committee or to meet with any members of, or consultants to, the Committee.

The Committee will fully document and maintain records of its proceedings, including risk-management decisions.

Committee Authority and Responsibilities

Audit

The Committee shall have the sole authority to appoint or replace the independent auditor. The Committee shall be directly responsible for the compensation and oversight of the work of the independent auditor (including resolution of disagreements between management and the independent auditor regarding financial reporting) for the purpose of preparing or issuing an audit report or related work. The independent auditor shall report directly to the Audit and Risk Committee.

The Committee shall pre-approve all auditing services and permitted non-audit services (including the fees and terms thereof), as outlined in its established policy, to be performed for the Company by its independent auditor, subject to the de minimus exceptions for non-audit services described in Section 10A(i)(1)(B) of the Exchange Act, which are approved by the Committee prior to the completion of the audit.

The Committee shall have the authority, to the extent it deems necessary or appropriate, to retain independent legal, accounting or other advisors. The Company shall provide for appropriate funding, as determined by the Committee, for payment of compensation to the independent auditor for the purpose of rendering or issuing an audit report and to any advisors employed by the Committee. The Committee shall have authority to conduct or authorize investigations into any matters within its scope of responsibility. The Committee, to the extent it deems necessary or appropriate, shall:

Financial Statement and Disclosure Matters

- Review and discuss with management and the independent auditor the annual audited financial statements, including disclosures made in management’s discussion and analysis, and recommend to the Board whether the audited financial statements should be included in the Company’s Form 10-K.
- Discuss with management and the independent auditor the Company’s quarterly financial statements prior to the filing of its Form 10-Q, including the results of the independent auditor’s review of the quarterly financial statements.
- Discuss with management and the independent auditor significant financial reporting issues and judgments made in connection with the preparation of the Company’s financial statements, including any significant changes in the Company’s selection or application of accounting principles, any major issues as to the adequacy of the Company’s internal controls and any special steps adopted in light of material control deficiencies.
- Review and discuss annually reports from the independent auditors on:
 - All critical accounting policies and practices to be used.
 - All alternative treatments of financial information within generally accepted accounting principles that have been discussed with management, ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the independent auditor.
 - Other material written communications between the independent auditor and management, such as any management letter or schedule of unadjusted differences.
- Discuss with management and the independent auditor the effect of regulatory and accounting initiatives as well as off-balance sheet structures on the Company’s financial statements.
- Discuss with the independent auditor the matters required to be discussed by Statement on Auditing Standards No. 114 relating to the conduct of the audit, including any difficulties encountered in the course of the audit work, any restrictions on the scope of activities or access to requested information, and any significant disagreements with management.
- Review disclosures made to the Committee by the Company’s CEO and CFO during their certification process for the Form 10-K and Form 10-Q about any significant deficiencies in the design or operation of internal control over financial reporting or material weaknesses therein and any fraud involving management or other employees who have a significant role in the Company’s internal control over financial reporting.

- Prepare the report required by the rules of the Securities and Exchange Commission to be included in the Company's annual proxy statements.
- Review and approve all related party transactions.

Oversight of the Company's Relationship with the Independent Auditor

- Review and discuss the annual evaluation of the independent auditor and recommendations related to retaining the independent auditor.
- Ensure the rotation of the lead (or coordinating) audit partner having primary responsibility for the audit and the audit partner responsible for reviewing the audit as required by law.
- Meet with the independent auditor prior to the audit to discuss the planning and staffing of the audit.
- Review and confirm the formal written statement submitted by the independent auditor to the Committee annually delineating all relationships between the independent auditor and the Company in accordance with PCAOB rules.

Oversight of the Company's Internal Audit Function

- Review and approve the appointment and replacement of the internal audit director.
- Review and approve the administrative reporting of the internal audit director.
- Review and approve the internal audit director's performance evaluations and compensation.
- Review and approve the internal audit charter.
- Approve the risk-based internal audit plan.
- Approve the internal audit department's budget and resource plan.
- Receive communications from the Audit Director on the internal audit department's performance relative to its plan and other matters.
- Make appropriate inquiries of management and the Audit Director to determine whether there are any scope or resource limitations.
- Review the significant reports to management prepared by the internal audit department together with management's responses and follow-up to these reports.

- Review and approve the overall risk assessment methodology and significant changes in internal audit processes, including a periodic review of key internal audit policies and procedures.
- Receive reports on periodic quality assurance reviews of the internal audit function.
- Discuss with the independent auditor and management internal audit department responsibilities, budget, qualifications and staffing and any recommended changes in the planned scope of the internal audit department.
- Review for completion of annual regulatory requirements such as FDICIA and 12 CFR 9 (trust audits).

Compliance Oversight Responsibilities

- Obtain from the independent auditor assurance that Section 10A(b) of the Exchange Act (communication of illegal acts) has not been implicated.
- Obtain reports from management, the Company's internal audit director and the independent auditor that the Company is in conformity with applicable legal requirements and the Company's Code of Ethics. Review reports and disclosures of insider and affiliated party transactions. Advise the Board with respect to the Company's policies and procedures regarding compliance with applicable laws and regulations and with the Company's Code of Ethics.
- Obtain reports from management relating to issues resulting from procedures for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters, and the confidential, anonymous submission by employees of concerns regarding questionable accounting or auditing matters.
- Discuss with management and the independent auditor any correspondence with regulators or governmental agencies and any published reports, which raise material issues regarding the Company's financial statements or accounting policies.
- Discuss with the Company's General Counsel legal matters that may have a material impact on the financial statements or the Company's compliance policies.

Management Assessments

- Review management's assessment that the credit review system is appropriate.
- Review management's assessment and justification for the amounts of Allowance for Credit Losses (ACL) reported each period.

Risk Governance

The Committee, to the extent it deems necessary or appropriate, shall:

- Review the appointment and replacement of the Chief Risk Officer.
- Review and approve the Chief Risk Officer's performance evaluations and compensation.
- Monitor and advise the Board of Directors regarding the Company's risk exposures, including credit, market, liquidity, operational, legal, reputational, strategic and compliance risks.
- Evaluate, monitor, and oversee the performance of the Company's risk management governance and framework to ensure appropriate risk identification, measurement and reporting.
- Require management to validate and, when appropriate, revise the ACL methodology.
- Oversee the establishment of policies and guidelines with respect to risk management governance, risk management procedures, and risk control infrastructure.
- Review the ACL policy annually.
- Review, approve, and monitor the Company's risk appetite and supporting risk tolerance levels.
- Review the Compliance Management System (CMS) program annually.
- Review reports of examination by regulatory agencies related to the Company's risks, risk management, or any other matters within the scope of the Committee's oversight responsibilities and monitor and review management's response to any noted issues.
- Review annual regulatory requirements related to corporate insurance coverage and business continuity.
- Provide oversight of the Company's progress on Environmental, Social & Governance (ESG) initiatives and activities.

Oversight of the Company's Internal Credit Review Function

- Review the appointment and replacement of the credit review director.
- Review and approve the credit review director's performance evaluations and compensation.

- Review the significant reports to management prepared by the credit review department together with management's responses and follow-up to these reports.
- Discuss with management the credit review department's responsibilities, budget, qualifications and staffing and any recommended changes in the planned scope of the credit review department.

Committee Reports and Other Responsibilities

- The Committee shall make regular reports to the Board.
- The Committee shall review and reassess the adequacy of this Charter annually and recommend any proposed changes to the Board for approval.
- The Committee shall perform a self-assessment on an annual basis.
- The Committee shall perform any other activities consistent with this charter that the Board determines are necessary or appropriate.

Limitation of Committee's Role

While the Audit and Risk Committee has the responsibilities and powers set forth in this Charter, it is not the duty of the Audit and Risk Committee to plan or conduct audits or to determine that the Company's internal control over financial reporting is effective or that its financial statements and disclosures 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 the independent auditor. Management is also responsible for designing, implementing, and maintaining an effective risk management framework.