

COMMUNITY FINANCIAL SYSTEM, INC.
COMMUNITY BANK, N.A.
AUDIT COMMITTEE CHARTER

Purpose

The Audit Committee (the “Committee”) is a joint committee of Community Financial System, Inc. and Community Bank, N.A. (collectively, the “Company”). The Committee is appointed by the Board of Directors of each entity (collectively, the “Board”) to assist the Board in monitoring (a) the quality and integrity of the financial reporting process, systems of internal controls and financial statements and reports of the Company; (b) the activities and performance of the Company’s Internal Audit Function (“Internal Audit”); (c) the appointment, compensation and oversight of the independent registered public accounting firm engaged by the Company for the purpose of preparing or issuing an audit report or related work (the “Independent Auditor”); (d) the compliance by the Company with legal and regulatory requirements; and (e) oversee internal risk management functions as required by the rules and regulations of the U.S. Securities and Exchange Commission (the “Commission”) and the New York Stock Exchange (the “NYSE”), as determined by the Board (“Risk Management”). The Board has established a separate Risk Committee with primary responsibility for overseeing the Company's enterprise risk management framework and key non-financial risk types. The Audit Committee coordinates with the Risk Committee and other Board committees to help ensure comprehensive and non-duplicative Board-level risk oversight.

While the Committee has the responsibilities and powers set forth in this Charter, it is not the duty of the Committee to plan or conduct audits, to prepare the Company’s financial statements or disclosures or to determine that the Company’s financial statements and disclosures are complete and accurate and are in accordance with generally accepted accounting principles (“GAAP”) and applicable rules and regulations. It is the responsibility of: (i) management of the Company and the Independent Auditor, under the oversight of the Committee and the Board, to plan and conduct financial audits and to determine that the Company’s financial statements and disclosures are complete and accurate in accordance with GAAP and applicable rules and regulations and fairly present, in all material respects, the financial condition of the Company; (ii) management of the Company, under the oversight of the Committee and the Board, to assure compliance by the Company with applicable legal and regulatory requirements; (iii) Risk Management, under the oversight of the Committee, the Risk Committee, and the Board, to monitor the risks and management’s actions to mitigate these risks; and (iv) Internal Audit, under the oversight of the Committee and the Board, to review the Company’s internal controls, ensure the safeguard of assets, evaluate adherence to policies and procedures, and assist the Independent Auditors as needed. Likewise, it is not the Committee’s responsibility to conduct investigations, or to assure that the Company complies with specific legal or regulatory requirements or the Company’s Code of Business Conduct and Ethics. Each member of the Committee will be entitled to rely, to the fullest extent permitted by law, upon the integrity of those persons or organizations within and outside the Company from whom it receives information, and the accuracy of the information.

Committee Membership and Meetings

The Committee shall consist of no fewer than three members, as determined annually by the Board. The members of the Committee shall meet the independence requirements of the NYSE

and any applicable regulatory authority. At least one member of the Committee shall in the judgment of the Board be an “audit committee financial expert” (as defined by the rules and regulations of the Commission) and at least two members of the Committee shall in the judgment of the Board have the banking or related financial management experience required by the Federal Deposit Insurance Corporation Improvement Act of 1991 and applicable rules and regulations thereunder. Committee members shall not serve simultaneously on the audit committees of more than two other public companies without the approval of the full Board.

The members of the Committee shall be appointed annually by the Board. Committee members may be replaced by the Board at any time. The Board shall designate the Chair of the Committee.

The Committee shall meet as often as it determines necessary or appropriate but not less frequently than quarterly. The Chair shall preside at each meeting and, in the absence of the Chair, one of the other members of the Committee shall be designated as the acting chair of the meeting. Any background materials, together with the agenda, should be distributed to the Committee members in advance of the meeting. Reports of meetings of the Committee shall be made to the Board at its next regularly scheduled meeting following the Committee meeting, accompanied by any recommendations to the Board approved by the Committee.

Committee Resources and Authority

The Committee, in discharging its oversight role, is empowered to study or investigate any matter of interest or concern that the Committee deems appropriate. In this regard, the Committee shall have the authority, to the extent it deems necessary or appropriate, to retain independent legal, accounting or other advisers. 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 advisers employed by the Committee, subject only to any limitations imposed by applicable rules and regulations. 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 shall meet with management, Internal Audit, Risk Management and the Independent Auditor in separate executive sessions at least quarterly to discuss matters for which the Committee has responsibility. While acting within the scope of its stated purpose, the Committee will have, to the fullest extent permitted by law, all of the authority of the Board of Directors.

The Committee may form and delegate authority to subcommittees consisting of one or more members when appropriate, which subcommittees will consist of one or more members of the Committee and will report to the Committee.

Powers and Responsibilities

The Committee will have the following responsibilities in carrying out its stated purposes. The Committee will also carry out any other responsibilities and duties delegated to it by the Board from time to time related to the purposes of the Committee outlined in the “Purpose” section of this Charter or as required by applicable laws, rules or regulations.

Financial Statement and Disclosure Matters

1. Review and discuss with management, and to the extent the Committee deems necessary or appropriate, Internal Audit and the Independent Auditor, the Company’s disclosure controls and procedures that are designed to ensure that the reports the Company files with the Commission comply with the Commission’s rules and forms.
2. Review and discuss with management, Internal Audit 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.
3. Review and discuss with management, Internal Audit and the Independent Auditor the Company’s quarterly financial statements, including disclosures made in management’s discussion and analysis, prior to the filing of its Form 10-Q, including the results of the Independent Auditor’s reviews of the quarterly financial statements.
4. Review and discuss all reports from the Independent Auditor on:
 - (a) All critical accounting policies and practices to be used;
 - (b) All alternative treatments within GAAP for policies and practices related to material items that have been discussed with management, including ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the Independent Auditor;
 - (c) The internal controls adhered to by the Company, management, and the Company’s financial, accounting and internal auditing personnel, and the impact of each on the quality and reliability of the Company’s financial reporting; and
 - (d) Other material written communications between the Independent Auditor and management, such as any management letter or schedule of unadjusted differences.
5. Review and discuss in advance with management the Company’s practice with respect to the types of information to be disclosed and the types of presentations to be made in earnings press releases, including the use, if any, of “pro forma” or “adjusted” non-GAAP information, as well as financial information and earnings guidance provided to analysts and rating agencies.
6. Review and discuss as appropriate with management, Internal Audit, Risk Management and the Independent Auditor:

- (a) Significant financial reporting issues and judgments made in connection with the preparation of the Company's financial statements;
 - (b) The clarity of the financial disclosures made by the Company;
 - (c) The development, selection and disclosure of critical accounting estimates and the analyses of alternative assumptions or estimates, and the effect of such estimates on the Company's financial statements;
 - (d) Potential changes in GAAP and the effect such changes would have on the Company's financial statements;
 - (e) Significant changes in accounting principles, financial reporting policies and internal controls implemented by the Company;
 - (f) Significant litigation, contingencies and claims against the Company and material accounting issues that require disclosure in the Company's financial statements;
 - (g) Information regarding any "second" opinions sought by management from an independent auditor with respect to the accounting treatment of a particular event or transaction;
 - (h) Management's compliance with the Company's processes, procedures and internal controls;
 - (i) The adequacy and effectiveness of the Company's internal accounting and financial controls and the recommendations of management, Internal Audit, and the Independent Auditor for the improvement of accounting practices and internal controls; and
 - (j) Any difficulties encountered by the Independent Auditor or Internal Audit in the course of their audit work, including any restrictions on the scope of activities or access to requested information, and any significant disagreements with management.
7. Discuss with management and the Independent Auditor the effect of regulatory and accounting initiatives as well as off-balance sheet structures and aggregate contractual obligations on the Company's financial statements.
 8. Discuss with management, including Risk Management, the major financial risk exposures and other relevant risk exposures faced by the Company, as well as the steps management has taken to monitor and control such exposures, including the Company's risk assessment and risk management policies related to financial risk.
 9. Discuss with the Independent Auditor the matters required to be discussed by Auditing Standard No. 16 (Communications with Audit Committees), as amended, relating to the conduct of the audit. In particular, discuss:
 - (a) The adoption of, or changes to, the Company's significant internal auditing and

accounting principles and practices as suggested by the Independent Auditor, Internal Audit or management; and

- (b) The management letter provided by the Independent Auditor and the Company's response to that letter.
10. Receive and review disclosures made to the Committee by the Company's Chief Executive Officer and Chief Financial Officer during their certification process for the Company's Form 10-K and Form 10-Q about (a) any significant deficiencies in the design or operation of internal controls or material weakness therein, (b) any fraud involving management or other associates who have a significant role in the Company's internal controls, and (c) any significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of their evaluation.
 11. Prepare annually a Committee report for inclusion in the Company's proxy statement relating to its Annual Shareholders Meeting. In that report, the Committee will state whether it has:
 - (a) reviewed and discussed the audited financial statements with management;
 - (b) discussed with the Independent Auditor the matters required to be discussed by Auditing Standard No. 16, as that statement may be modified or supplemented from time to time;
 - (c) received from the Independent Auditor the written disclosures and the letter required by applicable requirements of the Public Company Accounting Oversight Board ("PCAOB") regarding the Independent Auditor's communications with the Audit Committee concerning independence, as those standards may be modified or supplemented from time to time, and has discussed with the Independent Auditor, the Independent Auditor's independence; and (d) based on the review and discussions referred to in clauses (a), (b) and (c) above, recommended to the Board that the audited financial statements be included in the Company's Annual Report on Form 10-K for the last fiscal year for filing with the Commission.
 12. Receive and review the minutes of the Disclosure Committee.

Oversight of the Company's Relationship with the Independent Auditor

13. The Committee shall be responsible directly for the appointment retention, termination, compensation and terms of engagement, evaluation, and oversight of the work of the Independent Auditor (including resolution of disagreements between management and the Independent Auditor regarding financial reporting). The Independent Auditor shall report directly to the Committee.
14. Pre-approve all audit services and non-audit services (including the fees and terms thereof) to be performed for the Company by the Independent Auditor to the extent required by and in a manner consistent with applicable law.

15. Review the experience and qualifications of the senior members of the Independent Auditor team.
16. Obtain and review a report from the Independent Auditor at least annually regarding (a) the Independent Auditor's internal quality-control procedures, (b) any material issues raised by the most recent internal quality-control review, or peer review, of the firm, or by any inquiry or investigation by governmental or professional authorities, within the preceding five years respecting one or more independent audits carried out by the firm, (c) any steps taken to deal with any such issues, and (d) all relationships between the Independent Auditor and the Company, including the written disclosures and the letter required by applicable requirements of the PCAOB regarding the Independent Auditor's communications with the Audit Committee concerning independence, as those standards may be modified or supplemented from time to time.
17. Evaluate the qualifications, performance and independence of the Independent Auditor, including considering whether the Independent Auditor's quality controls are adequate and the provision of non-audit services is compatible with maintaining the Independent Auditor's independence, and taking into account the opinions of management and Internal Audit. The Committee shall present its conclusions to the Board.
18. Oversee the rotation of the lead (or coordinating) audit partner having primary responsibility for the audit and the audit partner responsible for reviewing the audit at least once every five years, and oversee the rotation of other audit partners, in accordance with the rules of the Commission.
19. Review and determine policies regarding the hiring of present and former associates of the Independent Auditor who have participated in any capacity in the audit of the Company, in accordance with the rules of the Commission.
20. To the extent the Committee deems necessary or appropriate, discuss with the national office of the Independent Auditor issues on which they were consulted by the Company's audit team and matters of audit quality and consistency.
21. Discuss with management, Internal Audit, and the Independent Auditor any accounting adjustments that were noted or proposed by the Independent Auditor, but were not adopted, recorded or reflected.
22. Meet with management, Internal Audit, and the Independent Auditor prior to the audit to discuss and review the scope, planning and staffing of the audit.
23. Obtain from the Independent Auditor the information required to be disclosed to the Company by generally accepted auditing standards in connection with the conduct of an audit as outlined in PCAOB Auditing Standard (AS) 1031.
24. Require the Independent Auditor to review the financial information included in the Company's Form 10-Q in accordance with Rule 10-01(d) of Regulation S-X of the Commission prior to the Company filing such reports with the Commission and to provide to the Company for inclusion in the Company's Form 10-Q any reports of the

Independent Auditor required by Rule 10-01(d).

25. Obtain from the Independent Auditor the reports required to be furnished to the Committee under Section 10A of the Exchange Act and obtain from the Independent Auditor any information with respect to illegal acts in accordance with Section 10A.

Oversight of Internal Audit

26. Ensure that Internal Audit that aligns with the Global Internal Audit Standards.
27. Review and approve the appointment, replacement, reassignment or dismissal of the Director of Internal Audit, and the annual performance evaluation and compensation package for such person.
28. On an annual basis, review and approve the annual Internal Audit plan as submitted by the Director of Internal Audit. As needed, review and approve any subsequent significant changes to the annual internal audit plan as outlined and presented by the Director of Internal Audit.
29. Review Internal Audit reports with “needs improvement” internal control ratings.
30. Communicate with management and Internal Audit to obtain information concerning internal audits, accounting principles adopted by the Company, internal controls of the Company, management, and the Company’s financial and accounting personnel, and review the impact of each on the quality and reliability of the Company’s financial statements.
31. Evaluate Internal Audit and assess the effectiveness of the internal audit function.
32. Approve the selection of any third party or co-source providers to be directed by the Director of Internal Audit. Periodically review the performance of third-party providers with the Director of Internal Audit.
33. Review, approve and discuss with the Independent Auditor, Internal Audit’s responsibilities, budget and staffing and any recommended changes in the planned scope of the Internal Audit, including the use of third-party providers.
34. Review reports on significant changes in staffing, processes, and industry trends as needed.
35. Review at least annually the results of the Quality Assurance and Improvement Program, including Internal Audit’s:
 - (a) annual self-assessment against Institute of Internal Auditors International Professional Framework (“IPPF”) and other applicable regulatory requirements.
 - (b) periodic (every 5 years) external quality assessments of Internal Audit’s conformance with the IPPF and other regulatory requirements.

Oversight of Compliance with Legal and Regulatory Requirements

36. Review quarterly with the General Counsel the Company's material litigation report.
37. Review and approve all related-party transactions, defined as those transactions required to be disclosed under Items 404(a) and (b) of Regulation S-K and NYSE Rule 314.00. Discuss with the independent auditor its evaluation of the Company's identification of, accounting for, and disclosure of its relationships with related parties as set forth under the standards of the PCAOB.
38. Review the Company's Code of Business Conduct and Ethics (and any similar or related policies) and recommend any changes, modifications or waivers to such policy to the Board for approval.
39. Obtain reports from management, the Director of Internal Audit and the Independent Auditor regarding oversight of matters relating to Code of Business Conduct and Ethics, whistleblower communications, and insider and related party transactions.
40. Establish procedure for (a) the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters, and (b) the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters.
41. Discuss with management and the Independent Auditor any correspondence between the Company and regulators or governmental agencies or any employee complaints or published reports that raise material issues regarding the Company's financial statements or accounting policies, internal control over financial reporting or disclosure controls and procedures. Periodically review with management the nature, volume and resolution of such complaints and concerns, including any significant trends and the adequacy of related remediation.
42. Discuss with the Company's Chief Risk Officer, compliance officers and the Company's legal counsel, any legal matters that may have a material impact on the financial statements or the Company's compliance policies.

Oversight of Risk Management

43. To the extent required to comply with the rules of the NYSE, the Committee will exercise such oversight of the Company's risk assessment and risk management framework, in conjunction with the Risk Committee, as is required thereunder.
44. The Committee will have such risk management oversight responsibilities as are consistent with applicable law and regulation and are delegated to the Committee by the Board or agreed to by the Committee and Risk Committee from time to time.

Additional Authority and Responsibilities

45. The Committee shall review and reassess the adequacy of this Charter annually and recommend any proposed changes to the Board for approval.

46. The Committee shall annually review its own performance, comparing its performance with the requirements of this Charter, and review such evaluation with the Board.
47. Conduct or authorize investigations into any matters within the Committee's scope of responsibilities.

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