

# Audit Committee Charter

## **AUDIT COMMITTEE CHARTER**

The Audit Committee (the “Committee”) of the Board of Directors (the “Board”) of Digimarc Corporation (the “Company”) is responsible for overseeing the quality and integrity of the accounting, auditing, and financial reporting practices of the Company, the audits of the financial statements of the Company, and such other duties as directed by the Board. The Committee’s role includes a particular focus on the qualitative aspects of financial reporting to stockholders, on the Company’s processes to manage business and financial risk, and on compliance with significant applicable legal, ethical, and regulatory requirements. The Committee is directly responsible for the appointment, compensation, retention and oversight of the public accounting firm (including resolution of disagreements between management and the auditor regarding financial reporting) engaged to prepare or issue an audit report on the financial statements of the Company or perform other audit, review or attest services for the Company. The Committee is also responsible for oversight of cybersecurity and enterprise risk management and any such other duties delegated by the Board.

## **MEMBERSHIP**

The membership of the Committee shall consist of at least three directors who satisfy the independence requirements of Nasdaq, applicable laws, and the rules and regulations of the SEC and who are able to read and understand fundamental financial statements, including a company's balance sheet, income statement, and cash flow statement. At least one member shall have past employment experience in finance or accounting, requisite professional certification in accounting or other comparable experience or background that results in the individual's possessing the requisite financial sophistication, including a current or past position as a chief executive or financial officer or other senior officer with financial oversight responsibilities. In addition, at least one member of the Committee shall be an “audit committee financial expert” as that term is defined in applicable rules. Each member shall be free of any relationship that, in the opinion of the Board, would interfere with his or her individual exercise of independent judgment in carrying out the responsibilities of a director. No member 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. Applicable laws and regulations shall be followed in evaluating a member’s independence. Each member of the Committee as well as the chairperson of the Committee shall be appointed by the full Board.

## **COMMUNICATIONS/REPORTING**

The Company’s public accounting firm shall report directly to the Committee. The Committee is expected to maintain free and open communication with the public accounting firm, the financial and legal personnel of the Company, and the Company’s management. This communication shall include regularly scheduled private executive sessions with each of these parties. The Committee chairperson shall report on Committee activities to the full Board.

## **EDUCATION**

The Company is responsible for providing the Committee with educational resources related to accounting principles and procedures, current accounting topics pertinent to the Company and other material as may be requested by the Committee. The Company shall assist the Committee in maintaining appropriate financial literacy.

## **AUTHORITY**

In discharging its oversight role, the Committee is empowered to conduct or authorize investigations of any matter brought to its attention and the Committee has the authority to engage, at the Company's expense, independent counsel or other advisors, as it determines necessary to carry out its duties.

## **RESPONSIBILITIES**

The Committee's specific responsibilities in carrying out its oversight role are delineated in the Audit Committee Responsibilities Checklist, set forth in Attachment A to this Charter. The responsibilities checklist will be updated annually to the extent necessary, to reflect changes in regulatory requirements, authoritative guidance, and evolving oversight practices. As the compendium of Committee responsibilities, the most recently updated responsibilities checklist will be considered to be an addendum to this Charter.

In addition, the Committee shall review the policies and procedures adopted by the Company to fulfill its responsibilities regarding the fair and accurate presentation of financial statements in accordance with generally accepted accounting principles and applicable rules and regulations of the SEC and Nasdaq.

To facilitate the performance of the Committee, from time to time the Board may delegate to the Committee Chair the authority and responsibility to act on behalf the Committee, including the authority to act in certain circumstances pursuant to the "Audit and Non-Audit Services Pre-Approval Policy", set forth in Attachment B to this Charter.

Additionally, the Committee has the authority and responsibility to perform the activities of a Qualified Legal Compliance Committee pursuant to the Qualified Legal Compliance Committee Responsibilities set forth in Attachment C to this Charter.

The Committee relies on the expertise and knowledge of management of the Company and the public accounting firm in carrying out its oversight responsibilities. Management of the Company is responsible for determining that the Company's financial statements are complete, accurate, and in accordance with generally accepted accounting principles. The public accounting firm is responsible for auditing the Company's financial statements. It is not the duty of the Committee to plan or conduct audits, to determine that the financial statements are complete and accurate and are in accordance with generally accepted accounting principles, to conduct investigations, or to assure compliance with laws and regulations or the Company's internal policies, procedures, and controls.

The Board and the Committee are in place to represent the Company's stockholders. Accordingly, the public accounting firm is ultimately accountable to the Board and the Committee.

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As part of the commitment of the Company and the Board of Directors to good governance practices, the Audit Committee has adopted this charter, and will regularly review its charter and recommend changes to the Board of Directors. The Audit Committee charter implements the broad scope and authorities contemplated by the Sarbanes-Oxley Act of 2002. The charter also contains an "Audit and Non-Audit Services Pre-Approval Policy" and vests in the Audit Committee authority and responsibility to perform the activities specified for a Qualified Legal Compliance Committee.

## ATTACHMENT A

### AUDIT COMMITTEE RESPONSIBILITIES CHECKLIST

#### WHEN PERFORMED Audit Committee Meetings

		Winter	Spring	Summer	Fall	A/N*
1	The Committee will perform such other functions assigned by law, the Company's charter or bylaws, or the Board of Directors.					<b>X</b>
2	The Committee shall have the power to conduct or authorize investigations into any matters within the Committee's scope of responsibilities. The Committee shall be empowered to retain independent counsel, accountants, or other advisors to assist it as it determines necessary to carry out its duties.					<b>X</b>
3	The Committee shall meet no fewer than four times a year or more frequently as circumstances require. The Committee may ask members of management or others to attend the meeting and provide pertinent information as necessary.	<b>X</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>X</b>
4	The agenda for Committee meetings will be prepared in consultation between the Committee chair (with input from the Committee members), Finance management, the General Counsel and the public accounting firm.	<b>X</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>X</b>
5	The Committee will provide an open avenue of communication between the internal auditors, the public accounting firm, Finance management and the Board of Directors. The Committee will report actions to the Board of Directors with such recommendations as the Committee may deem appropriate.					<b>X</b>
6	The Committee will review the Audit Committee Charter and update the Audit Committee Responsibilities Checklist annually and update them as necessary.				<b>X</b>	
7	The Committee will provide a report in the Company's proxy statement in accordance with the requirements of the Securities and Exchange Commission ("SEC").		<b>X</b>			
8	The Committee will post the Audit Committee Charter on the Company's website and provide the disclosure required by SEC regulations regarding such posting in the Company's proxy statement.					<b>X</b>

		Winter	Spring	Summer	Fall	A/N*
9	The Committee will appoint, retain, approve the compensation of, and provide oversight of the public accounting firm (including resolution of disagreements between management and the auditors regarding financial reporting) engaged for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Company.	<b>X</b>	<b>X</b>	<b>X</b>	<b>X</b>	
10	The Committee will review and advise on the appointment or change of key personnel in Finance management.					<b>X</b>
11	The Committee will confirm annually the independence of the public accounting firm, and quarterly review the firm's non-audit services and related fees. The Committee shall require that the public accounting firm at least annually provide a formal written statement delineating all relationships between the public accounting firm and the Company consistent with Independence Standards Board Standard 1 and request information from the public accounting firm and management of the Company to determine the presence or absence of a conflict of interest. The Committee shall actively engage the auditors in a dialogue with respect to any disclosed relationships or services that may impact the objectivity and independence of the auditors. The Committee shall take, or recommend that the Board of Directors take, appropriate action to oversee the independence of the auditors.	<b>X</b>	<b>X</b>	<b>X</b>	<b>X</b>	
12	The Committee will verify the Committee consists of a minimum of three members who are financially literate, including at least one member who has financial sophistication and expertise in accordance with applicable regulations and listing standards.	<b>X</b>				
13	The Committee will review the independence of each Committee member based on Nasdaq, SEC and other applicable rules.	<b>X</b>				

		Winter	Spring	Summer	Fall	A/N*
14	The Committee will inquire of Finance management, the General Counsel, and the public accounting firm about significant financial risks or exposures and assess the steps management has taken to minimize such risks and exposures to the Company, and the Committee will also inquire of Finance management, the General Counsel, and the public accounting firm about the effect or potential effect of any regulatory regime, accounting initiatives or off-balance sheet structures on the Company's financial statements.					<b>X</b>
15	The Committee will review with the public accounting firm and Finance management the audit scope and plan, and coordination of audit efforts to assure completeness of coverage, reduction of redundant efforts, the effective use of audit resources, and the use of independent public accountants other than the appointed auditors of the Company.	<b>X</b>				
16	The Committee will consider and review with the public accounting firm, Financial management and the General Counsel: a. The adequacy of the Company's internal controls including computerized information system controls and security, as well as management's assessment of the effectiveness of internal control over financial reporting and the related auditor's attestation report. b. Any related significant findings and recommendations of the public accounting firm and internal audit together with management's responses thereto.			<b>X</b>		<b>X</b>
17	The Committee will review with Finance management any significant changes to GAAP and/or related policies or standards.	<b>X</b>	<b>X</b>	<b>X</b>	<b>X</b>	

		Winter	Spring	Summer	Fall	A/N*
18	<p>The Committee will review with Finance management and the public accounting firm at the completion of the annual audit:</p> <p>a. The Company's annual financial statements and related footnotes.</p> <p>b. The public accounting firm's audit of the financial statements and its report thereon.</p> <p>c. Any significant changes required in the public accounting firm's audit plan.</p> <p>d. Any difficulties or disputes with management encountered during the course of the audit.</p> <p>e. Other matters related to the conduct of the audit which are to be communicated to the Committee under generally accepted auditing standards.</p> <p>f. Any deficiency in, or suggested improvement to, the procedures or practices employed by the Company as reported by the public accounting firm in its annual management letter.</p>	<b>X</b>				<b>X</b>
19	Based upon the review and discussion of the annual financial statements and related footnotes with Finance management and the public accounting firm, the Committee shall, if appropriate, recommend to the Board that the annual financial statements and related footnotes be included in the Company's annual report on Form 10-K	<b>X</b>				
20	The Committee will review with the management and the public accounting firm at least annually the Company's critical accounting policies, alternative treatments of financial information and other material written communications between the public accounting firm and management.	<b>X</b>				<b>X</b>
21	<p>The Committee will consider and review with Finance management and the General Counsel:</p> <p>a. Significant findings during the year and management's responses thereto.</p> <p>b. Any difficulties encountered in the course of their reviews, including any restrictions on the scope of their work or access to required information.</p> <p>c. Any changes required in planned scope of their review.</p>					<b>X</b>



		Winter	Spring	Summer	Fall	A/N*
22	The Chair and a quorum of the Audit Committee will participate in an in-person or telephonic meeting among Finance management and the public accounting firm prior to the earnings release.	<b>X</b>	<b>X</b>	<b>X</b>	<b>X</b>	
23	The Committee will review the periodic reports of the Company with Finance management, the General Counsel and the public accounting firm prior to filing of the reports with the SEC.	<b>X</b>	<b>X</b>	<b>X</b>	<b>X</b>	
24	In connection with each periodic report of the Company, the Committee will review: a. Management's disclosure to the Committee under Section 302 of the Sarbanes-Oxley Act. b. The contents of the Chief Executive Officer and the Chief Financial Officer certificates to be filed under Sections 302 and 906 of the Sarbanes-Oxley Act.	<b>X</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>X</b>
25	The Committee will review filings (including interim reporting) with the SEC and other published documents containing the Company's financial statements and consider whether the information contained in these documents is consistent with the information contained in the financial statements before it is filed with the SEC or other regulators.	<b>X</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>X</b>
26	The Committee will monitor the appropriate standards adopted as a code of conduct for the Company, and review with Finance management and the General Counsel the results of the review of the Company's activities to monitor compliance with such standards and its compliance policies.	<b>X</b>				<b>X</b>
27	The Committee will review legal and regulatory matters that may have a material impact on the financial statements, related Company compliance policies, and programs and reports received from regulators.					<b>X</b>
28	The Committee will meet with the public accounting firm in executive session to discuss any matters that the Committee or the public accounting firm believe should be discussed privately with the Committee.	<b>X</b>	<b>X</b>	<b>X</b>	<b>X</b>	
29	The Committee will meet with the General Counsel in executive sessions to discuss any matters that the Committee or the General Counsel believe should be discussed privately with the Audit Committee.					<b>X</b>

		Winter	Spring	Summer	Fall	A/N*
30	The Committee will meet with Finance management in executive sessions to discuss any matters that the Committee or Finance management believe should be discussed privately with the Audit Committee.					<b>X</b>
31	The Committee will discuss with the public accounting firm the matters required to be discussed by Statement on Auditing Standards No. 61, as modified or supplemented.	<b>X</b>	<b>X</b>	<b>X</b>	<b>X</b>	
32	The Committee shall pre-approve all auditing services (including the provision of comfort letters) and permissible non-audit services provided by the public accounting firm to the Company, other than as may be allowed by applicable law.					<b>X</b>
33	The Committee will establish and review procedures 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 the Company's employees of concerns regarding questionable accounting or auditing matters.					<b>X</b>
34	The Committee will review a report from the public accounting firm describing the firm's internal quality control procedures, and any material issues raised by the internal quality control review, or peer review, or by any inquiry or investigation by governmental or professional authorities.					<b>X</b>
35	The Committee will review the internal audit department's staffing, budget and responsibilities and review and approve the internal audit plan.					<b>X</b>
36	The Committee shall perform all of the activities specified for a Qualified Legal Compliance Committee as set forth in Attachment C to the Committee Charter	<b>X</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>X</b>
37	The Committee shall oversee all corporate Financial and information risk reporting and analysis, including risks in the information technology and information security standards area.	<b>X</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>X</b>



		Winter	Spring	Summer	Fall	A/N*
38	On a biannual basis, the Committee will assure that the Company contracts with an external security firm to perform comprehensive penetration testing on the Company's network, systems, and services, and review and approve Management's remediation of any vulnerabilities and assure Management implements any improvements identified in a timely manner.			X		
39	The Committee will verify that the Company continually monitors its security posture with industry-standard tools to reduce security risks.			X		
40	Senior management shall brief the Committee (and if appropriate, the full Board of Directors) annually and on an ad hoc basis on information security risks, procedures, mitigation, and remediation activities identified or undertaken during that period.			X		X
41	The Committee shall receive and provide to the Board an extensive report, to be provided annually. This will include the results of any penetration testing conducted by an external security firm in the years performed.			X		
42	The Committee will oversee that the Company conducts regular and ongoing information security training and maintains a compliance program, which includes live and virtual training and periodic testing to ensure compliance with corporate standards and procedures, and assure that all employees acknowledge that they have completed all the information security training and adhere to all standards and procedures.			X		
43	On an annual basis, and on an ad hoc basis as appropriate, the Committee shall review all corporate investments for compliance with the corporate investment policy			X		X
44	The Committee will review the Company's Signature Authority Matrix at least annually to ensure proper authority thresholds for revenue and expense transactions.				X	X
45	The Committee will review the Company's earnings release script each quarter prior to public distribution.	X	X	X	X	
46	The Committee will provide oversight over the Company's budget and financial performance against the budget.	X	X	X	X	X

A/N\* As Needed ATTACHMENT A

## **ATTACHMENT B**

### **AUDIT AND NON-AUDIT SERVICES PRE-APPROVAL POLICY**

#### **I. Statement of Principles.**

As contemplated by the Sarbanes-Oxley Act of 2002 and related SEC rules, and as provided in the Charter of the Audit Committee of the Board of Directors, the Audit Committee is responsible for the appointment, compensation, retention and oversight of the work of the Company's independent auditor. In connection with such responsibilities, the Audit Committee is required to pre-approve the audit and permissible non-audit services performed by the Company's independent auditor. As part of the pre-approval process, the Audit Committee shall consider whether the services to be performed by the auditor are consistent with the SEC's rules on auditor independence.

The Audit Committee shall pre-approve, by resolution, the type and amount of Audit, Audit-related, Tax and All Other Services to be performed by the Company's independent auditor. The term of such pre-approval is 12 months from the date of pre-approval, unless otherwise specified in such resolutions. The Audit Committee shall adopt its pre-approval resolutions at least annually and may modify the types and amount of services as it determines in its discretion.

#### **II. Delegation.**

The Audit Committee hereby delegates to the Chair of the Audit Committee the authority to approve the engagement of the independent auditor to provide audit or non-audit services, as permitted by the Sarbanes-Oxley Act, to the extent that such audit or non-audit services are not more than \$25,000.00. The Chair shall report, for informational purposes only, any pre-approval decisions to the full Audit Committee at its next scheduled meeting.

#### **III. Audit Services.**

The annual Audit services engagement terms and fees will be subject to the specific pre-approval of the Audit Committee. Audit services include the annual financial statement audit (including required quarterly reviews), subsidiary audits, equity investment audits and other procedures required to be performed by the independent auditor to be able to form an opinion on the Company's consolidated financial statements. These other procedures include information systems and procedural reviews and testing performed in order to understand and place reliance on the systems of internal control, and consultations relating to the audit or quarterly review. Audit services also include the attestation engagement for the independent auditor's report on management's report on internal control over financial reporting. The Audit Committee will monitor the Audit services engagement as necessary, but no less than on a quarterly basis, and will also approve, if necessary, any changes in terms, conditions and fees resulting from changes in audit scope, Company structure or other items.

In addition to the annual Audit services engagement approved by the Audit Committee, the Audit Committee may pre-approve other Audit services, which are those services that only the independent auditor reasonably can provide. Other Audit services may include statutory audits or financial audits for subsidiaries or affiliates of the Company and services associated with

SEC registration statements, periodic reports and other documents filed with the SEC or other documents, including comfort letters, issued in connection with securities offerings.

#### **IV. Audit-Related Services.**

Audit-related services are assurance and related services that are reasonably related to the performance of the audit or review of the Company's financial statements or that are traditionally performed by the independent auditor. The Audit Committee shall pre-approve any Audit-related services, including, among others, due diligence services pertaining to potential business acquisitions and dispositions; accounting consultations related to accounting, financial reporting or disclosure matters not classified as "Audit services"; assistance with understanding and implementing new accounting and financial reporting guidance from rulemaking authorities; financial audits of employee benefit plans; agreed-upon or expanded audit procedures related to accounting and/or billing records required to respond to or comply with financial, accounting or regulatory reporting matters; and assistance with internal control reporting requirements.

#### **V. Tax Services.**

The Audit Committee shall pre-approve those Tax services that have historically been provided by the auditor, that the Audit Committee has reviewed and believes would not impair the independence of the auditor, and that are consistent with the SEC's rules on auditor independence and are not in connection with a transaction the sole purpose of which is impermissible tax avoidance. The Audit Committee may consult with management or its independent advisors, including counsel, to determine that the tax planning and reporting positions are consistent with this Policy.

#### **VI. All Other Services.**

The Audit Committee shall pre-approve all Other Services that the Audit Committee has reviewed and believes would not impair the independence of the auditor, that are consistent with the SEC's rules on auditor independence and that are not prohibited services.

#### **VII. Prohibited Services**

A list of the SEC's prohibited non-audit services is attached to this policy as Exhibit 1. The independent auditors shall not provide any of these services to the Company or any other service the Audit Committee determines is impermissible by applicable law, rule or regulation.

#### **VIII. Pre-Approval Fee Levels or Budgeted Amounts.**

Pre-approval fee levels or budgeted amounts for all services to be provided by the independent auditor will be established annually by the Audit Committee and reviewed as the Audit Committee deems appropriate. Any proposed services exceeding these levels or amounts will require specific pre-approval by the Audit Committee, or its designee pursuant to Section II hereof. The Audit Committee is mindful of the overall relationship of fees for audit and non-audit services in determining whether to pre-approve any such services. For each fiscal year, the Audit Committee shall consider the appropriate ratio between the total amount of fees for Audit, Audit-related and Tax services, and the total amount of fees for services classified as Other Services.

#### **IX. Procedures.**

All requests or applications for services to be provided by the independent auditor will be submitted to the Chief Financial Officer and shall include a description of the services to be rendered. The Chief Financial Officer will determine whether such services are included within the list of services

that have been pre-approved by the Audit Committee. The Audit Committee will be informed on a periodic basis of the services rendered by the independent auditor. The Chief Financial Officer shall consult as necessary with the Chair of the Audit Committee in determining whether any particular service has been pre-approved by the Audit Committee.

The Audit Committee has designated the Chief Financial Officer to monitor the performance of all services provided by the independent auditor and to determine whether such services are in compliance with this Policy. The Chief Financial Officer will report to the Audit Committee on a periodic basis on the results of such monitoring. The Chief Financial Officer will immediately report to the Chair of the Audit Committee any breach of this Policy that comes to the attention of the Chief Financial Officer.

#### **X. Approval Matrix.**

Audit and Non-Audit Fees	Required Approval
<=\$25,000	Chair of the Committee
>\$25,000	Majority of the Committee

## **EXHIBIT 1**

### **PROHIBITED NON-AUDIT SERVICES**

- Bookkeeping or other services related to the accounting records or financial statements of the audit client
- Financial information systems design and implementation
- Appraisal or valuation services, fairness opinions or contribution-in-kind reports
- Actuarial services
- Internal audit outsourcing services
- Management functions
- Human resources
- Broker-dealer, investment adviser or investment banking services
- Legal services
- Expert services unrelated to the audit



## **ATTACHMENT C**

### **Qualified Legal Compliance Committee Responsibilities**

In connection with its role as the Qualified Legal Compliance Committee for the Company, the Committee shall have the following specific authority and responsibility:

1. To adopt written procedures for the confidential receipt, retention, and consideration of any report of evidence of a “material violation” under §205.3 of Title 17, Chapter II, of the Code of Federal Regulations (the “Part”);
2. To inform the Company’s Chief Legal Officer and Chief Executive Officer (or the equivalents thereof) of any report of evidence of a material violation (except in the circumstances described in §205.3(b)(4) of the Part);
3. To determine whether an investigation is necessary regarding any report of evidence of a material violation by the Company, its officers, directors, employees or agents and, if it determines an investigation is necessary or appropriate, to:
  - (A) Notify the full Board;
  - (B) Initiate an investigation, which may be conducted either by the Chief Legal Officer (or the equivalent thereof) or by outside attorneys; and
  - (C) Retain such additional expert personnel as the Committee deems necessary; and
4. At the conclusion of any such investigation, to:
  - (A) Recommend, by majority vote, that the Company implement an appropriate response to evidence of a material violation; and
  - (B) Inform the Chief Legal Officer and the Chief Executive Officer (or the equivalents thereof) and the Board of the results of any such investigation and the appropriate remedial measures to be adopted; and
5. Acting by majority vote, to take all other appropriate action, including the authority to notify the SEC in the event that the Company fails in any material respect to implement an appropriate response that the Committee has recommended the Company to take.
6. To receive complaints and, when requested, to conduct investigations regarding actual or suspected violations of the Company’s various ethics and business conduct codes. The Committee may conduct such investigations directly, through outside entities, or may direct management to investigate a complaint and report back to the Committee.