

HGH BOARD AUDIT & RISK COMMITTEE CHARTER

Version History

Version	Date	Approver	Amendments
1.0	November 2020	Board	New Charter
2.0	December 2021	Board	Annual Review endorsed by BARC, approved by HGH Board
3.0	December 2022	Board	Annual Review endorsed by BARC, approved by HGH Board

Approved by:	1. HGH Board
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Introduction

- 1 This charter sets out the role, composition and responsibilities of the Heartland Group Holdings Limited (**HGH**) Board Audit and Risk Committee (**BARC**), a committee established by the HGH Board.

Purpose

- 2 The purpose of the BARC is to:
- (a) **Risk:** advise and provide assurance to the Board in respect of:
- the formulation of its risk appetite;
 - material, emerging and strategic risks relevant to HGH and its subsidiaries having been appropriately identified, managed and reported to the Board; and
- (b) **Financial reporting and audit:** advise and provide assurance to the Board in respect of:
- the integrity of financial control, financial management and external financial reporting;
 - the internal audit function; and
 - the independent audit process,
- in order to enable the Board to discharge its responsibilities in relation to the oversight of those matters.
- 3 HGH is listed on NZX and ASX. It is currently the holding company for Heartland Bank Limited and its subsidiaries (**HBL**) and Heartland Australia Holdings Pty Limited and its subsidiaries (**HAH**). It has a strategic objective of growth in Australia and New Zealand, including through acquisition, and raises debt and equity to fund the capital needs of itself and its subsidiaries. Accordingly:
- (a) In carrying out its risk function under paragraph 2(a), the BARC shall consider the risks raised by the strategy, operations and roles of HGH. The Board of each of HBL and HAH (and/or any Board

Risk Committee established by it) shall be responsible for oversight of the risks associated with HBL and HAH (as the case may be), with the BARC monitoring material, emerging and strategic risks.

- (b) The BARC shall set, and revise from time to time, the accounting policies of HGH and all of its subsidiaries (including HBL and HAH).

Authority

- 4 The Board authorises the BARC, as the BARC considers necessary in performing its duties:
- (a) to investigate any matter relevant to its purpose;
 - (b) to seek any information it requires from the Chief Executive Officer (**CEO**), Chief Financial Officer, Head of Internal Audit, Chief Operating Officer, or, via the CEO, from any other employee, officer or external advisor;
 - (c) to obtain, at the expense of HGH, external legal or other independent professional advice;
 - (d) to arrange, at the expense of HGH, for external legal advisors or other independent parties with relevant experience or expertise to attend any meeting of the BARC;
 - (e) to communicate directly with, and have unrestricted access to, the external auditor and the Head of Internal Audit; and
 - (f) to oversee all aspects of HGH's relationship with its external auditor, including recommending the auditor's appointment, retention and terms of engagement to the Board.
- 5 The BARC will not take action or make any decision on behalf of the Board unless the Board has delegated its authority to do so to the BARC. However, the Board may consider the advice and recommendations of the BARC.

Membership

- 6 The Committee will be appointed by the Board and will be made up of at least three directors:
- (a) all of whom shall be non-executive directors;
 - (b) the majority of whom shall be independent directors; and
 - (c) at least one of whom must be a chartered accountant or someone who has another recognised form of financial expertise.
- 7 The Chair of the BARC will be appointed by the Board and will be an independent director of HGH who is not the Chair of the Board.
- 8 If the Chair of the BARC is absent from a meeting, the members of the BARC present will appoint a chair for that particular meeting.

Attendance

- 9 Directors who are not members of the BARC are entitled to attend BARC meetings and receive copies of the papers.
- 10 The CEO, Chief Financial Officer, Chief Operating Officer and Head of Internal Audit will attend all BARC meetings.
- 11 The Committee will appoint an appropriate person to act as the BARC secretary.

Meetings and Reporting

- 12 Meetings shall be held between 4-6 times a year, or more frequently as required (including having due

regard to HGH's financial reporting and audit cycle).

- 13 Special meetings will be convened on receipt of a request by the external or internal auditors, and may otherwise be convened as required.
- 14 The Chair may, in his or her discretion, delegate the BARC's authority to approve any matter to a group made up of not less than two members of the BARC, including one independent director.
- 15 The Chair shall, to the extent possible, act as the liaison between management and the BARC.
- 16 An agenda and supporting documentation for each meeting shall be prepared and circulated to all members of the BARC and attendees within a reasonable period in advance of each meeting.
- 17 A quorum for a meeting shall be two members of the BARC, including at least one independent director.
- 18 Any employee in attendance may be excluded from that part of the meeting at which the BARC wishes to discuss any matters without the presence of management, particularly when the external auditor and/or the internal auditor are present.
- 19 The secretary of the BARC will circulate the minutes of each BARC meeting to BARC members, the Board, and as appropriate, attendees within a reasonable period following the meeting.
- 20 Audit and Risk are each to be a standing agenda item for HGH Board meetings. Copies of the minutes of each BARC meeting, together with such reports received by the BARC as are deemed appropriate, are made available to all Board members via Diligent. The Chair of the BARC will report the Committee's findings and recommendations to the HGH Board.

Responsibilities and Duties of the Board Audit and Risk Committee

- 21 The BARC is responsible for ensuring the audit partner is changed at least every 5 years as set out in the NZX Corporate Governance code.
- 22 Management is responsible:
 - (a) for ensuring that the BARC is informed of all matters relevant to its purpose;
 - (b) for providing assurance in respect of those matters, where required;
 - (c) for the quality and integrity of that information and assurance; and
 - (d) for implementing and maintaining appropriate accounting, financial reporting and risk management principles, processes and internal controls for the purpose of ensuring compliance with accounting standards and applicable laws and regulations.
- 23 The internal audit team is responsible for independent reviews of the risk control framework and compliance with policies.
- 24 The external auditors are responsible for carrying out each audit and review in accordance with the applicable auditing and review standards.
- 25 Subject to those responsibilities of management, internal audit and the external auditors, and to any resolution of the Board, the responsibilities and duties of the BARC are set out as follows:

Financial Reporting

- (a) To ensure the integrity of HGH's financial reporting:
 - i. by reviewing HGH's financial reporting; all material financial information prepared by management (including information regarding key accounting policies and related party transactions) for publication with HGH's financial reporting; and the results of the external audit; and
 - ii. By setting, and revising from time to time, the accounting policies of HGH and all of its

subsidiaries (including HBL and HAH).

- (b) To ensure the integrity of HGH's financial control - by reviewing management's reports concerning the internal controls and processes which are in place to ensure that the manner in which the financial statements are derived results in statements which are accurate and compliant.
- (c) To review reports from management concerning significant accounting and reporting issues and to understand their impact on HGH's financial reporting.
- (d) To monitor the financial solvency of HGH.
- (e) To review management's process for ensuring that information contained in analyst briefings and press announcements is balanced and transparent and consistent with published financial information.
- (f) To review the annual report before it is released to ensure that the information presented in it is balanced and transparent; without bias; and consistent with the BARC's knowledge of the operation.
- (g) To review management's reports concerning the processes which are in place to ensure that the opinions provided in the regulatory certifications of the CEO and Group Chief Financial Officer are accurate.
- (h) To provide assurance to the Board in respect of each of (a) – (g) above. To review and, if appropriate, to recommend the half-yearly and annual report of HGH and its subsidiaries (**Group**) prepared by management to the Board for approval.
- (i) Monitoring Group tax risk management governance framework/policy operation and compliance effectiveness.

External Audit

- (j) To recommend to the Board the appointment (including terms of engagement) or retention of the external auditor.
- (k) To meet separately with the external auditor, at least annually, to discuss any matters that the BARC or the auditor believes should be discussed privately.
- (l) To consider reports from management concerning, and assess at least annually, the independence, adequacy and effectiveness of the external auditors - including the rotation of the external audit partner - and the scope and progress of their audit plans, and make recommendations to the Board in that regard.
- (m) To review reports from management and the external auditor concerning any significant findings and recommendations made by the external auditor and management's response to those findings and recommendations, in order to provide the Board with assurance that the recommendations have been acted on in an appropriate manner.
- (n) To discuss the accounting policies applied in HGH's financial reports with the external auditor, and whether those accounting policies are appropriate.
- (o) To review the provision of (and the policies in relation to the provision of) all non-audit services by or on behalf of the external auditor during the year to the Group and provide assurance to the Board, for the purposes of the directors' report to be included in the annual report, that those services comply with the regulatory auditor independence requirements and the reasons for that conclusion.

Internal Audit

- (p) To ensure the integrity of HGH's internal audit standards - by reviewing reports from management concerning the activities, resources and organisational structure of the internal

audit function and providing the Board with assurance that there are no unjustified restrictions or limitations.

- (q) To review reports from management and the internal auditor concerning any significant findings and recommendations made by the internal auditor and management's response to those findings and recommendations, in order to provide the Board with assurance that the recommendations have been acted on in an appropriate manner.
- (r) To review the proposed internal audit plan for the coming year and ensure that it addresses key areas of risk and that there is appropriate co-ordination with the external auditor.
- (s) To meet separately with the Head of Internal Audit to discuss matters which the BARC or internal auditors believe should be discussed privately and report any significant matters arising to the Board.
- (t) To review and provide assurance to the Board in respect of the effectiveness of the internal audit function, acknowledging that the internal audit function is maintained within HBL (and made available to HGH and its other subsidiaries by HBL as a group services function).

Risk

- (u) To review, and report to the Board on, the Board's risk appetite at least annually.
- (v) To review any reports, policies, standards, other risk documents or matters, or minutes which have been prepared by or in respect of the HGH Board or BARC as it may see fit, and to advise the Board in relation thereto.
- (w) To monitor material, emerging and strategic risks for HGH and its subsidiaries, including:
 - i. capital and overall provisioning levels;
 - ii. earnings;
 - iii. funding and liquidity; and
 - iv. operational risks, including IT system risks.
- (x) The BARC will refer to the Heartland Bank Limited (HBL) Board Audit Committee (BAC) and/or Board Risk Committee any matters that come to the attention of the BARC that are relevant for its consideration.

Review of the Committee

- 26 The Board shall undertake a regular review, at least annually, of the BARC's performance, objectives and responsibilities.
- 27 The BARC may recommend to the Board any amendments to this charter.