

HEARTLAND
GROUP

AUDIT AND RISK COMMITTEE CHARTER

Introduction

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

Purpose

- 2 The purpose of the BARC is:
- (a) to advise and provide assurance to the Board in respect of:
 - (i) the integrity of financial control, financial management and external financial reporting;
 - (ii) the internal audit function; and
 - (iii) the independent audit process,in order to enable the Board to discharge its responsibilities in relation to the oversight of those matters;
 - (a) to advise the Board on the formulation of its risk appetite; and
 - (b) to provide the Board with assurance that all risks within the key risk categories which are relevant to Heartland Group Holdings Limited and its subsidiaries have been appropriately identified, managed and reported to the Board.

Authority

- 3 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 (**CFO**), Head of Internal Audit, General Counsel, 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.
- 4 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

- 5 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.

6 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.

7 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

8 Directors who are not members of the BARC are entitled to attend BARC meetings and receive copies of the papers.

9 The CEO, CFO and the Head of Internal Audit will attend all BARC meetings.

10 The Committee will appoint an appropriate person to act as the BARC secretary.

Meetings and Reporting

11 Meetings shall be held quarterly, or more frequently as required, having due regard to HGH's financial reporting and audit cycle.

12 Special meetings will be convened on receipt of a request by the external or internal auditors, and may otherwise be convened as required.

13 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 three members of the BARC, including two independent directors.

14 The Chair shall, to the extent possible, act as the liaison between management and the BARC.

15 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.

16 A quorum for a meeting shall be two members of the BARC, including at least one independent director.

17 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.

18 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.

19 Audit and Risk is 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, will be included in the next Board report provided to the Board. The Chair of the BARC will report the Committee's findings and recommendations to HGH.

Responsibilities and Duties of the Board Audit and Risk Committee

20 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; and

- 21 The external auditors are responsible for carrying out each audit and review in accordance with the applicable auditing and review standards.
- 22 Subject to those responsibilities of management, internal audit and the external auditors, and to any resolution of the Board, the delegated powers, responsibilities and duties of the BARC are set out in this clause 22.

Financial Reporting

- (a) To ensure the integrity of HGH's financial reporting - by reviewing HGH's financial reporting; all financial information prepared by management (including information regarding key accounting policies and related party transactions); and the results of the external audit.
- (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 its 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 CFO are accurate.
- (h) To provide assurance to the Board in respect of each of (a) – (g) above.
- (i) 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.
- (j) To review and, if appropriate, to recommend the quarterly disclosure statements of HGH prepared by management to the Board for approval.

External Audit

- (k) To recommend to the Board the appointment (including terms of engagement) or retention of the external auditor.
- (l) 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.
- (m) 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.
- (n) 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.

- (o) To discuss the accounting policies applied in HGH's financial reports with the external auditor, and whether those accounting policies are appropriate.
- (p) 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

- (q) 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.
- (r) 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.
- (s) 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.
- (t) 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.
- (u) To review and provide assurance to the Board in respect of the effectiveness of the internal audit function.

Risk

- (v) To advise the Board on the formulation of the Board's risk appetite at least annually.
- (w) To review any reports, policies, standards, other risk documents or matters, or minutes which have been prepared by or in respect of any of HGH's subsidiaries' boards, board committees, or management committees, in each case as it may see fit, and to advise the Board in relation thereto.
- (x) To advise and make recommendations to the Board as to the key parameters which should apply to the following matters for its subsidiary, Heartland Bank Limited:
 - (i) ICAAP;
 - (ii) delegated authorities;
 - (iii) risk appetite; and
 - (iv) stress testing,

and to undertake the same exercise in relation to any similar matters of relevance to its other subsidiaries from time to time.

Review of the Committee

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

Version History

Version	Date	Approver	Amendments
1.0	October 2018	Board	New Charter