

# CHARTER OF THE RISK MANAGEMENT AND AUDIT COMMITTEE OF THE BOARD OF DIRECTORS OF FINWARD BANCORP AND PEOPLES BANK

Amended as of May 20, 2022

## Purpose

The primary function of the Risk Management and Audit Committee (the "Committee") of the Board of Directors (the "Board") of Finward Bancorp ("FNWD") and Peoples Bank ("Peoples Bank;" FNWD and Peoples Bank are collectively referred to herein as the "Company") is to assist the Board in fulfilling its oversight responsibilities by reviewing: (i) the financial information that will be provided to the shareholders and others; (ii) the performance of the Company's internal audit function, internal accounting controls, disclosure controls and procedures, and system of internal controls over financial reporting established by management and the Board; (iii) the Company's compliance with legal and regulatory requirements; (iv) the risk management, fraud monitoring, accounting, auditing, and financial reporting processes; and (v) the audits of the Company's financial statements and the appointment, compensation, qualifications, independence, and performance of the Company's independent auditors.

The Committee also has the purpose, if applicable, of preparing the Risk Management and Audit Committee Report that rules of the Securities and Exchange Commission ("SEC") require FNWD to include in its annual proxy statement.

The Committee's function is one of oversight only and does not relieve management of its responsibilities to:

- (1) Make and keep books, records, and accounts, which, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company;
- (2) Devise and maintain an effective system of internal accounting controls;
- (3) Devise and maintain effective disclosure controls and procedures and internal controls over financial reporting; and
- (4) Prepare financial statements that are accurate and complete and fairly present the financial condition, results of operations, and cash flows of the Company, and further does not relieve the independent auditors of their responsibilities relating to the audit or review of the Company's financial statements.

## Composition

The Committee shall be comprised of three or more directors appointed by the Board. All members of the Committee shall meet the independence requirements as set forth in the Listing Rules of The NASDAQ Stock Market, LLC ("NASDAQ"), as they may be amended from time to

time, and the requirements of all other applicable laws and regulations, including but not limited to applicable SEC rules and regulations. In the event a Committee member does not meet all applicable independence requirements, such fact shall be disclosed in the Company's annual proxy statement.

All members of the Committee shall have a working familiarity with basic finance and accounting practices, and must be able to read and understand fundamental financial statements, including the Company's balance sheet, income statement, and cash flow statement. In addition, at least one member of the Committee shall have past employment experience in finance or accounting, requisite professional certification in accounting, or any other comparable experience or background which results in the individual's financial sophistication and expertise necessary to qualify as an "audit committee financial expert" as defined in SEC Regulation S-K Item 407(d)(5)(ii) and (iii), including being or having been a chief executive officer, chief financial officer, or other senior officer with financial oversight responsibilities. The Company may assist the Committee members in maintaining their appropriate financial literacy, and is responsible for providing the Committee members with educational resources related to accounting principles and procedures, current accounting topics pertinent to the Company, and other matters as may be requested.

Notwithstanding any contrary provision herein, the Committee shall not include as a member thereof any person who:

- (1) Participated in the preparation of the financial statements of the Company or any subsidiary of the Company at any time during the past three years;
- (2) Accepts any consulting, advisory, or other compensatory fee from the Company, other than in his or her capacity as a member of the Committee, the Board, or any other committee of the Board;
- (3) Is an affiliated person of the Company or any subsidiary of the Company; or
- (4) Serves on more than two other public companies' audit committees.

The members of the Committee shall be appointed by the Board, based on the recommendation of the Nominating and Corporate Governance Committee, and shall serve until their successors have been duly elected and qualified. No member of the Committee shall be removed except by majority vote of the full Board. The Board shall have the authority to fill vacancies or add additional members to the Committee.

The Board, upon the recommendation of the Nominating and Corporate Governance Committee, shall appoint the Chairperson and Vice Chairperson of the Committee. The Chairperson shall be responsible for the leadership of the Committee, including overseeing the agenda, presiding over meetings, and reporting to the Board. The Committee shall have the authority to create, and delegate any of its responsibilities to, subcommittees, as the Committee may deem appropriate.

## **Meetings**

The Committee shall meet at least four times each year and minutes of each meeting shall be maintained. Meetings may occur more frequently as circumstances arise that require a meeting of the Committee; *provided that*, the Chairperson of the Committee has the power to call a Committee meeting whenever necessary. The Committee will meet with the independent auditors at least annually and with management and the internal auditor at least four times each year in separate sessions to discuss any matters that the Committee, or each of these groups, believe should be discussed privately. The Committee will meet in executive sessions whenever necessary. A Committee member may not vote on any matter in which he or she has an interest or with respect to which he or she is not independent. The Committee may ask members of management or others to attend any meeting and is authorized to receive all pertinent information from management.

In addition, the Committee, or at least the Chairperson of the Committee, should meet with the Company's independent auditor and management, either in person or by telephone, quarterly to review the Company's financial statements. This review should be conducted prior to FNWD's filings of its applicable Form 10-K or Form 10-Q for the period in question, as the case may be. The discussions should include a discussion of significant adjustments, management judgments and accounting estimates, significant new accounting policies, and disagreements between management and the independent auditor and/or internal auditors.

The Committee shall make regular reports to the Board. The same rules govern the Committee regarding meetings (including meetings by conference telephone call), action without meetings, notice, waiver of notice and quorum and voting requirements as are applicable to the Board.

The Chairperson shall preside at each meeting, and in the absence of the Chairperson, the Vice Chairperson shall preside at each meeting. In the event that neither the Chairperson nor the Vice Chairperson is present at a meeting, the Committee members present shall designate one of the Committee members who is present as the acting Chairperson of such meeting. The Chairperson, in consultation with the LID, the CEO, and management, is responsible for preparing the agenda and reporting the proceedings of the Committee to the full Board.

## **Authority**

In furtherance of the responsibilities and duties of the Committee as set forth in this Charter, and not in limitation thereof, the Committee shall have the authority and direct responsibility to perform the following actions:

- To provide open avenues of communication among the Executive Chairman of the Board, the LID, Chief Executive Officer, Chief Financial Officer, Chief Risk Officer, internal auditor, compliance officer, loan review officer, the Independent Auditor (defined below), credit administration manager, and the Board.
- To report Committee actions and make recommendations to the full Board.
- To review and approve proposed policies of the Company that relate to the purposes of the Committee and within its jurisdiction, and which are presented to the Committee by members of Company management, and report such matters and approvals to the full Board.
- To engage independent legal counsel, accountants, and other advisers, as the Committee deems necessary to carry out its duties.

- To conduct or authorize investigations into matters within the Committee’s scope of responsibilities.
- To appoint, compensate and oversee the work of the Independent Auditor (defined below) who will report directly to the Committee, as further described herein.
- To ensure that engagement letters and any related agreements with the Independent Auditor for the services to be performed in connection with compliance with 12 CFR 363.3 do not contain any limitation of liability provisions.
- To resolve any disagreements between management and the Independent Auditor regarding financial reporting.
- To pre-approve all auditing and permitted non-audit services to be performed by the Independent Auditor, as described in further detail below in this Charter. The Committee may delegate authority to subcommittees, including the authority to pre-approve all auditing and permitted non-audit services, in accordance with the Company’s Pre-Approval of Audit and Non-Audit Services Policy.
- To disclose all audit and non-audit fees in FNWD’s proxy statement for the annual meeting of shareholders or its Annual Report on Form 10-K.
- To ensure fraud risk is considered in the Company’s risk assessment process and strategic plans, and that controls established by management are sufficient and effective to address such risks.

## **Responsibilities and Duties**

The Committee shall perform the following activities in an effort to fulfill its obligations under the NASDAQ Listing Rules, SEC rules and regulations, and its obligations to the Company’s shareholders and others:

### ***Oversight of Independent Accounting Firm and Internal Auditors***

The Committee shall be directly and solely responsible for the appointment, compensation, retention, termination, evaluation, and oversight of the work of the independent registered public accounting firm engaged by the Company for the purpose of preparing or issuing an audit report or related work of performing other audit, review, or attest services for the Company (the “Independent Auditor”), as well as internal auditors, in compliance with all applicable requirements of the NASDAQ and SEC and with all other applicable laws and regulations. The Independent Auditor must qualify as an “independent registered public accounting firm” within the meaning of the Sarbanes-Oxley Act of 2002, as amended. The Independent Auditor and internal auditors shall report directly to the Committee. The Committee shall have sole authority to replace, reassign, or dismiss the Independent Auditor and internal auditors. In meeting its oversight responsibilities, the Committee shall:

- (1) Provide an open avenue of communication among the Independent Auditors, internal auditors, and the Board.
- (2) Review the independence and performance of the Independent Auditor.

- (3) Review the independence and performance of the internal auditor, whether the internal auditor has complied with the Institute of Internal Auditors' Standards for Professional Practice of Internal Auditing, and appoint, replace, reassign, or dismiss the internal auditor.
- (4) Approve the fees and other compensation to be paid to the Independent Auditor, internal auditors, and their affiliates.
- (5) Obtain a formal written statement from the Independent Auditor at least annually delineating all relationships between the Company and the Independent Auditor. The Committee shall engage in a dialogue with the Independent Auditor regarding any disclosed relationships and services that may impact its independence and recommend that the Board take appropriate action in response to the Independent Auditor's report to satisfy itself of its independence.
- (6) Monitor compliance with SEC requirements regarding the required rotation of the lead or coordinating audit partner having primary responsibility for the audit of the Company's financial statements and the audit partner responsible for reviewing such audit.
- (7) At least annually, obtain and review a report by the Independent Auditor that describes: (a) the Independent Auditor's internal quality control procedures; (b) any issues raised by the most recent internal quality control review, peer review, or Public Company Accounting Oversight Board ("PCAOB") review or inspection of the firm or by any other inquiry or investigation by governmental or professional authorities in the past five years regarding one or more audits carried out by the firm and any steps taken to deal with any such issues; and (c) all relationships between the Independent Auditor and the Company or any of its subsidiaries, and to discuss with the Independent Auditor this report and any relationships or services that may impact the objectivity and independence of the Independent Auditor.
- (8) Review and discuss with the Independent Auditor: (a) the Independent Auditor's responsibilities under generally accepted auditing standards and the responsibilities of the Company's management in the audit process; (b) the overall audit strategy; (c) the scope and timing of the annual audit of the Company's financial statements; (d) any significant risks identified during the Independent Auditor's risk assessment procedures; and (e) when completed, the results, including significant findings, of the annual audit of the Company's financial statements.
- (9) Review and discuss with the Independent Auditor: (a) all critical accounting policies and practices to be used in the audit of the Company's financial statements; (b) all alternative treatments of financial information within generally accepted accounting principles ("GAAP") that have been discussed with the Company's management, the ramifications of the use of such alternative treatments, and the treatment preferred by the Independent Auditor; (c) other material written communications between the Independent Auditor and management; (d) the Independent Auditor's evaluation of the

Company's identification of, accounting for, and disclosure of its relationships with related parties; (e) the Independent Auditor's understanding of the business purpose (or lack thereof) of significant unusual transactions; and (f) any other matters required to be discussed by *PCAOB Auditing Standards No. 16, Communications with Audit Committees*, and other PCAOB auditing standards.

- (10) Review the audited financial statements and the disclosures under "Management's Discussion and Analysis of Financial Condition and Results of Operations" to be included in the Company's Form 10-K, recommend to the Board that the audited financial statements be included in the Company's Form 10-K, and produce the audit committee report to be included in the Company's proxy statement for the annual meeting of shareholders.
- (11) Review and discuss with the Independent Auditor and management the Company's quarterly financial statements and the disclosures under "Management's Discussion and Analysis of Financial Condition and Results of Operations" to be included in the Company's Form 10-Q.
- (12) Review earnings press releases before they are filed with the SEC and released to the public.
- (13) Pre-approve all audit and permitted non-audit and tax services to be provided by the Independent Auditor in accordance with the Company Pre-Approval Policy for Audit and Non-Audit Services. Permissible non-audit services include tax services. Impermissible non-audit services include the following: (a) bookkeeping or other services related to the accounting records or financial statements of FNWD and all subsidiaries and affiliates; (b) financial information systems design and implementation; (c) appraisal or valuation services, fairness opinions, or contribution-in-kind reports; (d) actuarial services; (e) management or human resource functions; (f) broker or dealer, investment adviser, or investment banking services; (g) legal services and expert services unrelated to the audit; (h) any other service the PCAOB determines, by regulation, to be impermissible; and (i) any other service that the Board or Committee determines to be impermissible.
- (14) Review and approve the qualifications of the internal auditors with respect to specific areas within the audit plan.
- (15) On an annual basis, review the performance of the Independent Auditor, along with a fee analysis and recommendation memos prepared by the Company's Chief Financial Officer and internal auditor, in order to exercise final approval on the appointment or dismissal of the Independent Auditor.
- (16) Review engagement contracts of the Independent Auditor to ensure they do not contain provisions that: (a) indemnify the Independent Auditor against claims made by third parties; (b) hold harmless or release the Independent Auditor from liability for

claims or potential claims that might be asserted by the Company, other than claims for punitive damages; or (3) limit the remedies available to the Company.

### ***Review and Disclosure Procedures***

In meeting its obligations under the rules and regulations imposed by NASDAQ and the SEC and by other applicable laws and regulations, the Committee shall:

- (1) Review and reassess the adequacy of this Charter annually and submit any amendments to the Board for approval.
- (2) Disclose in the proxy statement for the annual meeting of shareholders whether there is a written Charter for the Committee, and include the Charter on the Company's website.
- (3) Review with the Independent Auditor and internal auditor the coordination of audit efforts to assure completeness of coverage, reduction of redundant efforts, and the effective use of audit resources.
- (4) Inquire of management, the internal auditor, and the Independent Auditor regarding significant risks or exposures and assess the steps management has taken to minimize such risks to the Company.
- (5) Consider, in consultation with the Independent Auditor and the internal auditor, the audit scope and plan of the internal auditors and the Independent Auditor. Determine if the internal auditors and Independent Auditor are utilizing a risk-based approach.
- (6) Consider and review with the Independent Auditor and the internal auditor: (a) the adequacy of the Company's internal controls, including computerized information system controls and security; (b) any related significant findings and recommendations of the Independent Auditor and internal auditors together with management responses thereto; and (c) the status of previous audit recommendations and management's follow up on those recommendations.
- (7) Review disclosures made by the Company's Chief Executive Officer and Chief Financial Officer during the Forms 10-K and 10-Q certification processes regarding any significant deficiencies in the design or operation of internal controls or any fraud that involves management or other employees who have a significant role in the design or implementation of the Company's internal controls.
- (8) Review with management and the Independent Auditor at the completion of the annual audit: (a) the annual financial statements and related footnotes; (b) the Independent Auditor's audit of the financial statements and its report thereon; (c) any significant change required in the Independent Auditor's audit plan; (d) any serious difficulties or disputes with management encountered during the course of the audit; and (e) other matters related to the conduct of the audit that are to be communicated to the Committee under generally accepted auditing standards.

- (9) Review with management and the internal auditors: (a) internal audit reports to management prepared by the internal auditors, including significant findings and management's responses to those findings; (b) any difficulties encountered in the course of their audits, including any restrictions on the scope of their work or access to required information; (c) any changes required in the planned scope of their audit plan; (d) internal audit department budget and staffing; and (e) internal audit policies and procedures.
- (10) Review filings 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.
- (11) Review with management and the Independent Auditor the interim financial report before it is filed with the SEC and other regulators.
- (12) Review with management, and if necessary, with the Company's outside legal counsel, any legal matter that could have a significant impact on the Company's financial statements.
- (13) Review management's monitoring of the Company's compliance with its ethical code of conduct.
- (14) 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.
- (15) Meet with the Company's bank regulatory bodies to discuss the results of their examinations.
- (16) Meet with the internal auditor, the Independent Auditor, and management in separate executive sessions to discuss any matters that the Committee or these groups believe should be discussed privately with the Committee.
- (17) Report Committee actions to the Board with such recommendations as the Committee may deem appropriate.
- (18) Prepare a letter or footnote for inclusion in the Company's annual report to shareholders, Form 10-K, or proxy statement for the annual meeting of shareholders that describes the Committee's composition and responsibilities and how such responsibilities were discharged.
- (19) Perform such other functions as assigned by law, the Company's Articles of Incorporation or By-Laws, or as assigned by the Board.

- (20) Advise management and the Independent Auditor that they are expected to provide a timely analysis of significant current financial reporting issues and practices.
- (21) Require that management and the Independent Auditor discuss with the Committee their qualitative judgments about the appropriateness, not just the acceptability, of accounting principles and financial disclosure practices used or proposed to be adopted by the Company and, particularly, about the degree of aggressiveness or conservatism of its accounting principles and underlying estimates.
- (22) Establish procedures for the receipt, retention, and treatment of complaints received by the Company regarding accounting, internal accounting controls, or auditing matters.
- (23) Establish procedures for the confidential, anonymous submission by employees of the Company and its affiliates of concerns regarding questionable accounting or auditing matters.
- (24) Review the risk management reports provided to management and management's responses. On an annual basis, review updates to the Company's enterprise risk assessment matrix to help define the audit scope for the current year.
- (25) Conduct an evaluation of its performance on an annual basis to determine whether it is functioning effectively.
- (26) Recommend to the Board hiring policies for employees or former employees of the Independent Auditor.

### ***Risk Management Functions***

In meeting its risk management responsibilities, the Committee shall:

- (1) Review and approve activities, the organizational structure, and qualifications of the Company's compliance and loan review functions. The internal auditor shall report directly and independently to the Committee on all substantive issues.
- (2) Review any difficulties the risk management personnel encountered while conducting audits, including any restrictions on the scope of, or access to, required information.
- (3) Review the annual security program report pursuant to FDIC Regulation 326.4.
- (4) Review changes to the planned scope of the compliance and loan review plans, and approve these changes as necessary.
- (5) Review and approve the budget and proposed risk-based plan of the risk management function of the Committee for the upcoming year.

- (6) Review the internal auditor's recommendations for the hiring, replacement, and dismissal of audit departmental staff.
- (7) Oversee the Enterprise Risk Management (ERM) Committee and review any matters submitted for approval by the ERM Committee in relation to the Company's risk appetite.
- (8) Respond to the Company's ERM Committee when discussing risk appetite, guidelines and potential changes to the ERM program.
- (9) Review with management the Company's vendor risk management program, including all Tier 1 vendors.

### ***Ethical and Legal Compliance***

In meeting its oversight responsibilities regarding the Company's ethical and legal compliance, the Committee shall:

- (1) Review with the General Counsel legal compliance matters, including corporate securities trading policies.
- (2) Review regulatory compliance matters and the effectiveness of the monitoring procedures with the Company's Chief Risk Officer.
- (3) Perform any other activities consistent with this Charter and the Company's Articles of Incorporation, By-Laws, and policies as the Committee or Board deems necessary or appropriate.
- (4) Discuss with the Chief Risk Officer, the Internal Auditor, and the Chief Credit Officer significant risks or exposures to the Company and steps management has taken to reduce these risks.
- (5) Review recommendations made by the regulators and monitor management's response to any such recommendations.

### ***Other Reviews and Functions***

The Committee, as it may consider appropriate, may consider and review with the full Board, the Company's management, internal or outside legal counsel, the Independent Auditor, or any other appropriate person, any other topics relating to the purposes of the Committee that may come to the Committee's attention and will make such reports to the full Board as are necessary or advisable. The Committee may perform any other activities consistent with this Charter, the Company's corporate governance documents, and applicable stock exchange listing standards, laws, and regulations as the Committee or the Board considers appropriate.

### **Committee Funding**

The Company shall provide for appropriate funding, as determined by the Committee, for the payment of: (a) compensation to the Independent Auditor for the purpose of preparing or issuing an audit report or performing its audit and audit-related, review, and attest services; (b) compensation to any advisers engaged by the Committee; and (c) ordinary administrative expenses of the Committee that are necessary or appropriate in carrying out its duties.

**Limitation**

Nothing in this Charter is intended to alter in any way the standard of conduct that applies to any of the directors under applicable law, including without limitation Indiana Code § 23-1-35 and Indiana Code § 28-13-11, as applicable and as amended. This Charter does not impose, nor shall it be interpreted to impose, any duty on any director greater than, or in addition to, the duties or standards of conduct established by such law or provisions.

**Committee Access and Information**

The Committee is at all times authorized to have direct, independent, and confidential access to the Company’s other directors, management, and personnel to carry out the Committee’s purposes. The Committee is authorized to conduct or authorize investigations into any matters relating to the purposes, duties, or responsibilities of the Committee.

**Amendments**

The Board may amend this Charter at any time and from time to time upon the recommendation of the Committee, by action of the Board at any duly constituted meeting of the Board, or by the unanimous written consent of all the directors then serving on the Board.

**Last reviewed by Risk Management and Audit Committee: May 13, 2022**

**Last approved by Board of Directors: May 20, 2022**

<b>Last Revision Date:</b>	May 13, 2022	<b>Board Approval Date:</b>	May 20, 2022
<b>Last Reviewed by Risk Management and Audit Committee:</b>	May 13, 2022		
<b>Charter Owner (Reviewer):</b>	Corporate Secretary		

**REVISION HISTORY**

November 6, 2020	Amended and Restated Charter approved by Risk Management and Audit Committee (updated to meet NASDAQ requirements)
May 13, 2022	<ul style="list-style-type: none"> <li>Amended and Restated Charter approved by Risk Management and Audit Committee (updated to reflect Bancorp’s new name and to include roles and responsibilities related to the Lead Independent Director)</li> </ul>

	<ul style="list-style-type: none"><li>• Clarification that the pre-approval of all audit and permitted non-audit and tax services to be provided by the Independent Auditor must be completed in accordance with the Company Pre-Approval Policy for Audit and Non-Audit Services.</li></ul>