

Simmons Bank

nearby & neighborly



AUDIT GROUP CHARTER

*As Adopted by the Audit Committee of the SFNC Board of
Directors on July 20, 2016*

SIMMONS BANK

AUDIT GROUP CHARTER

I. GENERAL

This Charter identifies the Purpose, Authority and Limitation, Accountability, Principles and Independence, Responsibilities and Report Distribution of the Internal Audit Group of Simmons Bank.

II. PURPOSE

The purpose of the Internal Audit Group of Simmons Bank is to provide independent, objective assurance and consulting services designed to add value and improve the organization's operations. Helping the organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, compliance framework and governance processes. The Internal Audit Group will use the Committee of Sponsoring Organizations (COSO) framework to evaluate internal controls.

The scope of work of the Internal Audit Group is to determine whether the organization's network of enterprise risk management, control, compliance framework and governance processes, as designed and represented by management, is adequate and functioning in a manner to ensure:

- (i) Risks are appropriately identified and managed;
- (ii) Interaction with the various governance groups occurs as needed;
- (iii) Significant financial, managerial, and operating information is accurate, reliable, and timely;
- (iv) Associates actions are in compliance with policies, standards, procedures, and applicable laws and regulations;
- (v) Resources are acquired economically, used efficiently, and adequately protected;
- (vi) Programs, plans, and objectives are achieved;
- (vii) Quality and continuous improvement is fostered in the organization's control process;
- (viii) Significant legislative or regulatory issues are recognized and addressed appropriately; and
- (ix) Information Technology activities and security is monitored sufficiently.

Opportunities for improving management control, profitability, and the organization's image may be identified during audits. They will be communicated to the appropriate level of management.

Information Technology endeavors are to be conducted in compliance with the General Standards for Information Systems Auditing, which are promulgated by the Information Systems Audit Control Association.

III. AUTHORITY AND LIMITATION

The Audit Management and staff of the Internal Audit Group are authorized to:

- (i) Have unrestricted access to all functions, records, property, and personnel;
- (ii) Have full and free access to the audit and risk committees;
- (iii) Allocate resources, set frequencies, select subjects, determine scopes of work, and apply the techniques required to accomplish audit objectives; and
- (iv) Obtain the necessary assistance of personnel in units of the organization where they perform audits, as well as other specialized services from within or outside the organization.

The Audit Management and staff of the Internal Audit Group are not authorized to:

- (v) Perform any operational duties for the organization or its affiliates. Examples include implementing internal controls, developing procedures, and initiating or approving accounting transactions external to the internal auditing group; and
- (vi) Direct the activities of any organization associate not employed by the internal auditing department, except to the extent such associates have been appropriately assigned to auditing teams or to otherwise assist the internal/compliance/risk auditors.

IV. ACCOUNTABILITY

The Internal Audit Group shall be accountable to management and the audit committee to:

- (i) Provide annually an assessment on the adequacy and effectiveness of the organization's processes for controlling its activities and managing its risks in the areas set forth under the purpose and scope of work;
- (ii) Report significant issues related to the processes for controlling the activities of the organization and its affiliates, including potential improvements to those processes, and provide information concerning such issues through resolution;

- (iii) Periodically provide information on the status and results of the annual audit plan, compliance review plans, enterprise risk management review and the sufficiency of department resources;
- (iv) Coordinate and assist other control and monitoring functions (risk management, security, legal, ethics, environmental, external audit).

V. PRINCIPLES AND INDEPENDENCE

The Internal Audit Group will uphold the principles of integrity, objectivity, confidentiality and competency. To provide for the independence of the internal auditing department, its personnel report to the Chief Audit Executive, who reports functionally to the audit committee and administratively to the SFNC Chief Executive Officer in a manner outlined in the above section on accountability. Internal Auditors will not engage in any activity which would impair their independence.

The internal audit activity will remain free from interference by any element in the organization, including matters of audit selection, scope, procedures, frequency, timing, or report content to permit maintenance of a necessary independent and objective mental attitude.

Internal Auditors must exhibit the highest level of professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined. Internal Auditors must make a balanced assessment of all the relevant circumstances and not be unduly influenced by their own interests or by others in forming judgments.

The Chief Audit Executive will confirm to the SFNC Audit Committee and Board of Directors, at least annually, the organizational independence of the internal audit activity.

VI. ORGANIZATION

The Chief Audit Executive will report directly to the Audit Committee of Simmons First National Corporation. The Audit Committee will approve all decisions regarding the performance evaluation, appointment, or removal of the Chief Audit Executive as well as the Chief Audit Executive's annual compensation and salary adjustment.

VII. RESPONSIBILITIES

The Chief Audit Executive and staff of the Internal Audit Group have responsibility to:

- (i) Develop a flexible annual audit plan using an appropriate risk-based methodology, including any risks or control concerns identified by management, and submit that plan to the SFNC Audit Committee for review and approvals as well as periodic updates. The internal audit plan will consist of a work schedule as well as budget and resource requirements for the next fiscal/calendar year. The Chief Audit Executive

will communicate the impact of resource limitations and significant interim changes to senior management and the SFNC Board. Any significant deviation from the approved internal audit plan will be communicated to senior management and the SFNC Board through periodic activity reports;

- (ii) Implement the annual audit plan and as approved, including as appropriate any special tasks or projects requested by management, and/or the audit committee;
- (iii) Maintain a professional audit staff with sufficient knowledge, skills, experience, and professional certifications to meet the requirements of this Charter
- (iv) Perform consulting services, beyond internal auditing's assurance services, to assist management in meeting its objectives. Examples may include facilitation, training and advisory services;
- (v) Evaluate and assess significant merging/consolidating functions and new or changing services, processes, operations, and control processes coincident with their development, implementation, and/or expansion;
- (vi) Monitor enterprise risk management, including strategic, reputation, credit, interest rate, liquidity, price, operational, legal and compliance, technology, merger and acquisition and model risk;
- (vii) Issue periodic reports to the audit committee and management summarizing results of audit activities;
- (viii) Follow up on identified weaknesses, findings and recommendations from previous audit work, including the timeliness of completion, and explanations for any corrective action that will not be implemented;
- (ix) Keep the audit committee informed of emerging trends and successful practices in internal auditing, information technology security and risk management;
- (x) Keep the audit committee informed of regulatory changes;
- (xi) Provide a list of significant measurement goals and results to the audit committee;
- (xii) Assist the Fraud Department, if necessary, in the investigation of significant suspected fraudulent activities within the organization and notify management and the audit committee of the results;
- (xiii) Consider the scope of work of the external auditors and regulators, as appropriate, for the purpose of providing optimal audit coverage to the organization at a reasonable overall cost;
- (xiv) Evaluate the reliability and integrity of information and the means used to identify, measure, classify, and report such information;
- (xv) Evaluate the systems established to ensure compliance with those policies, plans, procedures, laws, and regulations which could have a significant impact

on the organization;

- (xvi) Evaluate the means of safeguarding assets and, as appropriate, verifying the existence of such assets; and
- (xvii) Evaluate operations or programs to ascertain whether results are consistent with established objectives and goals and whether the operations or programs are being carried out as planned.

VIII. REPORT DISTRIBUTION

All reports issued by the Internal Audit Group are the property of SB Internal Audit Department, and the contents are strictly confidential. Unauthorized disclosure of the contents of this report is generally prohibited. However, when necessary or appropriate for bank business purposes, a report may be disclosed to a person or organization officially connected with the bank as officer, director, employee, attorney, auditor, or independent auditor. Disclosure may also be made to the bank's holding company and, under certain conditions, to a consultant employed by the bank.

Senior management and each director of the bank, in keeping with his or her responsibilities both to the depositors and to shareholders, should thoroughly review audit reports. If management is not in substantial agreement with the contents of the report, a request should be made promptly for a conference with the Chief Audit Executive.

VIII. PROFESSIONALISM

The internal audit activity will govern itself by adherence to The Institute of Internal Auditors' mandatory guidance including the Definition of Internal Auditing, the Code of Ethics, and the International Standards for the Professional Practice of Internal Auditing (Standards). This mandatory guidance constitutes principles of the fundamental requirements for the professional practice of internal auditing and for evaluating the effectiveness of the internal audit activity's performance.

The Institute of Internal Auditors' Practice Advisories, Practice Guides, and Position Papers will also be adhered to as applicable to guide operations. In addition, the internal audit activity will adhere to SFNC relevant policies and procedures and the internal audit activity's standard operating procedures manual.