

HSBC BANK (MAURITIUS) LIMITED
AUDIT COMMITTEE
CORE TERMS OF REFERENCE



1. Purpose

The Board of HSBC Bank (Mauritius) Limited (the 'Company') has delegated to the Audit Committee (the 'Committee') oversight of matters relating to financial reporting and internal financial controls, in particular reviewing:

- 1.1 the integrity of the financial statements, Pillar 3 disclosures (where relevant), formal announcements and disclosures relating to financial performance;
- 1.2 the effectiveness of Internal Audit and the external audit process; and
- 1.3 the effectiveness of internal financial control systems.

2. Membership

The Committee (including the Chair) shall comprise at least three members, all of whom shall be non-executive directors, or as otherwise required by local regulation.

With respect to entities where there are no or insufficient non-executive directors (including where local requirements do not compel the appointment of independent non-executive directors), the Board may appoint, as non-executive directors, employees of the HSBC Group who do not have day-to-day responsibility for the activities of the Company, subject to regulatory requirements.

3. Attendance

The Committee may invite any director, executive, independent auditor or other person to attend any meeting(s) of the Committee as it may from time to time consider desirable to assist the Committee in the satisfaction of its responsibilities. Internal Audit shall be a standing invitee to the Committee meetings.

The Committee shall meet separately with the external auditor and with the head of Internal Audit at least twice each year without management present.

4. Meetings and Quorum

The Committee shall meet with such frequency and at such times as it may determine, subject to regulatory requirements which shall be at least on a quarterly basis.

The quorum for meetings is a majority of the members, including the Chair (or his/her delegate from among the members).

5. Committee responsibilities

The Committee's responsibilities shall include:

5. 1 Financial Reporting

5.1.1 monitor and critically assess the integrity of the financial statements of the Company, Pillar 3 disclosures (if applicable), and any formal announcements and supplementary regulatory information relating to the Company's financial performance

5.1.2. review, and consider changes to, significant accounting policies, including Pillar 3 disclosure policies and practices, as applicable

5.1.3 review, and report to the Board on, significant accounting judgements and adjustments;

5.1.4 review going concern assumptions and any qualifications;

5.1.5 review, as applicable, compliance with accounting standards, listing rules, Pillar 3 disclosure requirements and other requirements relating to financial reporting;

5.1.6 review disclosure that describes the work of the Committee

5.1.7 review the Annual Operating Plan and Capital Plan;

5.1.8 review comment letters and inspection reports from regulatory authorities;

5.1.9 review matters as advised by Internal Audit, any other function or the external auditor;

5.1.10 review any significant or unusual items that may need to be highlighted in the annual report and accounts, or its local equivalent, by the external auditor;

5.1.11 at its discretion, review reports and minutes of the Disclosure Committee, or its local equivalent if any;

5.1.12 review the adequacy of resources and expertise as well as succession planning for the Finance function;

5.1.13 advise the Board that the annual report and accounts, or equivalent, taken as a whole, are fair, balanced and understandable, and provides the information necessary for shareholders to assess the Company's position and performance, as applicable in the Company's jurisdiction;

5.1.14 report to the Board on the Company's compliance with all applicable corporate governance codes or standards in relation to financial reporting;

5.1.15 provide assurances to the Board regarding compliance by the Company with relevant regulations relating to financial reporting; and

5.1.16 report alleged frauds or misrepresentation of assets to the Company's Risk Committee.

5.2 Internal Audit

5.2.1 review and, if appropriate, approve the Internal Audit charter;

5.2.2 oversee the work of Internal Audit and approve the appointment and removal of the local and (where applicable) the Senior Internal Audit Manager with oversight over Mauritius;

5.2.3 monitor and assess the effectiveness, performance, resourcing, independence and standing of the Internal Audit function;

5.2.4 consider major findings of internal investigations and management's response;

5.2.5 approve the annual Internal Audit work plan (including material plan changes during the year);

5.2.6 satisfy itself that the Internal Audit work plan is aligned to the key risks of the business;

5.2.7 satisfy itself there is appropriate co-ordination between Internal Audit and the external auditor; and

5.2.8 to request that management inform other Board committees on (a) material issues arising from or (b) shortcomings perceived in the scope or adequacy of, the work of Internal Audit relating to matters falling within the scope of such committees and that feedback is received from them.

5.2.9 ensure that the Internal Audit team shall have full access to any records, files, management information systems, minutes of various committees, including the Audit Committee, as well as physical properties of the financial institution including direct access to the Committee

5.3 External Audit

5.3.1 review the terms of appointment, re-appointment, or removal of the external auditor and approve their remuneration and terms of engagement, and make recommendations to the Board for approval by the Company's shareholder;

5.3.2 oversee the implementation by management of the HSBC Group policy on the engagement of the external auditor to supply non-audit services, taking into account relevant regulatory requirements;

5.3.3. approve in advance the supply of any non-audit services by the external auditor: (a) considering the impact this may have on independence, (b) taking into account the relevant regulations and ethical guidance in this regard, (c) agreeing the terms of engagement and (d) the fees for any such services; and report to the Board on any improvement or action required;

5.3.4 review and monitor the external auditor's annual plan, independence, objectivity and the effectiveness of the audit process, considering relevant professional, regulatory and other requirements;

5.3.5 oversee the rotation of audit partners and external auditors;

5.3.6 review the external auditor's report on the progress of the audit, its management letter, any material queries raised by the external auditor to management (and management's responses). Any material risk or internal control issues (other than issues relating to internal controls over financial reporting) shall be referred to the Risk Committee, as appropriate;

5.3.7 discuss with the external auditor the approach, nature, and scope of their audit and reporting obligations throughout the audit process including, as applicable:

- any significant accounting and auditing problems and reservations;
- major judgemental areas;
- alternative accounting treatments together with the potential ramifications;
- any significant accounting adjustments;
- the going concern assumption and viability statement;
- compliance with accounting standards, stock exchange rules and legal requirements;
- reclassifications or proposed additional disclosures;
- any material changes in accounting policies and practices, any communications provided by the external auditor to management and other matters the external auditor wishes to discuss.

5.3.8 oversee the implementation by management of the HSBC Group policy for the engagement of former employees and contractors of the external auditor

5.4 Internal Controls

5.4.1 review the effectiveness of the Company's and where applicable its subsidiaries' internal financial controls (the systems established to identify, assess, manage and monitor financial risks);

5.4.2 consider any findings of major investigations of internal controls over financial reporting matters, management's response and the conclusions of any testing carried out by internal or external auditors;

5.4.3 review all significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting (including any annual report, and other reports as required by applicable laws and regulations, from the Company's Chief Executive and Chief Financial Officer (or equivalent) that such persons have disclosed to the Committee and to the external auditor) which could adversely affect the Company's ability to record and report financial data and any fraud, whether material or not, that involves management or other employees who have a significant role in the Company's internal financial controls;

5.4.4 review and if appropriate, endorse the content of the statement relating to internal financial controls in the annual report, or its equivalent, for submission to the Board.

5.5 Whistleblowing

5.5.1 a) Oversee the local implementation of the Group's policies and procedures for capturing and responding to whistleblower concerns; (b) oversee the local implementation of the Group's procedures to ensure confidentiality, protection and fair treatment of whistleblowers; (c) routinely review reports arising from the operation of the whistleblowing policies and procedures; and (d) satisfy itself that arrangements are in place for the proportionate and independent investigation of such matters and for follow-up action;

5.5.2 annually review the operation and effectiveness of the arrangements and issues raised as a result of the whistleblowing procedures by which staff may, in confidence, raise concerns.

6 Other Responsibilities

6.1 Certificates and Assurances (Escalation)

6.1.1 Where the Company is a Principal Subsidiary:

- (a) To provide half-yearly certificates to the Group Audit Committee (in the form required by the Group Audit Committee); and
- (b) To take action, provide documentation or assurances as requested by the Group Audit Committee including: copies of minutes, periodic certifications, adopting best practice, being forthcoming in sharing information, and interacting with the Group Audit Committee and/or its Chair on a regular basis.

6.1.2 Where the company is not a Principal Subsidiary :

- (a) To provide half-yearly certificates to the audit committee of the entity with oversight responsibility of the Company (in a form that is consistent with that required by the Group Audit Committee); and
- (b) To take action, provide documentation or assurances as requested by the audit committee of the entity with oversight responsibility of the Company including: copies of minutes, periodic certifications, adopting best practice, being forthcoming in sharing information, and interacting with its Chair on a regular basis

6.2 Annual review of terms of reference and committee effectiveness

The Committee shall review annually its terms of reference and its own effectiveness and recommend to the Board any necessary changes. The Committee shall report to the Board and inform the Chair of the audit committee of the entity with oversight responsibility of the Company, how the Committee has discharged its responsibilities and will make recommendations on any action(s) needed to resolve concerns or make improvements.

6.3 Material deviations from core terms of reference

Material deviations from the Group Core Terms of Reference require the endorsement from: (a) the Group Audit Committee (where the Company is a Principal Subsidiary) or (b) the audit committee of the entity with oversight responsibility of the Company (where the Company is not a Principal Subsidiary).

Notwithstanding the paragraph above, any deviation from the Group Core Terms of Reference that is a consequence of statutory or regulatory requirements taking precedence over the Group Core Terms of Reference, needs to be notified to the Board of the Company and (a) the Group Audit Committee (where the Company is a Principal Subsidiary) or (b) the audit committee of the entity with oversight responsibility of the Company (where the Company is not a Principal Subsidiary).

6.4 Responsibilities of subsidiary audit committees

Insofar as this applies to the Company, the Committee shall (a) review the composition, powers, duties and responsibilities of any audit committee of the Company's subsidiaries, (b) oversee the implementation of mechanisms to facilitate the communication and escalation from such subsidiary company committees of matters for the Committee's attention including seeking documentation, certifications or assurances such as copies of minutes, periodic certifications, confirmation of adopting best practice, and other forms of sharing information, (c) foster interconnectivity and common governance principles, and (d) discuss such matters as the Committee deems appropriate with the chair or other members of such subsidiary committees

6.5 Reporting to the Board

The Committee will report to the Board on the matters set out in these terms of reference and will provide the Board such additional assurance as it may reasonably require regarding the effectiveness of the Company's finance and audit functions.

6.6 External Advisers

The Committee may retain special counsel, advisers, experts, or other consultants to consider from time to time any other matters which the Committee believes are required of it in keeping with its responsibilities. The Committee may obtain such professional external advice as it shall deem appropriate to take account of relevant experience outside the Company and challenge its analysis and assessment. Any such appointment shall be made through the Company Secretary, who shall be responsible, on behalf of the Committee, for the contractual arrangements and payment of fees by the Company.

6.7 Overlapping Responsibilities

Where there is a perceived overlap of responsibilities between the Committee and another committee of the Board, the respective committee Chairs shall have the discretion to agree the most appropriate committee to fulfil any obligation. An obligation under the terms of reference of any committee will be deemed by the Board to have been fulfilled, provided it is dealt with by any other committee.

APPENDIX 1

Principal Subsidiary companies of HSBC Holdings plc:

The Hongkong and Shanghai Banking Corporation Limited

HSBC North America Holdings Inc.

HSBC Private Banking Holdings (Suisse) S.A.

HSBC Bank Canada

HSBC Bank plc

HSBC Latin America Holdings (UK) Limited

HSBC Bank Middle East Limited

HSBC UK Bank plc

Infographic



