

HSBC BANK (MAURITIUS) LIMITED

**RISK MANAGEMENT AND CONDUCT REVIEW
COMMITTEE
CORE TERMS OF REFERENCE**



1. Purpose

The Board of HSBC Bank (Mauritius) Limited (the 'Company') has delegated to the Risk Management and Conduct Review Committee (the 'Committee') oversight of risk-related matters impacting the Company if applicable and its subsidiaries, including risk governance, internal control systems (other than internal controls over financial reporting) and for the management of related party transactions.

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.

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The Chair of the Committee shall not be the Chairman of the Board and will be appointed by the Board from among the non-executive directors.

Members of the Committee of a Principal Subsidiary (see Appendix 1 for list of Principal Subsidiaries) and the Chair shall be appointed subject to endorsement by the Group Risk Committee. Members of the Committee of any other subsidiary shall be appointed subject to endorsement by the risk committee of the entity with oversight responsibility of the Company.

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. The CRO / delegate shall be a standing invitee in the Committee meetings.

The Committee shall meet with the Chief Risk Officer ('CRO') 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 Risk Related Matters

5.1.1 To oversee and advise the Board on risk-related matters, including both financial and non-financial risks, including but not limited to liquidity, credit, operational and market-related risk

5.1.2 To review and provide independent challenge on risk management reports, including the Company's enterprise risk reports to:

- a) Assess the risk profile of the Company and how the risks arising from the Company's businesses are controlled, monitored and mitigated
- b) Focus on current and forward-looking risks to enable the Committee to assess the Company's vulnerability and resiliency to potential risks;
- c) Review the effectiveness of the Company's conduct framework designed to deliver fair outcomes for customers, preserve the orderly and transparent operation of financial markets, and protect the Company against adverse outcomes (including reputational damage) to the Company's financial and non-financial condition and prospects; and
- d) Provide such additional assurance as the Board may require regarding the reliability of risk information submitted to it.

5.2 Risk Appetite

5.2.1 To satisfy itself that risk appetite informs the Company's strategy and business plans and that account has been taken of the macroeconomic and financial environment, drawing on financial stability assessments and other authoritative sources that may be relevant;

5.2.2 To advise the Board on risk appetite and risk tolerance related matters

5.2.3 To review and recommend the Company's Risk Appetite Statement at least annually to the Board for approval;

5.2.4 To receive reports where appropriate, to satisfy itself that the Company's approach to the determination of its risk appetite is in line with regulatory requirements;

5.2.5 As applicable, to review and recommend the Company's Internal Capital Adequacy Assessment Process ('ICAAP') to the Board for approval, and following that approval, to escalate any material issues relating to the capital component of the ICAAP to the risk committee of the subsidiary/ entity which has oversight;

5.2.6 As applicable, to review and recommend the Company's Internal Liquidity Adequacy Assessment Process ('ILAAP') to the Board for approval, and following that approval, to escalate any material issues raised during the Committee's ILAAP review, to the risk committee of the subsidiary/ entity which has oversight;

5.2.7 To consider and advise the Board on the risks associated with proposed strategic acquisitions/disposals, focussing in particular on risk aspects and implications for the risk appetite and tolerance of the Company;

5.2.8 To review and advise the Board or other committee that oversees remuneration matters on the Company's alignment of remuneration with risk appetite;

5.2.9 To consider and advise the Board on the effectiveness of management's policies for addressing risks relating to cyber security and information security;

5.2.10 To review and advise the Board on the effectiveness of management's policies for addressing risks relating to the Company's IT and operational resilience programmes; and

5.2.11 To provide a forward-looking perspective to the Board on financial crime risk, including oversight of matters relating to:

- a) Financial crime risk and financial system abuse, including anti-money laundering, sanctions, terrorist financing and proliferation financing;
- b) Controls relating to anti-bribery and corruption; and
- c) Where the Company may become exposed to financial crime and systems abuse.

5.3 Stress Testing

5.3.1 To review and satisfy itself that the Company's stress testing framework, governance and related internal controls are robust

5.3.2 To review and challenge management's interpretation of the scenario(s) prescribed by the regulator, including areas of judgement;

5.3.3 To review and challenge the results of, and supporting information for, enterprise-wide stress tests presented by management; and

5.3.4 To review and approve, or recommend for Board approval, the Company's final stress testing submissions to regulatory authorities.

5.4 Enterprise risk management framework and internal control systems

5.4.1 To annually review the Company's enterprise risk management framework and satisfy itself that it is operating effectively;

5.4.2 To review the effectiveness of internal control systems (other than internal controls over financial reporting); and

5.4.3 To review how effectively management is embedding and maintaining an effective risk management culture and a strong internal control environment designed to foster compliance with HSBC Group and Company policies and regulatory compliance requirements.

In carrying out its oversight role, the Committee will consider any material findings from regulators relating to risk governance, conduct of business, risk assessment or management processes

5.5 Regulatory Compliance

5.5.1 To approve the annual plan for the Regulatory Compliance function and receive regular reports on progress against the plan and other matters relating to regulatory compliance risk and the Company's relationship with its regulators.

5.5.2 To ensure that the Head of FCC, FCTM and RC has direct access to the Committee

5.6 Chief Risk Officer and Risk Management Function

5.6.1 To monitor the effectiveness and independence (from the business) of the CRO and to review the composition and effectiveness of the risk management function including that it is of sufficient stature, independent of the business and adequately resourced;

5.6.2 To recommend to the Board the appointment or removal of the CRO, including ensuring the independence of the CRO from operational management and without any requirement to generate revenue; and

5.6.3 To approve the annual plan for the Risk function and receive regular reports on progress against the plan

5.7 Internal Audit

5.7.1 To review reports from Internal Audit that provide assurance on the adequacy of internal control processes; and

5.7.2 To request that management inform other Board committees (as applicable) 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.

5.8 External Audit

5.8.1 To request that management inform other Board committees (as applicable) 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.

5.9 Annual Report and Accounts (or local equivalent)

5.9.1 Where applicable, to review and endorse the content of the risk committee report, risk disclosures or statements contained in the annual report and accounts, or local equivalent, relating to internal controls (other than internal controls over financial reporting), including the assessment of principal risks facing the Company

5.1.0 Related Party Transactions

5.10.1 In relation to the Company's related party transactions, the Committee shall: (a) establish policies and procedures to comply with the requirements of related party transaction guidelines issued by Bank of Mauritius; (b) review these policies and procedures periodically to ensure their continuing adequacy and enforcement, in the best interests of the Company; (c) review and ratify the credit exposure of each related party transaction; (d) ensure that market terms and conditions are applied to all related party transactions; (e) review the practices of the financial institution to ensure that any transaction with related parties that may have a material effect on the stability and solvency of the Company is identified and dealt with in a timely manner; and (f) report periodically and in any case with no less frequency than on a quarterly basis to the Board on matters reviewed by it, including exceptions to policies, processes and limits.

6.0 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 Risk Committee (in the form required by the Group Risk Committee); and

(b) To take action, provide documentation or assurances as requested by the Group Risk Committee including: copies of minutes, periodic certifications, adopting best practice, being forthcoming in sharing information, and interacting with the Group Risk 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 risk committee of the entity with oversight responsibility of the Company (in a form that is consistent with that required by the Group Risk Committee); and

(b) To take action, provide documentation or assurances as requested by the risk 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 risk 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 Risk Committee (where the Company is a Principal Subsidiary) or (b) the risk 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 Risk Committee (where the Company is a Principal Subsidiary) or (b) the risk committee of the entity with oversight responsibility of the Company (where the Company is not a Principal Subsidiary).

6.4 Responsibilities of subsidiary risk committees

Insofar as this applies to the Company, the Committee shall (a) review the composition, powers, duties and responsibilities of any risk 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 risk management 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.

Approved by Board of Directors on 7 May 2020

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

