

HSBC BANK (MAURITIUS) LIMITED

BOARD Terms of Reference



HSBC BANK (MAURITIUS) LIMITED BOARD TERMS OF REFERENCE Contents

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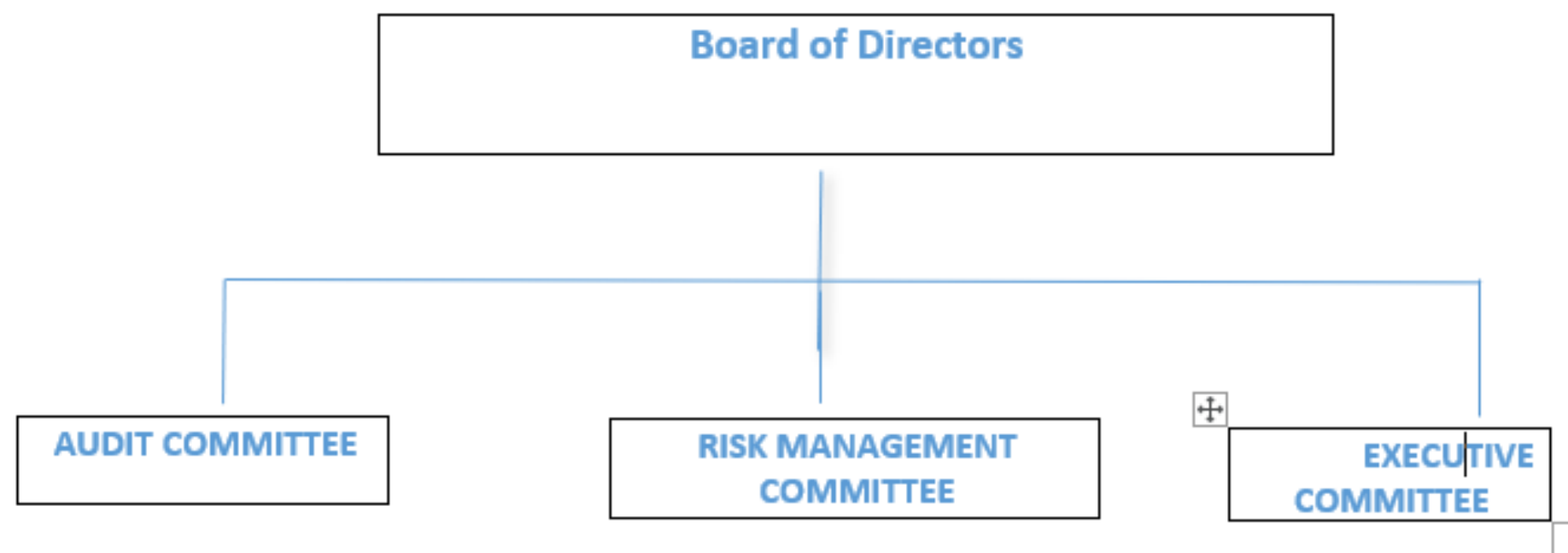
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This document serves as a summary of the management structure and delegations of authority that are in place at HSBC Bank (Mauritius) Limited (the “Company” or “Bank”) as at the date of issue.

The structure also recognises the Company’s membership of the HSBC Group and its duty to observe HSBC Group policy and procedures.

Amendments to the Corporate Governance Framework shall be made from time to time, dictated by changes in regulatory environment, legislation, personnel changes and with respect to changes of relevant Group policy, procedure and practice to reflect the on-going management of the business.

1. BOARD AND COMMITTEE ORGANISATION



2. OBJECTIVE

The role of the Board is to provide leadership of the Company within a framework of prudent and effective controls which enables risks to be assessed and managed. The Board is collectively responsible for the sound and prudential management of the Company.

3. COMPOSITION

3.1 The Board should be of sufficient size to discharge its responsibilities and allow changes to the Board's composition to be managed without undue disruption. The Constitution requires the Board to have a minimum of 7, and up to a maximum of 9 Directors.

3.2 The Chairperson of the Board shall be Non-executive Director.

3.3 The Board should comprise a balance of executive and non-executive directors, such that no individual or small group of individuals can dominate the Board's decision-making authority. At least 40 percent of the Board shall consists of non-executive directors who have been determined by the Board to be independent in character and judgement, meaning they are free from relationships or circumstances which are likely to affect their judgement or any relationships or circumstances which could appear to do so have been considered not to be material.

3.4 The Board has determined that each Director shall stand for re-election at the annual meeting of the Shareholder. In determining the re-election of the Directors, the Board will review the fitness and propriety of each Director, in order to be reappointed.

4. MEETINGS AND QUORUM

4.1 The Board shall meet at least once every quarter. The Board shall meet frequently enough to fulfil its responsibilities effectively. Directors should make every effort to attend all Board meetings, especially where substantive / material issues are to be discussed.

4.2 The quorum for meetings of the Board is 4 Directors.

4.3 When participating in Board meetings, executive directors are expected to discharge their responsibilities for the benefit of the Bank and not to the interests of or as representatives of the activity for which they bear executive responsibility.

4.4 The Company Secretary shall assist the Chairman in drafting an agenda for each meeting. Directors may propose any matters for inclusion in the agenda through the Chairman or the Company Secretary. Board papers and agenda are targeted for distribution to the Directors at least one week before the date of the meeting.

5. MATTERS RESERVED FOR THE BOARD

In addition to items reserved for the Board under law and the Constitution, the following items specifically require Board approval for:

- i. the corporate plan covering short term and long term business objectives, strategy together with appropriate policies to execute the strategy, including those relating to risk management, capital adequacy, liquidity, risk appetite, compliance, internal controls, communication policy, director selection, and orientation and evaluation.
- ii. the authority or the delegation of authority to approve credit, market risk limits, acquisition, disposal, investment, capital expenditure or realisation or creation of a new venture;
- iii. the establishment of effective procedures for monitoring and control of operations including internal procedures for audit, risk and compliance;
- iv. the organizational structure of the institution, and its staff compensation policies;
- v. appointment of senior officers as defined under the Banking Act 2004; and
- vi. any substantial change in the policies established by the Board from time to time for balance sheet management, including capital adequacy, liquidity, maturity structure of assets and liabilities, interest rate and exchange rate risks, capital and operating budgets of the institution and asset concentration both geographically and by sector.

6. POWERS OF THE BOARD AND DELEGATIONS

6.1 The business and affairs of the Bank shall be managed by, or under the direction or supervision of the Board. In doing so, the Board may exercise all the powers of the Bank, subject to any relevant laws, local regulations and in accordance with the Company's Constitution.

6.2 Under the Delegation of Authority Framework, the Board delegates all of the powers, authorities and discretions of the Board in so far as they concern the management and day-to-day running of the Bank to the Managing Director / Chief Executive Officer in accordance with such policies and directions as the Board may from time to time determine with the exception of the matters reserved to the Board as set out above.

The Board may delegate, by power of attorney or otherwise, any of its powers, authorities and discretions (including the power to sub-delegate) to any Director, committee, person or persons for such time and on such terms as it thinks fit.

6.3 The Constitution provides that the Directors may, from time to time, establish such committees to be authorised to perform any specific function that the Board may consider appropriate. The Board may also revoke any such delegation and discharge.

7. RESPONSIBILITIES OF THE BOARD

7.1 The Board is ultimately responsible for the operational and financial soundness of the Bank. In discharging its responsibilities, the Board should take into account the legitimate interests of shareholders, depositors and other relevant stakeholders. Directors should act bona fide in the interest of the Bank, and on an informed and prudent basis, in accordance with the applicable laws, local regulations and supervisory standards.

7.2 The key responsibilities of the Board include:

- i. setting and overseeing the objectives of the Bank and the strategies for achieving those objectives;
- ii. risk governance;
- iii. appointment and oversight of senior management as and when required;
- iv. setting corporate values and standards;
- v. ensuring a suitable and transparent corporate structure;
- vi. ensuring effective audit functions; and
- vii. ensuring an appropriate degree of transparency in respect of the structure, operation and risk management of the Bank;

7.3 In discharging these responsibilities, the Board shall, among other things, have regard to the Bank of Mauritius Guidelines on Corporate Governance (as revised from time to time) and the National Code of Corporate Governance.

7.4 The Bank of Mauritius requires the Board to ensure that there are governance strategies, policies and procedures appropriate to the structure, business and risks of the Bank. The Bank is a wholly-owned subsidiary within the HSBC Group, which has Group-wide corporate values and governance principles. The Bank of Mauritius expects that the Board's primary responsibility to be the protection of the interests of the Bank. As such, the Board should ensure that the decisions of the holding company are not detrimental to the sound and prudent management of the Bank, financial health or the legal interests of stakeholders.

7.5 In relation to certain services or structures established on behalf of customers, the Bank of Mauritius requires both senior management and the Board, as appropriate, to be vigilant in maintaining and reviewing the appropriate strategies, policies and procedures governing the related approval and maintenance of such products, structures and services; periodically monitor such products, structures and services to ensure they remain consistent with their established purpose; and establish adequate procedures to identify and manage all material risks arising from these activities.

8. Related Party Transactions

In relation to the Company's related party transactions, the Board shall:

- (a) establish policies and procedures to comply with the requirements of related party transaction guidelines issued by Bank of Mauritius;
- (b) review and approve these policies and procedures periodically to ensure their continuing adequacy and enforcement, in the best interests of the Company;
- (c) review and approve the credit exposure of each related party transaction, on a quarterly basis; (d) ensure that market terms and conditions are applied to all related party transactions, including exceptions to policies, processes and limits; and
- (e) review the practices of the Bank to ensure that any transaction with related parties that may have a material effect on the stability and solvency of the Bank is identified and dealt with in a timely manner.

9. BOARD COMMITTEES

9.1 The Board has established and approved Terms of Reference for the following Committees:

- i. Executive Committee;
- ii. Audit Committee;
- iii. Risk Management Committee;

9.2 The Board approves appointments of members of these committees in accordance with the appropriate requirements. The Committees interact with each other as appropriate to ensure consistency and compatibility in their actions and minimise any potential for gaps (e.g. information gaps) in risk management oversight. The Board shall ensure there is appropriate cross-participation between Committees. Each Committee maintains appropriate records of its deliberations and decisions and reports to the Board on its decisions and recommendations.

10.ROLE OF THE CHAIRMAN AND MANAGING DIRECTOR

10.1 The role of the Chairman is to provide leadership to the Board and to be responsible for its overall effective functioning. The Chairman shall possess the requisite experience, competencies and personal qualities to fulfil these responsibilities. In consultation with the Board, the Chairman shall be responsible for the development of strategy and the oversight of implementation of Board-approved strategies and its direction.

- i. The Chairman shall ensure that decisions of the Board are taken on a sound and well-informed basis and in the best interest of the Bank. To this end, the Chairman shall, among other things: set the agenda for board meetings and ensure that all Directors are given an opportunity to include matters on the agenda;
- ii. ensure that Directors receive accurate, timely and clear information for Board meetings;
- iii. encourage and promote open and critical discussion;
- iv. ensure that any concerns and dissenting views are expressed and discussed within the decision making process;
- v. encourage constructive relations and effective communication between the Board and management, and between the Executive Directors and Non-executive Directors; and
- vi. ensure that the Directors, especially the Non-executive Directors, have access to independent professional advice at the Bank's expense where they judge it necessary to discharge their responsibilities.

10.2 The Managing Director shall be responsible for:

- i. ensuring implementation of the strategy and policy as established by the Board;
- ii. managing the day-to-day operations of the Bank; and
- iii. actively participating in Executive Committee, Asset and Liability Management Committee, Risk Management Meetings and Conduct Review Committee meetings

11. TRAINING

11.1 The Board shall ensure that sufficient time, budget and other resources are available to meet the training needs of individual Directors and of the Board collectively. In addition to presentations at Board meetings, Non-Executive Directors will be given the opportunity to undertake business awareness and other training and development activities.

11.2 An induction programme, tailored to individual needs, shall be arranged by the Company Secretary for newly appointed directors.

12. BOARD PERFORMANCE EVALUATION

The Board shall undertake annual assessments of its effectiveness and the contribution made by each director to the effectiveness of the Board. The performance assessment shall include governance practices and procedures to determine any improvements that may be needed. The Company Secretary shall be responsible for facilitating the Board's annual performance evaluation. In addition, the Company Secretary shall maintain records and actions identified from the performance evaluation and keep the Chairman informed of progress with implementation.

13. INDEPENDENT ADVICE

Subject to Group Policy, directors may appoint, employ or retain such professional advisors as they consider appropriate; such appointments shall be made through the Company Secretary, who shall be responsible for the contractual arrangements and payment of fees by the Bank on behalf of the Board.

14. INCONSISTENCY WITH CONSTITUTION

To the extent that there is any inconsistency between these Terms of Reference and the Company's Constitution, the requirements of the Constitution shall prevail.

15. REVIEW OF TERMS OF REFERENCE

The Board shall review this document on an annual basis.