

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 controls, in particular reviewing:
1.1	the integrity of the financial statements, 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 control systems, subject to input from the Company’s Risk Management Committee.
2	<p>Membership</p> <p>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.</p> <p>The Chair of the Committee shall be appointed by the Board from among the non-executive directors.</p> <p>At least one member of the Committee shall have recent and relevant financial experience. When appointing directors to the Committee, the Board shall have regard to the Committee collectively to have appropriate skills, experience and competence in relation to financial management relevant to the financial services sector.</p>
3..	<p><b><u>Attendance</u></b></p> <p>Only members have the right to attend Committee meetings. 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.</p> <p>The Committee shall meet separately with the external auditor and with the Head of Internal Audit, or equivalent, at least twice each year without management present.</p>
4.	<p><b><u>Meetings and quorum</u></b></p> <p>The Committee shall meet with sufficient notice and with such frequency and at such times as it may determine, subject to regulatory requirements.</p> <p>The quorum for meetings is a majority of the members, including the Chair (or their delegate from among the members).</p> <p>The Secretary of the Committee is the Company Secretary (or their nominee).</p>
5.	<p><b><u>Areas of responsibility</u></b></p> <p>The Committee's responsibilities shall include:</p>
5.1	<b>Financial reporting and planning</b>
5.1.1	monitor and critically assess the integrity of the financial statements of the Company, 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 and disclosure practices, as applicable;
5.1.3	review, and report to the Board on, significant accounting judgements and adjustments;
5.1.4	consider the effectiveness of model risk management for financial reporting;
5.1.5	review going concern assumptions and any qualifications and provide confirmation to the Board of the Company’s profitability;
5.1.6	review compliance with applicable accounting standards, corporate governance codes or standards and other requirements relating to financial reporting, and report and provide assurances to the Board on the Company's compliance;
5.1.7	review disclosure that describes the work of the Committee and areas of special interest;
5.1.8	review the annual financial resource plan, including annual budget, capital expenditure and business plans.
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	advise the Board whether 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; and
5.1.12	review comment letters from audit regulatory authorities relevant to the scope of the Committee's responsibilities and activities;

5.2	Internal Audit
5.2.1	review and, if appropriate, approve the Internal Audit charter annually;
5.2.2	oversee the work of Internal Audit and approve the appointment and removal of the Head of Internal Audit, or equivalent;
5.2.3	monitor and assess the effectiveness, performance, resourcing, independence and standing of the Company’s Internal Audit team;
5.2.4	consider significant findings of internal investigations and management’s response;
5.2.5	approve the local Internal Audit budget and annual work plan (including material plan changes during the year);
5.2.6	satisfy itself that the Internal Audit annual 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;
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; and
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 independence, objectivity and the quality and effectiveness of the audit, considering relevant professional, regulatory and other requirements;
5.3.5	oversee the rotation of the Company’s lead 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 issues shall be referred to the Risk Management 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: <ul style="list-style-type: none"> <li>any significant accounting and auditing problems and reservations;</li> <li>major judgemental areas;</li> <li>alternative accounting treatments together with the potential ramifications;</li> <li>any significant accounting adjustments;</li> <li>the going concern assumptions and viability statement;</li> <li>compliance with accounting standards, stock exchange rules and legal requirements;</li> <li>reclassifications or proposed additional disclosures;</li> <li>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; and</li> </ul>
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 controls, with input from the Board and relevant Board Committees on controls relevant to their respective responsibilities, including (i) how effectively management is embedding and maintaining a strong internal control environment, and (ii) together with the Risk Management Committee, where appropriate, actions to remediate controls which are identified as not operating effectively;
5.4.2	oversee the outputs from monitoring and assurance activities over the Company’s internal controls, including areas for enhancement;
5.4.3	consider any findings of major investigations of internal controls, management’s response and the conclusions of any testing carried out by the business line, risk function or the internal or external auditors;
5.4.4	review all significant deficiencies and material weaknesses in the design or operation of internal controls, and associated remediation plans. Additionally, review other material control deficiencies in the broader control environment which are identified by management, Internal Audit or the external auditors; and
5.4.5	review, and recommend for approval by the Board all internal control-related disclosures within the annual report and other reports required by applicable laws and regulation.
5.5	Whistleblowing
5.5.1	oversee and annually review the local operation and effectiveness of the Group’s policies and procedures for capturing and responding to whistleblower concerns and oversee the local implementation of the Group’s procedures to ensure confidentiality, protection and fair treatment of whistleblowers; and

[illegible]

## **APPENDIX 1**

### **Principal Subsidiary companies of HSBC Holdings plc:**

The Hongkong and Shanghai Banking Corporation Limited

HSBC North America Holdings Inc.

HSBC Bank plc

HSBC Latin America Holdings (UK) Limited

HSBC Bank Middle East Holdings B.V

HSBC UK Bank plc



HSBC