

HSBC BANK (MAURITIUS) LIMITED RISK MANAGEMENT COMMITTEE CORE TERMS OF REFERENCE



CORE TERMS OF REFERENCE

HSBC Holdings plc and its
subsidiaries ('Group')

Approved by the Group Audit
Committee on 20 June 2024
Approved by the HBMU Board 8
November 2024

1.	<u>Purpose</u>
	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:
2.	<u>Membership</u>
	<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, who shall not be the Chairman of the Board.</p>
3.	<u>Attendance</u>
	Only members have the right to attend Committee meetings. Any other person can attend, by invitation of the Chair for the whole or part of the meeting.The Committee shall meet separately with the external auditor, the Regional Head of Internal Audit, or equivalent, and with the Chief Risk & Compliance Officer (‘CCRO’) at least twice each year without management present.
4.	<u>Meetings and quorum</u>
	<p>The Chair shall ensure that the Committee meets with sufficient notice and frequency, which shall be at least on a quarterly basis.</p> <p>The quorum for meetings is two 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.	<u>Areas of responsibility</u>
	The Committee’s responsibilities shall include:
5.1	Risk-related matters
5.1.1	To oversee and advise the Board on risk-related matters, comprising both financial (including capital & liquidity, wholesale credit risk, strategic risk, and market risk) and non-financial risks (including resilience risk (incorporating information technology, cyber security and third party risk), ESG risk (incorporating climate risk), financial crime and fraud risk, regulatory compliance risk, people risk, legal risk, model risk, and financial reporting and tax risk).
5.1.2	<p>To review and provide independent challenge on risk management reports, including the Company’s enterprise risk reports to:</p> <ul style="list-style-type: none"> enable the Committee to assess the risk profile of the Company and how the risks arising from the Company’s businesses are controlled, monitored and mitigated by management; provide clear focus on current and forward-looking risks to enable the Committee to assess the Company’s vulnerability and resiliency to potential risks; 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; enable the Committee to provide additional assurance as the Board may require regarding the reliability of risk information submitted to it; and enable the Committee to assess the Group’s framework of controls and procedures designed to identify areas where HSBC may become exposed, and through that exposure the financial system more broadly may be exposed, to financial crime or system abuse.
5.2	Risk appetite
5.2.1	To satisfy itself that risk appetite informs all aspect of the Company’s strategy (including technology strategy and climate strategy).
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 Framework, on an annual basis, to the Board for approval.
5.2.4	To review and recommend the Company’s Risk Appetite Statement, on an annual basis, to the Board for approval;
5.2.5	To receive reports and draw independent external advice, where appropriate, to satisfy itself that the Company’s approach to the determination of its risk appetite is in line with regulatory requirements.
5.2.6	To review and recommend material regulatory submissions to the Board for approval, including the Internal Capital Adequacy Assessment Process and the Internal Liquidity Adequacy Assessment Process, satisfying itself with regards to the completeness of the submissions and their consistency with the principles of the Company’s Risk Appetite.
5.2.7	To consider and, if appropriate, advise the Board on the risks associated with proposed material acquisitions/disposals, focusing in particular on the resulting implications for the risk appetite and tolerance of the Company.
5.2.8	To review and advise the Board on the effective management of risks relating to the Company’s Operational and IT Resilience, including risks relating to the execution of the technology aspects of the approved Group or Company strategy, cyber security and serious, large scale, organised crime relating to information security.
5.2.9	To review and advise the Board and/or the Remuneration Committee on alignment of remuneration with risk appetite and conduct.
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, challenge and where appropriate approve the key assumptions, vulnerabilities and scenario themes identified and expanded metrics to be used in both internal and regulatory Company-wide stress tests and regulatory submissions.

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"> 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 assumptions 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; and
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

	Enterprise risk management framework and internal control systems
5.4.1	To review the Company’s risk management framework annually and consider a report from Internal Audit that it is operating effectively.
5.4.2	To oversee implementation of risk data aggregation and risk reporting principles and review and approve the Company’s risk data aggregation and risk reporting framework.
5.4.3	To review how effectively management is embedding and maintaining effective risk management and control systems and culture to foster compliance with HSBC Group and Company policies and compliance requirements.
	In carrying out its oversight role, the Committee will:
5.4.3.1	consider any material findings from regulators relating to risk governance, conduct of business, risk assessment or management processes;
5.4.3.2	review the Company’s controls relating to compliance risks and satisfy itself that they are adequate and that the Company is maintaining an appropriate relationship with its regulators;
5.4.3.3	consider risk management reports;
5.4.3.4	receive Internal Audit reports relating to weaknesses in risk management and control systems;
5.4.3.5	report to the Board on the effectiveness of risk management.
5.5	Internal Audit
5.5.1	To review reports from Internal Audit that pertain to the purpose and the areas of responsibility of the Committee, including the Internal Audit annual work plan.
5.5.2	To respond to other Internal Audit matters referred to it by the Audit Committee.
5.5.3	To ensure that the Audit Committee is advised of the Committee’s work in relation to Internal Audit reports and, in particular, any shortcomings perceived in the scope or adequacy of the work of Internal Audit.
5.6	Chief Risk and Compliance Officer and Risk Management Function
5.6.1	To monitor the effectiveness and independence of the Chief Risk and Compliance Officer (“CRCO”) and to review the composition and effectiveness of the Risk and Compliance function including that it is of sufficient stature, independent of the business and adequately resourced (qualifications, experience and training of staff).
5.6.2	The Committee shall ensure the CRCO
	5.6.2.1 participates in the risk and compliance management and oversight on an enterprise-wide basis;
	5.6.2.2 is satisfied that risk owners in the business lines are aware of, and aligned with, the Company’s risk appetite;
	5.6.2.3 has direct access to the Chair of the Committee;
	5.6.2.4 reports to the Committee, alongside the internal reporting line to the Chief Executive; and
	5.6.2.5 is independent from individual business units.
5.6.3	To recommend to the Board the appointment of removal of the CRCO
5.7	External auditors
5.7.1	To review and track remediation of any issue raised by the external auditor in respect of the audit of the Company’s annual report and accounts (and management’s response), or local equivalent, which relates to the management of risk or internal control systems (other than internal controls over financial reporting) relevant to the purpose and the areas of responsibility of the Committee.
5.8	Annual report and accounts (or local equivalent)
5.8.1	5.8.1.1 the Company’s risk disclosures, including the articulation of the Company’s strategy within a risk management context, including inherent risks to which the strategy exposes the Company, the associated risk appetite and tolerance and how actual risk appetite is assessed over time;
	5.8.1.2 forward looking information indicating the expected impact of potential risks facing the Group and
	5.8.1.3 the articulation of how different risk areas are managed across the Company and the role of the Committee in providing oversight
5.8.2	To review and endorse all risk-related disclosures that are contained in the annual report for submission to the Board.

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