

# **SBM BANK (MAURITUS) LTD**

## **AUDIT COMMITTEE – TERMS OF REFERENCE**

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### **A. CONSTITUTION**

The Audit Committee assists the Board in fulfilling its responsibility with respect to (i) safeguarding of assets, (ii) operation of adequate systems & control processes, (iii) the oversight of the Bank's financial statements and financial reporting process and systems of internal accounting and financial controls; (iv) statements in compliance with all applicable legal requirements and accounting standards, (v) the performance of internal audit function and (vi) the engagement of the Bank's external auditors and the evaluation of the external auditors' qualifications, independence and performance.

The membership, resources, responsibilities and authorities (composition, functions and operation) of the Committee to perform its role effectively, is stipulated in the terms of reference, which may be amended by the board as and when required.

It is not the duty of the Committee to plan and conduct audit or to determine that the Bank's financial statements and disclosures are complete and accurate and are in accordance with the applicable accounting standards, rules and regulations. These are the responsibilities of management and external auditors on whose assurances the Committee may rely.

The Committee should mainly make recommendation to the Board for its approval or final decision.

The Committee is constituted in terms of the requirements of sound corporate governance practices and operates within that framework.

### **B. COMPOSITION**

1. The Board of SBM Bank (Mauritius) Ltd (the "Bank") must appoint a minimum of 3 (three) and a maximum of (6) six directors to be members of the Audit Committee (the "Committee")
2. All Committee Members shall be independent directors.
3. The Chairperson of the Board shall not be a member or Chairperson of the Committee.
4. Only members of the Committee have the right to attend the Committee meetings. However, the Committee may invite the executive directors of the Board, the Head of Internal Audit & Investigation, the Head of Compliance, the CFO/Head of Finance and external auditors to attend the meeting of the Committee on a regular basis and other non-member may be invited to attend all or part of any meeting as and when appropriate and necessary.
5. All Committee members should preferably have financial background and be conversant with both international auditing standards and international financial reporting standards and at least one member (preferably the Chairperson) shall have the necessary accounting and financial management expertise to properly assist and advise the Committee in the execution of its duties and responsibilities.

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## **C. SECRETARY**

The Company Secretary or his/her nominee will act as Secretary to the Committee and will ensure that the Committee received information and papers in a timely manner to enable full and proper consideration to be given to issues.

## **D. QUORUM**

The quorum necessary for the transaction of business shall be at least two members.

A Member shall be deemed to be present at any Meeting if he is able to hear and understand all the proceedings of the Meeting and be heard and understood by all present or deemed present by way of telephone or other suitable means of communication, and such Member indicates his willingness for the Meeting to proceed on that basis.

## **E. VOTING**

Matters are debated and decisions shall be taken by Majority of Votes of the Members present at a meeting and in the case of an equality of votes, the Chairperson of the meeting shall have a second or casting vote. Any dissent from the Member/s should be minuted.

- In the event, a Member is conflicted on a proposal, he/she should declare his/her interests and abstain from the deliberation and decision-making on the proposal.

## **F. VALUES**

The Audit Committee will conduct itself in accordance with the Bank's code of ethics. The Audit Committee expects that management and staff of the Bank will adhere to these requirements as well.

## **G. RESPONSIBILITIES OF THE COMMITTEE**

The Committee shall carry out the following duties on behalf of the Board:

### **Financial Reporting**

- Provide assurance that financial disclosures made by management reasonably portray the Bank's financial conditions, results of operations and long-term commitments. To accomplish this, the Audit Committee shall; critically examine and review the quality and integrity of the audited financial statements of the Bank, including its annual and half yearly reports and interim reports and any other formal announcement relating to the organisation's financial performance for adequacy before their approval by the Board;
- Consider the appropriateness of the accounting policies applied and whether they are prudent and consistent with prior practice and comply with regulations and legal requirements;
- Review (i) critical accounting issues; and (ii) capital adequacy & internal control as reported by external auditors;
- Review adequacy of provisions including provision for credit impairment losses;

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- Consider any difference of opinion between auditors and management on the level of provisions, on accounting treatments or on disclosures;
- Discuss with the senior management and the external auditors the overall results of the audit, the quality of financial statements and any concerns raised by the external auditors;
- Review such transactions as could adversely affect the sound financial condition of the Bank as the auditors or any officers of the Bank may bring to the attention of the Committee or as otherwise may come to its attention;
- Review the financial reporting process with a view to ensuring the Bank's compliance with accounting standards and financial matters and the applicable laws and regulations; and
- Review the content of the annual report on 'Financial Review' and accounts and advise the Board on whether, taken as a whole, it is fair, balanced and understandable and provides the information necessary for shareholders and other stakeholders to assess the Company's performance.

## **External Audit**

- Consider and make recommendations to the Board to be put to the shareholders for approval at the Annual Meeting the appointment, re-appointment, dismissal or retention and remuneration of the external auditors;
- Review and discuss the scope of the audit and approve the audit plan to ensure these are risk based and address all activities over a measurable cycle;
- Consider differences of opinion between management and the external auditors;
- Evaluate the performance, objectivity and independence of the external auditors;
- Review the nature and extent of non-audit services provided by the external auditors;
- Obtain assurance from the auditors that adequate accounting records are maintained by the Bank;
- Receive audit reports and ensure in collaboration of the Internal Audit function that management is taking appropriate corrective action in a timely manner to address control weaknesses and non-compliance with laws and policies identified by auditors;
- Develop and implement policy on the supply of non-audit services by the external auditor to avoid any threat to auditor objectivity and independence, taking into account any relevant ethical guidance on the matter; and
- Meet regularly with the external auditors and at least once a year, without management being present, to discuss the auditor's remit and any issues arising from the audit.

## **Internal Audit & Investigation**

- Approve the remuneration of the Head of Internal Audit;
- Review the scope of internal audit and approve the audit plan, including the strategic plan to ensure that these are risk-based and address all activities over a measurable cycle;
- Receive regular reports from the Head of Internal Audit providing independent assurance on whether:
  - a) the internal control system in place is performing effectively and is adequate to mitigate risks consistent with the risk appetite of the financial institution; and
  - b) the organisational goals are met and corporate governance processes are effective and efficient; and
  - c) the effectiveness of the compliance risk management and governance framework

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- Assess the adequacy and performance of the internal audit function and ensure that the function has the necessary resources and access to information to enable them to fulfil its mandate and is equipped to perform in accordance with appropriate professional standards for internal auditors;
- Review significant matters reported by the Head of Internal Audit;
- Review significant differences between Management and the Internal Audit;
- Review and approve the internal audit charter at least annually;
- Review the cooperation and coordination between the internal and external auditors;
- Ensure the Bank has a proper whistleblowing framework;
- Responsible for safeguarding of assets and take reasonable steps for the prevention and detection of fraud and other irregularities.
- Review internal and external auditors' reports (management letter) and management's response thereto and consider status of actions taken by management;
- Receive reports from Head of Internal Audit providing confirmation that management is taking appropriate corrective action in a timely manner to address control weaknesses and non-compliance with laws and policies identified by auditors;
- Approve the engagement letter setting out the scope and terms of external audit;
- Meet the Head of Internal Audit at least once a year without the presence of Management; and
- Review and recommend the Internal Audit related policies prior onward submission to the Board for approval.

## **Internal Control & Compliance**

- Establish the compliance function and make recommendation on a compliance structure for Board's consideration
- Receive report from the control functions on the systems of internal controls to ascertain its adequacy and effectiveness;
- Ensure that there is appropriate structure for identifying, monitoring, managing compliance risk, including Anti-Money Laundering and Combatting of Terrorist Financing and Proliferation (AML/CFT) as well as a reporting system to advise the Committee of non-compliance on a timely basis;
- Review and approve the compliance programme annually to ensure that these are risk-based and address all activities over a measurable cycle;
- Receive report from the Head of Compliance on the effectiveness of the compliance risk management and governance framework annually
- Review regular reports from Head of Compliance on internal controls and deficiencies in system and ensure, with the assistance of the compliance function, that compliance issues are tracked and resolved effectively and promptly by senior management
- Keep under review the adequacy and effectiveness of the Company's compliance function
- Meet the Head of Compliance at least once every six months without the presence of Management or at her request, as required.
- To meet the Head of Compliance at his/her request in addition to the semi-annual meetings, as required;
- Consider recommendations from the control functions and external auditors to enhance the robustness of the system of internal controls; and
- Review and recommend the Compliance related policies, prior onward submission to the Board for approval.

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## **H. REPORTING & ACCOUNTABILITY**

The Chairperson of the Committee shall account to the Board for its activities and make recommendations on all significant matters it has addressed and with respect to such other matters that are within the responsibilities of the Committee and shall make recommendations to the Board concerning the adoption of the annual and interim financial statements and any other matters arising from the above responsibilities.

The Chairperson (or, in his/her absence, an alternate member) of the Committee shall attend the annual meeting to answer questions concerning matters falling within the ambit of the Committee.

## **I. AUTHORITY**

The Committee, in carrying out its tasks under these terms of reference:

- Shall have the sole authority to select, evaluate, recommend to the Board and shareholders the appointment, removal and remuneration of the external auditor;
- May consult with and seek any information it requires from any employees, and all employees shall be required to co-operate with any request made by the Committee in the course of its duties;
- Shall at least once a year meet with external auditors without any executive member of the board in attendance;
- Shall at least once a year meet with the internal auditors without any executive member of the board in attendance; and  
Shall have the authority where it deems necessary and appropriate to retain at the Bank's expense, independent legal, accounting or other professional advice on any matter it believes it necessary to do so.

In furtherance of its duties, the Committee shall have direct access to and receive regular reports from Senior Management and Control Functions of the Bank with respect to such information it may request and which pertains to its responsibilities. The Head of Internal Audit, Head of Compliance, External Auditors and Senior Management should make proper reporting and provide the Committee with all information which the latter deems necessary for a proper exercise of its duties.

## **J. REVIEW**

The Audit Committee will review the Terms of Reference at least annually and submit it to the Board for approval together with such amendments as it deems necessary and appropriate in light of the Bank's requirements and any legal and regulatory developments.

## **K. ASSESSMENT**

At least annually, the Board, acting through the Audit Committee, will assess its effectiveness in fulfilling its responsibilities and duties as set out in this Charter and adopted by the Board.

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## **L. CHAIR**

Each year, the Board on the recommendation of the Audit Committee will appoint one member to be its Chair. If, in any year, the Board does not appoint a Chair, the incumbent Chair will continue in office until a successor is appointed.

## **M. MEETINGS**

### *1. Frequency*

- The Committee shall meet on a quarterly basis, at appropriate intervals in the financial reporting and audit cycle and otherwise as required;
- Outside of the formal meetings, the Committee Chairperson will maintain a dialogue with key individuals involved in the Company's governance, including the Board Chairperson, the CEO, the External Audit Lead Partner and the Head of Internal Audit & Investigation, the Head of Compliance; and
- The Chairperson may, at his/her discretion, invite other executives to attend and to be heard at meetings of the Committee.

### *2. Notice*

- Meetings of the Committee shall be convened by the Secretary of the Committee at the request of its Chairperson or any of its members or at the request of the external audit lead partner or head of internal auditor if they consider it necessary; and
- Notice of each meeting confirming the venue, time and date together with an agenda of items to be discussed and supporting papers, shall be forwarded to each member of the committee, and any other person required to attend, no later than five working days before the date of the meeting or as per timeline agreed with the Chairperson.

### *3. Minutes and Proceedings*

- The minutes of all meetings of the Committee, or summaries thereof, shall be submitted to the Board at the immediate quarterly Board meeting, the agenda for each such board meeting shall provide an opportunity for the Chairperson of the Committee to report orally on any matters of importance as well as on the Committee's findings and shall recommend actions.

## **N. REMUNERATION**

The Chairperson and Members of the Committee shall be paid such fees in respect of their appointment as shall be fixed by the Board. Such fees shall be in addition to the monthly fees payable to the directors of the Board having regards for the functions performed by the members of the Committee in addition to their functions as directors.

## **O. REMOVAL AND VACANCIES**

Any member of the Audit Committee may be removed and replaced at any time by the Board, and will automatically cease to be a member as soon as he or she ceases to be a Director. The Board will fill vacancies on the Audit Committee by appointment among qualified members of the Board.

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## **P. ORGANISATIONAL GOVERNANCE**

Every Member of the Committee shall keep confidential and not disclose any information obtained in the course of functions to the third parties.

The Board shall have the power to, at any time, remove any Members from the Committee and to fill any vacancies created by such removal.

## **Q. Orientation and training**

Audit committee members should receive formal orientation training on the purpose and mandate of the committee and on the organisation's objectives.