



SUCCESS BEYOND NUMBERS

Audit Committee Charter

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1. Objectives

The principal function of the Audit Committee (the “AC”) is to oversee the financial reporting process to ensure the balance, integrity and transparency of the financial information published by the Mauritius Commercial Bank Ltd (the “Bank”).

The main focus of the AC in respect of its mandate will include regular reviews and monitoring of the following:-

- Effectiveness of the Bank’s internal financial control and risk management systems.
- Effectiveness of the internal audit function. The head of internal audit has a reporting line to the AC.
- Independence of the external audit process and the external auditors’ performance.
- Remuneration of external auditors and their provision of non-audit services.
- The Bank’s systems for monitoring compliance with laws and regulations relevant to financial reporting and with its internal code of business conduct.
- Specific issues where the AC considers action or improvement is needed, making recommendations as to the steps to take.
- Adequacy of the quarterly and annual financial statements to be submitted to the Board and to the Regulator.

This Charter is posted on the organisation’s website.

2. Composition

- 2.1. The Chairperson and members of the AC will be nominated by the Board of directors of the Bank (the “Board”) on the recommendation of the Nomination and Remuneration Committee. The AC shall consist solely of independent directors. The Chairperson of the Board should not be a member of the AC.
- 2.2. The Committee shall consist of between 3 and 5 members. Each member of the AC must be financially aware and the Board should satisfy itself that the Chairperson has relevant financial experience and expertise.
- 2.3. The Board may at any time remove member/s from the Committee and fill any vacancy/ies created by such removal.

3. Meetings

- 3.1. Meetings shall be held at least once a quarter and the Chairperson may decide to have additional meetings to enable the committee to cover all key matters. The committee shall focus on matters relating to compliance, anti-money laundering reporting, internal audit, controls and financial results, including interim and annual financial statements as well as reports to be published. Special meetings may be convened at the discretion of the Chairperson at the request of either internal or external auditors or any member of the AC as well as any member of the Board.
- 3.2 The quorum for the AC shall be 2. In the absence of a quorum, the Chairperson of the AC may appoint another independent director in replacement.
- 3.3 The Chairperson of the AC may in case of absence designate an alternate. In case of absence of the Chairperson and where no alternate has been designated, the Nomination and Remuneration Committee or the Chairperson of the Board shall appoint an independent director to chair the meeting.
- 3.4 Internal and external auditors should be invited to make presentations to the AC, including inter alia, audit plans, findings and recommendations. The AC will meet both internal and external auditors separately at least once a year without the Bank's management being present to discuss issues related to the Bank's audit and any other matters of concern which either party may wish to raise.
- 3.5 The Secretary shall keep appropriate records of all meetings of the Committee with minutes of the proceedings. The Secretary shall circulate minutes of any meeting of the Committee to all members of the Committee.
- 3.6 Only members of the Committee have the right to attend committee meetings. However, the external auditor and the CFO/Head of Finance shall be invited to attend meetings of the committee on a regular basis and other non-members may be invited to attend all or part of any meeting as and when necessary.
- 3.7 A member of the Risk Monitoring Committee may be requested to attend the Audit Committee whenever deemed appropriate.
- 3.8 The Committee shall meet the Head of Compliance at least twice annually in a private session at which senior management, including the Chief Executive Officer, shall not be present. The purpose of such sessions shall be to allow the Head of Compliance to raise directly with the Committee any concerns regarding the compliance function, resource adequacy, or management responsiveness to compliance matters.

4 Roles and Responsibilities

4.1 The roles and responsibilities of the AC are fixed by the Board and the scope of the authority is as follows :-

- 4.1.1 Operating within the terms of its charter.
- 4.1.2 Ensuring the attendance of Bank officers at meetings, as required.
- 4.1.3 Having unrestricted access to the Bank's management, employees and to relevant information.
- 4.1.4 Ensuring that there is an appropriate structure in place for identifying, monitoring and managing compliance risk as well as a reporting system to advise the AC and the Board of instances of non-compliance on a timely basis.
- 4.1.5 Ensuring procedures are established for dealing effectively with concerns of Bank employees in respect of accounting, and auditing matters.
- 4.1.6 Ensuring procedures are established for dealing effectively with complaints received in respect of accounting, internal controls and auditing matters.
- 4.1.7 Advising the Board on matters related to the appointment, compensation and retention of external auditors and providing oversight to the work of external auditors.
- 4.1.8 Advising on terms of reference and compensation for all audit engagements and non-audit services provided by the external auditors.
- 4.1.9 Requiring investigation of specific financial transactions before Board approval where the AC and/or Management consider it necessary.
- 4.1.10 Executing any other cognate duties by delegation of the Board.
- 4.1.11 Reviewing the adequacy and effectiveness of the Whistleblowing Policy and the procedures established for dealing with concerns raised thereunder, and monitoring significant cases reported and the outcomes of investigations. For the avoidance of doubt, notification of individual whistleblowing reports and disciplinary outcomes to the Board level rests with the Corporate Governance and Sustainability Committee of MCB Group Limited pursuant to its Charter..
- 4.1.12 Reviewing the compliance risks and the actions taken to mitigate them, **noting that cyber, information and technology risk fall within the mandate of the Cyber and Technology Risk Committee ('CTRC') and operational risk falls within the mandate of the Risk and Monitoring Committee ('RMC').**
- 4.1.13 Ensure that material financial losses reported at the Cyber and Technology Risk Committee ('CTRC') and the Risk and Monitoring Committee ('RMC') are also reported to the AC by the Chief Risk Officer or his representative on a quarterly basis.

4.2 The Committee's oversight of internal controls is focused on controls over financial reporting and the reliability of financial information presented to the Board, shareholder and regulators. Oversight of the broader operational control environment rests with management and the Risk Monitoring Committee.

The roles and responsibilities of the AC in respect of the Bank's internal controls, financial reporting, and compliance with laws and regulations as well as the working relationship of the AC with both external and internal auditors are defined below:-

4.2.1 Internal Control

- Evaluate the overall effectiveness of the Bank's internal control and risk management frameworks and ensure that recommendations made by internal and external auditors are being implemented by management.
- Evaluate whether management is communicating effectively the importance of internal control and risk management, thus promoting a "control culture" within the Bank.
- Understand the internal control systems implemented by management for approval of transactions, recording and processing of financial data, preparation of financial statements, and compliance of financial statements with relevant standards, laws and regulations. Initiate investigation and action when weaknesses become apparent.
- Monitor the effectiveness of the maintenance of internal control within the Bank.

4.2.2 Financial reporting

- Understand the areas of greatest financial risk and how these are managed.
- Stay informed of significant accounting and regulatory pronouncements and their impact on the financial statements.
- When considering the quarterly and annual accounts, review with management and external auditors the Bank's financial statements, footnotes, key accounting policies and judgements; consider whether they are complete and consistent with information known to the AC.
- Review results to ensure that published financial statements are balanced, transparent and consistent with International Accounting Standards and International Financial Reporting Standards.

4.2.3 Compliance with laws and regulations

- The Board has delegated its compliance oversight responsibilities to this Committee. The latter shall discharge these responsibilities as set out in this section and shall submit quarterly reports to the Board on its proceedings in this regard.
- Review the effectiveness of the system for monitoring compliance with laws and regulations.

- Review the system for follow-up of fraud and non-compliance investigations and similar findings of any examinations by regulatory agencies.
- Ensure that all compliance matters related to the Bank's business are adequately reflected in the preparation of the financial statements.
- Ensure that the Bank complies with all the relevant laws, regulations and codes of business practice.
- Review the policies of the Bank and ensure that they are in compliance with the different laws and regulations in force.
- Ensure that the AML/CFT framework for risk management is in place.
- Review reports from the Compliance unit at each quarterly committee meeting as a mandatory standing agenda item and keep under review the adequacy and effectiveness of the Bank's compliance function.

Ensure that the Head of Compliance has direct access to the Committee Chairperson and to the Board Chairperson and is given the opportunity to discuss issues faced by the compliance function on a regular basis, consistent with the access provided to the Head of Internal Audit under this Charter.

4.2.4 Working with external auditors

- Consider the external auditors' independence and any possible conflict of interest by obtaining from the auditors annual statements of their relationship with the Company. The relationship includes non-audit services.
- Review and approve the external auditors' proposed audit scope and audit plan in the light of current circumstances and regulatory and other requirements. Propose specific actions as considered appropriate.
- Review the Bank's policies for hiring external auditors for non-audit services.
- Discuss with external auditors the appropriateness of the Bank's accounting policies as applied in financial reports and any accounting and auditing concerns identified during the audit process.
- Discuss with external auditors the overall results of the audit, the quality of financial statements and any concerns raised by external auditors.
- Meet separately with external auditors to discuss any matters that the auditors or the AC may wish to discuss privately.

- Review annually the performance of the external auditors and make recommendations to the Board and the Shareholder for reappointment or termination of existing appointment.

4.2.5 Working with internal auditors

- Review the effectiveness of the internal audit function, activities, resources and organisational structure and ensure that it has appropriate standing within the Bank.
- Participate in the appointment, replacement and remuneration of the head of internal audit and review the internal audit standards of work with external auditors.
- Review and approve the internal audit work plan on a regular basis to ensure that it addresses effectively key areas of risk, and that there is appropriate cooperation with external auditors. Meet separately with internal auditors to discuss any matters that either party considers should be discussed privately.
- Ensure that the findings and recommendations of internal audit are taken into account by the Bank's management.
- Review and approve the Charter of the Internal Audit Function and ensure the function has the necessary resources and access to information to enable it to fulfil its mandate and is equipped to perform in accordance with appropriate professional standards for internal auditors.
- Monitor on a regular basis the operational health of the internal audit function, including its systems capability, delivery against the approved audit plan, staffing adequacy, and the scope and coverage of the Bank and its subsidiaries.
- Ensure the internal auditors have direct access to the Board Chairperson and to the committee Chairperson, and is accountable to the committee.
- Meeting the internal auditors whenever deemed appropriate to discuss audit matters concerning the Bank.

4.2.6 AML/CFT

Receive and review the report of the Money Laundering Reporting Officer (MLRO) at each quarterly committee meeting as a mandatory standing agenda item and satisfy itself as to the adequacy of the Bank's AML/CFT framework, controls and reporting obligations under the Financial Intelligence and Anti-Money Laundering Act and applicable Bank of Mauritius guidelines.

5 Other Provisions

5.1 Professional advice

The Board has an agreed procedure whereby members of the Committee are able to seek independent professional advice, should the need arise. The professional services procured would be at the Company's expense and prior approval of the Chairperson is required.

5.2 Access to information

The Committee shall have access to sufficient resources in order to carry out its duties, including access to the Company Secretariat for assistance as required.

5.3 Reporting

- Ensure that reports required by law or requested by the Board relative to AC activities are included in the financial statements and Annual Report.
- Ensure that the Board is aware of all significant issues that may affect the financial status of the Bank and make appropriate recommendations to the Board. Discussions and conclusions of the Audit Committees shall be communicated to the Board members on a timely basis. The minutes will be available for consultation by all Board members.
- Any significant issues having impact on the affairs or reputation of the Bank shall be reported by the Chairperson of the Board to the Boards of the relevant holding companies.

5.4 Review of Charter

The Committee shall review this Charter at least every two years and recommend any amendments to the Board for approval. The Charter shall be updated promptly to reflect material changes in applicable laws, regulations or Bank of Mauritius guidelines.