



Terms of Reference

AUDIT COMMITTEE

Audit Committee

Terms of Reference

1. Constitution *

- 1.1 The Board of Directors of AfrAsia Bank Limited (“The Board”) resolved to establish a standing committee of the Board known as the Audit Committee (“The Committee”) on 31st January 2008.

2. Membership

- 2.1 Unless the Board of Directors decides otherwise and justifies the same, the membership of the Committee shall be appointed by the Board from amongst the Independent Directors of the Bank and shall consist of a minimum of three members (as per Section 40 of the Banking Act 2004). The quorum shall be two members.
- 2.2 The duties and responsibilities of a member of the Audit Committee are in addition to those set out for a member of the Board of Directors.
- 2.3 The Chairperson of the Committee, who shall not be the Chairperson of the Company, shall be appointed by the Board.
- 2.4 The CEO should not be a member of the Committee.
- 2.5 The Committee may have one member from the Credit Committee, although this member may not vote on Credit Related issues.
- 2.6 The Summary of the charter and membership of the Audit Committee shall be published in the annual report.

3. Governance

- 3.1 Members of the Audit Committee should preferably have a financial background and be conversant with both the International Auditing Standards and International Financial Reporting Standards.
- 3.2 Every member of the Committee shall keep confidential, and not disclose, any information obtained in the course of its functions to third parties.
- 3.3 The Board shall have the power at any time to remove any members from the Committee and to fill any vacancies created by such removal. Any such action by the Board should be after the recommendation of the Governance Committee of the Bank.
- 3.4 At least once a year the Committee shall meet separately with the Head of Internal Audit, the Head of Compliance and with the External Auditors without the presence of executive management to discuss any matters that the Committee thinks should be discussed privately.

3.5 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 Head of Finance, the External Audit Lead Partner, the Group Head Compliance and the Head of Internal Audit. The Committee Chairperson, at his/her discretion, may invite other executives to attend and to be heard at meetings of the Committee.

4. Attendance at Meetings

4.1 Only members of the Committee should have the right to attend the committee's meetings. But, the Audit Committee may invite non-members, for instance other board members, the Chief Executive Officer, the Head of Finance, Head of Internal Audit, Head of Compliance and the External Auditors, to attend meetings as it deems necessary.

4.2 The Committee may instruct any officer or employee of the Company to attend any meeting and provide pertinent information as necessary.

4.3 The Company Secretary shall be the Secretary of the Committee.

5. Frequency of Meetings

5.1 Meetings shall be held at least once every quarter or more frequently as circumstances require.

5.2 The Chairperson of the Committee shall convene a meeting upon request of any Committee member who considers it necessary.

5.3 Whenever possible Committee meetings shall be scheduled to allow for adequate time for Committee business and so that they can be reported promptly and effectively to the Board.

5.4 The Committee should meet at least once, by phone, one week before the actual physical Audit Committee meeting and formal review of the audited annual financial accounts which are recommended to Board for approval, to discuss the end year audited accounts and important issues. This will give sufficient time for management or auditors to respond and provide resolution.

6. Notice of Meetings

6.1 Meetings of the Committee shall be convened by the Secretary of the Committee at the request of any of its members.

6.2 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, any other person required to attend, no later than ten working days before the date of the meeting.

7. Minutes of Meetings

7.1 The Secretary shall minute the proceedings and decisions of all meetings of the Committee, including recording the names of those present and in attendance.

- 7.2 Draft minutes of Committee meetings shall be circulated to the Chairperson of the Committee. Once approved, minutes should be circulated to all other members of the Board for noting unless it would be inappropriate to do so in the opinion of the Committee Chairperson.

8. Authority

- 8.1 The Committee is authorised by the Board to investigate any activity it deems appropriate. It is authorised to seek any information from any officer or employee of the Company all of whom are directed to co-operate with any request made by the Committee.
- 8.2 The Committee is authorised to engage any firm of accountants, lawyers or other professionals as the Committee deems fit to provide the independent counsel and advice and to assist in any review or investigation on such matters as the Committee deems appropriate.
- 8.3 Compliance and Internal Audit are independent functions and The Head of Internal Audit and the Head of Compliance will report to the Chairperson of the Audit Committee (and administratively to the Chief Executive Officer).

9. Duties of the Audit Committee

The duties of the Committee shall be to:

General

- 9.1 Ensure that there is an open avenue of communication between the Head of Internal Audit, the Head of Compliance and the External Auditors and the Board of Directors;
- 9.2 Review annually and, if necessary propose for formal Board adoption, amendments to the Committee's Terms of Reference;
- 9.3 Consider, in consultation with the External Auditors and the Head of Internal Audit, the audit plans and scope, frequency of the External Auditors and Head of Internal Audit, ensuring the co-ordination of audit effort is maximized;
- 9.4 Perform such additional duties as may be assigned to it by the Board of Directors;
- 9.5 Report to the Directors on the conduct of its responsibilities, with particular reference to the appointment, powers and duties of auditors, as per section 39 of the Banking Act 2004;
- 9.6 Review the unaudited/limited audited financial statements and audited financial statements of the Bank before they are approved by the Board of Directors;
- 9.7 Review the unaudited or limited audited financial statements of AfrAsia Investments Limited (AIL) before they are approved by the Board of Directors;
- 9.8 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 may otherwise come to its attention; and
- 9.9 Ensure that the Bank complies with regulatory requirements.

Financial Statements

9.10 The Committee shall:

- a. Examine, review and challenge the quality and integrity of the financial statements of the Company, including External Auditor's report, annual and half-yearly reports, interim reports and any other formal announcement relating to the organisation's financial performance;
- b. Review and report to the Board on significant financial reporting issues and judgments which these financial statements contain, having regards to matters communicated to the Committee by the Auditors;
- c. Review with management any significant difficulties or disputes encountered during the audit;
- d. Review other matters related to the conduct of the audit which are to be communicated to the Committee under Banking Act 2004, The Companies Act 2001 and International Financial Reporting Standards;
- e. Oversee appropriateness of the process, models and the assumptions made for IFRS 9, their impact on financial statements and to satisfy themselves that the dynamic nature of calculating and reporting the Probability of Default and the Expected Credit Loss is maintained, as per the requirements of the Bank of Mauritius; and
- f. The Audit Committee should try and meet or convene by phone at least one week before the review of the formal review of audited annual financial accounts which are recommended to the Board for approval, so that any important issues which need to be discussed with management and the external auditors are given sufficient time for resolution.

Internal Control

- 9.11 Enquire from Management, the Head of Internal Audit, and the External Auditors about significant risks or exposures and evaluate the steps taken to minimise such risk to the Company.
- 9.12 Consider and review with management and the Head of Internal Audit significant findings during the year and management's responses thereto.
- 9.13 Require management of the Bank to implement and maintain appropriate accounting, internal control and financial disclosure procedures and review, evaluate and approve such procedures;
- 9.14 Ensure that management is taking appropriate corrective action in response to deficiencies identified by the auditors, including internal control weaknesses and instances of non-compliance with laws and examine and review the contents of the External Auditors Management Letter, together with management's responses thereto.

External Audit

- 9.15 Recommend to the Board of Directors the External Auditors to be appointed and their remuneration, review and approve the scope and quality of their work, independence and their discharge or resignation and examine and review any significant changes which have been required in the External Auditor's audit plan.
- 9.16 Consider with management and External Auditors the rationale for employing external audit firms for the audit of the subsidiaries companies other than the principal External Auditors.
- 9.17 The Committee shall ensure that at least once every five years the external audit services contract is put out to tender to enable the Committee to compare the quality and effectiveness of the services provided by the incumbent external auditor with those of other external audit firms.

In respect of such tender, oversee the selection process and ensure that all tendering firms have such access as is necessary to information and individuals during the duration of the tendering process. Several firms should be screened, and the Committee should obtain written or verbal proposals to enable it to arrive at its recommendation.

- 9.18 If an external auditor resigns, investigate the issues leading to this and decide whether any action is required.
- 9.19 To oversee the relationship with the external auditor including (but not limited to):
- Recommendations on their remuneration for non-audit services;
 - Approval of their terms of engagement, including any engagement letter issued at the start of each external audit and the scope of the audit;
 - Assessing annually their independence and objectivity taking into account relevant professional and regulatory requirements and the relationship with the external auditor as a whole, including the provision of any non-audit services;
 - Satisfying itself that there are no relationships (such as family, employment, investment, financial or business) between the external auditor and the Bank (other than in the ordinary course of business) which could adversely affect the external auditor's independence and objectivity;
 - Monitoring the external auditor's compliance with relevant ethical and professional guidance on the rotation of external audit partner, the level of fees paid by the Bank compared to the overall fee income of the firm, office and partner and other related requirements;
 - Assessing annually the qualifications, expertise and resources of the external auditor and the effectiveness of the external audit process, which shall include a report from the external auditor on their own internal quality procedures; and

- Evaluating the risks to the quality and effectiveness of the financial reporting process and consideration of the need to include the risk of the withdrawal of their external auditor from the market in that evaluation.

9.20 Meet regularly with the external auditor (including once at the planning stage before the audit and once after the audit at the reporting stage) and at least once a year, without management being present, to discuss the external auditor's remit and any issues arising from the external audit.

Internal Audit

9.21 Review and approve, where possible in advance of the event, the appointment replacement, reassignment, or dismissal of the Head of Internal Audit.

9.22 Consider and review with management and the Head of Internal Audit:

- a) any difficulties encountered in the course of internal audits, and any restrictions placed on internal audit scope of work or access to required information or personnel;
- b) the audit plan of future audits to be conducted;
- c) the internal auditing department's budget and staffing; and
- d) any changes which have been required in the previously approved audit plan.

9.23 The Committee shall approve the remuneration of the Head of Internal Audit.

Compliance

The Committee shall:

9.24 Review regular reports from the Head of Compliance and keep under review the adequacy and effectiveness of the Company's compliance function.

9.25 Consider and review the control plans of the Compliance function.

* At a meeting held at 11th Floor Swan Group Centre, 10 Intendance Street Port Louis on May 31, 2007 the Board of Directors of AfrAsia Bank Limited (the 'Bank') resolved to establish a standing committee of the Board without executive responsibilities, to be known as the Audit Committee ('The Committee'), in accordance with these Terms of Reference which were adopted on 31 January 2008.

APPROVED AT THE BOARD MEETING HELD ON 03 MAY 2018