

# CONSTANCE HOTELS SERVICES LTD

## AUDIT (AND RISK MANAGEMENT) COMMITTEE CHARTER

*This Charter applies to member companies of the Constance Group, where applicable.*

A Committee of the Board of **Constance Hotels Services Limited** known as the Audit (and Risk Management) Committee was established by resolution passed by the board on 15 May 2006.

This Committee, as established by the board, will include in its charter responsibility for matters covered by a Risk Committee and will function as follows:

### 1. DEFINITION

The Audit (and Risk Management) Committee is a committee of the Board of Directors and consists of non-executive directors who are independent of management.

The creation of a permanent Audit (and Risk Management) Committee is to meet the practical difficulties that may arise from the board of director's task to ensure the existence and maintenance of an adequate system of controls. It reinforces both the internal control and internal audit systems with specific responsibility to oversee the financial reporting process to ensure the balance, integrity and transparency of financial information published by the Constance Group of Companies.

### 2. ESTABLISHMENT

The Audit (and Risk Management) Committee shall be composed of not less than three members, who will be non-executive directors and which term of reference will be tailored to the particular circumstances of the company.

### 3. AUTHORITY

The authority of the Audit (and Risk Management) Committee is delegated to it by the board of directors which will review its effectiveness on a bi-annual basis. The scope of such responsibility is defined below :

- Operate within the scope of its charter
- Ensure the attendance of company executives at meetings, as required
- Have unrestricted access to the company's management, employees and relevant data and information

- Establish policies and procedures for dealing effectively with all matters relating to accounting, internal control, risk and auditing
- Provide efficient channels of communication for reporting by company employees of their concerns in regard to accounting, internal control, risk and auditing matters.
- Assume responsibility for the appointment, compensation and retention of external auditors and the oversight of their work, ensuring their independence, objectivity and effectiveness.
- Approve terms of reference and compensation for all audit engagements and non-audit services provided by the external auditors.
- Validate the appointment and compensation of the Group Internal Auditor and the annual work plans of the Internal audit function.
- Report to the board on all material financial and risk issues and make recommendations.
- Have an Audit (and Risk Management) Committee meeting annually with internal and external auditors and without management.
- Assume responsibility for the Risk Management function in line with the Company's risk Management charter.

#### 4. ORGANISATION

##### 4.1 MEMBERSHIP

The Chairperson and members of the Audit (and Risk Management) Committee will be approved by the board of directors on recommendation of the Nomination and Remuneration Committee. Members of the Audit (and Risk Management) Committee will be non-executive directors and will be appointed for the term of their directorship.

The Chairman of the Board will not be chairperson of the Audit (and Risk Management) Committee.

Each member of the Audit (and Risk Management) Committee will be financially literate and have accounting or related financial expertise.

##### 4.2 MEETINGS

Meetings will be held no less than four times a year and will correspond to the Company's reporting cycle but special meetings will be held, as required or at the request of the Internal or External Auditors.

Internal and external auditors will be invited to make presentations to the Audit (and Risk Management) Committee on inter-alia audit plans, findings and recommendations of their inspections. The Audit (and Risk Management) Committee will meet internal and external auditors separately at least once a year, without the company's management being present, to discuss issues related to the company's audits.

## **5. ROLES AND RESPONSIBILITIES**

The main roles and responsibilities of the Audit (and Risk Management) Committee in regard to the company's internal controls, financial position and reporting, risks and compliance with laws and regulations are defined below :

- Monitor the integrity of the financial statements of the company and any formal announcements relating to the company's financial performance, reviewing significant financial reporting judgments contained therein.
- Formulate and monitor the company's internal financial and operational policies, procedures and controls and risk management structure and processes.
- Apply the Company's Risk Management Charter
- Monitor and review the effectiveness of the company's internal audit function, covering inter-alia, its structure, resources, activities and annual plans as well as participation in the appointment and dismissal of the Chief Internal Auditor.
- Review the internal audit standards of work with the external auditors and ensure that findings and recommendations of internal, external and regulatory audit reports are appropriately dealt with.
- Make recommendations to the board, for it to put to the shareholders for their approval in general meeting, in relation to the appointment of the external auditor and to approve the remuneration and terms of engagement of the external auditor.
- Review and monitor the internal and external auditors independence and objectivity and the effectiveness of the audit process, taking into account relevant professional and regulatory requirements.
- Develop and implement policy on the engagement of the external auditor to supply non-audit services, taking into account relevant ethical guidance regarding the provision of non-audit services by the external audit firm.
- Report to the Board on all the foregoing matters, highlighting any issues that require action or improvement and make recommendations on the steps to be taken.

## **6. REPORTING**

The Audit (and Risk Management) Committee will update the full board on a regular basis through minutes and presentations at each board meeting to ensure that each member of the board is aware of all significant issues that

affect the financial, operational and reputational status of the company. As necessary, it will make appropriate recommendations to the board.

The Audit (and Risk Management) Committee will prepare reports that are required by law or the Company's regulators and are to be included in the financial statements and Annual Report of the Company.

## **7. RESOURCES**

The Audit (and Risk Management) Committee will have full access to the resources and information necessary for it to effectively fulfil its duties. This will include secretarial and administrative support, legal advisors and outside specialists, as required. Directors and employees will be advised that they must co-operate with the Audit (and Risk Management) Committee and provide it with all the information it may require.

The board will make funds available to the Audit (and Risk Management) Committee to enable it to take independent legal, accounting or other advice when the Audit (and Risk Management) Committee reasonably believes it necessary to do so.

## **8. REMUNERATION**

In addition to the remuneration paid to all non-executive directors, the company will consider further remuneration for members of the Audit (and Risk Management) Committee to compensate them for additional responsibilities of membership. Consideration will be given to time spent on committee business, the skills they bring to bear, the onerous duties they take on and the value of their work to the Company. The Chairman's responsibilities and time demands will generally be heavier than that of other committee members and will be reflected in his or her remuneration.

## **9. SKILLS AND TRAINING**

An induction programme will be put in place for new members of the Audit (and Risk Management) Committee, covering their role and responsibilities, an overview of the Company's business including nature of business and main risk areas.

Members of the Audit (and Risk Management) Committee are encouraged to join appropriate Business Associations and attend relevant training courses.

*This Charter has been approved by the Constance Group member Company board, where appropriate, and is to be strictly adhered to by the Constance Group member Companies, as relevant to the nature of their business.*