

# CONSTANCE GROUP

## CONSTANCE HOTELS SERVICES LIMITED & ITS SUBSIDIARIES (‘Company’)

### AUDIT (RISK MANAGEMENT) COMMITTEE CHARTER

This Committee, as established by the Board, shall include in its charter, responsibility for matters covered by a Risk Committee and IT Steering Sub-committee as outlined in the Group’s Risk Management Policy and IT Code of Practice respectively, attached to and forming an integral part of this Charter, and shall function as follows:

#### 1. Definition

- 1.1 The Audit (Risk Management) Committee is a Committee of the Board of Directors and consists of non-executive Directors who are independent of management.
- 1.2 The purpose of a permanent audit 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 Company.

#### 2. Membership

- 2.1 The Audit Committee shall be composed of not less than three members, who shall be non-executive directors.
- 2.2 The Chairperson and members of the Committee shall be appointed by the Board of Directors on recommendation of the Nomination and Remuneration Committee.
- 2.3 The Board shall appoint a chairperson from the independent non-executive members of the Committee and determine the period for which he or she shall hold office.
- 2.4 The Chairperson of the Board, the Group CEO, the Group Head of Finance and any executive director shall not be eligible to be appointed as chairperson or member of the Committee.
- 2.5 Each member of the Committee should be financially literate and have accounting or related financial expertise.
- 2.6 The Board shall have the power, at any time, to remove any members of the Committee and to fill any vacancies created by such removal.
- 2.7 Only members of the Committee have the right to attend Committee meetings. However, the External Auditor and Group 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 appropriate and necessary.

- 2.8 Members of the Committee shall be appointed for the term of their directorship.

### **3. Secretary**

- 3.1 The Company Secretary or his or her nominee shall act as the Secretary of the Committee and shall ensure that the Committee receives information and papers in a timely manner to enable full and proper consideration to be given to issues.

### **4. Quorum**

- 4.1 The quorum for the meeting shall be two members present throughout the meeting. A member may participate in a meeting of the Committee by telephone/teleconference and be counted in the quorum. The Chairperson of the Committee may in case of absence designate an alternate member of the committee.

### **5. Frequency of Meetings**

- 5.1 The Committee shall meet no less than four times a year, with an additional two or more meetings to deal specifically with Risk Management matters, and these will correspond to the Company's reporting cycle but additional special meetings will be held, as required or at the request of the Internal or External Auditors.
- 5.2 Internal and External Auditors will be invited to make presentations to the Committee on inter-alia audit plans, findings and recommendations of their inspections. The Committee shall 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.
- 5.3 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 Group CEO, the Group Head of Finance, the external audit lead partner and the Internal Audit partner. The Committee Chairperson may, at his/her discretion, invite other executives to attend and to be heard at meetings of the Committee.

### **6. Notice of Meetings**

- 6.1 Meetings of the Committee shall be called by the Secretary of the Committee at the request of the Chairperson of the Committee, any member of the Committee or at the request of the external audit lead partner or the Internal Audit partner if they consider it necessary.
- 6.2 The notice of each meeting of the Committee confirming the venue, time and date and enclosing an agenda of items to be discussed shall, other than under exceptional circumstances, be forwarded to each member of the Committee, and any other person required to attend, by the Secretary of the Committee not less than five working days prior to the date of the meeting; Supporting papers shall be sent to the Committee members and to other attendees as appropriate, at the same time.

## **7. Minutes of Meetings**

- 7.1 The Secretary of the Committee shall minute the proceedings and resolutions of all Committee meetings, including the names of those present and in attendance.
- 7.2 Draft minutes of Committee meetings shall be circulated no later than ten working days to all members of the Committee.
- 7.3 Once approved, minutes should be circulated to all other members of the Board unless, in the opinion of the Committee Chairman, it would be inappropriate to do so.

## **8. Responsibility of the Committee**

The authority of the Committee is delegated to it by the Board of Directors which will review its effectiveness every two years. The scope of such responsibility is defined below. The Committee should carry out the duties below for the parent company, major subsidiary undertakings and the group as a whole, as appropriate.

### **8.1 Financial Statements**

- 8.1.1 The Committee will examine and review the quality and integrity of the financial statements of the Company, including its annual and half-yearly reports, interim reports, and any formal announcements relating to the Company's financial performance;
- 8.1.2 The Committee shall review and report to the Board on significant financial reporting issues and judgements which these financial statements contain having regard to matters communicated to the Committee by the External Auditor;
- 8.1.3 In particular, the Committee shall review and challenge where necessary;
  - 8.1.3.1 The consistency of, and any changes to, significant accounting policies both on a year on year basis and across the Company/Group;
  - 8.1.3.2 Compliance with accounting standards, local and international, compliance with stock exchange and legal requirements;
  - 8.1.3.3 The methods used to account for significant or unusual transactions where different approaches are possible;
  - 8.1.3.4 Significant adjustments resulting from the audit;
  - 8.1.3.5 Whether the Company has followed appropriate accounting standards and made appropriate estimates and judgements taking into account the views of the External Auditor;
  - 8.1.3.6 The clarity and completeness of disclosure in the Company's financial reports and the context in which statements are made;
  - 8.1.3.7 All material information presented with the financial statements, such as the business review and the corporate governance statements relating to the audit, internal control risk management and IT governance;

- 8.1.3.8 Where the Committee is not satisfied with any aspect of the proposed financial reporting by the Company, it shall report its views to the Board;
- 8.1.3.9 The basis on which the organisation has been determined a going concern;
- 8.1.3.10 Capital adequacy and internal controls;
- 8.1.3.11 Compliance with the financial conditions of any loan covenants; and
- 8.1.3.12 Special documents such as prospectuses as and when prepared;

## **8.2 Narrative Reporting**

- 8.2.1 Where requested by the Board, the Committee shall review the content of the annual report and accounts, prior to submission and approval by the Board, and determine 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, business model and strategy.

## **8.3 Internal Controls and Risk Management Systems**

The Committee shall:

- 8.3.1 Assume responsibility for the Risk Management function in line with the Group's Risk Management Charter and Policy;
- 8.3.2 Apply the Company's Risk Management Charter and Policy;
- 8.3.3 Formulate and monitor the Company's internal financial and operational policies, procedures and controls and risk management structure and processes;
- 8.3.4 Establish policies and procedures for dealing effectively with all matters relating to accounting, internal control, risk and auditing;
- 8.3.5 Keep under review the adequacy and effectiveness of the organisation's systems of internal control, including financial control and business risk management and maintaining effective control systems; and
- 8.3.6 Report to the Board on all material financial and risk issues and make recommendations.
- 8.3.7 Work with the auditors to detect and approve any Conflict of Interest and Related Party Transactions and report quarterly to Board on Related Party Transactions;
- 8.3.8 Monitor the management, standards, control and expenditures of Information, Information Technology and Information Security Governance and review annual audit of same; and
- 8.3.9 Review and approve the statement to be included in the annual report concerning internal controls and risk management, including all related-party transactions disclosures.

## **8.4 Compliance, Whistleblowing and Fraud**

The Committee shall:

- 8.4.1 Provide efficient channels of communication for reporting by the Company's employees of their concerns in regard to accounting, internal control, risk and auditing matters.
- 8.4.2 Review the adequacy and security of the organisation's arrangements for its employees and contractors to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters. The Committee shall ensure that these arrangements allow proportionate and independent investigation of such matters and appropriate follow up action;
- 8.4.3 Review the Company's procedures for detecting fraud;
- 8.4.4 Review the Company's systems and controls for the prevention of bribery and receive reports on non-compliance;
- 8.4.5 Review regular reports from the Compliance Officer and keep under review the adequacy and effectiveness of the Company's compliance function;
- 8.4.6 Review significant transactions not directly related to the organisation's normal business as the Committee might deem appropriate; and
- 8.4.7 Review significant cases of employee conflicts of interest, misconduct or fraud, or any other unethical activity by employees or the organisation.

## **8.5 Internal Audit**

The Committee shall:

- 8.5.1 Recommend to the Board the appointment or termination of appointment and the compensation of the Internal Auditor;
- 8.5.2 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;
- 8.5.3 Ensure the Internal Auditor has direct access to the Board Chairperson and to the Committee Chairperson, and is accountable to the Committee;
- 8.5.4 Review, assess and validate the annual internal audit work plan;
- 8.5.5 Receive a report on the results of the Internal Auditor's work on a periodic basis;
- 8.5.6 Review and monitor management's responsiveness to the Internal Auditor's findings and recommendations;
- 8.5.7 Meet with the Internal Auditor at least once a year without the presence of Management;
- 8.5.8 Review significant differences of opinion between management and the internal audit function;
- 8.5.9 Monitor and review the effectiveness of the Company's internal audit function, covering inter-alia, its structure, resources, activities and

- annual plans, in the context of the Company's overall risk management system;
- 8.5.10 Ensure the safeguard of the organisation's assets against unauthorised use or disposal;
  - 8.5.11 Direct and supervise investigations into matters within its scope, for example, evaluations of the effectiveness of the organisation's internal control, cases of employee fraud, misconduct or conflict of interest;
  - 8.5.12 Review annually the performance of the Internal Auditor, taking into consideration its independence, the objectivity and effectiveness of the audit process and relevant professional and regulatory requirements, and report outcome to the Board.

## **8.6 External Audit**

The Committee shall:

- 8.6.1 Consider and make recommendations to the Board, to be put to shareholders for approval at the Annual Meetings of Shareholders, in relation to the appointment, re-appointment and removal of the Company's External Auditor;
- 8.6.2 Ensure that the audit services contract is renewed in compliance with prevailing legislation;
- 8.6.3 Ensure that at least once every 10 years the 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 auditor with those of other audit firms; and 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.
- 8.6.4 Several firms should be screened, and the Committee should obtain written or verbal proposals to enable it to arrive at its recommendation;
- 8.6.5 If an External Auditor resigns, investigate the issues leading to this and decide whether any action is required;
- 8.6.6 Oversee the relationship with the External Auditor including, but not limited to:
  - 8.6.6.1 Assuming responsibility for the appointment, compensation and retention of External Auditors and the oversight of their work, ensuring their independence, objectivity and effectiveness;
  - 8.6.6.2 Approval terms of reference and compensation for all audit engagements and non-audit services provided by the External auditors, ensuring that the level of fees is appropriate to enable an effective and high-quality audit to be conducted;
  - 8.6.6.3 Approval of their terms of engagement, including any engagement letter issued at the start of each audit and the scope of the audit;
  - 8.6.6.4 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;

- 8.6.6.5 Satisfying itself that there are no relationships (such as family, employment, investment, financial or business) between the External Auditor and the organisation (other than in the ordinary course of business) which could adversely affect the External Auditor's independence and objectivity;
  - 8.6.6.6 Agreeing with the Board a policy on the employment of former employees (Audit Partners) of the Company's External Auditor, and monitoring the implementation of this policy;
  - 8.6.6.7 Monitoring the External Auditor's compliance with relevant ethical and professional guidance on the rotation of audit partner, the level of fees paid by the organisation compared to the overall fee income of the firm, office and partner and other related requirements;
  - 8.6.6.8 Assessing when necessary the qualifications, expertise and resources of the External Auditor and the effectiveness of the audit process, which shall include a report from the External Auditor on their own internal quality procedures; Seeking to ensure co-ordination between audit firms (where more than one audit firm is involved);
  - 8.6.6.9 Seeking to ensure co-ordination with the activities of the internal audit function; and
  - 8.6.6.10 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.
- 8.6.7 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 audit;
  - 8.6.8 Review and approve the annual audit plan and ensure that it is consistent with the scope of the audit engagement, having regard to the seniority, expertise and experience of the audit team;
  - 8.6.9 Consider whether any significant ventures, investments or operations are not subject to external audit;
  - 8.6.10 Obtain assurance from the External Auditor(s) that proper systems and adequate accounting records are being maintained;
  - 8.6.11 Review the findings of the audit with the External Auditor. This shall include but not be limited to the following:
    - 8.6.11.1 A discussion of any major issues which arose during the audit;
    - 8.6.11.2 Key accounting and audit judgements;
    - 8.6.11.3 Levels of errors identified during the audit; and
    - 8.6.11.4 The effectiveness of the audit process.
  - 8.6.12 Review any representation letter(s) requested by the External Auditor before they are signed by management;
  - 8.6.13 Review the management letter and management's response to the External Auditor's findings and recommendations;

- 8.6.14 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, to avoid any threat to auditor objectivity and independence;
- 8.6.15 Review annually the performance of the External Auditor, taking into consideration its independence, the objectivity and effectiveness of the audit process and relevant professional and regulatory requirements, and report outcome to the Board.

## **8.7 Reporting Responsibilities**

- 8.7.1 The Committee Chairperson shall 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.
- 8.7.2 The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.
- 8.7.3 The Committee shall prepare a report on its activities to be disclosed in the Company's Annual report. The report should include an explanation of how the Committee has addressed the effectiveness of the external audit process; the significant issues that the Committee considered in relation to the financial statements and how these issues were addressed, having regard to matters communicated to it by the External Auditor. In compiling the report, the Committee should exercise judgement in deciding which of the issues it considers in relation to the financial statements are significant, but should include at least those matters that have informed the Board's assessment of whether the Company is a going concern.

## **8.8 Annual General Meeting**

- 8.8.1 The Committee Chairperson shall attend the annual general meeting to answer any shareholder questions on the Committee's activities.

## **8.9 Remuneration**

- 8.9.1 In addition to the remuneration paid to all non-executive directors, the Company will consider further remuneration for members of the Audit (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.
- 8.9.2 The Chairperson's responsibilities and time demands will generally be heavier than that of other Committee members and will be reflected in his or her remuneration.



## **8.10 Skills and Training**

- 8.10.1 An induction programme will be put in place for new members of the Audit (Risk Management) Committee, covering their role and responsibilities, an overview of the Company's business including nature of business and main risk areas.
- 8.10.2 Members of the Committee shall be encouraged to join appropriate Business Associations and attend relevant training courses.

## **8.11 Other matters**

The Committee shall:

- 8.11.1 Have access to outside and other independent professional advice as it considers necessary to carry out its duties;
- 8.11.2 Give due consideration to laws and regulations, the National Code of Corporate Governance for Mauritius, Listing Rules of the Stock Exchange of Mauritius Ltd and any other applicable legislations/rules, as appropriate;
- 8.11.3 Oversee any investigation of activities which are within its terms of reference;
- 8.11.4 Work and liaise as necessary with all other Board Committees; and
- 8.11.5 Arrange for periodic reviews - at least once a year - of its own performance and review its Constitution and terms of reference to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the Board.

## **8.12 Authority and Resources**

- 8.12.1 The Committee shall 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.
- 8.12.2 The Committee shall have unrestricted access to the Company's Management and employees. Directors and employees will be advised that they must co-operate with the Committee and provide it with all the information it may require.
- 8.12.3 The Board will make funds available to the Committee to enable it to take independent legal, accounting or other advice when the Audit Committee reasonably believes it necessary to do so.

*This Charter has been approved by the Board of Constance Hotels Services Limited on 3 December 2018 and is to be strictly adhered to, as relevant to the nature of its business.*