

# CONSTANCE HOTELS SERVICES LIMITED

## AUDIT and RISK MANAGEMENT COMMITTEE CHARTER

This Charter applies to Constance Hotels Services Ltd and its operating subsidiaries as applicable (collectively, the “Company”).

This Committee, as established by the Board, shall include in its charter, responsibility for matters relating to Risk Management and IT Governance, as outlined in the Company’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 and Risk Management Committee is a committee of the Board of Directors and consists of Independent and non-executive Directors who are independent of management.
- 1.2 The purpose 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 to ensure the integrity of the financial-reporting process, and to direct, evaluate and monitor the risk management function and IT Governance, taking into consideration of the Company’s strategic, financial, operational and compliance risks, with the support of the Compliance function, the Internal and External Auditors.

### 2. Membership

- 2.1 The Audit Committee shall be composed of not less than three members, who shall be, in the majority, Independent 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, the CEO, CFO and any executive director shall not be eligible to be appointed as chairperson or member of the Committee.
- 2.5 The majority of members of the Committee shall be financially literate, having accounting or related financial expertise and an adequate knowledge and comprehension of relevant financial and risk management regulations, IT Governance and an industry-wide understanding.
- 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 Internal and External Auditors, the Group CEO, Group Head of Finance, Group Risk & Compliance Officer, the CEO, COO and CFO 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**

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**

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 Auditors 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, as deemed necessary.

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 Group Risk & Compliance Officer, the CEO, CFO, the Chief Information Officer, the External Audit lead partner and the Internal Audit partner whenever applicable. 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 to all members of the Committee, not less than five working days before the date of the following meeting.

7.3 Once approved, the minutes will be made available at the Company Secretariat for reference by Board members.

## 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 three 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 audited and unaudited financial statements of the Company, as well as its Abridged Financial Statements for publication, including its annual, half-yearly and quarterly 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 The Committee shall advise the Board, on a periodical basis, on the total process of risk management and risk governance within the Company and support Management in the continuous management of risks.
- 8.1.4 In particular, the Committee shall review and challenge where necessary:
  - 8.1.4.1 The consistency of, and any changes to, significant accounting policies both on a year-on-year basis and across the Company and the reasonableness of accounting estimates and related disclosures made;
  - 8.1.4.2 The preparation and presentation of the consolidated and separate financial statements in accordance with International Financial Reporting Standards, Companies Act 2001 and Finance Reporting Act 2004, and related notes, where appropriate.
  - 8.1.4.3 The consistency of disclosures in the Company's Corporate Governance and Risk Reports with the requirements of the Code pursuant to Section 75(1) of the Financial Reporting Act 2004, specific to its responsibilities.
  - 8.1.4.4 The methods used to account for significant or unusual transactions where different approaches are possible;
  - 8.1.4.5 Significant adjustments resulting from the audit;
  - 8.1.4.6 The basis on which the organisation has been determined a going concern and the disclosure of matters related to going concern;
  - 8.1.4.7 Capital adequacy and internal controls;
  - 8.1.4.8 Compliance with the financial conditions of any loan covenants; and
  - 8.1.4.9 Special documents such as prospectuses as and when prepared;

## **8.2 Year End Closure**

The Committee shall more specifically ensure:

- 8.2.1 That the External Auditors have received all matters of significance in the audit of the consolidated and separate financial statements of the period under review.
- 8.2.2 The Representation Letter reflects the accuracy and completeness of the information provided to the External Auditors for their audit engagement, before it is signed by Management.
- 8.2.3 That the annual accounts are closed, financial statements and the external audit are completed to enable submission of all financial statements and reports to the Board for its approval prior to 31 March the following year.
- 8.2.4 That all other financial statements relating to the annual report are finalised and presented to the Board for its approval within 3 months of the year end closing.
- 8.2.5 Where the Committee is not satisfied with any aspect of the financial statements and reports, it shall disclose its views and concerns to the Board.

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

The Committee shall:

- 8.3.1 Assume responsibility for the Risk Management function;
- 8.3.2 Apply the Company's Risk Management Policy;
- 8.3.3 Formulate and monitor the Company's internal financial and risk management 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 Have explicit responsibility for reviewing and approving any conflicts of interest and Related Party transactions and for working with the Auditors on detecting and reporting on Related Party transactions;
- 8.3.8** 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 Ensure that the Company, has adequate grievance cum whistleblowing rules and procedures in place;
- 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 Group Risk & Compliance Officer on risk related matters and keep under review the adequacy and effectiveness of the Company's Risk 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 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 Auditors have direct access to the Board Chairperson and to the Committee Chairperson, should they wish to discuss any matter privately;
- 8.5.4 Review, assess and ratify the annual internal audit work plan before first quarter end and ensure implementation commences before the second quarter end;
- 8.5.5 Receive a report on the results of the Internal Auditor's work on a periodic basis or, as necessary, on major risk issues affecting the company;
- 8.5.6 Review and monitor management's responsiveness to the Internal Auditor's findings and recommendations;
- 8.5.7 Meet with the Internal Auditors at least once a year without the presence of Management, as deemed necessary;
- 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 Regularly assess 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.
- 8.5.13 Ensure that where the Company does not have an Internal Audit function per se, the Committee reviews, at least annually, the need for one. When no internal audit is established, the reason is fully disclosed in the annual report with an explanation of how assurance of effective controls, processes and systems will be obtained.

## **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 7 years, or as per the prevailing law, 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. At least every 5 years the Committee should, also, consider and make its recommendation to the Board on whether the Audit Partner should be rotated.
- 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 Satisfying itself that there are no conflicting 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;
  - 8.6.6.5 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;
  - 8.6.6.6 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;
  - 8.6.6.7 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);
  - 8.6.6.8 Seeking to ensure co-ordination with the activities of the internal audit function; and
  - 8.6.6.9 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 if necessary, 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 Ensure the External Auditors have direct access to the Board Chairperson and to the Committee Chairperson, should they wish to discuss any matter privately;
  - 8.6.9 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.
  - 8.6.10 Consider whether any significant ventures, investments or operations are not subject to external audit;
  - 8.6.11 Obtain assurance from the External Auditor(s) that proper systems and adequate accounting records are being maintained;
  - 8.6.12 Review the findings of the audit with the External Auditor. This shall include but not be limited to the following:
    - 8.6.12.1 A discussion of any major issues which arose during the audit;
    - 8.6.12.2 Key accounting and audit judgements;
    - 8.6.12.3 Levels of errors identified during the audit; and
    - 8.6.12.4 The effectiveness of the audit process.

- 8.6.13 Review any representation letter(s) requested by the External Auditor before they are signed by management;
- 8.6.14 Review the management letter and management's response to the External Auditor's findings and recommendations;
- 8.6.15 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;
- 8.6.16 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 and general assembly, where appropriate.

## **8.7 Information, Information Technology (IT) and Information Security (IS)**

- 8.7.1 The Company's Board of Directors has responsibility for overseeing 'Information', 'Information Technology' and 'Information Security Governance', which responsibility has been delegated to the Audit and Risk Management Committee through the IT Steering Committee. The latter shall ensure compliance with all relevant regulations and oversee compliance and controls set out in the IT Code of Practice;

### **8.7.2 Responsibilities**

The Audit and Risk Management Committee must ensure:

- 8.7.2.1 The Company has a sound and effective IT Governance framework in place, including but not limited to, strategy, policies and procedures, which are implemented throughout the Company, in accordance with applicable regulatory requirements and best practices;
- 8.7.2.2 The Company's IT operations is provided adequate financial and human resources to maintain a solid and performing platform and, that its business processes, development and Cyber Security requirements are kept up to the highest standards;
- 8.7.2.3 Monitor the management, standards, control and expenditures of Information, Information Technology and Information Security Governance and review annual audit of same;
- 8.7.2.4 Alignment and support of all selected technology-related initiatives with the company's major objectives and strategic intent;
- 8.7.2.5 The IT Governance framework puts emphasis on the confidentiality, integrity availability and protection of information, backed by adapted information and IT systems and these are regularly monitored and assessed;
- 8.7.2.6 An IT security and operational assessment audit is undertaken at least every 3 year by professional outside consultants.



## **8.8 Reporting Responsibilities**

- 8.8.1 The Committee Chairperson shall update the full board 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 IT reputational status of the Company.**
- 8.8.2 The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.
- 8.8.3 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; Risk Management, IT Governance and the significant issues that the Committee considered in relation to the financial statements, Risk and IT Governance reports 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.

## **8.9 Annual General Meeting**

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

## **8.10 Remuneration**

- 8.10.1 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 knowledge they require, the skills they bring to bear, the onerous duties they take on and the value of their work to the Company.
- 8.10.2 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.

## **8.11 Skills and Training**

- 8.11.1 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.
- 8.11.2 Members of the Committee are encouraged to join appropriate Business Associations and attend relevant training courses, conferences, workshops, seminars, talks and briefings by professional bodies.

## **8.12 Other matters**

The Committee shall:

- 8.12.1 Have access to outside and other independent professional advice as it considers necessary to carry out its duties;
- 8.12.2 Give due consideration to laws and regulations, the National Code of Corporate Governance for Mauritius, Listing Rules of the Stock Exchange of Mauritius Ltd, National and International accounting and reporting standards and guidelines and any other applicable legislations/rules, as appropriate;
- 8.12.3 Oversee any investigation of activities which are within its terms of reference;
- 8.12.4 Work and liaise as necessary with all other Board Committees; and
- 8.12.5 Arrange for periodic reviews - at least every three years - of its own performance and review its Charter and terms of reference to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the Board.

## **8.13 Authority and Resources**

- 8.13.1 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.
- 8.13.2 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.
- 8.13.3 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 reviewed and approved by the Board of Constance Hotels Services Ltd on 4 September 2023 and is to be adhered to, as relevant to the nature of its business and business structure.*