

Lux Island Resorts Ltd

Audit & Risk Committee Charter

1. Establishment of an Audit & Risk Committee Charter

In accordance with the recommendations contained in the National Code of Corporate Governance 2016, the Board of Directors of Lux Island Resorts Ltd has adopted on 20 April 2023 for Lux Island Resorts Ltd and all its subsidiary Companies (refer to Annex 1) altogether referred to as 'the Company' in this charter, the Audit & Risk Committee Charter in line with current applicable laws in Mauritius.

Background

Lux Island Resorts Ltd (LIR) is a property holding company that owns and operates hotels in Mauritius, Maldives and Reunion Island. The management of the hotel is entrusted to The Lux Collective Ltd (TLC) under long-term management contracts. Both LIR and TLC have the same parent Company, namely IBL Ltd.

TLC, in its capacity as a hotel management expert, has absolute and sole discretion in the direction, management and supervision of the operation of the Hotels. TLC is responsible for the institution and supervision of all operating policies, reporting and control systems and other procedures for all departments, including, but not limited to, general administration, purchasing, accounting, credit policies, front office, housekeeping, security, food and beverage including kitchens, restaurants, bars and banquets, engineering, maintenance, laundry and dry cleaning, fixing of all prices, rates and tariffs, maintenance of suitable records and books of accounts.

TLC Management relies on its internal audit department to accomplish its objective by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes on all operations which TLC manage, including LIR hotels. The internal audit provides TLC management with information, appraisals, recommendations, and counsel regarding the activities examined and other significant issues. The internal audit of TLC also audits LIR operations that are outside the purview of TLC, namely invoicing, treasury and capital projects (referred to as 'Head Office' thereafter in this charter). The Chief Internal Auditor reports to the CEO of TLC and the Audit Committee of TLC. The findings and recommendations of the Internal Auditor on the operations and management of LIR hotels are shared with the Audit Committee of LIR. At the beginning of each financial year, the Audit Committee approves the planning of the Internal Auditor. The Audit Committee of LIR may request specific audits from the Internal Auditor of TLC with respect to LIR hotels/operations and Head Office.

Although LIR management is not involved in the day-to-day operations of the hotels, there are alternative controls in place which enable them to oversee the operations and give the necessary comfort to the Audit Committee of LIR.

2. Purpose

The audit & risk committee will assist the board in fulfilling its oversight responsibilities. The audit & risk committee of LIR will review the findings and recommendations of the Internal Auditor whilst ensuring that the recommendations are implemented. The Audit Committee will review the financial reporting process, the system of internal controls, risk management and the audit process. In performing its duties, the committee will maintain effective working relationships with the board of directors, management, and the internal and external auditors. The committee will not perform any management functions or assume any management responsibilities. It will provide a forum for discussing business risk and control issues for developing relevant recommendations for consideration by the board. The committee will mainly make recommendations to the board for its approval or final decision. To perform his or

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her role effectively, each committee member will obtain an understanding of the detailed responsibilities of committee membership as well as the Company's business, operations, and risks.

3. Membership

The audit & risk committee currently comprises of a minimum of 3 non-executive directors, including 1 independent non-executive director who is the chairperson of the committee.

All members of the committee shall have general financial knowledge, with at least one having recent and relevant financial experience with a professional qualification from one of the professional accountancy bodies. Collectively the committee shall have competence relevant to the sector in which the company operates.

All members should be independent of management.

The Board shall appoint the Chairperson of the committee from the independent non-executive members of the committee and determine the period for which he or she shall hold office.

Members will be appointed for a period of three years, extendable by no more than two additional three-year periods.

The Board will have the power at any time to remove any member from the committee and to fill any vacancy created by such removal.

4. Secretary

The Company Secretary or the Authorised Meeting Secretary, shall act as the Secretary of the committee and will ensure that the committee receives information and papers in a timely manner to enable full and proper consideration to be given to issues. The notice of meeting and minutes of meeting shall be signed by the Company Secretary or the Authorised Meeting Secretary.

5. Quorum

A quorum for any meeting will be two members; one must be an independent non-executive director.

6. Attendance at meetings

Only members of the committee have the right to attend committee meetings and have voting rights. However, the committee may invite such other persons (e.g. the Chief Executive Officer, Chief Finance Officer, Chief Internal Auditor, etc.) to its meetings, as it deems necessary.

The internal and external auditors shall be invited to make presentations to the audit committee as appropriate.

7. Frequency of meetings

Meetings shall be held not less than four times a year at appropriate intervals in the financial reporting and audit cycle and otherwise as required.

The Board, any committee member, the external auditors or the Chief Internal Auditor may request a meeting if they consider that it is necessary.

8. Notice of meetings

Meetings of the committee shall be convened by the Company Secretary or the Authorised Meeting Secretary at the request of any of its members or the external auditors or the internal auditors if they consider it necessary.

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Unless otherwise agreed, notice of each meeting confirming the venue, time and date, together with an agenda of items to be discussed, shall be forwarded to each member of the committee, and any other person required to attend, no later than five working days prior to the meeting. Supporting papers shall be sent to committee members, and to other attendees as appropriate, at the same time.

9. Minutes of meetings

The Company Secretary or the Authorised Meeting Secretary shall minute the proceedings and resolutions of all meetings of the committee, including the names of those present and in attendance.

Draft minutes of committee meetings shall be circulated no later than ten working days to all members of the committee. Once approved, minutes shall be circulated to all members of the Board, unless it would be inappropriate to do so in the opinion of the committee Chairperson.

10. Annual General Meeting

The Chairperson of the committee shall attend the Annual General Meeting of the Company and be prepared to respond to any shareholder questions on the committee's activities.

11. Responsibilities

11.1 Financial Reporting

The committee shall 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 other formal announcement relating to its financial performance,

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;

In particular, the committee shall review and challenge where necessary:

- The consistency of, and any changes to, significant accounting policies both on a year on year basis and across the Company;
- Compliance with accounting standards, local and international, compliance with stock exchange and legal requirements;
- The methods used to account for significant or unusual transactions where different approaches are possible;
- Significant adjustments resulting from the audit;
- Whether the Company has followed appropriate accounting standards and made appropriate estimates and judgements taking into account the views of the external auditor;
- The clarity and completeness of disclosure in the Company's financial reports and the context in which statements are made;
- All material information presented with the financial statements, such as the business review and the corporate governance statements relating to audit and risk management;
- 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;
- The basis on which the Company has been determined a going concern;
- Capital adequacy and internal controls;
- Compliance with the financial conditions of any loan covenants; and

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- Reviewing special documents (such as prospectuses).

11.2 Narrative Reporting

The committee shall review the annual report, 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.

11.3 Internal Audit

The committee shall:

- Oversee the appointment or termination of appointment of the Chief Internal Auditor;
- Review and approve the charter of the internal audit function for both the operations under the management of TLC as well as the operations outside the purview of TLC 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;
- Ensure the internal auditor has direct access to the Board Chairperson and to the committee Chairperson, and is accountable to the committee;
- Review and assess the annual internal audit work plan;
- Receive a report on the results of the internal auditor's work on a periodic basis;
- Review and monitor manager's responsiveness to the internal auditor's findings and recommendations for the hotels
- Review and monitor management's responsiveness to the internal auditor's findings and recommendations for the head office
- Review the alternative controls put in place by Management to oversee the operations of the hotels in line with the Hotel Management Agreement.
- Meet with the Chief Internal Auditor at least once a year without the presence of management;
- Monitor and review the effectiveness of the Company's internal audit function.

11.4 External Audit

The committee shall:

- Consider and make recommendations to the Board, to be put to shareholders for approval at the AGM, in relation to the appointment, re-appointment and removal of the Company's external auditor;
 - Ensure that every seven years the audit services contract is put out for tender to audit firms other than the incumbent auditor, 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. Several firms should be screened and the committee should obtain written or verbal proposals to enable it to arrive at its recommendation. Annually review the performance of the auditor and the need to rotate should the need arise within the seven years' rotation;
 - If an auditor resigns, investigate the issues leading to this and decide whether any action is required;
 - Oversee the relationship with the external auditor including (but not limited to):
 - Recommendations on their remuneration, including both fees for audit and non-audit services, and that the level of fees is appropriate to enable an effective and high quality
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- audit to be conducted;
 - Approval of their terms of engagement, including any engagement letter issued at the start of each 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 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 auditor and the organisation (other than in the ordinary course of business) which could adversely affect the auditor's independence and objectivity;
 - Agreeing with the Board a policy on the employment of former employees of the Company's auditor, and monitoring the implementation of this policy;
 - Monitoring the 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;
 - Assessing annually the qualifications, expertise and resources of the 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);
 - Seeking to ensure co-ordination with the activities of the internal audit function; 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 auditor from the market in that evaluation.
 - 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 auditor's remit and any issues arising from the audit;
 - 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;
 - Consider whether any significant ventures, investments or operations are not subject to external audit;
 - Obtain assurance from the external auditor(s) that adequate accounting records are being maintained;
 - Review the findings of the audit with the external auditor. This shall include but not be limited to the following:
 - A discussion of any major issues which arose during the audit;
 - Key accounting and audit judgements;
 - Levels of errors identified during the audit; and
 - The effectiveness of the audit process.
 - Review any representation letter(s) requested by the external auditor before they are signed by management;
 - Review the management letter and management's response to the auditor's findings and recommendations;
 - Develop and implement policy on the supply of non-audit services by the external auditor to avoid any threat to auditor objectivity and independence, taking into account any relevant
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ethical guidance on the matter.

11.5 Compliance, Whistleblowing and Fraud

All Team Members of the hotels and head office are encouraged to report any wrongdoings via a circular addressed to the Team Members. The contractors and suppliers are also encouraged to do so. The hotels and the head office have signed an agreement with Transparency Mauritius in that regard. The hotline is under the supervision of the Internal Auditor. The latter liaises with Transparency Mauritius should an issue be raised by a Team Member contractor for further action.

The committee shall:

- Review the adequacy and security of the Company'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;
- Review the Company's procedures for detecting fraud;
- Review the Company's systems and controls for the prevention of bribery and receive reports on non-compliance;
- Review significant transactions not directly related to the Company's normal business as the committee might deem appropriate; and
- Review significant cases of employee conflicts of interest, misconduct or fraud, or any other unethical activity by employees or the Company

11.6 Ethical Behaviour and Business Conduct

The committee shall:

- Monitor the ethical conduct of the Company, its executives and senior officials
- Monitor compliance with the requirements of the Company's constitution (or articles of association);
- Identify any violations of ethical conduct;
- Make recommendations to the Board on any actual or potential conflict of interest or questionable situation of a material nature.

12. Risk Management and Compliance

The Committee's primary role with respect to risk management and compliance is to review and report to the Board that:

- (a) adequate policies and processes have been designed and implemented to manage identified risks;
- (b) a regular program of audits is undertaken to test the adequacy of and compliance with prescribed policies; and
- (c) proper remedial action is undertaken to redress areas of weakness.

12.1 Procedures to review and assess risks

The following are intended to form part of the normal procedures for the Committee's risk and compliance responsibilities:

- Evaluating the adequacy and effectiveness of the management reporting and control
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systems used to monitor adherence to policies and guidelines and limits approved by the Board for management of balance sheet risks;

- Evaluating the adequacy and effectiveness of the Group's financial and operational risk management control systems by reviewing risk registers and reports from management and external auditors;
- Evaluating the structure and adequacy of the Group's business continuity plans;
- Evaluating the adequacy and effectiveness of the Group's identification and management of economic, environmental and social sustainability risks and its disclosure of any material exposures to those risks;
- At least annually, evaluating and making recommendations to the Board in relation to the structure and adequacy of the Group's insurance program having regard to the Group's business and the insurable risks associated with its business;
- Reviewing and making recommendations to the Board on the strategic direction, objectives and effectiveness of the Group's financial and operational risk management policies and the risk appetite that is appropriate for the Company;
- Reviewing and making recommendations to the Board in relation to the risk disclosures in the Company's operating and financial review in its annual report;
- Overseeing the establishment and maintenance of processes to ensure that there is:
 - an adequate system of internal control, management of business risks and safeguard of assets; and
 - a review of internal control systems and the operational effectiveness of the policies and procedures related to risk and control.
- Evaluating the Group's exposure to fraud, overseeing investigations of allegations of fraud or malfeasance and making recommendations to the Board in relation to any incident involving fraud or other break down of the entity's internal controls;
- Reviewing the procedures the Company has in place to ensure compliance with laws and regulations (particularly those that have a major potential impact on the Company in areas such as trade practices, occupational health and safety, and the environment);
- Reviewing the procedures in place to ensure compliance with insider trading laws, continuous disclosure requirements and other best practice corporate governance processes;
- Advising the Board on the appropriateness of significant policies and procedures relating to financial processes and disclosures and reviewing the effectiveness of the Company's internal control framework;
- Reviewing the Company's policies and culture with respect to the establishment and observance of appropriate ethical standards;
- Reviewing and discussing with management and the internal and external auditors the overall adequacy and effectiveness of the Company's legal, regulatory and ethical compliance programs.

13. Reporting Responsibilities

- The committee Chairperson shall report formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities and shall also formally report to the Board on how it has discharged its responsibilities. This report shall include:
 - The significant issues that it considered in relation to the financial statements and how these were addressed;
 - Its assessment of the effectiveness of the external audit process and its
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- recommendation on the appointment or reappointment of the external auditor; and
- Any other issues on which the Board has requested the Committee's opinion.
- The committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.

The committee shall compile a report on its activities to be included 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 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.

14. Remuneration

- The members of the committee shall be paid such special remuneration in respect of their appointment as shall be fixed by the Board;
- The Chairperson of the committee shall, in addition to his remuneration as a member, receive a further sum as determined by the Board;
- Such special remuneration in terms hereof shall be in addition to the annual fees payable to directors.

15. Other matters

The committee shall:

- Have access to outside or other independent professional advice as it considers necessary to carry out its duties;
- Have access to sufficient resources in order to carry out its duties, including access to the Company secretariat for assistance as required;
- Be provided with appropriate and timely training, both in the form of an induction programme for new members and on an ongoing basis for all members;
- Oversee any investigation of activities which are within its terms of reference;
- Work and liaise as necessary with all other Board committees; and
- Arrange for periodic reviews of its own performance and, at least annually, 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.

16. Authority

The committee is authorised to

- Seek any information it requires from any employee of the Company
- Obtain outside legal or other professional advice, at the Company's expense, on any matters it believes necessary
- Ensure the attendance of company officers at meetings as appropriate
- Have the right to publish in the Company's annual report, details of any issues that cannot be resolved between the committee and the Board.

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ANNEX 1:

Company: Lux Island Resorts Ltd

Subsidiaries

- Beau Rivage Co Ltd
- LIR Properties Ltd
- Blue Bay Tokey Island Limited
- Les Pavillons Resorts Ltd
- MSF Leisure Company Ltd
- FMM Limitée
- LTK Ltd
- Néréide Limited
- Océanide Limited
- Holiday & Leisure Resorts Limited
- Merville Beach Hotel Ltd
- Merville Limited
- Lux Island Resorts Foundation
- Naiade Holidays (Proprietary) Limited
- Lux Island Resorts Maldives Ltd
- White Sands Resort & Spa Pvt Ltd
- Les Villas du Lagon SA
- Hotel Prestige Réunion SAS
- Lirco Ltd SARL
- And any other future subsidiaries of Lux Island Resorts Ltd