

Internal Audit Charter

Internal Audit is an independent and objective function, providing assurance and consulting activity that is guided by a philosophy of adding value to improve the performance of the organisation. The aim of Internal Audit is to enhance and protect organizational value by providing risk- based and objective assurance, advice, and insight.

The purpose of Internal Audit is to provide independent, objective assurance and consulting services designed to add value and improve the organisation's operations, governance, risk management and internal control.

Role and scope of work for Internal Audit

The Internal Audit activity is established by the Audit and Risk Management Committee, which is a Committee of the Board of Directors. The function's responsibilities are defined by the Audit and Risk Management Committee and would include:

- Objectively examining evidence for determining the adequacy and effectiveness for the purpose of providing independent assessments on the adequacy and effectiveness of governance, risk management, and control processes;
- Reviewing and evaluating compliance with policies, plans, procedures, laws and regulations;
- Assessing the reliability and integrity of information;
- Safeguarding of assets;
- Role and scope of work is dynamic with growth - organic and inorganic - and will be reviewed every year.

Independence

The Head of Internal Audit will report to the Chairman of the Audit and Risk Management Committee and administratively to the Managing Director & Chief Executive Officer of Chalet Hotels Limited ('CHL'). The appointment of such Head of Internal Audit must take place only with the approval of Audit and Risk Management Committee. Internal Audit at CHL is a co-sourced activity, with in-house personnel working closely with and guiding independent professional firms.

The Internal Audit function will remain free of conditions that threaten the ability of Internal Auditor/s to carry out its activities in an unbiased manner. Internal Auditors will have no direct operational responsibility or authority over any of the activities audited. Accordingly, they will not implement internal controls, develop procedures, install systems, prepare records, or engage in any other activity that may impair Internal Auditor's judgment.

Internal Auditors will demonstrate high professional standards in gathering, evaluating, and communicating information. They will make a balanced assessment of all the relevant circumstances and not be unduly influenced by their own interests or by others in forming judgments.

The Head of Internal Audit confirms the organizational independence of the Internal Audit function at least on an annual basis.

Organization

The Head of Internal Audit will report to the Chairman of the Audit and Risk Management Committee and as part of this, the Committee will:

- Approve the Internal Audit charter;
- Approve the risk based Internal Audit plan;
- Approve the Internal Audit budget and resource plan;
- Receive communications from Head of Internal Audit on the function's performance, relative to its plan and other matters;
- Approve decisions regarding the appointment and removal of Head of Internal Audit and approve the remuneration of the Head of Internal Audit as well as that of the external firm appointed for the internal audit work;
- Evaluate the observations noted by the Internal Auditors and review the mitigations / actions taken / committed by the Management on a regular basis;
- Make appropriate enquiries of management and Head of Internal Audit to determine whether there is inappropriate scope or resource limitations.

Internal Audit Plan

The Head of Internal Audit will submit to the Audit and Risk Management Committee an internal audit plan for review and approval. The Internal Audit plan will consist of a work schedule as well as budget and resource requirements for the next fiscal year. The Head of Internal Audit will communicate the impact of resource limitations and significant interim changes to senior management and the Audit and Risk Management Committee.

The Internal Audit plan will be developed based on a prioritization of the audit universe using a risk-based methodology, including input of senior management and the Audit and Risk Management Committee. The Head of Internal Audit will review and adjust the plan, as necessary, in response to changes in the organization's business, risks, operations, programs, systems, and controls. Any significant deviation from the approved Internal Audit plan will be communicated to senior management and the Audit and Risk Management Committee.

Each unit must be audited every year unless specifically excluded in consultation with senior management or Audit and Risk Management Committee. The Head of Internal Audit must select independent professional firms to carry out audit activity and present such plan, along with fees payable, for approval of the Audit and Risk Management Committee on yearly basis. The Risk Register and Audit Calendar must be presented to Audit and Risk Management Committee every year.

Access

The Internal Auditors will have unrestricted access to all activities across CHL, including access to records, associates and locations, in order to provide assurances to the Audit and Risk Management Committee. The Internal Auditors will preserve security in respect of highly sensitive or confidential information.

Reporting

Internal Audit reports will be prepared and issued by Head Internal Audit following the completion of audits at the various hotel units and Corporate functions and after taking into account the management responses and remediations and time lines agreed upon, and will be distributed as appropriate. Such reports will also be communicated to the Audit and Risk Management Committee. The Internal Audit reports would necessarily include management's response and corrective action taken or to be taken in regard to the specific findings and recommendations.

Responsibilities of the Head of Internal Audit

- Review and updation of risk register and mitigation plan at least once in a year;
- Audit of every operating hotel unit and other operating units once a year or at any other periodicity in consultation with senior management and Audit and Risk Management Committee;
- Oversee the work of the external firms appointed for performing the internal audit work;
- To create assurance map and reliability assurance from the first and second lines of defence by way of Chalet Positive Assurance Model (CPAM);
- Any other Internal Audit assignment as advised by senior management or on specific instructions of Audit and Risk Management Committee.

Conflict of Interest

Should a conflict of interest arise in the work performed by members of the Internal Audit team, the conflict of interest should be escalated to the Head Internal Audit, who would then take action accordingly. Where the conflict of interest is deemed material, the Head of Internal Audit would report such conflict of interest to the senior management and the Chairman of Audit and Risk Management Committee, if need be.

Should the conflict arise with regard to the Head of Internal Audit, he / she should alert / disclose the matter to the Senior Management and the Chairman of the Audit and Risk Management Committee, if need be.
