



AUDIT & RISK COMMITTEE CHARTER

Approved by: Board of Directors

Supersedes: Audit and Remuneration Committee TOR

Approved Date: 16th December 2024

Review Date: n/a



1. INTRODUCTION

The Audit and Risk Committee ("The Committee") is formed under the requirements of the SOE Corporate Governance Code of Maldives and adopted by the Board of Directors initially on the 11TH April 2023. At that time, the charter for the committee was established.

All provisions of this Charter, and provisions to be made, shall be in accordance with the Company's Act 2023 and subsequent amendments to the Act (herein after referred to as the Companies Act), the Public Finance Law 2006, the Audit Act 2007, SOE CG Code, and any relevant authority of the Government of the Maldives.

If any provision of this Charter does contravene the Companies Act or Public Finance Law 2006, or the Audit Act 2007, or laws and regulations of SOE CG Code by PCB, or any other relevant authority of the Maldives, and are in accordance with generally accepted standards of good governance, then provisions shall be enforced.

The Committee shall have all the authority necessary to fulfill the duties and responsibilities assigned to the Committee in this Charter or otherwise assigned to it by the Board.

2. PURPOSE AND OBJECTIVE

The Audit and Risk Committee is appointed by the Board of Directors (the "Board") of Male' Water and Sewerage Company Private Limited (the "Company") to assist the Board in fulfilling its oversight of the Group's governance, risk management, and internal control practices. The committee assists the board and management by providing advice and guidance on the adequacy of the group's initiatives for;

- a) Monitor the integrity of the company and group's financial statements and public accounting reporting
- b) Oversee the Company's risk management framework and its function
- c) Oversight of the external auditors, and other providers of assurance
- d) Oversight and review of the internal and external audit processes and reports, including those of the Company's subsidiaries
- e) The compliance by the Company with legal and regulatory requirements and,
- f) To oversee the Company's internal control framework and its function

The audit and risk committee reviews each of the items noted above and provides the board with independent advice and guidance regarding the adequacy and effectiveness of management's practices and potential improvements to those practices.

3. AUTHORITY

The audit and risk committee charter sets out the authority of the audit and risk committee to carry out the responsibilities established for it by the board as articulated within the audit and risk committee charter.

In discharging its responsibilities, the audit and risk committee will have unrestricted access to members of the group's management, employees, and relevant information it considers necessary to discharge its duties. The committee also will have unrestricted access to records, data, and reports. If access to requested documents is denied due to legal or confidentiality reasons, the audit and risk committee and/or CIA (Chief Internal Auditor) will follow a prescribed, board approved mechanism for resolution of the matter.

The audit and risk committee is entitled to receive any explanatory information that it deems necessary to discharge its responsibilities. The company's management and staff should cooperate with audit and risk committee requests.

The audit and risk committee may engage independent counsel and/or other advisors it deems necessary to carry out its duties.

The audit and risk committee is empowered to:

- a) Appoint, compensate, and oversee all audit and non-audit services performed by auditors, including the work of any registered public accounting firm employed by the Company. [Note: This requirement may not be applicable in the public sector if the external auditor is established by legislation; for example, the Auditor General.]
- b) Obtain outside legal or other professional advice on any matter within its terms of reference
- c) Resolve any disagreements between management and the external auditor regarding financial reporting and other matters.
- d) Preapprove all auditing and non-audit services performed by auditors

The audit and risk committee shall review and reassess the adequacy of this charter. The audit and risk committee shall annually review the audit and risk committee's own performance.

4. COMPOSITION OF THE COMMITTEE

The audit and risk committee must comprise of no more than three (3) directors, all of whom must be non-executive, and majority of whom, including Chairperson, must be independent.

The members should collectively possess sufficient knowledge of audit, finance, specific industry knowledge, IT, law, governance, risk, and control. Because the responsibilities of the audit committee evolve in response to regulatory, economic, and reporting developments, it is important to periodically re-evaluate members' competencies and the overall balance of skills on the committee in response to emerging needs.

5. THE CHAIR OF AUDIT COMMITTEE

The chairperson of the committee shall be an independent, non-executive director appointed by the Board. The chairperson of the board should not be the chairperson of the audit and risk committee. The chairperson is responsible for leadership of the committee, including scheduling and presiding over meetings, and reporting to the Board

6. TERMS OF OFFICE

The term of office for an audit committee member is two years. Continuance of audit and risk committee members will be reviewed annually. To ensure continuity within the audit and risk committee, the appointment of members should be staggered.

7. QUORUM

The quorum of the audit and risk committee will be a majority of the committee members.

8. APPOINTMENT AND REMOVAL OF MEMBERS

The members of the committee shall be appointed by the Board. The Board may remove any member from the committee at any time if the majority of the Board determines that the member is incompetent or negligent in serving the committee.

9. OPERATIONAL PRINCIPLES

Audit & Risk Committee Values

The audit and risk committee will conduct itself in accordance with the code of values and ethics of the company. The audit and risk committee expects that the management and staff of the company will adhere to these requirements.

Communications

The audit and risk committee expects that all communications with management and staff of the company as well as with any external party will be direct, open and complete.

Work Plan

The audit and risk committee chair will collaborate with senior management and chief internal auditor (CIA) to establish a work plan to ensure that the responsibilities of the committee are scheduled and will be carried out.

Meeting Agenda

The chairperson will establish agendas for the audit and risk committee in consultation with committee members, senior management and CIA.

Information Requirements

The audit and risk committee will establish and communicate its requirement for information, which will include the nature, extent and timing of information. Information will be provided to the audit and risk committee at least one week prior to each audit and risk committee meeting.

Executive Sessions

The audit and risk committee will schedule, and hold, if necessary, a private session with managing director, the chief financial officer, the chief internal auditor, external auditor and with any other officials that the audit and risk committee may deem appropriate at each of its meetings.

Preparation and attendance

Audit and risk committee members are obliged to prepare for and participate in committee meetings.

Conflict(s) of Interest

The audit and risk committee should adhere to the company's code of conduct and any values and ethics established by the company. It is the responsibility of audit and risk committee members to disclose any conflict of interest or appearance of a conflict of interest to the committee. If there is any question as to whether audit and risk committee member (s) should recuse themselves from a vote, the committee should vote to determine whether the member should recuse himself or herself.

Orientation and Training

The audit and risk committee will receive formal orientation training on the purpose and mandate of the committee and on the company's objectives. The process of continuous education will be established.

10. OPERATIONAL PROCEDURES

Meetings

The audit and risk committee will meet at least once every quarter or more frequently as the committee deems necessary. The time frame between the audit and risk committee should not exceed four months.

Minutes

Minutes will be prepared in accordance with the applicable law, regulation, bylaw, policy, procedure and/or other applicable requirements. Meeting minutes will be provided in draft format at least two weeks after the committee meeting. The secretary shall minute the names of those present and in attendance.

Secretariat Services

The company secretary of the board of directors will facilitate and coordinate meetings as well as provide ancillary support to the committee as time and resources permit.

Responsibilities

It is the responsibility of the audit and risk committee to provide the board with independent, objective advice on the adequacy of management's arrangements with respect to the following aspects of the management of the company:

Values and Ethics

To obtain reasonable assurance with respect to the company's values and ethics practices, the audit and risk committee will:

- Review and assess the policies, procedures, and practices established by the governing body to monitor conformance with its code of conduct and ethical policies by all managers and staff of the com.
- Provide oversight of the mechanisms established by management to establish and maintain high ethical standards for all of the managers and staff of the company.
- Review and provide advice on the systems and practices established by management to monitor compliance with laws, regulations, policies, and standards of ethical conduct and identify and deal with any legal or ethical violations.

Company's Governance

To obtain reasonable assurance with respect to the company's governance process, the audit and risk committee will review and provide advice on the governance process established and maintained within the company and the procedures in place to ensure that they are operating as intended.

Risk Management

To obtain reasonable assurance with respect to the company's risk management practices, the audit and risk committee will:

- Annually review the company's risk profile.
- Obtain from the CIA (or another appropriate designee) an annual report on management's implementation and maintenance of an appropriate enterprise-wide risk management process
- Provide oversight on significant risk exposures and control issues, including fraud risks, governance issues, and other matters needed or requested by senior management and the board.
- Provide oversight of the adequacy of the combined assurance being provided.
- Review and provide advice on the risk management processes established and maintained by management and the procedures in place to ensure that they are operating as intended.

Fraud

To obtain reasonable assurance with respect to the group's procedures for the prevention and detection of fraud, the audit and risk committee will:

- Oversee management's arrangements for the prevention and deterrence of fraud.
- Ensure that appropriate action is taken against known perpetrators of fraud.
- Challenge management and internal and external auditors to ensure that the entity has appropriate antifraud programs and controls in place to identify potential fraud and ensure that investigations are undertaken if fraud is detected

Control

To obtain reasonable assurance with respect to the adequacy and effectiveness of the company's controls in responding to risks within the group's governance, operations and information systems, the audit committee will:

- Consider the effectiveness of the company's control framework, including information technology security and control.
- Review and provide advice on the control of the company as a whole and its individual units.
- Receive reports on all matters of significance arising from work performed by other providers of financial and internal control assurance to senior management and the board

Compliance

The audit and risk committee will:

- Review the effectiveness of the system for monitoring compliance with laws and regulations and the results of management's investigation and follow-up (including disciplinary action) of any instances of noncompliance.
- Review the observations and conclusions of internal and external auditors and the findings of any regulatory agencies
- Review the process of communicating the code of conduct to the Company's personnel and for monitoring compliance.
- Obtain regular updates from management and Company's legal counsel regarding compliance measures

11. OVERSIGHT OF THE INTERNAL AUDIT FUNCTION AND OTHER ASSURANCE PROVIDERS

INTERNAL AUDIT FUNCTION

To obtain reasonable assurance with respect to work of the internal audit function, the committee will provide oversight related to:

Internal Audit Charter and Resources

- Review and approve the internal audit charter at least annually. The charter should be reviewed to ensure that it accurately reflects the internal audit function's purpose, authority, and responsibility, consistent with the mandatory guidance of The IIA's International Professional Practices Framework and the scope and nature of assurance and consulting services, as well as changes in the financial, risk management, and governance processes of the Company and reflects developments in the professional practices of internal auditing

- Advise the board about increases and decreases to the requested resources to achieve the internal audit plan. Evaluate whether any additional resources are needed permanently or should be provided through outsourcing.

CIA Performance

- Advise the board regarding the qualifications and recruitment, appointment, and removal of the CIA
- Provide input to management related to evaluating the performance of the CIA
- Recommend to the management the appropriate compensation of the CIA

Internal Audit Strategy and Plan

- Review and provide input on the internal audit function's strategic plan, objectives, performance measures and outcomes
- Review and approve proposed risk-based internal audit plan and make recommendations concerning internal audit projects
- Review and approve the internal audit plan and engagement work program, including reviewing internal audit resources necessary to achieve the plan.
- Review the internal audit function's performance relative to its audit plan.

Internal Audit Engagement and Follow Up

- Review internal audit reports and other communications to management.
- Review and track management's action plans to address the results of internal audit engagements.
- Review and advise management on the results of any special investigations.
- Inquire of the CIA whether any internal audit engagements or non-audit engagements have been completed but not reported to the committee; if so, inquire whether any matters of significance arose from such work.
- Inquire of the CIA whether any evidence of fraud has been identified during internal audit engagements and evaluate what additional actions, if any, should be taken.

Standard Conformance

- Inquire of the CIA about steps taken to ensure that the internal audit activity conforms with The IIA's International Standards for the Professional Practice of Internal Auditing (Standards).
- Ensure that the internal audit activity has a quality assurance and improvement program and that the results of these periodic assessments are presented to the audit committee.
- Ensure that the internal audit activity has an external quality assurance review every five years.
- Review the results of the independent external quality assurance review and monitor the implementation of the internal audit activity's action plans to address any recommendations.
- Advise the board about any recommendations for the continuous improvement of the internal audit activity.

RISK MANAGEMENT FUNCTION

To obtain reasonable assurance with respect to work of the internal audit function, the committee will provide oversight related to;

- Recommend risk policy and risk appetite to the Board

- Review and discuss with management the Company's risk governance structure, risk assessment and risk management practices and the frameworks, guidelines, policies and processes for risk assessment and risk management.
- Monitor risk management policy implementation in the Group
- Receive and review reports from management concerning risk management in the Group
- Monitor the effectiveness of the Company's Risk Officer and the risk management unit in the Company
- Consider individual significant risks, risk issues, risk strategies and emerging risks as presented to the Committee by management.
- Provide a formal forum for communication between the Board and senior management in relation to risk management
- Approve the appointment and, when and if appropriate, replacement of the Company's Risk Officer
- Review disclosure regarding risk contained in the Company's Annual Report
- Review reports on selected risk topics as the committee deems appropriate from time to time.
- Discharge any other duties or responsibilities delegated to the committee by the board in relation to risk management

EXTERNAL AUDITORS

To obtain reasonable assurance with respect to work of the external audit providers, the committee will meet with the external auditors during the planning phase of the engagement, the presentation of the audited financial statements, and the discussion of the results of engagements and recommendations for management.

The committee will:

- Review the external auditors' proposed audit scope and approach, including coordination of audit effort with the internal audit activity.
- Review the performance of the external auditors, and exercise final approval on the appointment or discharge of the auditors including external auditor fees.
- Obtain statements from the external auditors about their relationships with the Company, including non-audit services performed in the past, and discuss the information with the external auditors to review and confirm their independence.
- Have regularly scheduled exclusive meetings with external auditors to discuss any sensitive matters.
- Monitor management's progress on action plans

To obtain reasonable assurance that management has acted on the results and recommendations of internal and external audit engagements, the audit committee will regularly review reports on the progress of implementing approved management action plans and audit recommendations resulting from completed audit engagements.

FINANCIAL STATEMENTS AND PUBLIC ACCOUNTABILITY REPORTING

The audit committee is responsible for oversight of the financial statements, including but not limited to overseeing the resolution of audit findings in areas such as internal control, legal, regulatory compliance, and ethics

- Review and discuss the annual audited financial statements.
- Review (a) analyses prepared by the management or the independent auditor setting forth significant financial reporting issues and judgments made in connection with the preparation of

the Company's financial statements, including analyses of the effects of alternative [FRS methods on the financial statement; (b) major issues regarding accounting principles and financial statement presentation, including any significant changes in the Company's selection or application of accounting principles, and major issues as to the adequacy of the Company's internal controls and any special steps adopted in light of material control deficiencies; (c) Discuss the external audit plan and its adequacy with the external auditors.; and (d) Review of external audit recommendations that are either implemented or not implemented, including significant accounting entries.

- Review and discuss any reports from the independent auditors on:
- All critical accounting policies and practices to be used.
- All alternative treatments of financial information within the company's accepted accounting principles that have been discussed with management, ramifications of the use of such alternatives disclosures and treatments preferred by the independent auditor.
- Other material written communications between the independent auditor and management, such as any management letter or scheduled of unadjusted differences.
- Review the effect of regulatory and accounting initiatives as well as off balance sheet structures on the Company's financial statements.
- Review other sections of the annual report and related regulatory filings and consider the accuracy and completeness of the information before it is released

SUBSIDIARY OVERSIGHT

- Review internal audit reports from subsidiaries and ensure alignment with the Company's overall risk management and control framework.
- Evaluate the adequacy and effectiveness of the internal audit functions at subsidiaries.
- Ensure that significant findings and recommendations from subsidiary internal audit reports are appropriately addressed by subsidiary management

12. REPORTING ON AUDIT COMMITTEE PERFORMANCE

The audit committee will report to the board annually, summarizing the committee's activities and recommendations. The report may be delivered during an audit committee meeting attended by the board or during a regularly scheduled meeting of the board.


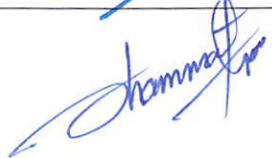
The report should include:

- A summary of the work the audit committee performed to fully discharge its responsibilities during the preceding year.
- A summary of management's progress in addressing the results of internal and external audit engagement reports.
- An overall assessment of management's risk, control, and compliance processes, including details of any significant emerging risks or legislative changes impacting the governing company.
- Details of meetings, including the number of meetings held during the relevant period and the number of meetings each member attended.
- Provide information required, if any, by new or emerging corporate governance developments.
- Must make a report in the Company's annual Report for the benefit of all the Shareholders.
- The committee may report to the governing body at any time regarding any other matter it deems of sufficient importance.

13. CHANGES TO THIS CHARTER

Any changes to this charter shall be made and approved by the Board of Directors of the Company.

The Committee shall biennially 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 approval

| Name and Designation | Signature |
|---|--|
| Abdul Matheen Mohamed/ Managing Director |  |
| Aishath Roohy/ Audit and Risk Committee Chairperson |  |
| On behalf of the Board Shamhooza Ahmed/ Chairperson |  |