



INTERNATIONAL HOTEL INVESTMENTS P.L.C.

Recruiting Personnel from External Auditors Policy

Version 1.1

March 2025

1. Definitions

- 1.1. In this Recruiting Personnel from External Auditor's Policy hereinafter referred to as "this Policy", some terms shall have the meaning ascribed to them below, unless the content otherwise stipulates:
- **Company:** International Hotel Investments p.l.c., a public limited liability company registered under the laws of Malta bearing registration number C 26136 and having its registered office at 22, Europa Centre, Floriana FRN 1400, Malta.
 - **Employee:** Any person who has an employment agreement, service agreement, consultancy agreement or any other agreement that represents a binding commitment between that person and the Company.
 - **External Audit Firm:** The firm responsible for providing external audit services to the Company.
 - **External Auditor or Former External Auditor:** Any person who is or was, respectively and regardless of the nature of his or her contract with the external audit firm, responsible for providing external audit services to the Company or any of its branches or subsidiaries.
 - **Offer of Employment:** Any formal or informal offer of employment made by a member of the Human Resources team or any other Director, Manager or person with decision-making powers to a Former External Auditor, regardless of the position or nature of the agreement.
 - **Remaining Members of the External Audit Team:** Members of the external audit team who, after the hiring of the Former External Auditor, remain responsible for providing external audit services to the Company.

2. Purpose

- 2.1. All External Auditors are required to perform their duties with the highest level of commitment, integrity, and independence, in an ethical and professional manner.
- 2.2. The functions of an External Auditor include, but are not limited to, planning effective audit processes, auditing financial statements and assessing accounts for accuracy and regulatory compliance, inspecting systems and internal controls, evaluating risk management tactics, auditing non-financial areas such as Health & Safety and IT, reporting on systematic errors or indicators of fraud, investigating specific issues presented by regulatory bodies and explaining audit findings and recommending solutions.
- 2.3. Shareholders depend on the External Auditors' assessments to make informed decisions.
- 2.4. Independence, transparency, and honesty are essential for the external audit team to be able to carry out its activities in a proper way.
- 2.5. Hiring a Former External Auditor may put at risk the required independence, transparency, and honesty.
- 2.6. This risk exists regardless of the position occupied by the Former External Auditor in the Company.

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- 2.7. Notwithstanding the previous paragraph, it is a recognised fact that there is a higher risk when the Former External Auditor is hired for a senior position in the financial department.
- 2.8. Although it is not possible for a member of the Company to combine functions and occupy a position as External Auditor, the Company notes that the mere Offer of Employment to an external auditor may add an element of risk to the independence, transparency, and honesty to the auditing body(ies) of the Company.
- 2.9. However, it is recognised that there are several benefits to hiring a Former External Auditor who has already provided external audit services to the Company, such as the level of training in an External Audit Firm, and exposure to both numerous types of businesses and to complex accounting and financial transactions.
- 2.10. Above all, the Former External Auditor is already familiar with the Company's business strategy, financial reporting processes, and industry peculiarities.
- 2.11. In addition, the firm's staff has been able to observe the auditor during a period, which provides the Company first-hand knowledge of the auditor's personality, work ethic, and other individual professional traits. This allows the Company to assess whether the auditor is likely to represent a "good fit" within its corporate culture and environment.
- 2.12. This policy is not intended to prohibit the hiring of Former External Auditors, who may represent a benefit to the Company. However, the Company recognises that it is essential to control the inherent risks in hiring Former External Auditors.
- 2.13. The risk of hiring a Former External Auditor begins at the recruitment period, when an Offer of Employment is made to the External Auditor by the Company or when the External Auditor applies on its own initiative for a job vacancy published by the Company.
- 2.14. There is a high risk from the moment the External Auditor starts considering leaving the External Audit Firm to start working for the Company, regardless of whether the employment takes place or not.
- 2.15. It is a noted fact that an External Auditor who is considering an opportunity for employment with the Company may demonstrate a lack of due diligence in the performance of his/her duties.
- 2.16. This lack of due diligence can take place in several different ways including, but not limited to:
- failing to gather sufficient audit evidence,
 - ignoring problems indicated by the audit evidence gathered, or
 - improperly acquiescing to the Company's preferences regarding certain auditing principles, estimates and other decisions which require sound judgement.

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- 2.17. It is also taken into consideration that issues relating to lack of independence, transparency and honesty mentioned above may continue to exist after the recruitment process has been completed and after the hiring of the Former External Auditor.
- 2.18. The Remaining Members of the External Audit Team may be reluctant to question former colleagues, especially when the Former External Auditor occupied a supervisory, managerial or directorship position in the External Audit Firm.
- 2.19. Taking into account the requirement of maintaining professional scepticism as laid out in 200.16 of the Accountancy Profession Act 1979 (Cap 281), it is noteworthy that there exists a risk that the current audit team by relying on their former colleague from the External Audit Firm, will not exercise the standard level of professional scepticism regarding the judgements and decisions that will be made by that individual – who is now a member of the Company’s team.
- 2.20. Finally, the Former External Auditor has a detailed understanding of the External Audit Firm’s plan and strategy, therefore his/her integration into the Company’s management can lead to potential fraudulent acts being easily hidden or going undetected by the Remaining Members of the External Audit Team.
- 2.21. For all the reasons mentioned above, it is important that controls are implemented to ensure that External Auditors and Former External Auditors perform their duties independently, transparently, and honestly, in an ethical manner and exercising the required level of due diligence throughout.
- 2.22. Therefore, the hiring of any External Auditor or any Former External Auditor to perform duties within the Company, regardless of the position or type of contract he/she maintains with the Company, is prohibited, except when the conditions established in this policy are met.
- 2.23. The prohibition mentioned in the previous paragraph applies regardless of whether the hiring is related to any branch or subsidiary of the Company. The prohibition also applies regardless of the nature of the agreement that the Former External Auditor maintains with the Company.
- 2.24. The prohibition on hiring a Former External Auditor applies whether he/she has an employment agreement, a service agreement, a consulting agreement or any other binding commitment to the Company that may breach the principles of independence, transparency and honesty.
- 2.25. This prohibition shall also apply regardless of the nature of the contract that the External Auditor or Former External Auditor maintains with the External Audit Firm.

3. 'Cooling-Off' Period

- 3.1. According to the Article 22a of the EU Directive 2014/56/EU, that has been transposed into the Article 290.173 of the Accountancy Profession Act 1979 (Code of Ethics for Warrant Holders), a member of the audit team, including the key audit partner cannot:
- take up a key management position in the audited entity;
 - where applicable, become a member of the audit committee of the audited entity or, where such committee does not exist, of the body performing equivalent functions to an audit committee; or
 - become a non-executive member of the administrative body or a member of the supervisory body of the audited entity
 - until a period of at least one year has elapsed since he/she was directly involved in the statutory audit engagement. In the case of the statutory audit of public-interests' entities, the period for key audit partners is extended to a period of at least two years.
- 3.2. For the reasons mentioned above, the hiring of a Former External Auditor should only take place one (1) year after the end of his/her direct involvement in the statutory audit engagement, regardless of the position for which he/she was hired.

4. Recruitment Process

- 4.1. Concerns regarding the hiring of Former External Auditors should commence from the moment the Offer of Employment is made or when the Company becomes aware that an External Auditor has applied for a job vacancy published by the Company.
- 4.2. During the recruitment period, before making the job offer, the Human Resources department should confirm with the Finance department which External Auditors were responsible for auditing the Company's accounts during the previous year.
- 4.3. If the candidate is included in the list of External Auditors responsible for auditing the Company's accounts in the last year, he/she should not be considered, and the respective Human Resources department should proceed with the recruitment process, taking into account other candidates.
- 4.4. The principles of independence, transparency and honesty should be discussed and made clear and evident throughout the entirety of the recruitment process between the Former External Auditor and the respective Human Resources department.
- 4.5. The Statement of Integrity, included in Annex 1, must be attached to the employment agreement, service agreement, consultancy agreement or any other agreement that represents a binding commitment between the Former External Auditor and the Company and should be signed by the Employee.

5. Review of the work carried out by the former external auditor

- 5.1. In light of the review obligations as described in Article 100.19, Article 290.18 and 291 of the Accountancy Profession Act 1979 (Cap 281), the Company must ensure that the agreement maintained between the Company and the External Audit Firm provides that the work performed by the Former External Auditor during the last 2 (two) years before the termination of his/her employment with the External Audit Firm, should be reviewed by another member/s of the external audit team.
- 5.2. The external audit team member/s responsible for review the work performed by the Former External Auditor, as mentioned in the previous paragraph, should have a position hierarchically superior to the one occupied by the Former External Auditor.
- 5.3. The External Audit Firm should provide the Company with report stating that the work performed by the Former External Auditor with the Company during the 2 (two) years before the termination of his/her employment was reviewed by other member/s of the team with the required due diligence and in compliance with the principles of independence, transparency, and honesty.
- 5.4. The report mentioned in the previous paragraph, shall include:
 - how the review was conducted
 - whether or not irregularities were detected.

6. Review of the Audit Plan and the relationship of the external audit members with the former external auditor

- 6.1. The Company must ensure that the agreement maintained between the Company and the External Audit Firm provides that if necessary, after the hiring of a Former External Auditor, the External Audit Firm should review the structure of the external audit team and make the necessary adjustments to ensure that in the future the relationship between the Former External Auditor and the Remaining Members of the External Audit Team does not constitute a potential risk for the required independence, transparency and honesty which this role entails.
- 6.2. The agreement between the Company and the External Audit Firm should also provide that the necessary changes in the audit plan can be done in order to ensure that the knowledge of the former external about the auditing strategy does not constitute a potential risk.

7. Violations of the recruiting personnel from external auditors' policy

- 7.1. If the Audit Committee has reason to believe that a Former External Auditor has at any time failed to fulfil his or her duties of independence, transparency and honesty or has



failed to comply with the one (1) year cooling-off period stipulated in this policy, it shall request the Former External Auditor of the basis for such belief and afford the Former External Auditor to confirm or otherwise the disclosure on file.

- 7.2. If, after hearing the Former External Auditor's response and after making further investigation as warranted by the circumstances, the Audit Committee determines the Former External Auditor has failed to comply with the rules established by this policy, it shall take appropriate disciplinary and/or corrective action/s.

8. Retroactive effect of this policy

- 8.1. If the hiring of the Former External Auditor has already taken place but the Audit Committee later becomes aware of the violation of the terms of this policy, in addition to the application of disciplinary and/or corrective action/s, the Audit Committee, based on the recommendation of the Compliance Officer, has full discretion to decide on the termination of employment or any other binding relationship between the Company and the Former External Auditor.
- 8.2. If the hiring of the Former External Auditor has already taken place but the Audit Committee later becomes aware of violation of the terms of this policy, the Audit Committee, based on the recommendation of the Compliance Officer, will decide whether actions will be taken against the person/s involved in the hiring of the Former External Auditor
- 8.3. Notwithstanding the provisions of the preceding paragraphs, if the disclosure is made through the procedure established in the Whistleblower's Policy, the procedure established in the Whistleblower's Policy shall be followed.

9. Review of this Policy

- 9.1. IHI undertakes to review and update this Policy as necessary in line with best practice and applicable legal requirements. To this end, this Policy shall be reviewed regularly, with each updated version being subject to an approval process.
- 9.2. Any major changes to the document, its contents and/or inherent meaning thereof, should be approved by the IHI Board of Directors, unless instructed and delegated otherwise. Minor changes that have no direct impact on the document, its contents and/or inherent meaning thereof may be approved by the Head of Group Internal Audit, Risk & Compliance. The Board of Directors' approval process will be recorded in the Board minutes and a copy of the approved Policy will be retained accordingly.
- 9.3. With each update, the Version Control section will be updated accordingly. A soft copy of the latest approved version will always be made available and accessible to all staff members and other relevant stakeholders.



ANNEX 1

STATEMENT OF INTEGRITY

The employee, consultant, service provider, or any other person in a binding relationship with the Company, declares that while providing external audit services to the Company he/she has always performed and such services in an independent, transparent and honest manner.

The employee, consultant, service provider, or any other person in a binding relationship with the Company, declares that 1 (one) year has passed since the last time he/she was directly involved in statutory audit engagement. The employee, consultant, service provider, or any other person in a binding relationship with the Company, declares that he or she will abide by all of the obligations laid out in the Code of Ethics for Warrant Holders, as stipulated in the Accountancy Profession Act 1979 (Cap 281).

The employee, consultant, service provider, or any other person in a binding relationship with the Company, also declares that in the future he/she will perform his/her duties within the Company with the highest level of integrity.