



AUDIT & RISK COMMITTEE TERMS OF REFERENCE

These terms of reference govern the procedures and conduct of the Steamships Trading Company Limited (Steamships) Audit & Risk Committee.

Audit & Risk Committee objectives

1.1 The Audit & Risk Committee will review and challenge where necessary the actions and judgement of management on the adequacy of audit arrangements (internal and external) and on the implications of assurances provided in respect of risk and control in Steamships.

1.2 In order to carry out this objective, the Audit & Risk Committee will review the adequacy of the financial reporting process, the system of internal control and management of risks, the audit process and Steamships' process for monitoring compliance with relevant regulations and legislation affecting the group's activities.

1.3 In performing its duties, the Committee will maintain effective working relationships with Steamships' executive directors, management and the internal and external auditors.

Authority

2.1 The Steamships Board of Directors authorise the Audit & Risk Committee, within the scope of its responsibilities to:

- Seek any information it requires from:
 - any employee (and all employees are directed to co-operate with any request made by the Audit & Risk Committee)
 - external parties.
- Obtain outside legal or other professional advice
- Require the attendance of Steamships management at meetings as appropriate.

Organisation

3.1 The Audit & Risk Committee shall comprise not less than three non-executive members. The Chairman of the Audit & Risk Committee will be non-executive and independent of management.

3.2 Committee members will be appointed by the Board of Directors, who will review members' tenure from time to time and at least every three years. New members will be given clear terms of appointment.

3.3 The Chairman of the Audit & Risk Committee will be nominated by the Board of Directors.

3.4 A quorum for any meeting will be two members.

3.5 The Secretary of the Audit & Risk Committee will be the Company Secretary of the Steamships Board of Directors.

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Committee meetings

- 4.1 The Audit & Risk Committee may invite such other persons to its meetings as it deems necessary. The Managing Director, the Finance Director and the Head of Internal Audit will generally be invited to attend all Committee meetings.
- 4.2 The internal and external auditors should be invited to attend each meeting of the Committee and to make presentations as appropriate.
- 4.3 Meetings should be held not less than three times a year. Special meetings may be convened as required.
- 4.4 Internal audit or the external auditors may request the Chairman to convene a meeting if they consider that it is necessary.
- 4.5 The Audit & Risk Committee will hold private meetings with the internal and external auditors at least on an annual basis.
- 4.6 The proceedings of all meetings will be minuted.
- 4.7 The minutes of each meeting should be approved by the Chairman and distributed to all committee members, all Board members, internal audit and external audit.
- 4.8 Meetings should be held to a predetermined agenda which should be distributed in good time along with supporting documents.

Roles and responsibilities

Risk management and internal control

The Audit & Risk Committee will:-

- 5.1 Evaluate the adequacy of the mechanisms established by management for the assessment and management of risk – both financial and non-financial. In this respect, a report will be presented to the Audit & Risk Committee at each meeting (by exception) and on an annual basis.
- 5.2 Evaluate the process established by management to establish and maintain an appropriate "control culture" for the embedding of risk management and for ensuring that all employees have an understanding of their roles and responsibilities in this regard. Risk management processes should be reviewed and audited, including policies around health and safety, fraud and competition compliance.
- 5.3 Require management to report on whether recommendations for the improvement of internal controls made by internal and external auditors have been implemented.

Internal audit

The Audit & Risk Committee will:-

- 6.1 Review the organisational structure of the internal audit function and assess its appropriateness.
- 6.2 Ensure appropriate procedures are in place for the appointment, replacement, reassignment or dismissal of the Head of Internal Audit and any external organisation providing internal audit services to Steamships.

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6.3 Review the planned internal audit activities and consider their adequacy as a basis for providing an independent and objective opinion on risk management, control and governance. In particular, advise the Board on the adequacy of:

- (a) the terms of reference for internal audit;
- (b) the effectiveness of the internal audit strategy and periodic plan in addressing the organisational risks;
- (c) the resourcing of internal audit;
- (d) the periodic work plans of internal audit;
- (e) the arrangements for and the results of quality assurance processes;
- (f) the adequacy of management's response to internal audit advice and recommendations, including the monitoring of action plans; and
- (g) the independence of the Head of Internal Audit and their internal audit function from other executive activities undertaken in Steamships.

6.4 Review annually the effectiveness of the internal audit function.

6.5 Review and monitor management's responsiveness to findings and recommendations made by the internal auditors as regards both completion and timeliness.

6.6 Ensure that the internal auditor has direct access to the Audit & Risk Committee and is accountable to the Audit & Risk Committee

Financial Reporting

The Audit & Risk Committee will:-

7.1 Review significant accounting and reporting issues, including recent professional and regulatory pronouncements, and understand their impact on the financial statements.

7.2 Review the annual financial statements and determine whether they are complete and consistent with the information known to committee members; assess whether the financial statements reflect appropriate accounting principles, and that appropriate accounting policies have been adopted and adequately disclosed.

7.3 Focus on judgemental areas and pay particular attention to complex and/or unusual transactions.

7.4 Review the other sections of the annual report and consider whether the information is understandable and consistent with members' knowledge about Steamships and its operations.

External audit

The Audit & Risk Committee will:-

8.1 Review the external auditors' proposed audit scope and approach and assure the Board that no unjustified restrictions or limitations have been placed on the scope.

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8.2 Consider the co-operation between internal and external auditors and the external auditors' reliance on the internal audit, and monitor and assess whether the benefits to Steamships from co-operation are maximised.

8.3 Review the results of the external audit and review and monitor management's responsiveness to findings and recommendations made by the external auditors

8.4 Review and monitor the timing of management's response to recommendations made by the external auditors.

8.5 Review the external auditor's independence from the activities of Steamships outside of their appointment as external auditors which will include reference to their provision of non-audit services.

8.6 Review annually the performance of the external auditors.

Compliance with laws and regulations

The Audit & Risk Committee will:-

9.1 Review the effectiveness of the group's systems for monitoring compliance with laws and regulations.

9.2 Receive reports of management's investigation and any action taken in respect of any fraudulent acts or non-compliance with laws and regulations.

9.3 Obtain regular updates from management regarding compliance matters.

9.4 Be satisfied that applicable regulatory compliance matters have been considered in the preparation of the financial statements.

9.5 Review the findings of any examinations by regulatory agencies.

Reporting responsibilities

The Audit & Risk Committee will:-

10.1 Regularly update Steamships Board of Directors about Committee activities and make appropriate recommendations; and report annually on the work of the Committee.

Other responsibilities

The Audit & Risk Committee will:

11.1 Review the adequacy of management's processes for providing assurance to the Board of Directors relating to the corporate governance requirements of Steamships.

11.2 Perform other oversight functions as requested by the Board of Directors.

11.3 Consideration should be given periodically to the ongoing training needs of Committee members.

11.4 Evaluate the Committee's own performance on a regular basis.

11.5 The Committee's terms of reference will be reviewed annually, or on other occasions as circumstances determine and any changes will require the approval of the Board of Directors.

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