

**GLOBAL PORTS HOLDING PLC**

**AUDIT AND RISK COMMITTEE TERMS OF REFERENCE**

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**1 Audit and Risk Committee Terms of Reference**

These terms of reference identify and formalise the roles, tasks and responsibilities of the audit and risk committee of Global Ports Holding PLC (the "Company", and together with its subsidiaries (including Global Ports Holding A.S.), affiliates, jointly controlled entities and associates, the "Group") and the authority delegated to the committee by the board of directors of the Company (the "Board") to monitor the Company's financial reporting, risk management, internal control and assurance frameworks.

**11. Membership**

- 1.1 The committee shall be appointed by the Board on the recommendation of the nomination committee, and shall consist of a minimum of three members.
- 1.2 The committee shall include independent non-executive directors, at least one of whom shall have recent and relevant financial experience. The chief financial officer shall be in attendance at all meetings and a member of senior management with responsibility for risk and compliance and, once appointed, the chief risk officer, shall be a regular attendee. The committee chairman shall decide, with the chief executive (once appointed), whether the chief executive should be present at meetings. The chairman of the Board shall not be a member of the committee.
- 1.3 Only members of the committee have the right to attend committee meetings. However, other individuals such as the chairman of the board, chief executive, other directors, representatives of the risk function, compliance, and internal and external audit may be invited to attend all or part of any meeting, as and when appropriate and necessary by the Board or its Audit and Risk Committee.
- 1.4 The external auditors will be invited to attend meetings of the committee on a regular basis.
- 1.5 Appointments to the committee shall be for a period of up to three years, which may be extended for further periods of up to three years, provided the director still meets the criteria for membership of the committee.
- 1.6 The Board shall appoint the chairman of the committee who shall be a non-executive director. In the absence of the chairman and/or an appointed deputy, the remaining members present shall elect one of their number to chair the meeting.
- 1.7 If a regular member is unable to act due to absence, illness or any other cause, the chairman of the committee may appoint another independent non-executive director of the company to serve as an alternate member.
- 1.8 Where the business of the committee meeting includes the review of actual or potential conflicts of interest of, and authorisations given by the Board or committee to, members of the committee, the affected member shall not participate in the review or in discussions or decisions of the committee which relate to that member (and shall not be counted in the quorum of the meeting for the purpose of any such review, discussions or decisions).

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**12. Secretary**

The Company secretary or his or her nominee 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.

**13. Quorum**

The quorum necessary for the transaction of business shall be two members. A duly convened meeting of the committee at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the committee.

**14. Frequency of meetings**

4.1 The committee shall meet not less than four times a year at appropriate times in the financial reporting and audit cycle and at such other times as the board or the chairman of the committee shall require.

4.2 Outside of the formal meeting programme, the committee chairman will maintain a dialogue with key individuals involved in the company's governance, including the Board chairman, the chief executive, the finance director, the external audit lead partner and the head of internal audit.

**15. Notice of meetings**

5.1 Meetings of the committee shall be summoned by the secretary of the committee at the request of any of its members or at the request of the chief financial officer or, once appointed, chief risk officer, or at the request of external or internal auditors if they consider it necessary.

5.2 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, any other person required to attend and all other non-executive directors not less than five working days prior to the date of the meeting. Supporting papers shall be sent to members of the committee, and to other attendees as appropriate, at the same time. The agenda shall be circulated together with relevant supporting papers to committee members and to other attendees as appropriate.

**16. Minutes of meetings**

6.1 The secretary of the committee shall prepare minutes of the proceedings and resolutions of all meetings of the committee, including recording the names of those present and in attendance.

6.2 Draft minutes of committee meetings shall be circulated promptly to all members of the committee. Once approved, minutes should be circulated to all other members of the Board unless it would be inappropriate to do so in the opinion of the committee chairman.

6.3 Final signed copies of the minutes of the meetings of the risk committee should be maintained for the Company's records, in hard and soft copy where possible.

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**17. Annual general meeting**

The chairman of the committee shall attend the annual general meeting and shall be prepared to respond to any questions from shareholders concerning the committee's activities.

**18. Duties - Audit**

**8.1 Financial reporting**

- (a) The committee shall monitor the integrity of the financial statements of the company, including its annual and half-yearly reports, interim management statements, preliminary results' announcements and any other formal announcement relating to its financial performance, reviewing significant financial reporting issues and judgements which they contain having regard to matters communicated to it by the auditor. The committee shall also review summary financial statements, significant financial returns to regulators and any financial information contained in certain other documents, such as announcements of a price sensitive nature.
- (b) In particular, the committee shall review and challenge where necessary:
  - (i) the consistency, quality and appropriateness of, and any changes to, accounting policies both on a year on year basis and across the Company/the Group;
  - (ii) the methods used to account for significant or unusual transactions where different approaches are possible;
  - (iii) whether the Company has followed appropriate accounting standards and made appropriate estimates and judgements, taking into account the views of the external auditors;
  - (iv) the clarity and completeness of disclosure in the Company's financial reports, including the review of any correspondence between the Company and the external auditors;
  - (v) all material information presented with the financial statements, such as the strategic review and the corporate governance statement (insofar as it relates to the audit and risk management); and
  - (vi) the assumptions or qualifications in support of the going concern statement (including any material uncertainties as to the Company's ability to continue as a going concern over a period of at least twelve months from the date of approval of the financial statements) and the longer term viability statement (including an assessment of the prospects of the company looking forward over an appropriate and justified period).
- (c) The committee shall review the annual financial statements of the pension funds where not reviewed by the Board as a whole.
- (d) 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.

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8.2 Narrative reporting

Where requested by the Board, the committee should review the content of the annual report and accounts and advise the Board on whether, taken as a whole, it is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

8.3 On-going viability

Where requested by the Board, the committee should provide advice on how, taking into account the Company's position and principal risks, the Company's prospects have been assessed, over what period and why the period is regarded as appropriate. The committee shall also advise on whether there is a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period, drawing attention to any qualifications or assumptions as necessary.

8.4 Internal Controls and Risk Management Systems

The committee shall:

- (a) keep under review the effectiveness of the Company's internal financial controls and internal control and risk management systems; and
- (b) review and approve the statements to be included in the annual report concerning internal controls and risk management.

8.5 Internal Audit

The committee shall:

- (a) approve the appointment and removal of the head of the internal audit function;
- (b) consider and approve the remit of the internal audit function and ensure it has adequate resources and appropriate access to information to enable it to perform its function effectively and in accordance with the relevant professional standards. The committee shall also ensure the function has adequate standing and is free from management or other restrictions;
- (c) ensure the internal audit function has direct access to the Board chairman and to the committee, and is accountable to the committee;
- (d) review and assess the annual internal audit plan and be advised of the reasons for any change or delay in the plan and ensure co-ordination between the internal and external auditors;
- (e) receive a report on the results of the internal auditor's work on a periodic basis;
- (f) review reports addressed to the committee from the internal auditors;

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- (g) review and monitor management's responsiveness to the findings and recommendations of the internal auditor;
- (h) meet the head of internal audit at least once a year, without management being present, to discuss their remit and any issues arising from the internal audits carried out; and
- (i) monitor and review the effectiveness of the Company's internal audit function, in the context of the Company's overall risk management system.

#### 8.6 External Audit

The committee shall:

- (a) consider and make recommendations to the Board, to be put to shareholders for approval at the annual general meeting, in relation to the appointment, re-appointment or removal of the Company's external auditor;
- (b) ensure that at least once every ten years the audit services contract is put out to tender to enable the committee to compare the quality and effectiveness of the services provided by the incumbent auditor with those of other audit firms; 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;
- (c) if an auditor resigns, investigate the issues leading to this and decide whether any action is required;
- (d) oversee the relationship with the external auditor including (but not limited to):
  - (i) recommendations on their remuneration, whether fees for audit or non-audit services, and that the level of fees is appropriate to enable an adequate audit to be conducted;
  - (ii) approval of their terms of engagement, including any engagement letter issued at the start of each audit and the scope of the audit;
  - (iii) assessing annually their independence and objectivity taking into account relevant UK professional and regulatory requirements and the relationship with the auditor as a whole, including the provision of any non-audit services;
  - (iv) satisfying itself that there are no relationships (such as family, employment, investment, financial or business) between the auditor and the Company (other than in the ordinary course of business) which could adversely affect the auditor's independence and objectivity;
  - (v) agreeing with the Board a policy on the employment of former employees of the Company's auditor, then monitoring the implementation of this policy;
  - (vi) monitoring the auditor's compliance with relevant ethical and professional guidance on the rotation of audit partners, the level of fees paid by the

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Company compared to the overall fee income of the firm, office and partner and other related requirements;

- (vii) 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;
  - (viii) seeking to ensure co-ordination with the activities of the internal audit function; and
  - (ix) 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.
- (e) meet regularly with the external auditor, including once at the planning stage before the audit and once after the audit at the reporting stage. The committee shall meet the external auditor at least once a year, without management being present, to discuss the auditor's remit and any issues arising from the audit;
  - (f) review and approve the annual audit plan at the start of the audit cycle 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;
  - (g) review the findings of the audit with the external auditor. This shall include, but not be limited to, the following:
    - (i) a discussion of any major issues which arose during the audit;
    - (ii) any accounting and audit judgements;
    - (iii) levels of errors identified during the audit; and
    - (iv) the effectiveness of the audit;
  - (h) review any representation letter(s) requested by the external auditor before they are signed by management and consider whether, based on its knowledge, the information provided is complete and appropriate;
  - (i) review the management letter and management's response to the auditor's findings and recommendations; and
  - (j) develop and implement a policy on the supply of non-audit services by the external auditor, taking into account any relevant ethical guidance on the matter.

8.7 The committee shall carry out the duties in 8.1 to 8.6 above for the parent company, major subsidiary undertakings and the Group as a whole, as appropriate.

8.8 Conflicts of interest

The committee shall:

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- (a) in respect of each director, review any interests the director may have which conflict or may conflict with the interests of the Company;
- (b) make recommendations to the Board as to whether any such conflict should be authorised and, if so, as to the terms and conditions on which any such authorisation should be given by the Board; and
- (c) review on a bi-annual basis any authorisation given by the Board in order to determine whether the authorisation given should stand on the terms and conditions on which it has been given or whether additional terms and conditions should be imposed or whether the authorisation should be revoked (subject to giving the relevant director notice of the proposed revocation).

#### 19. Duties - Risk

##### 9.1 The committee shall:

- (a) advise the Board on the Company's overall risk appetite, tolerance and strategy;
- (b) oversee and advise the Board on the current risk exposures of the Company and future risk strategy;
- (c) in relation to risk assessment (bearing in mind any overlap with the committee audit functions):
  - (i) keep under review the Company's overall risk assessment processes that inform the Board's decision-making, ensuring both qualitative and quantitative metrics are used;
  - (ii) review regularly and approve the parameters used in these measures and the methodology adopted; and
  - (iii) set a standard for the accurate and timely monitoring of large exposures and certain risk types of critical importance;
- (d) review the Company's capability to identify and manage new risk types;
- (e) before a decision to proceed is taken by the Board, advise the Board on proposed strategic transactions including acquisitions or disposals, ensuring that a due diligence appraisal of the proposition is undertaken, focusing in particular on risk aspects and implications for the risk appetite and tolerance of the Company, and taking independent external advice where appropriate and available;
- (f) review reports on any material breaches of risk limits and the adequacy of proposed action;
- (g) keep under review the effectiveness of the Company's internal financial controls and internal controls and risk management systems and review and approve the statements to be included in the annual report concerning internal controls and risk management;

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- (h) provide qualitative and quantitative advice to the remuneration committee on risk weightings to be applied to performance objectives incorporated in executive remuneration;
- (i) 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;
- (j) review the Company's procedures for detecting fraud;
- (k) review the Company's procedures for the prevention of bribery and corruption;
- (l) consider and approve the remit of the risk management function and ensure it has adequate resources and appropriate access to information to enable it to perform its function effectively and in accordance with the relevant professional standards. The committee shall also ensure the function has adequate independence and is free from management or other restrictions;
- (m) recommend to the Board the appointment and/or removal of the chief risk officer;
- (n) review promptly all reports on the Company from the chief risk officer;
- (o) review and monitor management's responsiveness to the findings and recommendations of the chief risk officer;
- (p) ensure that the chief risk officer shall be given the right of direct access to the chairman of the Board and to the committee; and
- (q) work and liaise as necessary with all other Board committees.

#### **9.2 Compliance, Whistleblowing and Fraud**

The committee shall:

- (a) 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;
- (b) review the Company's procedures for detecting fraud;
- (c) review the Company's systems and controls for ethical behaviour and the prevention of bribery (in accordance with the Ministry of Justice or other relevant guidance) and receive reports on non-compliance;

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- (d) review the adequacy and effectiveness of the Company's anti-money laundering systems and controls; and review the adequacy and effectiveness of the Company's compliance function.

9.3 The committee shall carry out the duties in 9.1 and 9.2 above for the parent company, major subsidiary undertakings and the Group as a whole, as appropriate.

#### 110. Reporting Responsibilities

10.1 The chairman of the committee shall report formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities. This report shall include:

- (a) the significant issues that it considered in relation to the financial statements (required under paragraph 8.1(a)) and how these were addressed;
- (b) its assessment of the effectiveness of the external audit process (required under paragraph 8.6(d)(vii)) and its recommendation on the appointment or reappointment of the external auditor; and
- (c) any other issues on which the Board has requested the committee's opinion.

10.2 The committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.

10.3 The committee shall compile a report on its activities to be included in the Company's annual report. The report should include;

- (a) details of the membership of the committee, number of meetings held and attendance over the course of the year;
- (b) 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 external auditor;
- (c) an explanation of how the committee has addressed the effectiveness of the external audit process (including the provision of non-audit services and an explanation of how, if the auditors provide non-audit services to the Company, auditor objectivity and independence is safeguarded) and its recommendation on the appointment or re-appointment of the external auditor;
- (d) 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;
- (e) details of the Company's risk management and strategy; and
- (f) all other information requirements set out in the UK Corporate Governance Code.

10.4 In compiling the reports referred to in 10.1 and 10.3, 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

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assessment of whether the Company is a going concern and the longer term viability statement. The report to shareholders need not repeat information disclosed elsewhere in the annual report and accounts, but could provide cross-references to that information.

**111. Other matters**

The committee shall:

- 11.1 have access to sufficient resources in order to carry out its duties, including access to the Company secretary for assistance as required;
- 11.2 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;
- 11.3 give due consideration to laws and regulations, the provisions of the UK Corporate Governance Code and the requirements of the UK Listing Authority's Listing Rules, Prospectus Rules, Disclosure Guidelines and Transparency Rules and any other applicable rules, as appropriate;
- 11.4 be responsible for co-ordination of the internal and external auditors;
- 11.5 oversee any investigation of activities which are within its terms of reference;
- 11.6 work and liaise as necessary with all other Board committees;
- 11.7 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 for approval; and
- 11.8 make available its terms of reference explaining clearly its role and the authority delegated to it by the Board.

**112. Authority**

- 12.1 The committee is authorised by the Board:
  - (a) to seek any information it requires from any employee of the Company in order to perform its duties;
  - (b) to obtain, at the Company's expense, outside legal or other professional advice on any matter within its terms of reference;
  - (c) to call any employee to be questioned at a meeting of the committee as and when required; and
  - (d) to 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.
- 12.2 The committee may sub-delegate any or all of its powers and authority and may establish sub-committees which are to report back to the committee.