

# CEIBA INVESTMENTS LIMITED

## AUDIT COMMITTEE

### TERMS OF REFERENCE

(as adopted on 14 September 2018)

#### 1. DEFINITIONS

1.1 Reference to the "**Company**" shall mean CEIBA Investments Limited.

1.2 Reference to the "**Committee**" shall mean the Audit Committee.

1.3 Reference to the "**Board**" shall mean the board of directors of the Company.

1.4 Unless otherwise stated, reference to the "**Chairman**" shall mean the Chairman of the Committee.

Unless otherwise stated, reference to the "**Secretary**" shall mean the Secretary of the Committee.

#### 2. MEMBERSHIP

2.1 The Committee shall be made up of at least two members. Members of the Committee shall be appointed by the Board on the recommendation of the Nomination Committee in consultation with the Chairman of the Committee. The Board shall appoint the Chairman who shall be an independent non-executive director and shall not be the chairman of the Board.

2.2 All members of the Committee shall be independent non-executive directors, at least one of whom shall have recent and relevant financial experience ideally with a professional qualification from one of the professional accountancy bodies.

2.3 Only members of the Committee have the right to attend Committee meetings. However, other individuals (if not members of the Committee) such as other directors, representatives of the Company's investment manager or other external advisers may be invited to attend all or part of any meeting as and when appropriate and necessary.

2.4 The external auditors of the Company, as appropriate, will be invited to attend meetings of the Committee on a regular basis.

2.5 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. The Board may fill vacancies in the Committee by appointment from amongst the Board.

- 2.6 Each member of the Committee shall disclose to the Committee:
- 2.6.1 any personal, financial or other interest in any matter to be decided by the Committee; or
- 2.6.2 any potential conflict of interest arising from a cross-directorship or otherwise; and
- 2.6.3 any such member shall abstain from voting on resolutions of the Committee in relation to which such interest exists and from participating in the discussions concerning such resolutions and (if so required by the Board) shall resign from the Committee.

### **3. SECRETARY**

The company secretary of the Company or their nominee shall act as the Secretary of the Committee and shall attend all meetings.

### **4. QUORUM AND VOTING ARRANGEMENTS**

- 4.1 The quorum necessary for the transaction of business shall be two members of the Committee. 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.
- 4.2 Members may participate in a meeting of the Committee by means of a telephone or other communication equipment.
- 4.3 Any matters to be determined by the Committee shall be decided by a majority of the votes cast at a meeting of the Committee called for such purpose. Each member of the Committee shall have one vote which may be cast on matters considered at a meeting of the Committee. Any action of the Committee may also be taken by an instrument or instruments in writing signed by all the members of the Committee (including in counterparts) and any such action shall be as effective as if it had been decided by a majority of votes cast at a meeting of the Committee called for such purpose.
- 4.4 In the absence of the Chairman and/or an appointed deputy, the remaining members of the Committee present shall elect one of themselves to chair the meeting.

### **5. FREQUENCY OF MEETINGS**

- 5.1 The Committee shall meet at least twice a year at appropriate times in the Company's reporting and audit cycle and otherwise as required.
- 5.2 Outside of the formal meeting programme, the Chairman shall maintain a dialogue with key individuals involved in the Company's governance, including the chairman of the Board and the external audit lead partner.

## **6. NOTICE OF MEETINGS**

6.1 Meetings of the Committee shall be called by the Secretary at the request of any of its members or at the request of external auditors if they consider it necessary.

6.2 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, no later than five working days before the date of the meeting. The Secretary or his or her nominee shall ensure that supporting information and papers shall be sent to Committee members and to other attendees as appropriate, at the same time.

## **7. MINUTES OF MEETINGS**

7.1 The Secretary shall minute the proceedings and resolutions of all meetings of the Committee, including recording the names of those present and in attendance.

7.2 The Secretary shall ascertain, at the beginning of each meeting, the existence of any conflicts of interest and minute them accordingly.

7.3 Draft minutes of Committee meetings shall be circulated promptly to all members of the Committee. Once approved, minutes should be circulated to all members of the Board unless it would be inappropriate to do so in the opinion of the Chairman.

## **8. ANNUAL GENERAL MEETING**

The Chairman shall attend the Company's annual general meeting prepared to respond to any shareholder questions on the Committee's activities.

## **9. DUTIES**

9.1 The Committee should carry out the duties below for the Company, major subsidiary undertakings (if any) and the group as a whole (if a group is in existence), as appropriate.

### **9.2 Financial Reporting**

9.2.1 The Committee shall monitor the integrity of the financial statements of the Company, including its annual and half-yearly reports and any other formal announcement relating to its financial performance, reviewing significant financial reporting issues and judgments which they contain.

9.2.2 In particular, the Committee shall review and challenge where necessary:

9.2.2.1 the consistency of, and any changes to, accounting policies both on a year on year basis and across the Group;

- 9.2.2.2 the methods used to account for significant or unusual transactions where different approaches are possible;
  - 9.2.2.3 whether the Company has followed appropriate accounting standards and made appropriate estimates and judgements, taking into account the views of the external auditor;
  - 9.2.2.4 any significant adjustments resulting from the audit;
  - 9.2.2.5 compliance with applicable regulatory and legal requirements;
  - 9.2.2.6 compliance with best practice in the area of corporate governance;
  - 9.2.2.7 the clarity and completeness of disclosure in the Company's financial reports and the context in which statements are made; and
  - 9.2.2.8 all material information presented with the financial statements, such as the business review/operating and financial review and the corporate governance statement (insofar as it relates to the audit and risk management).
- 9.2.3 Review the half-yearly and annual reports in their entirety.
  - 9.2.4 Review the summary financial reports.
  - 9.2.5 Review circulars issued in respect of takeovers and other major non-routine transactions.
  - 9.2.6 Review press statements and advertisements relating to financial matters prior to their issue, as far as practicable.
  - 9.2.7 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.

### 9.3 **Narrative Reporting**

The Committee shall 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 performance, business model and strategy.

### 9.4 **Internal Controls and Risk Management Systems**

- 9.4.1 The Company has determined that the scope of responsibility of the Committee should be limited to those areas of risk having a direct impact on the financial records or accounting of the Company and its subsidiaries, and has appointed a

Management Engagement Committee to, inter alia, oversee those areas of risk having an indirect impact. For example, the risks of misappropriation or loss of assets, of misstatement of accounting records or of non-compliance with accounting standards are covered by the Audit Committee, whereas risks such as non-compliance with the Company's investment objectives or with law applicable to shipping activities are covered by the Management Engagement Committee.

9.4.2 The Committee shall therefore, as appropriate given the nature of the Company:

9.4.2.1 keep under review the adequacy and effectiveness of the Company's internal financial controls and risk management systems and monitor the proposed implementation of such controls;

9.4.2.2 review and approve the statements to be included in the annual report concerning internal financial controls and risk management;

9.4.2.3 review and approve statements explaining how assets have been invested with a view to spreading investment risk;

9.4.2.4 liaise with the Board and ensure that other statements regarding the Company's investment manager, including relevant details of its remuneration and appointment and its continued appointment, are included in the annual report; and

9.4.2.5 ensure that the annual report includes:

(a) the full text of the Company's published investment policy;

(b) a detailed and meaningful analysis of the Company's investment portfolio; and

(c) a summary of the valuation of the Company's portfolio made in accordance with the Listing Rules published by the Financial Conduct Authority, as per the Company's election to voluntarily comply with the Listing Rules.

## 9.5 **Compliance, Whistleblowing and Fraud**

9.5.1 The Committee shall as appropriate given the nature of the Company:

9.5.1.1 review the adequacy and security of the Company's arrangements for its employees, if any, 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;

- 9.5.1.2 review the Company's procedures for detecting fraud;
- 9.5.1.3 review the Company's systems and controls for the prevention of bribery and receive reports on non-compliance;
- 9.5.1.4 review the adequacy and effectiveness of the Company's anti-money laundering systems and controls; and
- 9.5.1.5 review the adequacy and effectiveness of the Company's compliance function.

## 9.6 **Internal audit**

The Committee shall monitor and review annually whether an internal audit function is required.

## 9.7 **External Audit**

- 9.7.1 The Committee shall:
  - 9.7.1.1 consider and make recommendations to the Board, to be put to shareholders for approval at the Company's annual general meeting, in relation to the appointment, re-appointment and removal of the Company's external auditor;
  - 9.7.1.2 develop and oversee the selection process for new external auditors and if an external auditor resigns the Committee shall investigate the issues leading to this and decide whether any action is required;
  - 9.7.1.3 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 tendering process;
  - 9.7.1.4 oversee the relationship with the external auditor including (but not limited to):

- 9.7.1.4.1 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;
- 9.7.1.4.2 their terms of engagement, including any engagement letter issued at the start of each audit and the scope of the audit;
- 9.7.1.4.3 assessing annually their independence and objectivity taking into account relevant professional and regulatory requirements and the relationship with the external auditor as a whole, including the provision of any non-audit services;
- 9.7.1.4.4 satisfying itself that there are no relationships (such as family, employment, investment, financial or business) between the external auditor and the Company (other than in the ordinary course of business) which could adversely affect the external auditor's independence and objectivity;
- 9.7.1.4.5 monitoring the external auditor's compliance with relevant ethical and professional guidance on the rotation of audit partners, the level of fees paid by the Company compared to the overall fee income of the firm, office and partner and other related requirements;
- 9.7.1.4.6 assessing annually the qualifications, expertise and resources of the external auditor and the effectiveness of the audit process which shall include a report from the external auditor on their own internal quality procedures;
- 9.7.1.4.7 seeking to ensure co-ordination with the activities of the internal audit function; and
- 9.7.1.4.8 evaluating risks to the quality and effectiveness of the financial reporting process and consideration of the need to include the risk of the withdrawal of the auditor from the market in that evaluation., thereafter making appropriate recommendations to the Board in respect of these matters;

- 9.7.1.5 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 their remit and any issues arising from the audit;
- 9.7.1.6 review and approve the annual audit plan and ensure that it is consistent with the scope of the audit engagement;
- 9.7.1.7 review the findings of the audit with the external auditor. This shall include but not be limited to, the following:
  - 9.7.1.7.1 a discussion of any major issues which arose during the audit;
  - 9.7.1.7.2 any accounting and audit judgements;
  - 9.7.1.7.3 levels of errors identified during the audit; and
  - 9.7.1.7.4 the effectiveness of the audit.

9.7.2 The Committee shall also:

- 9.7.2.1 review any representation letter(s) requested by the external auditor, and make appropriate recommendation for their signature to the Board; and
- 9.7.2.2 review any response from the Board as to the external auditor's findings and recommendations;

## 10. **POLICY FOR THE APPROVAL OF NON-AUDIT SERVICES**

- 10.1 The Committee shall when considering the appointment of the external auditor for non-audit work relating to the Company or its subsidiaries, consider in particular, the skills and experience of the external auditor to perform the required services, the effect of the non-audit services on the audited financial statements, the potential impact of each project on the external auditor's independence and objectivity, and the resulting ratio of non-audit to audit fees.
- 10.2 The external auditor will not be used for services or projects that are prohibited under legislation or for those services which may impact the auditor's independence or objectivity where there is no requirement or significant benefit from utilising their existing knowledge of the business and where the services can be provided by a number of other alternative firms.
- 10.3 There may be circumstances where, due to nature of certain services or transactions, the auditor's existing knowledge of the Company, its systems, processes and personnel and



their ability to use this knowledge to act quickly and confidently, puts them in the best position to provide the non-audit services. In such circumstances, the external auditor will only be awarded the work if the Committee is satisfied that the nature of the work to be provided and the basis of remuneration (i) present no threat to the actual or perceived independence of the auditor; and (ii) will not have a direct or material effect on the audited financial statements.

- 10.4 Any fees payable to the external auditor for non-audit services should be limited to no more than 70% of the average of audit fees paid in the last three consecutive financial years for the audit of the Company and its Group undertakings.

## **11. REPORTING RESPONSIBILITIES**

- 11.1 The Chairman shall report formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities and how it has discharged its responsibilities.

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

- 11.3 The Committee shall compile a report to shareholders on its activities, including its membership and the frequency of and attendance at its meetings, to be included in the Company's annual report which shall include an explanation on its assessment of 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 reappointment of the external auditor, including length of incumbent auditor's tenure, when a tender was last conducted and any contractual provisions restricting the Committee's choice of auditor, and the amount of fees paid to the auditor for any of its services.

## **12. OTHER MATTERS**

- 12.1 The Committee shall:
- 12.1.1 have access to sufficient resources in order to carry out its duties, including access to the company secretary of the Company for assistance as required;
  - 12.1.2 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;
  - 12.1.3 give due consideration to applicable laws and regulations including without limitation to the requirements of the Listing Rules (to the extent they apply to the Company), Prospectus Rules, Disclosure Guidance and Transparency Rules, the provisions of the UK Corporate Governance Code, and the AIFM Directive as such apply to the Company from time to time;

- 12.1.4 be responsible for co-ordination of the internal, if any, and external auditors;
- 12.1.5 oversee any investigation of activities which are within its terms of reference;
- 12.1.6 work and liaise as necessary with all other Board committees that may be established from time to time, taking particular account of the impact of risk management and internal controls being delegated to different committees; and
- 12.1.7 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.

### **13. AUTHORITY**

- 13.1 The Committee is authorised:
  - 13.1.1 to seek any information it requires from:
    - (a) any member of the Board; or
    - (b) any director or employee of the service providers to the Company (from time to time) or employee of the Company in order to perform its duties;
  - 13.1.2 to obtain, at the Company's expense, outside independent legal or other professional advice on any matter within its terms of reference;
  - 13.1.3 to call any employee or officer of the Company or any of its service providers to be questioned at a meeting of the Committee as and when required; and
  - 13.1.4 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.