

## **Audit and Risk Committee**

### **Introduction**

It is the objective of the Committee to maintain free and open communication between the Committee, external auditors, internal auditors and Executive Management.

The Audit and Risk Committee will assist the Board in fulfilling its responsibilities regarding all matters related to external and internal financial reporting (including maintaining an appropriate relationship with the Company's auditors), risk management, and operational and compliance control principles.

The Audit and Risk Committee is constituted as a Committee of the Board of Directors of GMS. Its members are appointed by the Board of Directors on the recommendation of the Nomination Committee in consultation with the Chairperson of the Audit and Risk Committee.

The Audit and Risk Committee's terms of reference may be amended at any time by the Board of Directors. The Audit and Risk Committee will make available its terms of reference explaining clearly its role and the authority delegated to it by the Board of Directors and it will report to the Board of Directors on how it has discharged its responsibilities. A separate section of the Annual Report should describe the work of the Committee in discharging its responsibilities as described in the Roles and Responsibilities of the Audit and Risk Committee section below. The Committee may from time to time investigate, discuss or review matters outside its terms of reference if so required by the Board.

The Audit and Risk Committee will give due consideration to applicable laws and regulations, the provisions of the Governance Code and the requirements of the Listing Rules.

### **Composition of the Committee**

The Audit and Risk Committee shall be comprised of three members, all of them Independent Non-Executive Directors. At least one Director should have recent and relevant financial reporting and accounting expertise and preferably public company reporting experience. Upon listing, members of the Audit and Risk Committee should be financially literate (i.e. able to read, interpret and understand financial statements). The Chairperson of the Board cannot be a member of the Committee. The Company Secretary or his or her nominee should act as secretary to the Audit and Risk Committee

and should ensure that Committee members receive information and papers in a timely manner to enable full and proper consideration to be given to the relevant issues.

Appointments to the Audit and Risk Committee shall be for a period of up to three years, extendable by no more than two additional three-year periods, so long as members continue to be independent. Only members of the Committee have the right to attend Committee meetings. The Audit and Risk Committee may, however, invite the Chairperson of the Board, the CEO, the CFO, the internal and external auditors and other personnel whom it deems necessary to attend its meetings.

### **Roles and Responsibilities of the Audit and Risk Committee**

The Committee should meet as requested by its Chairperson or secretary on behalf of the Chairperson with a quorum of at least two thirds of the members, such quorum to include at least one member with recent and relevant financial experience. Meetings should take place four to six times per year or as often as is necessary to ensure all matters within the remit of the Committee can be adequately addressed and considered. Committee meetings should in any event take place before the Board meetings when the Board is required to approve financial documentation such as the budget, forecast, Annual Report, half-yearly report and interim management report. Where requested by the Board, the Audit and Risk Committee should provide advice on whether the Annual Report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for the Shareholders to assess the Company's performance, business model and strategy. The Committee should report on, or provide minutes of, its meetings to the Board of Directors. Only members of the Audit and Risk Committee have the right to attend Audit and Risk Committee meetings. However the external auditor and the CFO will be invited to attend Committee meetings on a regular basis and other non-members may be invited to attend all or any part of any meeting as and when appropriate and necessary.

The Chairperson of the Audit and Risk Committee shall attend the AGM and shall answer questions, through the Chairperson of the Board of Directors, about the Committee's activities and responsibilities. The Chairperson of the Committee shall also make themselves available at other times during the year to meet with investors to discuss any significant matters, as required, relating to the Committee's activities and responsibilities.

The Audit and Risk Committee's roles and responsibilities are as follows, but not limited to:

1. Monitoring the integrity of the financial statements of the Company including its annual and half-yearly reports, interim management statements, and any other formal announcements relating to the Company's financial performance and reviewing significant

financial reporting judgments contained in them. Specifically, in order to adequately perform its function, the Committee should:

- (a) review and challenge, in conjunction with the external auditor where appropriate, significant accounting policies and any changes to them, including any significant estimates and judgments and the effects of any new or proposed accounting practices, principles or developments, disclosure requirements, and legislative or regulatory pronouncements. The CFO or auditor should inform the Audit and Risk Committee of the methods used to account for significant or unusual transactions where the accounting treatment is open to different approaches;
- (b) review the clarity and completeness of disclosures in the financial statements and consider whether the disclosures are properly set in context;
- (c) following its review, if the Committee is not satisfied with any aspect of the proposed financial reporting by the Company, it shall report its views to the Board; and
- (d) review related information presented with the financial statements, including the operating and financial review, and corporate governance statements relating to the audit and to risk management.

2. Monitoring the processes in place to ensure compliance with all relevant regulatory authorities and the London Stock Exchange requirements, including ongoing disclosure obligations.

3. Reviewing and monitoring the Company's internal controls and risk management systems as further detailed in the Internal Controls and Risk Management Systems section below.

4. Monitoring and reviewing the effectiveness of the internal audit function including meeting with the head of internal audit regularly to understand the internal audit plan, programme, significant issues and deficiencies and establish remediation plans if appropriate. See also the Internal Auditor Function section below for further details relating to the internal audit function.

5. Making recommendations to the Board in relation to the appointment, reappointment and removal of the external auditor, as further detailed in the External Auditors section below.

6. Evaluating the adequacy and effectiveness of the Company's control systems by reviewing reports from management, the internal auditor and the external auditor, and monitoring management's responses and actions to correct any noted deficiencies.

7. Evaluating the adequacy and effectiveness of the Company's administrative, operating and accounting policies through active communication with management, the internal auditor and the external auditor.

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8. Monitoring the CFO and the broader finance function of GMS who are responsible for keeping the Audit and Risk Committee updated about the relevant changes in the laws and regulations affecting the Company's financial operations and financial statements.
9. Looking into any activity within its terms of reference. It is authorised to seek any information it requires from any employee and all employees of the Company and its subsidiaries are directed to co-operate with any request made by the Audit and Risk Committee.
10. Ensuring that a system is in place whereby employees or any parties concerned have the ability, in confidence, to raise concerns over possible improprieties in matters of financial reporting or other related matters of the Company. It will further ensure that arrangements are in place for the proportionate and independent investigation of such matters and appropriate follow-up action if deemed necessary.
11. Investigating or commissioning an external agency to investigate any cases or allegations of fraud, ethical misconduct and other irregularities against any person in the Company and its subsidiaries.
12. Ensuring that GMS complies with all relevant finance-related statutory, tax and regulatory obligations and all internal policies and procedures, including the Code of Conduct and the Company's whistle-blowing policy.
13. Obtaining external legal, or other professional advice and securing the attendance of anyone it considers has relevant experience, expertise or knowledge.

### **Other matters**

In conjunction with its approval of the Annual Report, the Committee will prepare a report to the Board of Directors. The report, should describe the work of the Committee in discharging its responsibilities, including:

1. Details of the significant issues that it considered in relation to the financial statements and how those issues were addressed.
2. An assessment of whether external reporting is consistent with Committee members' information and knowledge and is adequate for Shareholders' needs.
3. An explanation of how it assessed the independence and effectiveness of the external audit process and the approach taken to the appointment or reappointment of the external auditor; information on the length of tenure of the current audit firm, when a tender was last conducted and advance notice of any retendering plan. In the event that the Board does not agree with the Committee's recommendations in this respect, the Committee should include in the Annual Report, and in any papers recommending appointment or reappointment, a

statement explaining its recommendations together with details as to why the Board has taken a different position.

4. Details of the procedures for the selection and appointment or re-appointment of the external auditor and for the rotation of external audit engagement partners.
5. An explanation of how it assessed the effectiveness of the external audit process.
6. An explanation of how auditor objectivity and independence is safeguarded if the external auditor provides non-audit services.
7. An assessment of the performance and objectivity of the internal audit function.
8. The results of its review of risk management and internal compliance and control systems.
9. A summary of any complaints managed in the period. The Audit and Risk Committee may also prepare a similar report for the Half-yearly report and the interim management report, if relevant.

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

As regards to the internal controls and risk management systems, the Audit and Risk Committee's responsibilities are:

1. To review the Company's internal financial controls, (that is, the systems established to identify, assess, manage and monitor risks) and the risk management systems to ensure they are effective.
2. To discuss with the Executive Management their responsibility for identification, assessment and monitoring of risk, for developing, operating and monitoring the system of internal control. The Committee should receive from the Executive Management a document providing assurance that it has done so. The Committee should receive reports from management on the effectiveness of the systems they have established and the conclusions of any testing carried out by internal and external auditors.
3. To agree procedures and triggers to support the prompt elevation of risk reports to the Board.
4. To review and approve the statements included in the Annual Report in relation to internal control and the management of risk in the Company's and its subsidiaries' operations.

### **External Auditors**

As regards to the Company's external auditors, the Audit and Risk Committee's responsibilities are:

1. To conduct the tender process and make recommendations in accordance with the requirements of the UK Companies Act 2006 to the Board, for the Shareholders approval in

the General Meeting, in relation to the appointment, re-appointment and removal of the external auditor

2. To approve the remuneration and terms of engagement of the external auditor.
3. To review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process, taking into consideration relevant UK professional and regulatory requirements.
4. To develop and implement a policy on the engagement of the external auditor to supply non-audit services, taking into account relevant ethical guidance regarding the provision of non-audit services by the external audit firm, and ensuring there is prior approval of material non-audit services; and to report to the Board, identifying any matters in respect of which it considers that action or improvement is needed and making recommendations as to the steps to be taken.
5. In line with the policy in 4 above, approve any material non-audit services provided by the external auditor, considering in so doing the impact this may have on independence and taking into account the relevant regulations and ethical guidance.
- 6 To review and approve the audit plans and the overall scope of the external audit, including identified risk areas and any additional agreed-upon procedures (it is not the duty of the Committee itself to plan or conduct audits).
7. To assist in the resolution of any disagreements between management and the external auditor regarding financial reporting.
8. To monitor and ensure compliance by the external auditor of the independence requirements imposed by the relevant country's laws and regulations in which GMS or its subsidiaries operate and to receive and review the auditor's independence declaration to be provided to the Directors of GMA by the external auditor.
9. To ensure policies exist to safeguard the independence of the external auditor in any case where employees or former employees of the external auditor wish to join GMS.

### **Internal Auditor Function**

As regards to the internal auditors, the Audit and Risk Committee's responsibilities are:

1. To monitor and review the effectiveness and independence of the Company's internal audit function.
2. To review and approve the internal audit function's remit, regarding the complementary roles of the internal and external audit functions. The Committee should ensure that the function has the necessary resources and access to information to enable it to fulfil its

mandate, and is equipped to perform in accordance with appropriate professional standards for internal auditors.

3. To approve the appointment or termination of the head of internal audit or determine the need of outsourcing the internal audit function to an external firm should GMS not have the appropriate resources, capabilities or expertise.

4. In its review of the work of the internal audit function, the Audit and Risk Committee should, inter alia:

- (a) ensure that the internal auditor has direct access to the Chairperson of the Board and to the Audit and Risk Committee, and is accountable to the Committee; (b) review and assess the annual internal audit work plan;
- (c) receive a report on the results of the internal auditor's work on a periodic basis;
- (d) review and monitor management's responsiveness to the internal auditor's findings and recommendations;
- (e) meet with the head of internal audit at least once per year without the presence of management; and
- (f) monitor and assess the role and effectiveness of the internal audit function in the overall context of the Company's risk management system.

## Nomination Committee

### Introduction

The Nomination Committee will lead the process for Board appointments and make recommendations to the Board and will assist the Board of Directors in fulfilling its corporate governance responsibilities regarding all matters related to the appointment and termination of the Directors, their performance evaluation, training, etc.

The Nomination Committee is constituted as a Committee of the Board of Directors of GMS. Its members are appointed by the Chairperson of the Board and subsequently are endorsed by the Board of Directors.

The Nomination Committee's terms of reference may be amended at any time by the Board of Directors. The Nomination Committee may from time to time investigate, discuss or review matters outside its terms of reference if so required by the Board.

### Composition of the Committee

The Nomination Committee shall be comprised of a minimum of three members, with at least a majority of Independent Non-Executive Directors.

The Board shall appoint the Committee Chairperson, who can either be the Chairperson of the Board, or an Independent Non-Executive Director. In the absence of the Committee Chairperson and/or an appointed deputy, the remaining members present shall appoint one of themselves to chair the meeting from those who would qualify under these terms of reference to be appointed to that position by the Board. The Chairperson should not chair the Nomination Committee when the Committee is dealing with the appointment of his or her successor.

### Roles and Responsibilities of the Nomination Committee

The Nomination Committee should meet as requested by the Chairperson of the Committee and/or the Board. Meetings shall be called by the secretary of the Committee at the request of the Committee Chairperson. Notice shall be in writing given to each Committee member at least five working days in advance of the proposed date of the meeting. The quorum for meetings shall be two thirds of the Committee members. The Committee is to report on its meetings to the Board of Directors. Only members of the Committee have the right to attend Committee meetings but other individuals (e.g. the Chief Executive, head of human resources and external advisers) may be invited



to attend for all or part of any meeting, as appropriate. The Committee Chairperson should attend the AGM to answer any questions raised by the Shareholders with respect to Nomination Committee matters.

The CEO can attend the Committee meetings as requested by the Chairperson; however he or she cannot be a member.

The Nomination Committee responsibilities are as follows, but not limited to:

1. Assisting the Board in fulfilling its corporate governance responsibilities within its terms of reference.
2. Identifying and nominating candidates for the approval of the Board to fill Board vacancies as and when they arise. Before making an appointment, the Committee members should evaluate the balance of skills, knowledge, experience, personal attributes and diversity on the Board of Directors and, in light of this evaluation, prepare a description of the role and capabilities required for a particular appointment including an assessment of the time commitment expected, recognising the need for availability in the event of crises, etc. When selecting candidates the Nomination Committee should consider candidates from a wide range of backgrounds. Any proposed appointee should be required to disclose any other business interests that may result in a conflict of interest and report any future business interests that could result in a conflict of interest.
3. Establishing, monitoring and reviewing the Directors' induction programme and orientation programme and on-going training, including agreeing with each Director their particular development needs. The Committee through the Chairperson should ensure that each new Director undertakes the orientation programme. The programme should enable Directors to have an understanding of:
  - (a) GMS's business and operations;
  - (b) GMS's financial, strategic, operational and risk management positions;
  - (c) Directors' rights, duties and responsibilities; and
  - (d) The role of the Committees.
4. Reviewing and recommending to the Board, the Board's succession plan for the Chairperson of the Board, Committee Chairpersons, Directors and senior management, taking into account the challenges and opportunities faced by the Company and the skills and expertise needed on the Board of Directors in the future.

5. As part of the candidate selection process, a candidate for Board membership's other significant commitments should be reviewed by the Committee and reported to the Board before his or her appointment. The Committee shall review and recommend to the Board any proposals for significant increases thereto which Board members should report to the Board as and when they arise.

6. Undertaking annual reviews in light of the current make-up of the Board of Directors. This assessment includes, but is not limited to, consideration of roles and contributions valuable to the business community, personal qualities of leadership, character, judgment, expertise (including international experience and industry background), independence, integrity, trust, competence, respect, diversity and factors relevant to succession-planning, as well as skills relating to business, operations, manufacturing, finance, marketing, technology, government and public policy. The review should also assess the time devoted by the Non-Executive Directors to meet their obligations.

7. The Chairperson of the Committee shall attend the AGM and shall answer questions, through the Chairperson of the Board of Directors, about the Committee's activities and responsibilities.

8. The Committee is authorised by the Board of Directors to obtain external legal, or other professional advice and to secure the attendance of anyone it considers has relevant experience, expertise or knowledge.

9. The Committee has the authority to seek any information it requires from any GMS employee and all employees must comply with such requests.

10. Other matters referred to the Committee by the Board of Directors are:

(a) regularly assessing the skillset required for the Board of Directors and its Committees, both at present and in the near- and medium-term based on emerging trends; reviewing the structure, size and composition (including the skills, knowledge and experience) of the Board of Directors against the required skillset; and making recommendations to the Board of Directors regarding any changes;

(b) keeping under review the leadership needs of the organisation with a view to ensuring the continued ability of the organisation to compete effectively in the marketplace;

(c) making a statement in the Annual Report about the Board's activities; an explanation of the Company's (and, if different, the Board's) policy and initiatives to increase diversity, including diversity in senior management, and their linkage to the Company's strategy; any measurable objectives which have been set for implementing the diversity policy, and the progress made on achieving those

objectives; the gender balance of those in senior management and their direct reports;

(d) making a statement in the Annual Report about the process used for Board appointments and, if appropriate, explaining why external advice or open advertising has not been used; where an external search agency has been used, it shall be identified in the Annual Report and if it has any association with the Company this shall be noted;

(e) making a statement in the Annual Report about how the Board evaluation has been conducted, the nature and extent of an external evaluator's contact with the Board and individually with Directors, the outcomes and actions taken, and how it has or will influence Board composition;

(e) the membership of the Committee, number of Committee meetings and attendance over the course of the year;

(f) making available its terms of reference explaining clearly its role and the authority delegated to it by the Board of Directors;

(g) ensuring that, on appointment to the Board of Directors, Non-Executive Directors receive a formal letter of appointment setting out clearly what is expected of them in terms of time commitment, Committee service and involvement outside Board of Directors meetings;

(h) making available for inspection, the terms and conditions of the appointment of Non-Executive Directors; and

(i) suggesting the re-appointment of any Non-Executive Director at the conclusion of his or her specified term of office if confirmed by the Board.

11. The Committee should also make recommendations to the Board of Directors on:

(a) any matters, including conflict of interest, relating to the continuation in office of any Director at any time; and

(b) the appointment of any Executive Director to positions other than the Chairperson and CEO, the recommendation for which would be considered at a meeting of the Board of Directors.