

TAYLOR MARITIME INVESTMENTS LIMITED (THE “COMPANY” OR “FUND”)
RISK & AUDIT COMMITTEE – TERMS OF REFERENCE

1. Membership

- 1.1 The Risk & Audit Committee (the “Committee”) comprises all of the non-executive independent Directors of the Company except for the Board chair who shall not be a member of the Committee. The Committee shall comprise at least two members. Members of the Committee shall be appointed by the Board, in consultation with the Nomination and Remuneration Committee and the chair of the Committee.
- 1.2 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. The Committee as a whole shall have competence relevant to the sector in which the Company operates. The current members of the Committee are:
- 1.2.1 Trudi Clark (Chair)
- 1.2.2 Sandra Platts
- 1.2.3 Helen Tveitan
- 1.3 Only members of the Committee have the right to attend Committee meetings. However, the Chair of the Board and the external auditor will be invited to attend meetings of the Committee on a regular basis and other non-members may be invited to attend all or part of any meeting as and when appropriate and necessary.
- 1.4 Appointments to the Committee are made by the Board and shall be for such period as determined by the Board, provided the director still meets the criteria for membership of the Committee.
- 1.5 The Board shall appoint the Committee chair. In the absence of the Committee chair and/or an appointed deputy, the remaining members present shall elect one of themselves to chair the meeting.

2. Secretary

- 2.1 The Company Secretary shall be the secretary of the Committee.
- 2.2 The secretary of the Committee shall attend meetings of the Committee to take minutes 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.
- 2.3 In the absence of the secretary of the Committee, the members present at the meeting of the Committee shall elect another person as the secretary.

3. Quorum and Authority

The quorum necessary for the transaction of business shall be two members. Provided that a quorum is present, decisions can be approved by a simple majority.

4. Frequency of meetings

- 4.1 The Committee shall meet at least twice a year at appropriate intervals in the financial reporting and audit cycle and otherwise as required.
- 4.2 Outside of the formal meeting programme, the Committee chair will maintain a dialogue with key individuals involved in the Company’s governance, including the Board chair and the external audit lead partner.

5. Notice of meetings

- 5.1 Meetings of the Committee shall be convened by the secretary of the Committee at the request of any of its members or at the request of the external audit lead partner 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, no later than five working days before the date of the meeting.

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Supporting papers shall be sent to Committee members and to other attendees as appropriate, at the same time.

6. Minutes of meetings

- 6.1 The secretary shall minute the proceedings and decisions 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 chair.

7. Annual General Meeting

- 7.1 The Committee chair shall attend the annual general meeting to answer shareholder questions on the Committee’s activities. Should the chair be unable to attend one of the other Committee members will do so.

8. Duties

The Committee should carry out the duties below for the Company as appropriate.

8.1 Financial reporting

8.1.1 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, challenging (where necessary) and reporting to the Board on significant financial reporting issues and judgements which they contain having regard to matters communicated to it by the auditor, and how they were addressed. For example review and challenge of the valuation of the Company’s investments.

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

- 8.1.2.1 the consistency of, and any changes to, significant accounting policies both on a year on year basis and across the Company;
- 8.1.2.2 the methods used to account for significant or unusual transactions where different approaches are possible;
- 8.1.2.3 whether the Company has followed appropriate accounting standards and made appropriate estimates and judgements, taking into account the views of the external auditor;
- 8.1.2.4 the clarity and completeness of disclosure in the Company’s financial reports and the context in which statements are made;
- 8.1.2.5 all material information presented with the financial statements, such as the corporate governance statements relating to the audit and to risk management;
- 8.1.2.6 The going concern assumption;
- 8.1.2.7 Compliance with the Financial Conduct Authority and any other legal, regulatory or listing requirements; and
- 8.1.2.8 Any statements included in the financial statements concerning the viability of the Company.

8.1.3 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 financial statements 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.

8.3 NAV Reporting

The Committee should review the unaudited quarterly NAV calculation to ensure consistency of valuation principles when arriving at the fair value of the Company subsidiaries and to report on its findings to the Board. If there any significant changes in treatment, the Committee should review the reasons and challenge as appropriate

8.4 Internal controls and risk management systems

The Committee shall:

- 8.4.1 keep under review the adequacy and effectiveness of the Company’s internal financial controls and internal control and risk management systems;
- 8.4.2 seek assurance over internal controls of administrator by considering whether the internal control and risk management systems of the key service providers are adequate and receive reports from the Company’s service providers covering internal and risk management systems and procedures supported, as appropriate, by ISAE 3402, SOC 1 or AAF Reports or similar;
- 8.4.3 ensure that a framework of strong corporate governance and best practice is in place, which is believed to be suitable for an investment company and which enables the Company to comply with the main requirements of the AIC Code of Corporate Governance and any other code of corporate governance where considered appropriate;
- 8.4.4 review and approve the statements to be included in the annual report concerning internal controls and risk management;
- 8.4.5 oversee and advise the board on the current risk exposures of the Company with particular focus on the Company’s principal risks, being those which would threaten its business model, future performance, solvency or liquidity, and consequently could influence shareholders’ economic decisions, and the controls in place to mitigate those risks;
- 8.4.6 review the arrangements and effectiveness for the monitoring of risk parameters;
- 8.4.7 develop a risk matrix and consider appropriate mitigating measures and where appropriate and identifiable fallback measures, implementing these where possible or making recommendations to the Board. The application of the risk matrix should be dynamic and respond to the evolving strategy of the Fund, changes of circumstance of each direct or indirect portfolio investment;
- 8.4.8 ensuring the Company operates a robust mechanism to identify and manage new risk exposures;
- 8.4.9 ensure appropriate, documented and regularly updated due diligence processes are implemented when appointing and reviewing services providers, including reviewing the main contracts entered into by the Fund for such services;
- 8.4.10 ensure that the risk profile of the Fund corresponds to the size, portfolio structure and investment strategies and objectives of the Fund;
- 8.4.11 report to the Board on its conclusions and to make recommendations in respect of any matters within its remit including proposals for improvement or changes to the systems, processes and procedures that are in place;

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8.4.12 review quantitative and qualitative metrics in relation to the categories of risk which are relevant to the Fund’s overall activities. The Committee shall constructively challenge the Executive Team in relation to matters of investment risk and other service providers in relation to operational and compliance risk; and

8.4.13 establish, subject to Board approval, risk limits and tolerances and monitor compliance with those limits and tolerances, making recommendations accordingly.

8.5 Compliance, whistleblowing and fraud

The Committee shall:

8.5.1 review the Company’s arrangements for the employees and contractors of the third party service providers 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;

8.5.2 review the Company’s procedures for detecting fraud;

8.5.3 review both the Company’s and the third party service providers systems and controls for the prevention of bribery and receive reports on non-compliance.

8.6 External Audit

The Committee shall

8.6.1 consider and make recommendations to the Board, to be put to shareholders for approval at the AGM, in relation to the appointment, re-appointment and removal of the Company’s external auditor;

8.6.2 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. The maximum period of continuous audit service provided by any one audit firm shall not exceed 20 years;

8.6.3 if an auditor resigns, investigate the issues leading to this and decide whether any action is required;

8.6.4 oversee the relationship with the external auditor including (but not limited to):

8.6.4.1 recommendations on their remuneration, including both fees for audit and non-audit services, and that the level of fees is appropriate to enable an effective and high quality audit to be conducted;

8.6.4.2 approval of their terms of engagement, including any engagement letter issued at the start of each audit and the scope of the audit;

8.6.4.3 assessing annually their independence and objectivity taking into account relevant professional and regulatory requirements and the relationship with the auditor as a whole, including the provision of any non-audit services;

8.6.4.4 ensure that the provision of non-audit services by the Company’s external auditor complies with the Company’s Non-Audit Services Policy;

8.6.4.5 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;

8.6.4.6 agreeing with the Board a policy on the employment of former employees of the Company’s auditor, and monitoring the implementation of this policy;

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- 8.6.4.7 monitoring the auditor’s compliance with relevant ethical and professional guidance on the rotation of audit partner, the level of fees paid by the Company compared to the overall fee income of the firm, office and partner and other related requirements;
 - 8.6.4.8 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; and
 - 8.6.4.9 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.
- 8.6.5 meet regularly with the external auditor (including once at the planning stage before the audit once after the audit at the reporting stage and once after the interim review) and at least once a year, without management being present, to discuss the auditor’s remit and any issues arising from the audit;
- 8.6.6 review and approve the annual audit plan 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; and
- 8.6.7 review the findings of the audit with the external auditor. This shall include but not be limited to, the following:
- 8.6.7.1 a discussion of any major issues which arose during the audit;
 - 8.6.7.2 key accounting and audit judgements;
 - 8.6.7.3 levels of errors identified during the audit; and
 - 8.6.7.4 the effectiveness of the audit process.

The Committee shall also:

- 8.6.8 review any representation letter(s) requested by the external auditor before they are signed by management;
- 8.6.9 review the management letter and management’s response to the auditor’s findings and recommendations; and
- 8.6.10 develop and implement policy on the supply of non-audit services by the external auditor to avoid any threat to auditor objectivity and independence, taking into account any relevant ethical guidance on the matter.

9. Reporting responsibilities

- 9.1 The Committee chair shall report formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities and shall also formally report to the Board on how it has discharged its responsibilities. This report shall include:
- 9.1.1 the significant issues that it considered in relation to the financial statements (required under paragraph 8.1.1 and 8.3) and how these were addressed;
 - 9.1.2 its assessment of the effectiveness of the external audit process (required under paragraph 8.5.4.7) and its recommendation on the appointment or reappointment of the external auditor; and
 - 9.1.3 any other issues on which the Board has requested the Committee’s opinion.
- 9.2 The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.

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- 9.3 The Committee shall compile a report on its activities to be included in the Company’s annual report. The report should include an explanation of how the Committee has addressed the effectiveness of the external audit process; 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; and all other information requirements set out in the Code.
- 9.4 In the compiling the reports referred to in 9.1 and 9.3, 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 assessment of whether the Company is a going concern. The report to shareholders need not repeat information disclosed elsewhere in the annual report and accounts, but could provide cross-references to that information.

10. Other matters

The Committee shall:

- 10.1 have access to sufficient resources in order to carry out its duties, including access to the company secretariat for assistance as required;
- 10.2 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;
- 10.3 give due consideration to laws and regulations, the provisions of the Code and the requirements of the UK Listing Authority’s Listing, Prospectus and Disclosure and Transparency Rules and any other applicable rules, as appropriate;
- 10.4 be responsible for co-ordination of external auditors;
- 10.5 oversee any investigation of activities which are within its terms of reference;
- 10.6 work and liaise as necessary with all other Board committees; and
- 10.7 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.

11. Authority

The Committee is authorised to:

- 11.1 seek any information it requires from any employee, agent, or service provider to the company in order to perform its duties;
- 11.2 obtain, at the Company’s expense, independent legal, accounting or other professional advice on any matter it believes it necessary to do so;
- 11.3 call any connected person to be questioned at a meeting of the Committee as and when required; and
- 11.4 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.

Adopted on 23 July 2021