

Report of the Audit Committee



Dear shareholder,

I am pleased to present the Report of the Audit Committee (the Committee) for the year ended 31 December 2021.

The Committee plays an important role in ensuring the Group's financial integrity for shareholders through oversight of the financial reporting process, including the risk and control systems which underlie that process. This report sets out how the Committee fulfilled its duties under its Terms of Reference, the UK Corporate Governance Code, the Irish Annex and relevant legislation.

Composition

There were some changes to the Committee composition during the year. As Chairman, I welcome new Committee members Lesley Williams and Dan Clague. I also thank Catherine Duffy and Brian O'Kelly who resigned during the year for their contributions as members of the Committee during their tenure.

The Audit Committee membership during the year is set out in the table below which also details attendance and tenure.

Member	A	B	Tenure
J. Sheehan (Chair)	4	4	8 years
C. Duffy (resigned, 12 May 2021)	2	2	9 years
B. O'Kelly (resigned, 17 December 2021)	4	4	9 years
L Williams (appt'd. 8 April 2021)	4	4	0.7 years
D. Clague (appt'd. 26 August 2021)	1	1	0.5 years

Column A: the number of scheduled meetings held during the year where the Director was a member of the Committee.

Column B: the number of scheduled meetings attended during the year where the Director was a member of the Committee.

At 31 December 2021, the Committee comprised of three Non-Executive Directors, all of whom have been determined by the Board to be independent. The members bring significant professional expertise to their roles gained from a broad level of experience gained outside of the Group. This, together with their experience as Directors of the Company, assures that the Committee as a whole has competence relevant to the sector in which the Group operates. The member's biographies are set out on pages 78 to 79. The Board has determined that John Sheehan has recent and relevant financial experience and that all members have wide experience of corporate financial and risk matters. Overall, the Committee is independent and possesses the skills and knowledge to effectively discharge its duties under the Committee's Terms of Reference. The Company Secretary acts as secretary to the Committee.

There were four scheduled meetings during the year at which all then current members attended. In addition, where requested, the Chief Executive Officer, the Chief Financial Officer and Chair and other members of the Risk Management Committee also attended. The scheduled meetings normally take place on the same day as Board meetings. The Chairman provides updates to the Board on key matters discussed and minutes are circulated to the Board.

Role and Responsibilities

The role, responsibilities and duties of the Audit Committee are set out in written terms of reference which are reviewed annually. The Terms of Reference are available on the Group's website www.icg.ie.

The principal responsibilities of the Committee cover the following areas:

- Supporting the Board in fulfilling its responsibilities in relation to the integrity of the financial reporting process including assessment of key estimates, critical accounting judgements, going concern and viability statements.
- Advise whether the Annual Report and Financial Statements, taken as a whole, are fair, balanced and understandable and provides the information necessary for shareholders to assess the Group and Company's position and performance, business model and strategy.

- Overseeing the functioning of the internal audit function.
- Monitor the effectiveness of the Group's internal controls and risk management systems, including structures and arrangements supporting the Directors' Compliance Statement.
- Managing the relationship with the external auditor, including consideration of the appointment of the external auditor, the level of audit fees, and any questions of independence, provision of non-audit services, resignation or dismissal.

Work Performed

The principal work undertaken by the Committee during the period under review was focused on the following areas;

Financial Reporting

The Committee reviewed the Group's Half Yearly Financial Report for the six months ended 30 June 2021, the Preliminary Statement of Results and Annual Report and Financial Statements, for the financial year ended 31 December 2021 and the two Trading Statements issued during the year. These reviews considered;

- Assessment of the effects of new standards effective for reporting in financial year 2021;
- Other than for any new standards, the consistency, appropriateness and application of the Group's accounting policies;
- The clarity and completeness of disclosures and compliance with financial reporting standards, legislative and regulatory requirements;
- Whether these reports, taken as a whole, were fair, balanced and understandable and provide the information necessary for shareholders to assess the Group's position and performance, business model and strategy;
- A comparison of these results with management accounts; and
- The critical accounting judgements and key sources of estimation applied in the preparation of the Financial Statements.

In assessing if the Financial Statements have dealt appropriately with each area of judgement, the Committee challenged the key assumptions and methodologies used by management in formulating estimates. The key sources of estimation uncertainty

and critical accounting judgements applied in the preparation of the Financial Statements for the financial year ended 31 December 2021 are set out below and also discussed on pages 149 to 152.

Key Estimates

• Post-employment benefits

The Group operates a number of Group sponsored pension schemes and is also a participating employer in the Merchant Navy Officers Pension Fund, a multi-employer scheme. Details of these schemes are set out in note 32 to the Financial Statements. The size of the pension obligations at €140.5 million (2020: €140.8 million) is material to the Group and sensitive to actuarial assumptions. The Committee has reviewed actuarial advice received from the Group's external actuary on the assumptions used by the scheme actuary in estimating the outstanding pension obligations at the year end. The Committee was satisfied that the assumptions used were reasonable and that the obligations set out in the Financial Statements are consistent with the assumptions and fairly presented.

• Useful lives for property, plant and equipment and intangible assets

Long-lived assets comprising primarily of property, plant and equipment and intangible assets represent a significant portion of total assets. Changes in the useful lives may have a significant impact on the annual depreciation and amortisation charge. The Committee reviewed the useful life estimates of significant assets including technological developments, regulatory developments, operating performance and industry scrapping cycles and were satisfied that the estimates used were reasonable.

Critical Accounting Judgements

• Impairment

The Group does not have assets which are required to be tested annually for impairment. In relation to other significant assets, the Committee made inquiries of management to determine whether there were any indications of impairment. The Committee acknowledged the continuing effects of Covid-19 measures on the Group's trading position in its ferry operations and the sector in general and considered whether this amounted to an indication of impairment and, if so, whether asset valuations were materially negatively affected.

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Based on the evidence provided by management the Committee were satisfied that there were no indicators of general declines in the market value of the types of vessels included in the Group's fleet. Nonetheless, in referencing accounting standard IAS 36: Impairment of Assets, management, having considered each of the events described at paragraph 12 of the standard, assessed that the decline in profitability from its passenger operations amounted to an indicator of impairment for its ferry fleet at 31 December 2021 and on reassessment also at 31 December 2020. The Group's position as previously reported in the 31 December 2020 financial statements, was that the remaining useful lives of the vessels were sufficiently long to allow the downturn in performance and cash generated by the vessels noted in 2020 to be temporary and therefore not regarded as an impairment indicator.

The Committee reviewed and challenged management on their approach and conclusion that the continuing effect of Covid-19 travel restrictions on passenger revenues amounted to an indicator of impairment. The Committee cognisant of the requirement for consistency between years were satisfied as to the appropriateness of the assessment and the conclusion that an indicator of impairment existed at 31 December 2021 and also, following reassessment, at 31 December 2020 requiring a recoverable value estimate of the ferry fleet to be prepared at both reporting dates.

The Committee reviewed management's calculations of the recoverable value estimates which were prepared based on the conditions and information available at each reporting date. The Committee examined the methodology, key assumptions and key judgements used including the limitations of the independent vessel valuations, the rationale for treating the ferry fleet as a single cash generating unit, growth rates and the discount rate used in the value in use calculations.

The Committee was satisfied that the recoverability assessment performed at each reporting date was robust, comprehensive and supported the carrying value of the ferry fleet as at 31 December 2021 and 2020. The Committee agreed that no provision for impairment against the carrying value of the Group's ferry fleet was required at 31 December 2021 or at 31 December 2020.

- **Going concern**

The Committee reviewed the appropriateness of using a going concern assumption for the preparation of the Group Financial Statements.

The Committee noted that the introduction of measures in response to Covid-19 by governments in the jurisdictions in which we operate services in March 2020 and which have continued in various forms throughout the period to 31 December 2021 have had a material effect on the Group's financial results. Notwithstanding the downturn in profitability due to the reduced passenger revenues, the Group's RoRo, LoLo, chartering and port stevedoring services operated largely in line with expectations and the Group has continued to generate cash from operations.

The Committee also noted that government imposed Covid-19 travel restrictions have been largely removed from the beginning of 2022 for passengers who are fully vaccinated and passenger volumes have increased over the prior year levels. However, there remains a risk of a resurgence of Covid infections and the possibility of re-imposition of restrictions in the future. All other revenue streams were performing satisfactorily up to the date of the approval of the financial statements.

The Committee met with management and reviewed and challenged their going concern modelling including assumptions and sensitivities in a number of trading scenarios including a possible re-imposition of travel restrictions and the effects of emerging geopolitical issues on fuel prices. The Committee also considered existing and future financial resources which could reasonably be expected to be available to the Group on normal market terms. The going concern modelling covered a period of 12 months from the date of approval of the Financial Statements.

Following completion of the above, the Committee were satisfied that the Group will have adequate financial resources to continue in operational existence for the foreseeable future and the use of the going concern basis remained appropriate in the preparation of the financial statements. The Going Concern Statement is set out on page 116.

Viability Statement

The Committee reviewed and challenged management's assumptions and scenarios together with the calculations supporting the Viability Statement set out on pages 116 to 117. The Committee also considered the appropriateness of the five year assessment time frame and that the Group's principal and emerging risks had been appropriately considered. The Committee was satisfied that a robust assessment had been completed and reported this to the Board.

Fair, balanced and understandable

The Committee reviewed this Annual Report and Financial Statements to ensure that in its opinion taken as a whole, it is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy.

Recommendations to the Board

Based on the work undertaken, the Committee reported to the Board that the Annual Report and Financial Statements for the year ended 31 December 2021 taken as a whole, is fair, balanced and understandable, and provides the information necessary for shareholders to assess the Group and Company's position and performance, business model and strategy and recommended that the Annual Report and Financial Statements be approved by the Board.

The Committee had also recommended the approval of the Half Yearly Financial Report for the six months ended 30 June 2021 and the Trading Statements issued during 2021.

Engagement with Regulators

The Committee also oversaw management's engagement with the Irish Auditing and Accounting Supervisory Authority (IAASA) regarding their inquiries into certain aspects of the Financial Statements for the year ended 31 December 2020. The Chairman also met with IAASA in relation to their audit quality review of Deloitte, auditor to the Company for year ended 31 December 2020.

Risk Management and Internal Control

The Board is responsible for the Group's risk management and system of internal control. The Board's approach to risk management is set out in the Risk

Management Report at page 62. The Committee, on behalf of the Board, reviews the effectiveness of the Group's control environment including internal controls and risk management systems.

The Risk management report describes the principal risks and uncertainties faced by the Group. Risks are grouped under strategic, operational, IT system and cyber and financial risks. The risk management system is dynamic and monitors for signals of new emerging risks. During 2021 two areas were being actively monitored; ongoing changes as a result of Brexit and environmental regulation. Since the year end geopolitical risks in eastern Europe are also being monitored.

The Committee oversees the work of the Risk Management Committee (RMC) which coordinates a unified system of ongoing identification, monitoring and reporting of risks throughout the Group. The activities of the RMC are undertaken alongside the activities of Internal Audit.

During the year, the Committee met with members of the RMC and presentations were made outlining the work undertaken in managing risk monitoring systems, procedures for ensuring the Group Risk Register is being updated for new and emerging risks and the management of exposure to principal risks. The work of the RMC is also central in putting consideration of risk to the fore in business decision making throughout the Group. The Committee reviewed the updated Risk Appetite Statements prepared by the RMC which were then presented to the Board for approval. The Committee also received regular reports throughout the year including internal audit reviews, operational and safety risk reviews including information technology and cyber security. In addition, the Chairman meets regularly with Group Internal Audit and the Committee approved the 2021 Internal Audit Plan.

The Committee undertook a review of the RMC and Internal Audit activities. The Committee was satisfied that risk management and internal control system had been in place throughout the financial year. In conducting the review the Committee acknowledges that the risk management and internal control system is designed to manage and mitigate rather than eliminate risk. The Committee was satisfied that the RMC and Internal Audit were achieving their objectives and that the Group control environment remains appropriate and effective. This assessment has been reported to the Board.

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The Committee also reviewed the effectiveness of the arrangements and structures which the Company has designed and put in place to secure material compliance with its Relevant Obligations as defined under Companies Act 2014. Relevant obligations comprise compliance with certain company law and tax obligations. The Committee reported to the Board that the arrangements and structures were sufficient to secure material compliance with its Relevant Obligations.

External Audit

The Committee is responsible for managing the relationship with the Group's external auditor and monitoring their performance, objectivity and independence.

Audit Tender

Under Part 27 of the Statutory Audits of Companies Act 2014, given the tenure of the Company's previous auditor Deloitte, the Company was required to conduct a tender process in relation the appointment of a new auditor for the external audit in respect of the financial year commencing 1 January 2021. As Deloitte had served in excess of 20 years, they were not eligible for re-appointment.

The tender process was led by the Audit Committee Chair in conjunction with a tender committee comprising management of the Company and involved a number of steps;

- Research into audit firms with the capability and reputation to provide audit services to the Company and Group
- Request for expressions of interest from a selection of identified audit firms.
- Shortlisting of firms who were then invited to submit audit proposals. As part of this process teams from shortlisted firms met with management at Group and divisional level to gain insights into the Group's operations and control environment.
- The Company maintained scorecards from the above interactions covering areas of team competence, service approach, communication, commitment and proactivity.
- The CEO and Committee chair met separately with the shortlisted firms

- The submitted written proposals were assessed by the Company

Following completion of the process, the Committee made a recommendation to the Board for appointment of auditor. After due consideration of the Audit Committee recommendation, the Board proposed that a resolution be put to shareholders at the 2021 AGM for the appointment of KPMG as the new auditor to the Company. This resolution was passed by shareholders on 12 May 2021.

2021 Audit Process

The Committee met with KPMG prior to the commencement of the audit of the Financial Statements for the financial year ended 31 December 2021. The Committee considered KPMG's internal policies and procedures for maintaining independence and objectivity and their approach to audit quality. The Committee assessed the quality of the external audit plan as presented by KPMG and satisfied itself as to the expertise and resources being made available. The Committee also reviewed the terms of the Letter of Engagement and approved the level of remuneration.

KPMG reported their key audit findings to the Committee in March 2022 prior to the finalisation of the Financial Statements. This report, which included a schedule of unadjusted errors and misstatements, significant judgements and estimations and key areas of risk, was considered by the Committee in forming their recommendation to the Board. The Committee also considered the representations sought by KPMG from the Directors.

KPMG's key audit findings report included control weaknesses noted during their audit, none of which were considered of a serious nature so as to cause KPMG to amend the scope of their original audit plan. The Committee has considered these and, having discussed with management, have directed remedial action be taken where considered appropriate.

The Committee evaluated KPMG's performance which included an assessment of KPMG's communication process with the Committee and senior management, knowledge of the Group and industry sector and resource commitment to the external audit and the Committee is satisfied that in conducting the audit of the 2021 Financial Statements KPMG were effective, objective and independent.

As auditor, KPMG confirmed to the Company that they comply with the Ethical Standards for Auditors (Ireland) 2016 as issued by IAASA and that, in their professional judgement, they and, where applicable, all KPMG network firms are independent and their objectivity is not compromised.

KPMG confirmed to the Company that the lead partner will be rotated every five years to ensure continued objectivity and independence. Mr. Colm O'Sé has acted as lead partner for the audit of the 2021 Financial Statements.

Auditor Independence

The Committee permits the external auditor to provide non-audit services where they are permitted under Part 27 of the Statutory Audits of Companies Act 2014 and are satisfied that they do not conflict with auditor independence. The Committee's policy on the provision of non-audit services requires that each engagement for the provision of non-audit services requires approval of the Committee. The Committee approved the engagement of the external auditor to provide certain tax compliance services and reporting accountant services in respect of the 2021 financial year. This approval was granted on the basis of procedural efficiency.

The Audit Committee has considered all relationships between the Company and the external audit firm, KPMG, including the provision of non-audit services as disclosed in note 9 to the financial statements which are within the thresholds set out in Part 27 of the Statutory Audits of Companies Act 2014. The Committee does not consider that those relationships or the level of non-audit fees impair the auditor's judgement or independence.

John Sheehan

Chair of the Audit Committee

9 March 2022