

Report of the Audit and Risk Committee



Dear shareholder,

I am pleased to present the Report of the Audit and Risk Committee (the Committee) for the year ended 31 December 2023. I have served on the Committee since August 2022 and was appointed as Chair in November 2022.

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

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

At 31 December 2023, 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 members' biographies are set out under Director Biographies (pages 76-77). The Board has determined that Eimear Moloney has recent and relevant financial experience. Eimear is a qualified chartered accountant and has experience of audit committee membership at other listed companies. The other members of the Committee 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 members attended. In addition, where requested, the Chief Executive Officer, the Chief Financial Officer, Board 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.

Member	Appointed to Committee	Meetings Held	Meetings Attended	Tenure
E. Moloney – Chair (appointed: Nov-22)	Aug-22	4	4	1.5 years
L. Williams	May-21	4	4	2.7 years
D. Clague	Aug-21	4	4	2.5 years

Role and Responsibilities

The role, responsibilities and duties of the 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. During 2023, the terms of reference were updated by the Board to recognise the changing environment around risk and climate developments and their effect on the business together with recent and expected increased reporting requirements. The Committee name was also amended to the Audit and Risk Committee to reflect the greater sphere of responsibility.

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, is fair, balanced and understandable and provide 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 the functioning of the Executive Risk Management Committee and the 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, any questions of independence, the provision of non-audit services and resignation or dismissal.
- Managing the relationships with external financial regulatory authorities

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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 2023 the Preliminary Statement of Results and Annual Report and Financial Statements, for the financial year ended 31 December 2023 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 2023;
- 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 2023 are set out below with further details at Note 3 to the Financial Statements.

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 31 to the Financial Statements. The size of the pension obligations at €96.9 million (2022: €91.6 million) are material to the Group and sensitive to actuarial assumptions. The Committee has reviewed the advice received from an actuary independent of the schemes on the setting of actuarial assumptions used by the scheme actuaries 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.

The Committee also noted that for certain schemes, assets exceeded liabilities resulting in a pension surplus at 31 December 2023 of €39.4 million (2022: €33.6 million). The Committee made inquiries of management to ensure that this amount represented a fair estimate of the unconditional right of a refund the Group may expect in the future.

• 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 discussed with management their approach to the identification of indicators of impairment including management's assessment of the economic performance of assets, technological developments, new rules and regulations including environmental regulation, shipbuilding costs, valuation models and the carrying value versus market capitalisation of the Group.

The Committee noted that the profitability of the Irish Ferries branded operations had been materially affected in financial years 2021 and 2020, due to the imposition of government travel restrictions as a result of the Covid 19 pandemic. This decline in profitability had been subsequently assessed as an indication of impairment in those years. Following the lifting of all travel restrictions in early 2022, passenger carryings recovered and this recovery was sustained throughout 2023 broadly in line with management expectations. The related strong recovery in profitability was considered such that this factor was no longer considered to be an indicator of impairment at 31 December 2023 consistent with the prior year assessment.

The Committee discussed with management their assessment that the declining trends in market charter rates for container vessels during 2023 and persisting at the period end amounted to an indication of impairment of the Group's container vessel fleet. The Committee noted that for 2023, management were confining this assessment to the container vessel fleet only whereas in the prior year the assessment had been applied to the Groups full fleet including ferries.

The Committee were satisfied with the management explanation of the differing characteristics of both fleets and that the assessment was correctly applied to the container vessel fleet only.

The Committee reviewed management's calculations of the recoverable value estimates prepared on the container vessel fleet which were prepared based on the conditions and information available at 31 December 2023. The Committee examined the methodology, key assumptions and key judgements used including the limitations of the independent vessel valuations, derivation of estimated future charter rates and the discount rate used in the value in use calculations. The Committee also considered management's views on the likely effect of environmental regulations on premature obsolescence and future operating costs.

The Committee was satisfied that the recoverability assessment performed at the reporting date was robust, comprehensive and supported the carrying value of the container vessel fleet as at 31 December 2023. The Committee agreed with the management conclusion that no provision for impairment against the carrying value of the Group's fleet was required at 31 December 2023.

• **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 recovery in profitability in the ferry operations seen in 2022 following the Covid pandemic, had sustained during 2023 and was materially in line with expectations.

The Committee reviewed and challenged management on their going concern modelling including assumptions and sensitivities in a number of trading scenarios including the possible effects of

reduced volumes over budget levels and higher 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 at Note 3 to the Consolidated Financial Statements.

• **Leases – determination of lease term**

There is judgement required in determining the term of a leased vessel where there are any periods covered by options to extend the lease and/or purchase the vessel if these are reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. The assessment of whether the Group is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognised. The Committee challenged management on the factors considered in determining the lease terms for those significant leases which contained unexercised renewal options at the reporting period end. The Committee were satisfied that a robust consideration taking into account likely developments in the market and the Group had been made in determining the lease terms.

Viability Statement

The Committee reviewed and challenged management's assumptions and scenarios together with the calculations supporting the Viability Statement set out the Report of the Directors (page 110). 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 the 2023 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 2023 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 2023 and the Trading Statements issued during 2023.

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Engagement with Regulators

The Committee oversaw management's engagement with the Irish Auditing and Accounting Supervisory Authority (IAASA) regarding their inquiries into certain aspects of the Annual Report and Financial Statements for the year ended 31 December 2022. The Committee noted that no adverse findings were assessed.

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 (pages 60-69). The Committee, on behalf of the Board, reviews the effectiveness of the Group's control environment including internal controls and risk identification and 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 which during 2023 included political tensions in eastern Europe and Middle East, the effect of proposed regulations over seafarer working conditions. Further details on these are set out in the Risk Management Report (pages 60-69).

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 with the RMC those activities giving risk to the highest risk exposures and formulated a recommendation to the Board to continue those activities as being necessary to the Group's operations. 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 2023 Internal Audit Plan.

The Committee reviewed the effectiveness and resourcing of the RMC and Internal Audit activities. The Committee was satisfied that management had rectified an internal audit resourcing deficit in early 2023 and that the internal audit program had not been adversely affected. The Committee was satisfied that all other risk management and internal control systems 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.

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. The Committee evaluates on an annual basis, at the conclusion of the audit, the effectiveness of the external audit process.

2023 External 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 2023. 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 2024 prior to the finalisation of the Financial Statements. This report, which included a schedule of non-material 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 significant deficiencies 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 has also considered feedback from management involved in the audit process regarding interaction with and level of preparedness of the audit

team. The Committee also meet with the audit team without the presence of management.

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 2023 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) 2020 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 (who was appointed in 2021) has acted as lead partner for the audit of the 2023 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 certain pension scheme in respect of the 2023 financial year. This approval was granted on the basis of procedural efficiency. The Committee must also give approval for the employment of any person who was

previously employed by the external auditor within the previous two years of proposed employment by the Group.

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.

Based on consideration of the above the Committee concluded that it was satisfied with the performance, objectivity and independence of the external auditor.

Éimear Moloney

Chair of the Audit Committee

6 March 2024