TERMS OF REFERENCE
BOARD's AUDIT SUB-COMMITTEE

NB: Sections in italics are from the Constitution.

1. Purpose and Responsibilities

1.1 Role of the Board's Audit Sub-Committee

The Board's Audit Sub-Committee (the '**Sub Committee'**) supports the Board by providing collective independent oversight, review, and advice in relation to financial reporting, audit, internal controls, risk management, insurance, and compliance.

The Sub-Committee does not perform management functions and does not assume responsibility for the operation of financial or risk management systems.

1.2 Duties

The duties of the Sub-Committee are to:

(a) oversee whether appropriate financial reporting, accounting, and financial control processes are in place and operating effectively and monitor those processes so that that the Board is properly and regularly informed on financial matters;

(b) recommend to the Board the appointment, tenure, and remuneration of the external auditor;

(c) review and assess the independence, objectivity, and performance of the external auditor;

(d) review and approve the external auditor's proposed annual audit plan, scope, and materiality.;

(e) review the draft annual financial reports having regard to applicable laws, regulations, and accounting standards, considering management representations and external auditor reports, and recommend approval to the Board;

(f) review significant audit findings and recommendations and monitor management responses and remediation actions;

(g) review and *monitor insurance cover*, enterprise-wide *internal controls*, and *risk management policies* and frameworks *and assess their effectiveness*;

(h) review the operation and effectiveness of Board approved policies and procedures for financial management, risk management and legal compliance and recommend any changes or enhancements to the Board for approval;

(i) review whether World Sailing is operating within its Risk Appetite Statement, review the risk register and associated key controls for material risks, and oversee the effectiveness of management's risk mitigation strategies and action plans in addressing those risks;

(j) supervise any special investigations requested by the Board on matters relevant to the Sub-Committee's role and responsibilities; and

(k) examine any other matters referred to it by the Board.

2. Membership

2.1 The Sub-Committee is appointed by the Board.

2.2 The Sub-Committee composition is as follows:

(a) *an Independent Chair as recommended by the Nominations Panel;*

(b) at least two finance professionals who together bring knowledge and experience in Isle of Man and United Kingdom compliance obligations and Financial Reporting standards, and Risk Management; and

(c) two Board Members appointed as liaisons for finance and risk management.

2.3 *The Independent Chair may serve no more than two terms of four years in office.* If appointed after the 30th of June of the year following a full Board election, their term will end on the date of appointment of the next Independent Chair after the next full Board election or, as a maximum, on the 30th of June of the year following it. If the Chair is appointed for a second term, the same term limits will apply.

2.4 The term of office for each member in 2.2(b) is four years from the date of appointment. A member is eligible for re-appointment for one additional term of office. If appointed after the 30th of June of the year following a full Board election, the term will end one month after the appointment of the next Independent Chair after the next full Board election or, as a maximum, on the 30th of June of the year following it. If the member is appointed for a second term, the same term limits will apply.

3. Authority

3.1 The role of the Sub-Committee is to make recommendations to the Board on the matters within its remit. *It does not make decisions on behalf of World Sailing except as permitted by the Constitution, Regulations, or any minuted decision of the Board.*

3.2 The Sub-Committee is authorised by the Board to investigate any activity covered by its policies and duties. It is authorised to seek any information it requires from the Chief Executive Officer, who shall co-operate with any request made by the Sub-Committee.

3.3 The Sub-Committee is authorised to obtain external resources as required to assist with its work, subject to budget allocation or Board approval.

4. Procedures

4.1 *The Sub-Committee must meet at least once per year. At least one meeting must be in person* but remote attendance by members who cannot attend in person is permitted. *The date and location of any in-person meeting must be approved by the Board* on proposal by the Chair and the Chair must consult with the Sub-Committee before making a proposal.

4.2 *The Sub-Committee is required to prepare an annual work plan, which is aligned to the World Sailing Strategy approved by the Board. The work plan must be published with the Sub-Committee's minutes once approved.*

4.3 Sub-Committee members must inform the Chair of any potential conflict of interests as required by the World Sailing Conflict of Interests Policy.

4.4 *The quorum for a meeting of the Sub-Committee shall be one-third out of the total number of members*. The Chair must be present, unless the Chair has designated a member referred to in clause 2.2(b) to attend in their place.

4.5 Due to the nature of the Sub-Committee's work, it is noted that meetings will be in private to discuss matters which are:

(a) confidential;

(b) legally privileged;

(c) commercially or financially sensitive; or

(d) involve matters of personal privacy.

4.6 The Sub-Committee may decide its own procedure (but must always comply with the Constitution, the Regulations, and these terms of reference).

4.7 The Chair is responsible for conducting the meeting in a fair and neutral manner and must respect all different points of view.

4.8 Article 62 applies to voting and resolutions of the Sub-Committee. There is no requirement for items of business to be proposed or seconded unless required by the Constitution or Regulations.

4.9 Secret ballots should only be held in exceptional circumstances and then only as permitted by Article 62.1(e).

4.10 Sub-Committee members must not disclose any confidential information they receive without permission of the Chair and the Chief Executive Officer.

4.11 *The external auditors have the right to attend and speak on any matter concerning the external audit at the Sub-Committee.*

5. Expenses

5.1 The positions on the Sub-Committee are voluntary and not remunerated. However, World Sailing will reimburse any reasonable travel or other expenses incurred in the role in accordance with the World Sailing expenses policy.

6. Terms of Reference

6.1 The Board may amend these terms of reference from time to time and the Sub-Committee may propose amendments for the Board's consideration.

6.2 *The Sub-Committee must review these terms of reference at least once every four years with any amendments decided no later than 31 December in the year before the end of the Sub-Committee's four-year term of office.*

6.3 *These terms of reference must be published on the World Sailing website.*