

**INTERNATIONAL SHIPHOLDING CORPORATION  
AUDIT COMMITTEE OF THE BOARD OF DIRECTORS  
CHARTER**

**PURPOSE**

The Audit Committee is appointed by the Board to assist the Board in monitoring (1) the integrity of the financial statements of the Company, (2) the Company's independent auditor's qualifications and independence, (3) the performance of the Company's internal audit function and internal audit personnel and independent auditors, and (4) the compliance by the Company with legal and regulatory requirements.

**COMPOSITION**

The Audit Committee shall consist of no fewer than three members. The members of the Audit Committee shall meet the independence and experience requirements of the New York Stock Exchange, Section 10A(m)(3) of the Securities Exchange Act of 1934 (the "Exchange Act") and the rules and regulations of the Commission. At least one member of the Audit Committee shall be a financial expert as defined by the Commission. Audit Committee members shall not simultaneously serve on the audit committees of more than two other public companies.

The members of the Audit Committee shall be appointed by the Board on the recommendation of the Nominating and Governance Committee. Audit Committee members may be replaced by the Board.

**MEETINGS**

The Audit Committee shall meet as often as it determines, but not less frequently than quarterly. The Audit Committee shall meet periodically with management, the internal auditors and the independent auditor in separate executive sessions. The Audit Committee may request any officer or employee of the Company or the Company's outside counsel or independent auditor to attend a meeting of the Committee or to meet with any members of, or consultants to, the Committee. Meeting agendas will be prepared and provided in advance to members, along with appropriate briefing materials. Minutes will be prepared.

**AUTHORITY**

The Audit Committee has authority to conduct or authorize investigations into any matters within its scope of responsibility. It is empowered to:

- Have the sole authority to appoint or replace the independent auditor (subject, if applicable, to shareholder ratification). The Audit Committee shall be directly responsible for the compensation and oversight of the work of the independent auditor (including resolution of disagreements between management and the independent auditor regarding financial reporting) for the purpose of preparing or issuing an audit report or related work.
- Preapprove all auditing services and permitted non-audit services (including the fees and terms thereof) to be performed for the Company by its independent auditor. The Audit Committee may form and delegate authority to subcommittees consisting of one or more members when appropriate, including the authority to grant preapprovals of audit and permitted non-audit services, provided that decisions of any such subcommittee to grant preapprovals shall be presented to the full Audit Committee at its next scheduled meeting.
- Have the authority, to the extent it deems necessary or appropriate, to retain independent legal, accounting or other advisors to assist in the conduct of an investigation. The Company shall provide for appropriate funding, as determined by the Audit Committee, for payment of compensation to the independent auditor for the purpose of rendering or issuing an audit report and to any advisors employed by the Audit Committee and for the ordinary administrative expenses of the Audit Committee that are necessary or appropriate in carrying out its duties.
- Seek any information it requires from employees – all of whom are directed to cooperate with the Committee's requests – or external parties.
- Meet with Company officers, external auditors, or outside counsel, as necessary.

## **RESPONSIBILITIES**

The committee will carry out the following responsibilities:

### **Financial Statement and Disclosure Matters**

- Review and discuss with management and the independent auditor the annual audited financial statements, including disclosures made in “Management’s Discussion and Analysis of Financial Condition and Results of Operations”, and recommend to the Board whether the audited financial statements should be included in the Company’s Form 10-K.
- Review and discuss with management and the independent auditor the Company’s interim financial statements prior to the filing of each Form 10-Q, including the results of the independent auditor’s review of the interim financial statements in accordance with generally accepted auditing standards for conducting such review (currently Statement on Auditing Standards No. 71).
- Discuss with management and the independent auditor significant financial reporting issues and judgments made in connection with the preparation of the Company’s financial statements, including any significant changes in the Company’s selection or application of accounting principles, any major issues as to the adequacy of the Company’s internal controls and any special steps adopted in light of material control deficiencies.
- Review and discuss quarterly reports from the independent auditors on:
  - All critical accounting policies and practices to be used.
  - All alternative treatments of financial information within generally accepted accounting principles that have been discussed with management, ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the independent auditor.
  - Other material written communications between the independent auditor and management, such as any management letter or schedule of unadjusted differences.
  - Consultations with the independent auditor’s national office by the Company’s audit team to discuss issues regarding the Company.
- Discuss with management the Company’s earnings press releases, including the use of “pro forma” or “adjusted” non-GAAP information, as well as financial information and earnings guidance provided to analysts and rating agencies.
- Discuss with management and the independent auditor the effect of regulatory and accounting initiatives as well as off-balance sheet structures on the Company’s financial statements.
- Discuss with management the Company’s major financial risk exposures and the steps management has taken to monitor and control such exposures, including the Company’s risk assessment and risk management policies.
- Discuss with the independent auditor the matters required to be discussed by Statement on Auditing Standards No. 61 relating to the conduct of the audit, including any difficulties encountered in the course of the audit work, any restrictions on the scope of activities or access to requested information, and any significant disagreements with management.
- Discuss with the Company’s CEO and CFO their certifications contained in the Company’s Forms 10-K and 10-Q regarding any significant deficiencies in the design or operation of internal controls or material weaknesses therein and any fraud involving management or other employees who have a significant role in the Company’s internal controls.

### **Oversight of the Company's Relationship with the Independent Auditor**

- The independent auditor shall report directly to the Audit Committee.
- Review the performance of the external auditors and exercise final approval on the appointment or discharge of the auditors.
- Review the external auditors' proposed audit scope and approach, including staffing and coordination of audit effort with internal audit.
- Obtain and review a report from the independent auditor at least annually regarding (a) the independent auditor's internal quality-control procedures, (b) any material issues raised by the most recent internal quality-control review, or peer review, of the firm, or by any inquiry or investigation by governmental or professional authorities within the preceding five years respecting one or more independent audits carried out by the firm, (c) any steps taken to deal with any such issues, and (d) all relationships between the independent auditor and the Company. Evaluate the qualifications, performance and independence of the independent auditor, including considering whether the auditor's quality controls are adequate and the provision of permitted non-audit services is compatible with maintaining the auditor's independence, taking into account the opinions of management and the internal auditors. The Audit Committee shall present its conclusions with respect to the independent auditor to the Board.
- Ensure the rotation of the lead audit partner having primary responsibility for the audit and the audit partner responsible for reviewing the audit as required by law and the rules of the Commission. Consider whether, in order to assure continuing auditor independence, it is appropriate to adopt a policy of rotating the independent auditing firm on a regular basis.
- Recommend to the Board policies for the Company's hiring of employees or former employees of the independent auditor who participated in any capacity in the audit of the Company.
- On a regular basis, meet separately with the external auditors to discuss any matters that the committee or auditors believe should be discussed privately.

### **Oversight of the Company's Internal Audit Function**

- Review with management and the chief audit executive the charter, plans, activities, budget, staffing, and organizational structure of the internal audit function.
- Ensure there are no unjustified restrictions or limitations, and review and approve the appointment, replacement, or dismissal of the chief audit executive.
- On an annual basis, review the performance of the chief audit executive and approve the annual compensation and salary adjustment.
- Review the effectiveness of the internal audit function, including compliance with The Institute of Internal Auditors' International Standards for the Professional Practice of Internal Auditing.
- On a regular basis, meet separately with the chief audit executive to discuss any matters that the committee or internal audit believes should be discussed privately.

### **Internal Control**

- Consider the effectiveness of the Company's internal control system, including information technology security and control.
- Review the significant reports to management prepared by the internal and external auditors, along with management's responses.

### **Compliance Oversight Responsibilities**

- Obtain from the independent auditor assurance that Section 10A(b) of the Exchange Act has not been implicated.
- Obtain reports from management, the Company's senior internal auditing executive and the independent auditor that the Company and its subsidiary/foreign affiliated entities are in conformity with applicable legal requirements. Review reports and disclosures of insider and affiliated party transactions. Advise the Board with respect to the Company's policies and procedures regarding compliance with applicable laws and regulations.
- Establish procedures for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters, and the confidential, anonymous submissions by employees of concerns regarding questionable accounting or auditing matters.
- Discuss with management and the independent auditor any correspondence with regulators or governmental agencies and any published reports that raise material issues regarding the Company's financial statements or accounting policies.
- Discuss with the Company's outside counsel matters that may have a material impact on the financial statements or the Company's compliance policies.

### **Reporting Responsibilities**

- The Audit Committee shall make regular reports to the Board about committee activities, issues, and related recommendations.
- The Audit Committee shall prepare the report required by the rules of the Securities and Exchange Commission (the "Commission") to be included in the Company's annual proxy statement.

### **Other Responsibilities**

- The Audit Committee shall review and reassess the adequacy of this Charter annually and recommend any proposed changes to the Board for approval.
- In consultation with the Nominating and Governance Committee, the Audit Committee shall undertake an annual evaluation of its own performance.

### **LIMITATION OF AUDIT COMMITTEE'S ROLE**

While the Audit Committee has the responsibilities and powers set forth in this Charter, it is not the duty of the Audit Committee to plan or conduct audits or to determine that the Company's financial statements and disclosures are complete and accurate and are in accordance with generally accepted accounting principles and applicable rules and regulations. These are the responsibilities of management and the independent auditor.