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Chapter 12 Company Verification, Review & Evaluation

References: [ISM Code] *International Safety Management Code* (2018)

1. Introduction

1.1 Regulatory Backdrop:

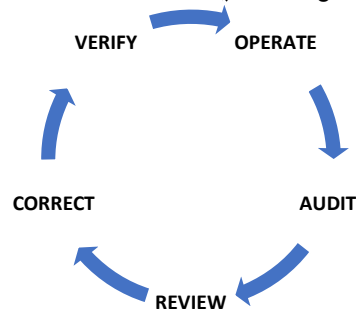
The ISM Code intends that we conduct onboard and shore-side internal audits of safety at intervals not exceeding 12 months to verify whether our on-going safety and pollution-prevention actions comply with our SMS and whether they are effective. We are to:

- periodically verify whether those performing SMS-related tasks are acting in conformity with our responsibilities under the Code.
- periodically evaluate the effectiveness of our procedures.
- carry out these audits in accordance with our SOPs, including timely corrective actions.
- ensure internal auditors are independent of the areas being audited unless impractical.
- review the results of our internal audits with all having responsibility in that area.

1.2 Our Objectives:

The term *company verification* in the ISM Code means *internal audits*. Our objectives for these internal safety audits are to:

- verify whether our actions comply with our SMS and make corrections if they do not.
- verify whether those performing SMS-related tasks are acting in conformity with our responsibilities under the Code and make corrections if they are not.
- evaluate the effectiveness of our SMS procedures and improve them if they are not.
- drive continual improvement of our SMS by running this closed-loop cycle:



1.3 Definitions:

External Audit: is a safety audit conducted by a person not affiliated with our company commissioned by an external entity to evaluate our conduct, actions, and records against our SMS policies and procedures. Passing such audits is required in our line of work to sustain our business. These audits also help us improve.

Internal Audit: is an audit conducted by a person affiliated with our company (our employee or contractor) commissioned by us to evaluate our conduct, actions, and records against our SMS policies and procedures. It helps us identify hazards with another set of eyes and also prepares us for upcoming external audits. Regularly scheduled internal audits also drive continual policy and process improvement and removes focus on individual blame.

VMS: Vessel Management System - integrated system used for our document repository, preventative maintenance system, compliance and safety documentation, personnel management, vessel logs, and performance reports. Our VMS is named *Helm Connect*.

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2. Policies

2.1 Internal Audit Scope:

We shall conduct on-board and shore-side internal audits in accordance with this chapter at intervals not exceeding 12 months to assess whether our on-going safety and pollution-prevention actions comply with our responsibilities under the ISM Code and with our own SMS policies and procedures. The auditor shall provide an audit report of results including all findings, non-conformities and observations.

The internal auditor shall be independent of the areas being audited unless impractical and the auditor shall have successfully completed relevant auditor training.

2.2 Audit Findings:

- We shall enter each audit report including its findings into our VMS and track-to-close any resulting corrective action.
- We shall review audit results and findings with all those who are responsible for the various areas audited.
- We shall manage non-conformities and observations in accordance with **Chapter 9**.
- Management shall conduct a formal review that includes that year's audit findings.

2.3 Master's Review:

Vessel Masters shall conduct annual reviews of our SMM. The Master shall evaluate and report onboard safety performance, assess competence and training of crew, highlight system deficiencies, and submit improvement suggestions to the DPA near the end of each calendar year, allowing time before the end of the year for a Management Review.

2.4 Management Review:

A formal Management Review shall be conducted annually and shall include the analysis of Master's Reviews, major non-conformities, re-occurring issues, recommended updates to the SMM, and any other relevant topics. We shall also evaluate the suitability, adequacy, and effectiveness of our current SMS procedures to ensure that our processes and performance align with our overall objectives.

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3. Responsibilities

3.1 Master:

Each vessel's Master facilitates and supports all audits conducted on board. The Master performs the annual Master's Review near the end of the calendar year, evaluating onboard safety performance and SMS effectiveness, assessing crew competence and training, identifying any system deficiencies, and submitting improvement suggestions to the DPA in time for the annual Management Review. The Master ensures that any corrective actions applicable to the vessel are implemented and that their effectiveness is verified.

3.2 Chief Engineer:

Each vessel's Chief Engineer supports the Master in facilitating audits of engineering, maintenance and technical systems. The Chief Engineer implements corrective actions that fall under engineering responsibility and verify their effectiveness before closure.

3.3 Port Captain:

The Port Captain establishes and maintains the annual internal audit schedule that covers every vessel and the shore-side organization. He coordinates audit logistics, supports auditors as required, reviews completed audit reports, and tracks follow-up actions in the VMS. He also assists the DPA in preparing input for the annual Management Review.

3.4 DPA:

The DPA serves as the overall process owner for SMS verification, review and evaluation. He ensures we have supporting documentation for audits and annual reviews and confirms that timely corrective actions are taken and escalated if necessary. He ensures that internal auditors are competent and remain independent, facilitates the Management Reviews, and oversees the verification that those performing ISM-related tasks act in conformity with our responsibilities.

3.5 Port Engineer:

The Port Engineer coordinates with the Port Captain in support of technical and maintenance systems audits ashore and on board. For findings that fall under his responsibility he implements corrective actions and verifies effectiveness before closure.

3.6 Systems Manager:

The Systems Manager ensures that the VMS remains configured and maintained so that internal and external audit findings can be entered, assigned, tracked and closed after effectiveness verification by the person responsible. He provides VMS support and training related to audit and corrective-action workflows.

3.7 Operations Director:

The Operations Director ensures that adequate resources remain available for effective audits, review and corrective-action processes. He supports the implementation of Senior Management decisions that arise from the Management Review.

3.8 Senior Management:

Senior Management participates in the annual Management Review and reviews for approval its results and conclusions. Senior Management allocates the resources needed to sustain a functional and effective SMS by approving implementation of needed changes. Senior Management actively fosters a culture of continual improvement by driving the closed-loop cycle stated in this chapter's **Section 1.2 Our Objectives**.

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