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**Air Partner plc
(the 'Company')**

**Terms of reference for the Audit and Risk Committee
(the 'Committee')**

1. Membership

- 1.1. The Committee shall comprise at least three members. It is recognised that the number of members may fall below three for temporary periods due to departures pending new appointments. The Committee as a whole shall have competence relevant to the sector in which the Company operates. Members of the Committee shall be appointed by the Board, on the recommendation of the Nomination Committee in consultation with the chair of the Committee.
- 1.2. Each Committee member shall be an independent non-executive director as determined by the board (in accordance with the principles of the UK Corporate Governance Code ("Code")), at least one of whom shall have recent and relevant financial experience, ideally with a professional qualification from one of the professional accountancy bodies. The chair of the Board shall not be a Committee member unless exceptional circumstances apply such as when there is a vacancy among the non-executive directors, but may be invited to attend its meetings.
- 1.3. Appointments to the Committee shall be for a period of up to three years, extendable by no more than two additional three-year periods, so long as members continue to be independent.
- 1.4. The Board shall appoint the Committee chair. In the absence of the Committee chair and/or an appointed deputy at a Committee meeting, the remaining members present shall elect one of themselves to chair the meeting.
- 1.5. The Committee chair shall review membership of the Committee annually, as part of the annual performance evaluation of the Committee. The company secretary, or her or his nominee, shall act as the secretary of the Committee and provide all necessary support to the Committee, including the recording of Committee minutes and ensuring that the Committee receives information and papers in a timely manner to enable full and proper consideration of the relevant issues.

2. Attendance at meetings and Quorum

- 2.1. The quorum necessary for the transaction of business at a Committee meeting shall be two members.
- 2.2. The Committee shall meet at least three times a year at appropriate intervals in the financial reporting and audit cycle and otherwise as required.
- 2.3. Outside of the formal meeting programme, the Committee chair, and to a lesser extent the other Committee members, will maintain a dialogue with key individuals involved in the Company's governance, including the chair of the Board, the chief executive officer, the chief financial officer, the external audit lead partner and the head of internal audit (where such person is appointed).

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- 2.4. Only members of the Committee have the right to attend Committee meetings. However, the chief financial officer, head of internal audit (if one is so appointed) and external audit lead partner will be invited to attend meetings of the Committee on a regular basis and other non-members may be invited to attend all or part of any meeting as and when appropriate and necessary.
- 2.5. The secretary of the Committee shall ascertain, at the beginning of each meeting, the existence of any conflicts of interest and minute them accordingly.

3. Notice of meetings

- 3.1. Meetings of the Committee shall be convened by the secretary of the Committee at the request of any of its members or at the request of the chief financial officer, external audit lead partner or head of internal audit (where such person is appointed), if they consider it necessary.
- 3.2. Unless otherwise agreed by the Committee, notice of each meeting confirming the venue, time and date together with an agenda of items to be discussed, shall be forwarded to each member of the Committee no later than five working days before the date of the meeting. Supporting papers shall be sent to Committee members at the same time unless agreed otherwise.
- 3.3. Notices, agendas and supporting papers can be sent in electronic form where the recipient has agreed to receive documents in such a way.

4. Minutes of meetings

- 4.1. The secretary shall minute the proceedings and resolutions of all Committee meetings, including recording the names of those present and in attendance.
- 4.2. Draft minutes of Committee meetings shall be agreed with the Committee chair and then circulated promptly to all members of the Committee, unless it would be inappropriate to do so in the opinion of the Committee chair.

5. Annual general meeting

The Committee chair shall attend the annual general meeting of the Company to answer shareholder questions on the Committee's activities.

6. Duties

The Committee should have oversight of the Company and its subsidiaries ("Group") as a whole and, unless required otherwise by regulation, carry out the duties below for the Group as appropriate.

6.1. Financial Reporting

- 6.1.1. The Committee shall monitor the integrity of the financial statements of the Company, including the annual and half-yearly reports, interim management statements, preliminary announcements and any other formal statements in relation to its financial performance, and review and report to the Board on significant financial reporting issues and judgments which those statements contain having regard to matters communicated to it by the external auditor.



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6.1.2. In particular, the Committee shall review and challenge where necessary:

6.1.2.1. the application of significant accounting policies and any changes to them both on a year on year basis and across the Company;

6.1.2.2. the methods used to account for significant or unusual transactions where different approaches are possible;

6.1.2.3. whether the Company has adopted appropriate accounting policies and made appropriate estimates and judgments, taking into account the external auditor's views on the financial statements;

6.1.2.4. the clarity and completeness of financial reporting disclosures and any changes to those disclosures, including the review of any correspondence between the Company and the external auditor;

6.1.2.5. significant adjustments resulting from the external audit;

6.1.2.6. the assumptions or qualifications in support of the going concern statement (including any material uncertainties as to the Company's ability to continue as a going concern over a period of at least twelve months from the date of approval of the financial statements) and the longer term viability statement (including an assessment of the prospects of the Company looking forward over an appropriate and justified period); and

6.1.2.7. all material information presented with the financial statements, including the strategic report and the corporate governance statements relating to the audit and to risk management.

6.1.3. The Committee shall review any other statements requiring Board approval which contain financial information first, where to carry out a review prior to Board approval would be practicable and consistent with any prompt reporting requirements under any law or regulation including the Listing Rules or Disclosure Guidance and Transparency Rules sourcebook.

6.1.4. The Committee shall monitor compliance with financial reporting standards and any recognised investment exchange and other financial and governance reporting requirements;

6.1.5. Where the Committee is not satisfied with any aspect of the proposed financial reporting by the Company, it shall report its views to the Board.

6.2. *Narrative reporting*

Where requested by the Board, the Committee shall review the content of the annual report and accounts and advise the Board on whether, taken as a whole, it is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy and whether it informs the Board's statement in the annual report on these matters that is required under the Code.

6.3. *Internal controls and risk management systems*

The Committee shall:

6.3.1. on behalf of the Board (which retains overall responsibility for risk management) keep under review the Company's internal financial



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- controls systems that identify, assess, manage and monitor financial risks, and other internal control and risk management systems;
- 6.3.2. where requested by the Board, ensure that a robust assessment of the principal risks facing the Company has been undertaken (including those risks that would threaten the Company's business model, future performance, solvency or liquidity) and provide advice on the management and mitigation of those risks;
 - 6.3.3. review the Company's internal financial controls and internal control systems and, at least annually, carry out a review of its effectiveness and approve the statements to be included in the annual report concerning internal control, risk management and the viability statement.
 - 6.3.4. review the assurance reports from management on the effectiveness of the internal control and risk management systems and from the internal audit, the external auditor and others on the operational effectiveness of matters related to risk and control. The Committee should satisfy itself that these sources of assurance and information are sufficient and objective and are enough to enable the Board to satisfy itself that they are operating effectively;
 - 6.3.5. review the timeliness of, and reports on, the effectiveness of corrective action taken by management in response to any material external or internal audit recommendation;
 - 6.3.6. where requested by the board, provide advice on how, taking into account the Company's position and principal risks, the Company's prospects have been assessed, over what period and why the period is regarded as appropriate. The Committee shall also advise on whether there is a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the said period, drawing attention to any qualifications or assumptions as necessary;
 - 6.3.7. consider any necessary disclosure implications of the process that has been applied by the Board to deal with material internal control aspects of any significant problems disclosed in the annual report and accounts; and
 - 6.3.8. consider the major findings of any relevant internal investigations into risk and control weaknesses, fraud, or misconduct and management's response, and also consider whether any such failings or weaknesses are significant and therefore require disclosure, the basis and accuracy of explanations given as to what actions are being taken to address them, and whether the level of disclosure of such actions is appropriate.
- 6.4. *Compliance*
The Committee shall review the Company's procedures for detecting fraud and the Company's systems and controls for ethical behaviour and the prevention of bribery
- 6.5. *Internal audit*
The Committee shall, where it determines that an internal audit function is required:
- 6.5.1. approve the appointment or removal of the head of internal audit;



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- 6.5.2. review and approve the role and mandate of the internal audit function, monitor and review the effectiveness of its work, and annually approve the internal audit charter ensuring it is appropriate for the current needs of the organisation;
 - 6.5.3. review and approve the annual internal audit plan to ensure it is aligned to the key risks of the business, and receive regular reports on work carried out;
 - 6.5.4. ensure internal audit function has unrestricted scope, the necessary resources and access to information to enable it to fulfil its mandate, ensure there is open communication between different functions and that the internal audit function evaluates the effectiveness of these functions as part of its internal audit plan, and ensure that the internal audit function is equipped to perform in accordance with appropriate professional standard for internal auditors;
 - 6.5.5. ensure the internal auditor has direct access to the chair of the Board and to the Committee chair, providing independence from the executive directors and accountability to the Committee;
 - 6.5.6. carry out an annual assessment of the effectiveness of the internal audit function and as part of this assessment:
 - 6.5.6.1. meet with the head of internal audit without the presence of management to discuss the effectiveness of the function;
 - 6.5.6.2. review and assess the annual internal audit work plan;
 - 6.5.6.3. receive a report on the results of the internal auditor's work;
 - 6.5.6.4. determine whether the Committee is satisfied that the quality, experience and expertise of internal audit is appropriate for the business;
 - 6.5.6.5. review the actions taken by management to implement the recommendations of internal audit and to support the effective working of the internal audit function;
 - 6.5.6.6. monitor and assess the role and effectiveness of the internal audit function in the overall context of the Company's risk management system and the work of compliance, finance and the external auditor, ensuring that the internal audit plan is aligned to the business's key risks; and
 - 6.5.6.7. consider whether an independent, third party review of processes is appropriate.
- 6.6. *External audit*
- The Committee shall:
- 6.6.1. consider and make recommendations to the Board, to be put to shareholders for approval at the annual general meeting, in relation to the appointment, re-appointment and removal of the Company's external auditor;
 - 6.6.2. ensure that at least once every ten years the audit services contract is put out to tender to enable the Committee to compare the quality and effectiveness of the services provided by the incumbent auditor with those of other audit firms and, in respect of such tender, develop and oversee the selection procedure for the appointment of the audit firm, ensuring



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- that all tendering firms have access to all necessary information and individuals during the tendering process;
- 6.6.3. if an external auditor resigns, investigate the issues leading to this and decide whether any action is required;
- 6.6.4. oversee the relationship with the external auditor. In this context the Committee shall:
- 6.6.4.1. agree and approve the external auditors remuneration, including both fees for audit and non-audit services, and ensure that the level of fees is appropriate to enable an effective and high-quality audit to be conducted; and
 - 6.6.4.2. negotiate and agree their terms of engagement, including any engagement letter issued at the start of each audit and the scope of the audit;
 - 6.6.4.3. assess annually the external auditor's independence and objectivity taking into account relevant UK law, regulation, the FRC Ethical Standard June 2016 ("Ethical Standard") and other professional requirements and the Group's relationship with the auditor as a whole, including any threats to the auditor's independence and the safeguards applied to mitigate those threats including the provision of any non-audit services;
 - 6.6.4.4. seek reassurance from the external auditor and their staff and satisfy itself that there are no relationships between the auditor and the Company (other than in the ordinary course of business) which could adversely affect the auditor's independence and objectivity;
 - 6.6.4.5. agree with the Board a policy on the employment of former employees of the Company's external auditor, taking into account the Ethical Standard and legal requirements, and monitor the application of this policy;
 - 6.6.4.6. annually, seek information from the external audit firm about, and monitor the external audit firm's processes for maintaining independence and its compliance with relevant UK law, regulation, other professional requirements and the Ethical Standard, including the guidance on the rotation of audit partner and staff;
 - 6.6.4.7. monitor the level of fees paid by the Company to the external auditor compared to the overall fee income of the firm, office and partner and assess these in the context of relevant legal, professional and regulatory requirements, guidance and the Ethical Standard;
 - 6.6.4.8. assess annually the qualifications, expertise and resources, and independence of the external auditor and the effectiveness of the external audit process, which shall include a report from the external auditor on their own internal quality procedures;
 - 6.6.4.9. seek to ensure coordination of the external audit with the activities of the internal audit function;
 - 6.6.4.10. evaluate the risks to the quality and effectiveness of the financial reporting process in the light of the external auditor's communications with the Committee and consider the need to



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- include the risk of the withdrawal of the external auditor from the market in that evaluation;
- 6.6.4.11. develop and recommend to the Board, and implement, the Company's formal policy on the provision of non-audit services by the external auditor, including approval of non-audit services by the Committee and specifying the types of non-audit service to be pre-approved, and assessment of whether non-audit services have a direct or material effect on the audited financial statements. The policy should include consideration of the following matters:
 - 6.6.4.11.1. threats to the independence and objectivity of the external auditor and any safeguards in place;
 - 6.6.4.11.2. the nature of the non-audit services;
 - 6.6.4.11.3. in light of the external audit firm's skills and experience, whether the external audit firm is the most suitable supplier of the non-audit service;
 - 6.6.4.11.4. the fees for the non-audit services, both individually and in aggregate, relative to the audit fee;
 - 6.6.4.11.5. the criteria governing compensation of the individuals performing the audit; and
 - 6.6.4.11.6. keep the policy for the provision of non-audit services under review;
 - 6.6.5. meet regularly with the external auditor (including once at the planning stage before the audit and once after the audit at the reporting stage) and, at least once a year, meet with the external auditor without management being present, to discuss the auditor's remit and any issues arising from the audit;
 - 6.6.6. discuss with the external auditor the factors that could affect audit quality and review and approve the annual audit plan, ensuring it is consistent with the scope of the audit engagement, having regard to the seniority, expertise and experience of the audit team;
 - 6.6.7. review the findings of the audit with the external auditor. This shall include but not be limited to, the following:
 - 6.6.7.1. a discussion of any major issues which arose during the audit;
 - 6.6.7.2. the auditor's explanation of how the risks to audit quality were addressed;
 - 6.6.7.3. key accounting and audit judgements;
 - 6.6.7.4. the auditor's view of their interactions with senior management; and
 - 6.6.7.5. levels of errors identified during the audit;
 - 6.6.8. consider communications from the external auditor on audit planning and findings on material weaknesses in accounting and internal control systems that come to the auditor's attention, including a review of material items of correspondence between the Company and the external auditor;
 - 6.6.9. review any representation letter(s) requested by the external auditor before they are signed by management and consider whether, based on its knowledge, the information provided is complete and appropriate;



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- 6.6.10. review, before its consideration by the Board, the external auditor's report to the directors and their management letter, including management's response to the auditor's findings and recommendations;
- 6.6.11. review whether the auditor has met the agreed audit plan and whether the external auditor identified any risks to audit quality and, if so, how these were addressed;
- 6.6.12. understand reasons for changes to the audit plan;
- 6.6.13. obtain feedback from key people on the conduct of the audit;
- 6.6.14. review and monitor the content of the external auditor's management letter and reporting to the Board on the effectiveness of the audit process; and
- 6.6.15. at the end of the audit cycle, assess the effectiveness of the audit process, including an assessment of the quality of the audit, external auditor's robustness and perceptiveness in the handling of key judgements by the auditor, and the auditor's response to questions from the Committee.

7. Reporting responsibilities

The Committee shall report formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities. The Committee shall also prepare a formal report on its activities and how it has discharged its responsibilities to be included in the Company's annual report, which shall include:

- 7.1. details of the membership of the Committee, number of meetings held and attendance over the course of the year;
- 7.2. a summary of the role and work of the Committee;
- 7.3. how the Committee's performance evaluation has been conducted;
- 7.4. the significant issues that the Committee considered in relation to the financial statements and how these issues were addressed having regard to matters communicated to it by the external auditor;
- 7.5. an explanation of its assessment of the effectiveness of the external audit process (including the provision of non-audit services and an explanation of how, if the auditors provide non-audit services to the Company and the Group, auditor objectivity and independence is safeguarded) and its approach taken to the appointment or reappointment of the external auditor, length of tenure of audit firm, when a tender was last conducted and advance notice of any retendering plans (and reasons why completing the process in that proposed financial year is in the best interests of the Company's members) and any contractual provisions restricting the Committee's choice of auditor, and the amount of fees paid to the auditor for any of its services;
- 7.6. the Committee's policy for approval of non-audit services, how auditor objectivity and independence is safeguarded, the audit fees for the statutory audit for audit related services and other non-audit services, including the ratio of audit to non-audit work, and for each significant engagement, or category of engagements, what the services are and why the Committee concluded that it was in the Company's interests to purchase them from the external auditor;



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- 7.7. an explanation of how the Committee has addressed the effectiveness of the internal audit process and if there is no internal audit function, an explanation for the absence, how internal assurance is achieved and how this affects the work of external audit;
- 7.8. all other information requirements set out in the Code; and
- 7.9. any other issues on which the Board has requested the Committee's opinion.
- 7.10. The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.
- 7.11. The Committee shall make available to shareholders these terms of reference by placing them on the Company's website.

8. Other matters

The Committee shall:

- 8.1. have access to sufficient resources in order to carry out its duties, including access to the company secretariat for assistance as required;
- 8.2. be provided with appropriate and timely training, both in the form of an induction programme for new members and on an ongoing basis for all members;
- 8.3. give due consideration to relevant laws and regulations, the provisions of the Code and the requirements of the Listing Rules, Prospectus Rules and Disclosure Guidance and Transparency Rules and any other applicable rules, as appropriate;
- 8.4. be responsible for coordination between the activities of the internal audit function and external auditor;
- 8.5. oversee any investigation of activities which are within its terms of reference;
- 8.6. work and liaise as necessary with all other Board Committees, taking particular account of the impact of risk management and internal controls being delegated to different Committees; and
- 8.7. arrange for periodic reviews of its own performance and, at least annually, review its terms of reference to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the Board for approval.

9. Authority

The Board authorises the Committee to:

- 9.1. carry out all duties set out in these terms of reference, to have unrestricted access to the Company's documents and information and to obtain, at the Company's expense, appropriate independent legal or professional advice on any matter within its terms of reference as it considers necessary.
- 9.2. seek any information it requires from any employee of the Group in order to perform its duties;
- 9.3. obtain, at the Company's expense, independent legal, accounting or other professional advice on any matter it believes it necessary to do so;
- 9.4. call any employee to be questioned at a meeting of the Committee as and when required; and



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9.5. have the right to publish in the Company's annual report, details of any issues that cannot be resolved between the Committee and the Board.

Adopted at the board meeting of the Company on 27 January 2020.