

Jet2 plc

AUDIT & RISK COMMITTEE TERMS OF REFERENCE

1. TERMS OF REFERENCE & CONSTITUTION

- 1.1 The Audit & Risk Committee (the “**Committee**”) is constituted as a committee of the Board of Directors (the “**Board**”) of *Jet2 plc* (the “**Company**”), who determine its composition, duties and terms of reference, and from who it derives its authority and to which it reports. In these terms of reference, the “**Group**” means the Company and its subsidiaries from time to time.

2. MEMBERSHIP

- 2.1 The Board shall appoint the Committee chairman who shall be an independent Non-Executive Director.
- 2.2 Members of the Committee shall be appointed by the Board in consultation with the chairman of the Committee. The majority of members of the Committee shall, if practical, be Non-Executive Directors who are independent of management and free from any business or other relationship which could interfere with the exercise of their independent judgement. The Committee shall, where possible, have at least one member with recent and relevant financial experience, ideally with a professional qualification from one of the professional accountancy bodies.
- 2.3 In the absence of a Committee chairman, the remaining Committee members present shall elect one of themselves to chair the meeting. A quorum shall be any two members of the Committee.

3. ATTENDANCE AT MEETINGS

- 3.1 The Committee will meet no less than three times per year at appropriate intervals but may meet at other times as required as agreed between members of the Committee.
- 3.2 Outside of the formal meeting programme, the Committee chairman will maintain dialogue with key individuals involved in the Company’s governance, including the Board, the external audit lead partner and the Head of Internal Audit and Business Continuity.
- 3.3 Only members of the Committee have the right to attend Committee meetings. However, the Group Chief Executive Officer, Group Chief Financial Officer, the Group Financial Controller, the Head of Internal Audit and Business Continuity and external auditors will be invited to meetings on a regular basis. Other non-members will be invited to attend all or part of any meeting as and when appropriate.
- 3.4 The Committee should also meet individually with both the internal and external auditors, without the Executive Directors or members of the Finance team present.

3.5 The Company Secretary shall be the secretary of the Committee.

4. NOTICE OF MEETINGS

4.1 Meetings of the Committee should be at the request of the Committee chairman or any of its members, or at the request of the internal or external auditors if they consider it necessary.

4.2 Unless otherwise agreed, notice of each meeting confirming the venue, date and time, together with an agenda of matters to be discussed, shall be forwarded to each member and any other person required to attend no later than five working days before the date of the meeting. At the same time, the Company Secretary will ensure that the Committee and other attendees (as appropriate) receive supporting papers to enable full and proper consideration to be given to all matters.

4.3 Notices, agendas and supporting papers can be sent in electronic form where the recipient has agreed to receive documents in such a way.

4.4 Meetings of the Committee may be conducted in the form of either a video or audio conference if required.

5. REPORTING

5.1 Draft minutes of each meeting will be circulated promptly to all members of the Committee by the secretary to enable full and proper consideration to be given to any of the matters raised. Once approved, the minutes of each meeting will be circulated to all other members of the Board unless, in the opinion of the Committee chairman, it would be inappropriate to do so. The Committee chairman shall report to the Board at the next Board meeting on its proceedings after each meeting.

6. ENGAGEMENT WITH SHAREHOLDERS

6.1 The Committee chairman should attend the Annual General Meeting to answer shareholder questions on the Committee's activities.

7. DUTIES AND TERMS OF REFERENCE

7.1 Unless required otherwise by regulation, to carry out the duties below for the Company and the Group as appropriate.

7.2 The Committee's primary function is to assist the Board in:

- (a) Fulfilling its responsibilities to protect the interests of shareholders by ensuring the integrity and clarity of the financial statements and of any formal announcements relating to the Group's financial performance;
- (b) Carefully considering key judgements and estimates applied in the preparation of the financial statements;
- (c) Overseeing the scope of internal audit work for the year and reviewing the effectiveness of the Internal Audit function;

- (d) Reviewing and monitoring the adequacy and effectiveness of internal control and risk management policies. This includes reviewing risk mitigation status and outstanding actions provided to every meeting and undertaking a more comprehensive risk review annually, dedicated to risk reporting and actions;
- (e) Considering the appointment of the external auditor, their scope of work and their remuneration, including reviewing their independence and objectivity;
- (f) Reviewing the findings of the audit with the external auditors, including the effectiveness of the audit process and a discussion of any major accounting or judgemental issues which arose during the audit; and
- (g) Providing advice on whether the content of the Annual Report and Accounts, is fair, balanced and understandable, and provides the information necessary for shareholders to assess the Group's financial position and performance, business model and strategy.

7.3 The Committee shall review and challenge where necessary:

- (a) the consistency of, and any changes to, accounting policies and their application both on a year on year basis and across the Company and the Group;
- (b) the methods used to account for significant or unusual transactions where different approaches are possible;
- (c) whether the Company has followed appropriate accounting standards and made appropriate estimates and judgements, considering the views of the external auditor on the financial statements;
- (d) the clarity and completeness of disclosure in the Company's financial reports and the context in which statements are made; and
- (e) all material information presented with the financial statements, such as the strategic report and any corporate governance statements (insofar as it relates to the audit and risk management).

7.4 If the Committee is not satisfied with any aspect of the proposed financial reporting by the Company, it shall report its views to the Board. Where requested by the Board, the Committee should 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 specified by the UK Corporate Governance Code.

7.5 The Committee shall, unless expressly addressed by a separate risk committee comprised of independent directors or by the directors themselves:

- (a) assess and keep under review the Company's internal financial controls and internal control and risk management systems; and
- (b) review and approve the statements to be included in the Annual Report concerning internal controls and risk management, including the assessment of principal risks and emerging risks, and the going concern and viability statement.

7.6 The Committee shall:

- (a) review the adequacy and security of the Company's arrangements for its employees and contractors to raise concerns in confidence, about possible wrongdoing in financial reporting or other matters. The Committee shall ensure that these arrangements allow proportionate and independent investigation of such matters and appropriate follow up action;
- (b) review any specific whistleblowing reports which have been made to the Company in the period since the last meeting of the Committee;
- (c) review the Company's procedures for detecting fraud;
- (d) review the Company's systems and controls for the prevention of bribery and receive reports on non-compliance; and
- (e) review the adequacy and effectiveness of the Company's anti-money laundering systems and controls.

7.7 The Committee shall:

- (a) formally approve the appointment and removal of the Head of Internal Audit;
- (b) review and approve the role and mandate of the internal audit function and monitor and review the effectiveness of its work, in the context of the Company's overall risk management system and the work of finance and the external auditor, ensuring it is appropriate for the current needs of the organisation;
- (c) ensure internal audit has unrestricted scope, the necessary resources and appropriate access to information to enable it to perform its function effectively. 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 also confirm that the internal audit function is equipped to perform in accordance with the relevant professional standards for internal auditors;
- (d) ensure the internal auditor has direct access to the chairman of the Board and the chairman of the Committee and is accountable to the Committee;
- (e) review and approve the annual internal audit work plan and ensure it is aligned to the key risks of the Company's business and receive regular reports on work carried out;

- (f) determine whether it is satisfied that the quality, experience and expertise of internal audit is appropriate for the business;
- (g) consider whether an independent, third party review of processes is appropriate;
- (h) review the actions taken by management to implement the recommendations of internal audit and to support the effective working of the internal audit function; and
- (i) meet the Head of Internal Audit and Business Continuity at least once a year, without management being present. Such meeting shall be in addition to any meetings which the Committee chairman has with the Head of Internal Audit and Business Continuity during the year.

7.8 The Committee shall:

- (a) 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. If an auditor resigns the Committee shall investigate the issues leading to this and decide whether any action is required;
- (b) in conjunction with the Group Chief Financial Officer, develop and oversee the selection procedure for the appointment of the external audit firm, ensuring that all tendering firms have such access as is necessary to information and individuals during the tendering process;
- (c) oversee the relationship with the external auditor including but not limited to:
 - (i) approval of their remuneration, including fees for audit or non-audit services and that the level of fees is appropriate to enable an effective and high-quality audit to be conducted;
 - (ii) approval of their terms of engagement, including any engagement letter issued at the start of each audit and the scope of the audit;
 - (iii) assessing annually their independence and objectivity considering relevant UK professional and regulatory requirements (including any relevant ethical standard) and the relationship with the auditor as a whole, including any threats to the auditors' independence and safeguards applied to mitigate those threats including the provision of any non-audit services;
 - (iv) satisfying itself that there are no relationships (such as family, employment, investment, financial or business) between the auditor and the Company (other than in the ordinary course of business) which could adversely affect the auditor's independence and objectivity;

- (v) agreeing with the Board a policy on the employment of former employees of the Company's auditor considering any relevant ethical standard and legal requirements, then monitoring the implementation of this policy;
- (vi) monitoring the auditor's compliance with relevant ethical, legal, regulatory and professional guidance on the rotation of audit partners, the level of fees paid by the Company compared to the overall fee income of the firm, office and partner and other related requirements;
- (vii) assessing annually the qualifications, expertise and resources of the auditor and the effectiveness of the audit process which shall include a report from the external auditor on their own internal quality procedures; and
- (viii) evaluating the risks to the quality and effectiveness of the financial reporting process and consideration of the need to include the risk of the withdrawal of the auditor from the market on that evaluation.
- (ix) develop and recommend to the Board the Company's formal policy on the provision of non-audit services by the auditor, including prior approval of non-audit services by the Committee and specifying the types of non-audit service to be preapproved, 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
 - (A) threats to the independence and objectivity of the external auditor and any safeguards in place;
 - (B) the nature of the non-audit services;
 - (C) whether the external audit firm is the most suitable supplier of the non-audit service;
 - (D) the fees for the non-audit services, both individually and in aggregate, relative to the audit fee; and
 - (E) the criteria governing compensation.

7.9 The Committee should meet regularly with the external auditor without management being present:

- (a) at the audit planning stage to discuss their remit, 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;
- (b) after the audit at the reporting stage to review the findings of the audit with the external auditor. This shall include but not be limited to, the following:
 - (i) a discussion of any major issues which arose during the audit;

- (ii) any key accounting and audit judgements;
 - (iii) the auditor's explanation of how the risks to audit quality were addressed;
 - (iv) the auditor's view of their interactions with senior management;
 - (v) levels of errors identified during the audit; and
 - (vi) the effectiveness of the audit.
 - (c) where appropriate, the Committee (or on a delegated basis, the Committee chairman) should have regular contact with the external auditor throughout the year to ensure any issues which arise are dealt with promptly.
- 7.10 The Committee shall review any representation letter(s) requested by the external auditor before they are signed by management and review the management letter and management's response to the auditor's findings and recommendations.
- 7.11 The Committee shall review the effectiveness of the audit process, including an assessment of the quality of the audit, the handling of key judgements by the auditor and the auditor's response to questions from the Committee.
- 7.12 The chairman of the Committee shall report to the Board on its proceedings after each meeting on all matters within its duties and responsibilities and also on how it has discharged its responsibilities. The report shall include:
- (a) the significant issues that it had considered in relation to the financial statements and how these were addressed;
 - (b) the assessment of the effectiveness of the external audit process and its recommendations on the appointment/reappointment of the external auditor; and
 - (c) any other issues on which the Board has requested the Committee's opinion.
- 7.13 The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.
- 7.14 The Committee shall compile a report to shareholders on its activities to be included in the Company's Annual Report. The report shall include an explanation of how the Committee has addressed the effectiveness of the external and internal audit process, 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 auditor.
- 7.15 In the compiling of the reports referred to in 7.12 and 7.14, the Committee should exercise judgement in deciding which of the issues it considers in relation to the financial statements are significant but should include at least those matters that have informed the Board's assessment of whether the Company is a going concern and the inputs to the Board's viability statement.

- 7.16 The Committee shall:
- (a) have access to sufficient resources in order to carry out its duties, including access to the Company Secretary for assistance as required;
 - (b) 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, so that they can effectively challenge the finance team on financial reporting matters;
 - (c) give due consideration to applicable laws and regulations, the provisions of the UK Corporate Governance Code, and the requirements of the London Stock Exchange's rules for AIM companies as appropriate and make use of other relevant guidance available from the FRC and ICAEW;
 - (d) oversee any investigation of activities which are within its terms of reference; and
 - (e) work and liaise as necessary with all other Board committees ensuring interaction between committees and the Board is reviewed regularly.
- 7.17 The Committee shall consider such other matters as may be requested by the Board.

8. VOTING ARRANGEMENTS

- 8.1 Each member of the Committee shall have one vote which may be cast on matters considered at the meeting. Votes can only be cast by members attending a meeting of the Committee.
- 8.2 Each member of the Committee shall disclose to the Committee:
- (a) Any personal financial interest (other than as a shareholder) in any matter to be decided by the Committee; or
 - (b) Any potential conflict of interest arising from a cross-directorship
- 8.3 If a matter that is considered by the Committee is one where a member of the Committee, either directly or indirectly has a personal interest, that member shall not be permitted to vote at the meeting.
- 8.4 Save where they have a personal interest, the chairman of the Committee will have a casting vote.

9. AUTHORITY

- 9.1 A duly convened meeting of the Committee at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the Committee.
- 9.2 The Committee is authorised by the Board to examine any activity within its terms of reference and is authorised to have unrestricted access to the Company's external

auditors and to obtain, at the Company's expense, professional advice on any matter within its terms of reference.

- 9.3 The Committee is authorised to seek any information it requires from any employee or director, and all such employees or directors will be directed to co-operate with any request made by the Committee.
- 9.4 The Committee has the right to publish in the Company's Annual Report, details of any issues that cannot be resolved between the Committee and the Board. If the board has not accepted the Committee's recommendation on the external auditor appointment, reappointment or removal, the Annual Report should include a statement explaining the Committee's recommendation and the reasons why the Board has taken a different position.

10. GENERAL MATTERS

- 10.1 The recommendations of the Committee minutes must be approved by the Board before they can be implemented.

The Committee shall make available these terms of reference to shareholders and include the information on the Company's website.