



AUDIT AND RISK COMMITTEE CHARTER

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Table of Contents

1. Introduction	Page no. 3
2. Objective	Page no. 3
3. Composition	Page no. 3
4. Meetings	Page no. 4
5. Authority	Page no. 4
6. Annual General Meeting	Page no. 5
7. Responsibilities of the Committee	Page no. 4
8. Reporting responsibilities	Page no. 8
9. Remuneration	Page no. 9
10. Other Matters	Page no. 9

1. Introduction

The Audit and Risk Committee is a Committee of the Board of Directors (the "Board") of Inter-Ocean Aviation Finance Corporation including its subsidiaries ("the Company") to which the Board has delegated certain oversight responsibilities.

2. Objective

The principal function of the Audit and Risk Committee (the Committee) is to oversee the financial reporting process to assist the Board in achieving financial reporting that is accurate, balanced and transparent.

The principle focus of the Committee will include reviews of and monitoring of the following:

- Effectiveness of the Company's internal financial control and risk management systems.
- Effectiveness of the Company's internal audit. (The function is dependent on the annual evaluation to be performed by the Committee to determine if there is a need for an internal audit function).
- Independence of the external audit process and assessment of the external auditor's performance.
- Remuneration of external auditors and overseeing their supply of non-audit related services.
- Monitoring the effectiveness of the compliance processes for non-aviation statutory laws and regulations including financial reporting.

The Committee does not relieve the Board of its responsibilities in any way.

3. Composition

3.1. The Committee shall comprise of not less than 3 members and if possible, the majority should be non-executive independent directors. Members of the committee shall be appointed by the Board, on recommendation by the Corporate Governance, Nomination and Ethics Committee in consultation with the Chairperson of the Committee.

3.2. The Board shall appoint a Chairperson that is an independent Director of the Board and determine the period for which he or she shall hold office.

3.3. The Board shall satisfy itself that the Chairperson of the Committee and at least one other member of the Committee has recent and relevant financial experience ideally with a professional qualification from one of the professional accountancy bodies.

3.4. The Board shall have the power at any time to remove any members from the Committee and to fill any vacancy created by such removal.

3.5. The Committee may invite attendees to attend any part of any meeting of the Committee as it deems appropriate. This includes other directors, members of senior management, the Company's internal or external legal counsel, external auditors, advisors and consultants.

3.6. Appointments of independent non-executive Directors 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 these members continue to be independent.

3.7. The Group Governance, Compliance and Risk Officer or his or her nominee, shall act as the administrative Secretary of the Committee and will ensure that the Committee receives information and papers in a timely manner to enable full and proper consideration to be given to the issues on hand.

4. Meetings

4.1. The Committee shall as far as possible meet quarterly at appropriate intervals in the financial reporting and audit cycle or more frequently at the discretion of the members of the Committee.

4.2. A quorum for a meeting of the Committee is a majority of the members present in person, by video conference, webcast or telephone.

4.3. Meetings shall be convened by the Secretary of the Committee at the request of any of its members or the external audit partner.

4.4. Notice of each meeting confirming logistics and an agenda of items to be discussed and supporting reports, shall be forwarded to each member of the Committee, and any other person required to attend, no later than 5 days before the date of the meeting.

4.5. The Secretary shall minute the proceedings and decisions of all meetings of the Committee including recording the names of those in attendance.

4.6. Draft minutes and action items of the Committee meetings shall be circulated no later than 15 working days after such meeting to all members of the Committee and the attendees. Once approved by the Committee during the next scheduled Committee meeting, the minutes should be made available to members of the Board should they so wish to review these minutes.

4.7. Outside the formal meetings, the Committee Chairperson will maintain in dialogue with the Board Chairperson, Group CEO, Group Financial Director, external audit partner and the head of internal audit (if applicable).

5. Authority

The Committee is authorised to:

5.1. Seek any information it requires from any employee of the Company in order to perform its duties.

5.2. Obtain, at the organisation's expense, independent legal, accounting or other professional advice on any matter it believes it necessary to do so.

5.3. Call any employee to be questioned at a meeting of the Committee as and when required.

6. Annual General Meeting

6.1 The Committee Chairperson may attend the Annual General Meeting to answer shareholder questions on the Committee's activities if required.

7. Responsibilities of the Committee

7.1. Financial reporting

The Committee in discharging their duties in relation to financial reporting shall:

7.1.1. When considering the quarterly and annual accounts, review with management and the external auditors, the Company's financial statements, key accounting policies and judgements; and consider whether they are complete and consistent with information known to the Committee.

7.1.2. Stay informed of significant accounting and regulatory pronouncements and their impact on the financial statements.

7.1.3. Review results to assist the Board in obtaining assurance that the financial statements are balanced, transparent and consistent with International Accounting Standards.

7.1.4. Review and report to the Board on significant financial reporting issues and judgements which the financial statements contain, having regard to the matters communicated to the Committee by the auditor.

7.1.5. Review methods used to account for significant or unusual transactions where different approaches are possible.

7.1.6 Review the basis on which the Company has been determined to be a going concern.

7.1.7. Assist the Board in achieving compliance with all relevant taxation laws and regulations applicable to the Company.

7.1.8. Review the quality and integrity of the annual budget, forecasts and cashflow schedules of the Company as well as ensuring the adequacy of the internal controls around the budgeting process. Further the budget variance calculations as prepared by management should be reviewed and interrogated on a quarterly basis.

7.1.9. Review the quarterly accounts that include actual vs budget, forecast vs budget, projected cash flows and the applicable variance explanations as prepared by the Group Financial Director. In addition, the Committee shall review the reasoning behind all inter-company account balances.

7.1.10. Review how the Company has complied with the financial conditions of all loan covenants on a quarterly basis.

7.1.11. Ratify the related party transactions on a quarterly basis in accordance with the related party transaction policy.

7.2. Narrative reporting

7.2.1. The Committee has the responsibility to 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 and other stakeholders to assess the Company's performance, business model and strategy.

7.3. Internal controls and Risk management

The Committee in discharging its duties in relation to internal controls and risk management shall:

7.3.1. Evaluate the overall effectiveness of the Company's internal control and risk management frameworks and assist the Board by reviewing recommendations made by the external auditors and how they are being implemented by management. The Committee should initiate investigation and action when weaknesses become apparent.

7.3.2. Evaluate whether management is communicating effectively the importance of internal control and risk management, thus promoting a “control culture” within the Company.

7.3.3. Understand and review the internal control systems implemented by management for approval of transactions, recording and processing of financial data, preparation of financial statements, and compliance of financial statements with relevant standards, laws and regulations as and when needed but at a minimum on a bi-annual basis. The Committee should initiate investigation and action when weaknesses become apparent.

7.3.4. Perform a review of the Company authorisation matrix documents approved by the Board, as and when needed but at a minimum on an annual basis. The current matrix documents in place are listed below:

- Contract authorisation matrix
- Financial authorisation matrix
- Human resources authorisation matrix
- Maintenance authorisation matrix
- Operations authorisation matrix
- Standards and compliance authorisation matrix
- Subsidiary authorisation matrices

7.3.5. Evaluate how management is held accountable for the maintenance of internal controls within the Company.

7.3.6. Review and approve the statements to be included in the annual report concerning internal controls and risk management.

7.3.7. Review the Company detailed risk report at a minimum on an annual basis and conclude on the effectiveness of the risk management process as a whole. The Committee should initiate investigation and action when weaknesses become apparent in the process.

7.3.8. Review the Company risk management policy at a minimum on an annual basis.

7.3.9 On a quarterly basis, review all the new risks identified through the risk management process and all the changes to the risk ratings together with the reasons therefore.

7.4. Compliance with laws and regulations and assessment of fraud

The Committee in discharging its duties in relation to compliance with statutory laws and regulations and processes in place to identify fraud shall:

7.4.1. Review the effectiveness of the system for monitoring compliance with statutory laws and regulations as and when needed but at a minimum on a quarterly basis and receive all reports of non-compliance for interrogation.

7.4.2. Review the Company's procedures for detecting fraud as and when needed but at a minimum on an annual basis.

7.4.3. Review cases and provide recommendations to management in relation to employee conflicts or potential conflicts of interest, misconduct or fraud or any other unethical activities by employees in the Company.

7.4.4. Assist the Board in setting and maintaining a corporate culture by reviewing concerns raised in confidence via the various anonymous platforms about wrong doing and oversee that these reportable wrong doings are independently investigated.

7.4.5. Review the declarations made in relation to the Gifts and Entertainment Policy on a quarterly basis.

7.5. Internal audit

7.5.1 The internal audit function will be dependent on the evaluation performed by the Committee on an annual basis to determine the need for an internal audit function. The outcome of this evaluation together with a recommendation should be reported to the Board.

7.6. External audit

The Committee in discharging its duties in relation to the external audit process shall:

7.6.1. Consider and make recommendations to the Board, to be put to shareholders for approval at the AGM, in relation to the appointment, re-appointment and removal of the Company's external auditor.

7.6.2. 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 oversee the selection process and ensure that all tendering firms have such access as is necessary to information and individuals during the duration of the tendering process. Several firms should be screened and the Committee should obtain written or verbal proposals to enable it to arrive at its recommendation.

7.6.3. If an auditor resigns, investigate the issues leading to this and decide whether any action is required.

7.6.4. Oversee the relationship with the external auditor including (but not limited to):

7.6.4.1 Recommendations on their remuneration, including both fees for audit and non-audit services, and that the level of fees is appropriate to enable an effective and high-quality audit to be conducted;

7.6.4.2 Approval of their terms of engagement, including any engagement letter issued at the start of each audit and the scope of the audit;

7.6.4.3 Assessing annually their independence and objectivity considering relevant professional and regulatory requirements and the relationship with the auditor as a whole, including the provision of any non-audit services;

7.6.4.4 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;

7.6.4.5 Agreeing with the Board a policy on the employment of former employees of the Company's auditor, and monitoring the implementation of this policy;

7.6.4.6 Monitoring the auditor's compliance with relevant ethical and professional guidance on the rotation of audit partners, the level of fees paid by the Company as compared to the overall fee income of the firm, office and partner and other related requirements;

7.6.4.7 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;

7.6.4.8 Seeking to ensure co-ordination between audit firms (where more than one audit firm is involved);

7.6.4.9 Seeking to ensure co-ordination with the activities of the internal audit function;

7.6.4.10 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 their auditor from the market in that evaluation.

7.6.5 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 at the discretion of the Chairperson, without management being present, to discuss the auditor's remit and any issues arising from the audit.

7.6.6 Review and approve the annual audit plan to ensure that it is consistent with the scope of the audit engagement, having regard to the seniority, expertise and experience of the audit team.

7.6.7 Consider whether any significant ventures, investments or operations are not subject to external audit.

7.6.8 Obtain assurance from the external auditor(s) that adequate accounting records are being maintained.

7.6.9 Review the findings of the audit with the external auditor. This shall include (but not be limited to) the following:

7.6.9.1 A discussion of any major issues which arose during the audit;

7.6.9.2 Key accounting and audit judgements;

7.6.9.3 Levels of errors identified during the audit;

7.6.9.4 The effectiveness of the audit process.

7.6.10 Review any representation letter(s) requested by the external auditor before they are signed by management.

7.6.11 Review the management letter and management's response to the auditor's findings and recommendations.

7.6.12 Review, on an annual basis, the policy on the supply of non-audit services by the external auditor to the Company to avoid any threat to the auditor's objectivity and independence, considering any relevant ethical guidance on the matter.

8. Reporting responsibilities

8.1 Ensure that the Board is aware of all significant issues that have come to the attention of the Committee that may affect the financial status of the Company and make appropriate recommendations to the Board. Discussions and conclusions of the Committees shall be communicated to the Board members on a timely basis. The minutes will be available for consultation by all Board members.

8.2 The Committee shall compile a report on its activities to be included in the Company's annual report. The report should include an explanation of how the committee has addressed the effectiveness of the external 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. In compiling the report, 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.

8.3 The Chairperson of the Committee will provide written feedback at the Board meeting on the Committees most recent meeting or on any other matter as he deems fit.

9. Remuneration

9.1 Having regard for the functions performed by the members of the Committee in addition to their functions as Directors in relation to the activities of the Committee, members of the Committee may be paid such special remuneration in respect of their appointment as shall be fixed by the Board.

9.2 The Chairperson of the Committee shall, in addition to his or her remuneration as member, receive a further sum as determined by the Board.

10. Other matters

10.1 The Board has an agreed procedure whereby members of the Committee are able to seek independent professional advice, should the need arise. The professional services procured would be at the Company's expense and prior approval of the Chairperson is required.

10.2 The Committee shall have access to sufficient resources in order to carry out its duties, including access to the Company Secretary for assistance as required.

10.3 The Committee shall review the Committee Charter and Annual Work Plan as and when needed but at a minimum on an annual basis. All recommended amendments should be presented to the Board for approval.

10.4 The Committee shall oversee any investigation of activities which are within its terms of reference.

10.5 The Committee shall work and liaise as necessary with all other Board committees.

10.6 The Committee shall arrange for period reviews of its own performance at least annually.

10.7 The Committee will act in terms of the delegated authority of the Board as recorded in this charter. It has the power to investigate any activity within the scope of its terms of reference.