

**KINGFISHER PLC**  
**(the 'Company')**

**TERMS OF REFERENCE OF THE AUDIT COMMITTEE**

**1. Membership**

- 1.1. The Committee shall consist of not less than three members. The Committee shall be appointed by the Board, on the recommendation of the Nomination Committee and in consultation with the Chair of the Committee.
- 1.2. All members of the Committee shall be independent non-executive directors of the Company, at least one of whom shall have recent and relevant financial experience, and with competence in accounting and/or auditing. The Committee, as a whole, shall have competence relevant to the sector in which the Company operates.
- 1.3. Only members of the Committee and members of the Board who are not Committee members have the right to attend Committee meetings. Other individuals and representatives of the external auditors may be invited to attend all or part of any meeting at the invitation of the Committee.
- 1.4. The Chair of the Committee shall be appointed by the Board from amongst the independent non-executive directors. In the absence of the Chair of the Committee the remaining members present shall elect one of themselves to chair the meeting.

**2. Secretary**

The Group Company Secretary or their designee shall act as secretary to the Committee.

**3. Quorum**

A quorum shall be two members, one of whom must be the Chair of the Committee or a Committee member with recent and relevant financial experience.

**4. Frequency of meetings**

The Committee shall meet at least three times a year, and where appropriate, meetings should coincide with key dates in the Company's financial reporting cycle.

**5. Notice of meetings**

- 5.1. Meetings of the Committee shall be called by the Chair of the Committee or the Secretary at the request of any of its members. The external auditors or the Internal Audit and Risk Director may request a meeting of the Committee if they consider that one is necessary.
- 5.2. Unless otherwise agreed, notice of each meeting confirming the venue, time, and date together with the agenda of items to be discussed, shall be forwarded to each member of the Committee in advance of the meeting.

**6. Minutes of meetings**

- 6.1. The Secretary shall minute the proceedings and decisions of all meetings of the Committee.

- 6.2. Draft minutes of Committee meetings shall be circulated to all members of the Committee. Once approved, minutes should be made available to all other members of the Board and the Company Secretary unless, exceptionally, it would be inappropriate to do so.

## **7. Engagement with shareholders**

The Chairman of the Committee is expected to attend the annual general meeting ('AGM') to answer any shareholder questions on the Committee's activities and to seek engagement with shareholders on any significant matters related to the Committee's responsibilities.

## **8. Duties**

The duties of the Committee, as delegated by the Board, relate to the Group as a whole and, unless required otherwise by regulation, should be conducted for the parent company, major subsidiary undertakings, and the Group as a whole, as appropriate.

### *Financial reporting*

- 8.1. To monitor the integrity of the financial and narrative statements of the Company, including the annual and half-year reports and any formal announcements or regulatory returns relating to the Company's financial performance. The Committee shall also be responsible for reviewing and reporting to the Board on significant financial reporting issues, judgements, and estimates, and other significant financial matters, having regard to matters raised by the auditor.
- 8.2. To review, and challenge where necessary, the actions and judgements of management, in relation to the half-year and annual financial statements before submission to the Board, paying particular attention to:
  - 8.2.1. the application of significant accounting policies and practices, and any changes in them.
  - 8.2.2. the extent to which the financial statements are affected by any significant or unusual transactions in the year and how they are disclosed, and consideration of the methods used to account for these transactions.
  - 8.2.3. whether the company has adopted appropriate accounting policies and made appropriate estimates and judgements, taking in to account the external auditor's view on the financial statements.
  - 8.2.4. the clarity and completeness of disclosures and the context in which they are made.
  - 8.2.5. reviewing all material information within the financial statements, including the strategic report and corporate governance statements relating to the audit and to risk management.
  - 8.2.6. significant adjustments resulting from the external audit.
  - 8.2.7. assumptions and qualifications in support of the going concern and longer-term viability statements, including an assessment of the prospects of the Company looking forward over an appropriate and justified period.
  - 8.2.8. compliance with accounting standards.
- 8.3. reviewing any other statements requiring Board approval which contain financial information, 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, Prospectus Rules and Disclosure and Transparency Rules.

- 8.4. 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, and consider other topics, as defined by the Board.

#### *Narrative reporting*

- 8.5. to oversee the review of 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 UK Corporate Governance Code (the 'Code').

#### *Internal control and risk management systems*

- 8.6. to review, understand and evaluate the adequacy and effectiveness of the Company's internal financial controls systems that identify, assess, manage, and monitor financial risks, and other internal control and risk management systems.
- 8.7. To review reports from management and the Internal Audit and Risk Director on the effectiveness of systems for internal financial control, financial reporting, and risk management, together with monitoring management's responsiveness to their findings.
- 8.8. To review and approve the statements to be included in the annual report concerning internal control, risk management, including the assessment of principal risks and emerging risks, and the viability statement.

#### *Internal Audit*

- 8.9. To approve the appointment or dismissal of the Internal Audit and Risk Director.
- 8.10. To review and approve the role and mandate of internal audit, monitor and review the effectiveness of its work, and annually approve the internal audit charter, ensuring it is appropriate to the Company's current needs.
- 8.11. To ensure internal audit has unrestricted scope, adequate 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. To also ensure that internal audit is equipped to perform in accordance with appropriate professional standards for internal auditors.
- 8.12. To 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.
- 8.13. To consider the findings of major internal investigations into control weaknesses, fraud, or misconduct and management's response, (in the absence of management where necessary) and assess whether it is significant and therefore requires disclosure.

- 8.14. Ensure the Internal Audit and Risk Director has direct access to the Chair of the Board and Chair of the Committee, providing independence from the executive and accountability to the Committee.
- 8.15. Carry out an annual assessment of the effectiveness of internal audit and as part of this assessment:
  - 8.15.1. meet with the Internal Audit and Risk Director without the presence of management to discuss the effectiveness of the function.
  - 8.15.2. review and assess the annual internal audit work plan.
  - 8.15.3. receive a report on the results of the internal auditor's work.
  - 8.15.4. determine whether it is satisfied that the quality, experience, and expertise of internal audit is appropriate for the business.
  - 8.15.5. review the actions taken by management to implement the recommendations of internal audit and to support the effective working of the internal audit function.
- 8.16. To monitor and assess the role and effectiveness of internal audit annually in the context of the Company's overall risk management system and the work of compliance, finance, and the external auditor.
- 8.17. Consider whether an independent, third-party review of processes is appropriate.
- 8.18. A separate part of each meeting will be set aside for discussions with the Internal Audit and Risk Director, as required.

#### *External Audit*

- 8.19. To 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 external auditor.
- 8.20. To develop and oversee the selection procedure for the appointment of the external auditor in accordance with applicable Code and regulatory requirements, ensuring that all tendering firms have access to all necessary information and individuals during the tendering process.
- 8.21. To ensure that the external audit contract is put out to tender at least every ten years. Where the external auditor has been appointed for more than five consecutive years, to ensure that future retendering plans are communicated to shareholders.
- 8.22. To investigate any issues arising from the external auditor's resignation or dismissal and decide whether any action is required.
- 8.23. To oversee the relationship with the external auditor including (but not limited to):
  - 8.23.1. approval of their 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, in accordance with 8.27 and 8.28.
  - 8.23.2. approval of their terms of engagement, including any engagement letter issued at the start of each audit and the scope of the audit.

- 8.24. Assess annually the external auditor's independence and objectivity, taking into account relevant law, regulation, the Ethical Standard and other professional requirements and the Group's relationship with the external 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.
- 8.25. Satisfy itself that there are no relationships between the external auditor and the Company (other than in the ordinary course of business) which could adversely affect the external auditor's independence and objectivity.
- 8.26. Agree with the Board a policy on the employment of former employees of the external auditor, considering the Ethical Standard and legal requirements, and monitor the application of this policy.
- 8.27. Monitor the auditor's processes for maintaining independence, its compliance with the relevant law, regulation, the Ethical Standard and other professional requirements, including the guidance on the rotation of the audit partner and staff.
- 8.28. Monitor the level of fees paid by the Company to the external auditor, including for non-audit services, 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.
- 8.29. 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.
- 8.30. Seek to ensure coordination of the external audit with the activities of internal audit, where appropriate.
- 8.31. Evaluate the risks to the quality and effectiveness of the financial reporting process taking in to account the external auditor's communications with the Committee.
- 8.32. To review any representation letter(s) requested by the external auditor before they are signed by management.
- 8.33. To review the external auditor's management letter and management's response to the external auditor's findings and recommendations.
- 8.34. To develop and recommend to the Board the Company's formal policy on the provision of non-audit services by the external auditor, including prior 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:
  - 8.34.1. threats to the independence and objectivity of the external auditor and any safeguards in place.
  - 8.34.2. the nature of the non-audit services.
  - 8.34.3. whether the external audit firm is the most suitable supplier of the non-audit service.

- 8.34.4. the fees for the non-audit services, both individually and in aggregate, relative to the audit fee.
- 8.34.5. the criteria governing compensation.
- 8.35. To review the findings of the audit with the external auditor. This shall include but not be limited to, the following:
  - 8.35.1. a discussion of any major issues which arose during the audit.
  - 8.35.2. the external auditor's explanation of how the risks to audit quality were addressed.
  - 8.35.3. key accounting and audit judgements.
  - 8.35.4. the auditor's view of their interactions with senior management.
  - 8.35.5. levels of errors identified during the audit.
- 8.36. 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, without Management present at least annually, to discuss the external auditor's remit and any issues arising from the audit. A separate part of each meeting will be set aside for discussions with the external auditor, as required.
- 8.37. 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.
- 8.38. Review the effectiveness of the audit process, including an assessment of the quality of the audit, the handling of key judgements by the external auditor, and the auditor's response to questions from the committee.

#### *Compliance, speaking-up, and fraud*

The committee shall review:

- 8.39. The adequacy and security of the Company's arrangements for its employees, contractors, and external parties 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.
- 8.40. The adequacy and effectiveness of the Company's policies, procedures, and controls relating to the prevention, and detection, of bribery, money-laundering, threats to data protection, fraud, and competition, and receive reports on non-compliance.
- 8.41. The processes for compliance with laws, regulation, and ethical codes of practice and receive regular reports from the Company's compliance function.

#### **9. Reporting responsibilities**

- 9.1. The Committee Chair shall formally report to the Board after each meeting on how the Committee has discharged its duties as set out in these terms of reference, and any other matter that the Board has requested the Committee's opinion, or any other matter the Committee considers significant.

- 9.2. A report on the Committee's duties and activities during the year shall be included in the annual financial statements in accordance with all regulatory and legal requirements.

## **10. Other matters**

The Committee shall:

- 10.1. Oversee any investigation of activities within its terms of reference, as well as any matter referred to it by the Board for consideration.
- 10.2. Have access to sufficient resources to carry out its duties, including access to the Company Secretary for advice and assistance as required.
- 10.3. 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.
- 10.4. Arrange for periodic reviews of its own membership and performance and, at least annually, review its constitution and terms of reference and recommend any changes it considers necessary to the Board for approval.
- 10.5. Work and liaise with other Board committees ensuring interaction between Committees and with the Board is reviewed regularly, taking particular account of the impact of risk management and internal controls being delegated to different Committees.
- 10.6. Make the Committee's terms of reference publicly available.
- 10.7. Give due consideration to all relevant laws and regulations, the provisions of the Code and published guidance, the requirements of the FCA's Listing Rules, Prospectus Rules and Disclosure Guidance and Transparency Rules sourcebook and any other applicable rules, as appropriate.
- 10.8. Be responsible for oversight of the coordination of the internal and external auditors.

## **11. Authority**

The Committee is authorised by the Board to:

- 11.1. obtain, at the Company's expense, independent legal, accounting, or other professional advice and such advisors may attend meetings as necessary.
- 11.2. seek any information that it requires from any employee of the Company in order to perform its duties, including calling any employee to be questioned at a meeting of the Committee, as and when required.
- 11.3. direct either the external or internal auditors to undertake investigations on its behalf and to follow up on any suspicions of fraud.
- 11.4. commission reports from the subsidiary audit committees.

APPROVED BY THE BOARD OF DIRECTORS: 20 October 2021