



**DCC plc**

**Terms of Reference for the Audit Committee**

**April 2024**

# DCC plc

## Terms of Reference for the Audit Committee

The Audit Committee (the Committee) is a committee of the Board of Directors of DCC plc (the Board), from which it derives its authority and to which it regularly reports.

### 1. Constitution

1.1 The Committee is established by the Board to carry out the duties in the manner and with the authority set out herein.

### 2. Remit

The remit of the Committee is as follows:

#### 2.1 *Financial Reporting*

2.1.1 to monitor the integrity of the financial statements of the Company, including its annual and half-yearly reports, interim management statements, and any formal announcements relating to the Company's financial performance, reviewing significant financial reporting judgments contained in them;

2.1.2 to review the annual and half-year financial statements before they are considered by the Board, focusing particularly on:

- (i) the consistency of, and any changes in significant accounting policies and practices both on a year on year basis and across the Company/Group;
- (ii) the methods used to account for significant or unusual transactions where different approaches are possible;
- (iii) major judgmental areas;
- (iv) significant adjustments resulting from the audit;
- (v) the going concern assumption;
- (vi) compliance with accounting standards;
- (vii) compliance with stock exchange, legal and regulatory requirements;
- (viii) the clarity and completeness of disclosure in the Company's financial reports and the context in which statements are made; and
- (ix) all material information presented with the financial statements, such as the strategic report and the corporate governance statements, relating to the audit and to risk management.

2.1.3 where requested by the Board, to provide advice on whether the Annual Report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy.

## 2.2 ***Risk Management and Internal Control***

- 2.2.1 to keep under review the Company's internal financial controls systems that identify, assess, manage and monitor financial risks, and other internal control and risk management systems; and
- 2.2.2 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 statements.

## 2.3 ***External Auditors***

- 2.3.1 to 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 external auditor and to approve the remuneration and terms of engagement of the external auditor;
- 2.3.2 to ensure that at least once every ten years the external audit 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 to oversee the tender process and ensure that all tendering firms have such access as is necessary to information and individuals during the duration of the tendering process;
- 2.3.3 if the external auditor resigns, investigate the issues leading to this and decide whether any action is required;
- 2.3.4 to oversee the relationship with the external auditor including:
  - (i) approval of their remuneration, whether fees for audit or non-audit services and ensuring that the level of fees is appropriate to enable an adequate 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 the independence and objectivity of the external auditor and the effectiveness of the audit process, taking into consideration relevant professional and regulatory requirements and the relationship with the auditor as a whole, including the provision of any non-audit services and reporting on these matters to the Board;
  - (iv) to develop and implement a policy on the supply of non-audit services by the external auditor to avoid any threat to auditor objectivity and independence, taking into account any relevant ethical guidance on the matter;
  - (v) 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);
  - (vi) 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 compared to the overall fee income of the firm, office and partner and other related requirements;
- (vii) assessing annually their qualifications, expertise and resources and independence and the effectiveness of the audit process which shall include a report from the external auditor on their own internal quality procedures;
  - (viii) seeking to ensure co-ordination with the activities of the internal audit function; and
  - (ix) agreeing with the Board a policy on the employment of former employees of the Company's auditor, then monitoring the implementation of this policy.
- 2.3.5 to meet regularly with the external auditors and, at least annually, meet separately with the external auditors without the presence of management;
- 2.3.6 to review any representation letter requested by the external auditor before they are signed by management;
- 2.3.7 to review the findings of the audit with the external auditor. This shall include but not be limited to a discussion of any major issues which arose during the audit, key accounting and audit judgments, levels of errors identified during the audit and the effectiveness of the audit process;
- 2.3.8 to review the management letter and management's response to the auditor's findings and recommendations;
- 2.3.9 to discuss problems and reservations arising from the interim and final audits, and any matters the external auditor may wish to discuss (in the absence of management where necessary).

## 2.4 ***Internal Audit***

- 2.4.1 to oversee the operation and the effectiveness of the Group Internal Audit function and in particular:
- (i) review and assess the annual Group Internal Audit work plan to ensure it is aligned to the Group's key risks and internal controls;
  - (ii) review the reports from Group Internal Audit, which will include summaries of the key findings of each internal audit in the period (full internal audit reports will be available for inspection by members of the Committee);
  - (iii) ensure co-ordination between Group Internal Audit and the external auditors;
  - (iv) ensure the Group Internal Audit function is adequately resourced and has appropriate standing within the Company.
- 2.4.2 to consider the findings of internal investigations and management's response;

- 2.4.3 to review the Company's procedures for detecting fraud;
- 2.4.4 to approve the appointment or termination of appointment of the Head of Internal Audit;
- 2.4.5 to ensure that the Head of Internal Audit has direct access to the Chair of the Audit Committee and, as necessary, to the Chair of the Board and is accountable to the Committee;
- 2.4.6 to meet, at least annually, with the Head of Internal Audit without the presence of management;
- 2.4.7 to approve the Group Internal Audit charter on an annual basis;
- 2.4.8 to carry out an annual assessment of the effectiveness of the Group Internal Audit function.

## 2.5 Other Matters

- 2.5.1 The Committee shall review 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;
- 2.5.2 to receive regular reports from the Group Legal and Compliance function to cover, inter alia, controls for the prevention of bribery and money laundering;
- 2.5.3 to keep under review the adequacy and effectiveness of the Group Legal and Compliance function.

## 3. Reporting

- 3.1 The Chair of the Committee shall report to the Board following each meeting of the Committee. This report shall include:
  - 3.1.1 the significant issues that it considered in relation to the financial statements (required under paragraphs 2.1.1, 2.1.2 and 2.1.3) and how these issues were addressed;
  - 3.1.2 the matters it has considered in respect of risk management and internal control;
  - 3.1.3 its assessment of the effectiveness of the external audit process (required under paragraph 2.3.4 (vii)) and;
  - 3.1.4 any other issues on which the Board has requested the Committee's opinion.

3.2 The Committee shall compile a report to shareholders 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 and all other information requirements set out in the UK Corporate Governance Code.

#### **4. Engagement with shareholders**

4.1 The Chair of the Committee shall attend the Annual General Meeting to answer questions on the report on the Committee's activities and matters within the scope of the Committee's responsibilities.

4.2 The Chair of the Committee shall seek engagement with shareholders, when necessary, on matters within the Committee's areas of responsibility.

#### **5. Membership**

5.1 Members of the Committee shall be appointed by the Board, on the recommendation of the Nomination and Governance Committee, in consultation with the Chair of the Audit Committee.

5.2 The Chair of the Committee shall be appointed by the Board, on the recommendation of the Nomination and Governance Committee. The Chair of the Board shall not be a member of the Committee.

5.3 The Committee shall comprise at least three independent non-executive Directors of the Company. At least one of the members shall have recent and relevant financial experience, ideally with a professional qualification from one of the professional accountancy bodies. The Committee as a whole shall have competence relevant to the sectors in which the Group operates.

5.4 A quorum shall be two members.

5.5 Appointments to the Committee shall be for a period of up to three years, which may be extended for two further three-year periods, provided the Director remains independent.

5.6 The Committee shall 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.

#### **6. Meetings**

6.1 The Committee shall meet at least four times a year, at appropriate times in the reporting and audit cycle and otherwise as required.

- 6.2 Only members of the Committee have the right to attend Committee meetings. The Chief Executive, Chief Financial Officer, other Directors and executives and representatives of the external auditors may be invited to attend all or part of any meeting.
- 6.3 The Group Secretary shall act as Secretary to 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 issues.
- 6.4 Minutes of Committee meetings shall be circulated promptly by the Secretary to all members of the Committee and, once agreed, to all members of the Board, with such exceptions or redactions as the Committee deems appropriate.
- 6.5 A sufficient interval should be allowed between meetings of the Committee and the Board to allow any work arising from the Committee meeting to be carried out and reported to the Board as appropriate.
- 6.6 Outside of the formal meeting programme, the Committee Chair will maintain a dialogue with key individuals involved in the Company's governance, including but not limited to, the Board Chair, the Chief Executive, the Chief Financial Officer, the General Counsel and Company Secretary, the Head of Internal Audit and the External Audit Lead Partner.
- 6.7 The Committee will 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.

## **7. Authority**

- 7.1 The Committee is authorised by the Board to investigate any activity within its terms of reference. The Committee is authorised by the Board to seek any information it requires from any director, officer or employee of the Company in order to perform its duties.
- 7.2 The Committee is authorised by the Board to obtain outside legal or other independent professional advice.

## **8. Other Matters**

- 8.1 The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.
- 8.2 The Committee shall, at least once a year, review its own performance and terms of reference to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the Board for approval.

- 8.3 The Committee shall give full consideration to relevant legal and regulatory requirements, including but not limited to the provisions of the UK Corporate Governance Code and associated guidance, the requirements of the FCA's Listing Rules, Prospectus Rules, Disclosure Guidance and Transparency Rules sourcebook, and any other applicable rules, as appropriate.