

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 Chairman 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 Chairman of the Committee shall be appointed by the Board from amongst the independent non-executive directors. In the absence of the Chairman 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 Chairman 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 Chairman 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 circulated 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 to answer shareholder questions on the Committee's activities and to seek engagement with shareholders on 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-yearly reports and any formal announcements or regulatory returns relating to the Company's financial performance, reviewing and reporting to the Board significant financial reporting judgements and estimates, 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-yearly 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 audit and 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; and
 - 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, risk, and other internal controls and their associated systems;
- 8.7. to review management's and the internal auditor's reports on the effectiveness of systems for internal financial control, financial reporting, and risk management, together with monitoring management's responsiveness to their findings; and
- 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. 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 Chairman of the Board and Chairman 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; and
 - 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; and
- 8.18. the Internal Audit and Risk Director shall meet with the Committee without executive directors present at least annually. 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;
- 8.23. to oversee the relationship with the external auditor including (but not limited to):
 - 8.23.1. approval of their remuneration, whether fees for audit or non-audit services and that the level of fees is appropriate; and
 - 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, objectivity, taking into consideration 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. to 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;
- 8.26. monitor the auditor's compliance with the relevant ethical and professional guidance on the rotation of audit partner.
- 8.27. monitor the level of fees paid by the Company to the external auditor in the context of relevant legal, professional and regulatory requirements, guidance and the Ethical Standard;
- 8.28. 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;
- 8.29. seek to ensure coordination of the external audit with the activities of internal audit, where appropriate;
- 8.30. evaluate the risks to the quality and effectiveness of the financial reporting process taking in to account the views of the external auditor;
- 8.31. to 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; to review any representation letter(s) requested by the external auditor before they are signed by management;
- 8.32. to review the external auditor's management letter and management's response to the external auditor's findings and recommendations;
- 8.33. 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:
 - 8.33.1. threats to the independence and objectivity of the external auditor and any safeguards in place;
 - 8.33.2. the nature of the non-audit services;
 - 8.33.3. whether the external audit firm is the most suitable supplier of the non-audit service;
 - 8.33.4. the fees for the non-audit services, both individually and in aggregate, relative to the audit fee; and
 - 8.33.5. the criteria governing compensation.

The Committee will keep under review the non-audit fees paid to the external auditors in relation to their significance to the auditors to ensure that the provision of non-audit services does not impair the external auditors' independence or objectivity and remains within policy limits;

- 8.34. to review the findings of the audit with the external auditor. This shall include but not be limited to, the following:
 - 8.34.1. a discussion of any major issues which arose during the audit;
 - 8.34.2. the external auditor's explanation of how the risks to audit quality were addressed;
 - 8.34.3. key accounting and audit judgements;
 - 8.34.4. the auditor's view of their interactions with senior management; and

- 8.35. the external auditors shall meet with the Committee without executive directors 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 auditors as required.

Compliance

The committee shall:

- 8.36. review 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;

- 8.37. to review the adequacy and effectiveness of the Company's policies and controls relating to bribery, money-laundering, data protection, detecting fraud and competition and receive reports on non-compliance; and

- 8.38. to review 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 shall formally report to the Board after each meeting and on the following matters for which the Board has delegated responsibility:
 - 9.1.1. the significant issues that it considered in relation to the financial statements and how these were addressed;
 - 9.1.2. its assessment of the effectiveness of the external audit process, the 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;
 - 9.1.3. the monitoring and review of the application of policy relating to the audit of all companies within the Group;
 - 9.1.4. the monitoring and review of the consistency of compliance with and application of the accounting principles, policies and standards to be used by the Group in maintaining and producing their statutory accounts and financial reports;
 - 9.1.5. the appointment of the internal and external auditors, the external audit fee, and any questions of their resignation or dismissal;

- 9.1.6. the review of the effectiveness of the risk management and internal control systems to give assurance to the Board that effective control is being maintained;
 - 9.1.7. the review of the Company's business and corporate governance statements (audit and risk functions); and
 - 9.1.8. the outcome of the statutory audit, explaining its contribution to the integrity of the financial statements.
- 9.2. A report on the Committee's duties and activities during the year shall be included in the annual financial statements, including:
- 9.2.1. The significant issues that the Committee considered relating to the financial statements and how these issues were addressed;
 - 9.2.2. An explanation of how it has assessed the independence and effectiveness of the external audit process, the approach taken to the appointment or reappointment of the external auditor, information on the length of tenure of the external auditor, when the last tender was conducted and advance notice of any tendering plans;
 - 9.2.3. 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's appointment, reappointment or removal, a statement from the Committee explaining its recommendation and the reasons why the Board has taken a different position should be included in the annual report;
 - 9.2.4. An explanation of how the external auditor independence and objectivity is safeguarded, especially where the external auditor supplies non-audit services having regard to matters communicated to it by the auditor and all other information requirements set out in the Code; and
 - 9.2.5. An explanation of how the Committee has addressed the effectiveness of the internal audit process.

In compiling the report referred to in 9.2, 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. The report to shareholders need not repeat information disclosed elsewhere in the annual report and accounts but could provide cross-references to that information.

10. Other matters

The Committee shall:

- 10.1. Investigate any activity 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.

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;
- 11.3. direct either the external or internal auditors to undertake investigations on its behalf and to follow up on any suspicions of fraud; and
- 11.4. commission reports from the subsidiary audit committees.

APPROVED BY THE BOARD OF DIRECTORS: 22 OCTOBER 2020