

**Wincanton plc**  
**Audit Committee Terms of Reference**

The Board hereby appoints the Audit Committee on the following terms:

**1. Membership**

- 1.1 The Committee shall comprise at least three members. Members of the Committee shall be appointed by the Board, on the recommendation of the Nomination Committee, in consultation with the Chairman of the Audit Committee.
- 1.2 All members of the Committee shall be independent Non-Executive Directors, at least one of whom shall have recent and relevant financial experience. The Chairman of the Board shall not be a member of the Committee.
- 1.3 Only members of the Committee have the right to attend Committee meetings. However, other individuals such as the Chairman of the Board, Chief Executive, Group Finance Director, other directors, the Head of Internal Audit and representatives from the finance function may be invited to attend all or part of any meeting as and when appropriate and necessary.
- 1.4 The External Auditor will be invited to attend meetings of the Committee on a regular basis.
- 1.5 Appointment to the Committee shall be for a period of up to three years, extendable by no more than two additional three-year periods, provided the member continues to be independent.
- 1.6 The Board shall appoint the Committee Chairman who shall be an independent non-executive Director. In the absence of the Committee Chairman and/or an appointed deputy, the remaining members present shall elect one of themselves to chair the meeting.

**2. Secretary**

- 2.1 The Company Secretary, or his or her nominee, shall act as the 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.

**3. Quorum**

- 3.1 The quorum necessary for the transaction of business shall be two members including a member with recent and relevant financial experience.
- 3.2 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.

**4. Frequency of meetings**

- 4.1 The Committee shall meet at least three times a year at appropriate times in the financial reporting and audit cycle and otherwise as required.

- 4.2 Outside of the formal meeting programme, the Committee Chairman will maintain a dialogue, as necessary, with key individuals involved in the Company's governance, including the Board Chairman, the Chief Executive, the Group Finance Director, the external audit lead partner and the Head of Internal Audit.

## **5. Notice of meetings**

- 5.1 Meetings of the Committee shall be called by the Secretary of the Committee at the request of any of its members or at the request of the external audit lead partner or Head of Internal Audit if they consider it necessary.
- 5.2 Unless otherwise agreed, notice of each meeting confirming the venue, time and date together with an agenda of items to be discussed, shall be forwarded to each member of the Committee, any other person required to attend and all other non-executive Directors, no later than five working days before the date of the meeting. Supporting papers shall be sent to Committee members and to other attendees as appropriate, at the same time.

## **6. Minutes of meetings**

- 6.1 The Secretary shall minute the proceedings and decisions of all meetings of the Committee, including recording the names of those present and in attendance.
- 6.2 Draft minutes of Committee meetings shall be circulated promptly to all members of the Committee. Once approved, minutes should be circulated to all other members of the Board unless it would be inappropriate to do so in the opinion of the Committee Chairman.

## **7. Annual General Meeting**

- 7.1 The Committee Chairman should attend the Annual General Meeting to answer shareholder questions on the Committee's activities.

## **8. Duties**

The Committee should carry out the duties below for the parent company, major subsidiary undertakings and the Group as a whole, as appropriate.

### **8.1 Financial reporting.**

- 8.1.1 The Committee shall monitor the integrity of the financial statements of the Company, including its annual and half-yearly reports, interim management statements, and any other formal announcement relating to its financial performance, reviewing and reporting to the Board on significant financial reporting issues and judgements which they contain having regard to matters communicated to it by the external auditor.

### **8.1.2 In particular, the Committee shall review and challenge where necessary:**

- 8.1.2.1 the consistency of, and any changes to, material accounting policies both on a year on year basis and across the Company / Group;
- 8.1.2.2 the methods used to account for significant or unusual transactions where different approaches are possible;
- 8.1.2.3 whether the Company has followed appropriate accounting standards and made appropriate estimates and judgements, taking into account the views of the external auditor;

8.1.2.4 the clarity, accuracy and completeness of disclosure in the Company's financial reports and the context in which statements are made; and

8.1.2.5 all material information presented with the financial statements, such as the strategic report and the corporate governance statements (insofar as it relates to the audit and risk management).

8.1.3 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.

## 8.2 Narrative reporting

8.2.1 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 position and performance, business model and strategy.

8.2.2 Where requested by the Board, review:

- whether it is appropriate to adopt the going concern basis of accounting and identify any material uncertainties that could affect the Company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- the Company's current position and principal risks to explain how they Company's prospects have been assessed, over what period and why they consider that period to be appropriate, in order to state whether the Board have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, drawing attention to any qualifications or assumptions as necessary.

## 8.3 Internal controls and risk management systems

The Committee shall:

8.3.1 keep under review the assessment, management and mitigation of the principal risks facing the Company, including those that would threaten its business model, future performance, solvency or liquidity.

8.3.2 recommend to the Board the Company's overall risk appetite, tolerance and strategy, taking account of the current and prospective macroeconomic and financial environment.

8.3.3 keep under review the Company's overall risk assessment processes that inform the Board's decision-making; regularly review the parameters, measures and methodology used; and set standards for accurate and timely monitoring of large exposures and critical risks.

8.3.4 review reports on any material breaches of risk limits and the adequacy of proposed actions to resolve and prevent reoccurrence;

8.3.5 keep under review the adequacy and effectiveness of the Company's internal financial controls and internal control and risk management systems; and

8.3.6 review and approve the statements to be included in the annual report concerning internal controls and risk management; and

8.3.7 review and monitor management's responsiveness to the findings and recommendations of Internal Audit.

#### 8.4 Compliance, whistleblowing and fraud

The Committee shall:

- 8.4.1 review the adequacy and security of the 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;
- 8.4.2 review the Company's procedures for detecting fraud; and
- 8.4.3 review the Company's systems and controls for the prevention of bribery and receive reports on non-compliance.

#### 8.5 Internal audit

The Committee shall:

- 8.5.1 approve the appointment and removal of the Head of Internal Audit;
- 8.5.2 review and approve the charter of the internal audit function and ensure it has the necessary resources and access to information to enable it to fulfil its mandate and is equipped to perform in accordance with appropriate professional standards for internal auditors;
- 8.5.3 ensure the internal auditor has direct access to the Chairman of the Board and to the Committee Chairman, and is accountable to the Committee;
- 8.5.4 review and assess the annual internal audit plan;
- 8.5.5 receive a report on the results of Internal Audit's work on a periodic basis;
- 8.5.6 review and monitor management's responsiveness to the findings and recommendations of Internal Audit;
- 8.5.7 meet the Head of Internal Audit at least once a year, without management being present; and
- 8.5.8 monitor and review the effectiveness of the Company's Internal Audit function in the context of the Company's overall risk management system.

#### 8.6 External Audit

The Committee shall:

- 8.6.1 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;
- 8.6.2 ensure that, when deemed appropriate by the Committee, 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;
- 8.6.3 if an auditor resigns, investigate the issues leading to this and decide whether any action is required;

- 8.6.4 oversee the relationship with the External Auditor including (but not limited to):
  - 8.6.4.1 recommendations on their remuneration, including both fees for audit and non-audit services and that the level of fee is appropriate to enable an effective and high quality audit to be conducted;
  - 8.6.4.2 approval of their terms of engagement, including any engagement letter issued at the start of each audit and the scope of the audit;
  - 8.6.4.3 assessing annually their independence and objectivity taking into account relevant professional and regulatory requirements and the relationship with the auditor as a whole, including the provision of any non-audit services;
  - 8.6.4.4 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;
  - 8.6.4.5 agreeing with the Board a policy on the employment of former employees of the Company's auditor, and monitoring the implementation of this policy;
  - 8.6.4.6 monitoring the auditor's compliance with relevant ethical and professional guidance on the rotation of audit partner, the level of fees paid by the Company compared to the overall fee income of the firm, office and partner and other related requirements;
  - 8.6.4.7 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;
  - 8.6.4.8 seeking to ensure co-ordination with the activities of the Internal Audit function; and
  - 8.6.4.9 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.
- 8.6.5 meet regularly with the External Auditor, including once at the planning stage before the audit and once after the audit at the reporting stage. The Committee shall meet the External Auditor at least once a year, without management being present, to discuss the auditor's remit and any issues arising from the audit;
- 8.6.6 review and approve the annual audit plan and ensure that it is consistent with the scope of the audit engagement, having regard to the seniority, expertise and experience of the audit team; and
- 8.6.7 review the findings of the audit with the External Auditor. This shall include but not be limited to, the following:
  - 8.6.7.1 a discussion of any major issues which arose during the audit;
  - 8.6.7.2 key accounting and audit judgements;
  - 8.6.7.3 levels of errors identified during the audit; and
  - 8.6.7.4 the effectiveness of the audit process.

The Committee shall also:

- 8.6.8 review any representation letter(s) requested by the External Auditor before they are signed by management;
- 8.6.9 review the management letter and management's response to the auditor's findings and recommendations; and
- 8.6.10 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.

## **9. Reporting responsibilities**

- 9.1 The Committee Chairman shall report formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities and shall also formally report to the Board on how it has discharged its responsibilities. This report shall include:
  - 9.1.1 the significant issues that it considered in relation to the financial statements (required under paragraph 8.1.1) and how these are addressed;
  - 9.1.2 its assessment of the effectiveness of the external audit process (required under paragraph 8.6.4.7) and its recommendation on the appointment or reappointment of the External Auditor; and
  - 9.1.3 any other issues on which the Board has requested the Committee's opinion.
- 9.2 The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.
- 9.3 The Committee shall compile a report on its activities to be included in the Company's Annual Report. The report should include:
  - 9.3.1 an explanation of how the Committee has addressed the effectiveness of the external audit process;
  - 9.3.2 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 Code.
  - 9.3.3 where the external auditor provides non-audit services, an explanation of how auditor objectivity and independence are safeguarded.
- 9.4 In compiling the reports referred to in 9.1 and 9.3, the Committee should exercise judgement in deciding which of the issues it considers in relation to the financial statements are significant, but include at least those matters that have informed the Board's assessment of whether the Company is a going concern. 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 have access to sufficient resources in order to carry out its duties, including access to the Company Secretary for assistance as required.

- 10.2 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.
- 10.3 give due consideration to laws and regulations, the provisions of the UK Corporate Governance Code and the requirements of the UK Listing Authority's Listing, Prospectus and Disclosure and Transparency Rules and any other applicable Rules, as appropriate.
- 10.4 be responsible for co-ordination of the internal and external auditors.
- 10.5 oversee any investigation of activities which are within its terms of reference.
- 10.6 work and liaise as necessary with all other board committees.
- 10.7 arrange for periodic reviews of its own performance and, at least annually, review its constitution and terms of reference to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the Board for approval.

## **11. Authority**

The Committee is authorised to:

- 11.1 seek any information it requires from any employee of the Company in order to perform its duties.
- 11.2 obtain, at the Company's expense, outside legal, accounting or other professional advice on any matter.
- 11.3 call any employee to be questioned at a meeting of the Committee as and when required.
- 11.4 have the right to publish in the Company's Annual Report details of any issues that cannot be resolved between the Committee and the Board.