

# Appendix 1

## Audit Committees for certain issuers

### 1.1 Audit Committees for certain issuers

#### App 1.1.1

App 1.1.1 In respect of a financial year beginning before 17 June 2016, DTR TP 27 requires an *issuer* to comply with the requirements in this appendix in relation to their audit committee unless it is an *issuer* listed in App 1.1.4.

App 1.1.2 To assist *issuers*, this appendix adopts the text of DTR 7.1 before it was amended by the Disclosure Rules and Transparency Rules Sourcebook (Statutory Audit Amending Directive) Instrument 2016 in order to cover *issuers* in respect of a financial year beginning before 17 June 2016.

#### App 1.1.3

#### 7.1 Audit committees

##### Audit committees and their functions

- 7.1.1 R An *issuer* must have a body which is responsible for performing the functions set out in DTR 7.1.3R. At least one member of that body must be independent and at least one member must have competence in accounting and/or auditing.
- 7.1.2 G The requirements for independence and competence in accounting and/or auditing may be satisfied by the same member or by different members of the relevant body.
- 7.1.3 R An *issuer* must ensure that, as a minimum, the relevant body must:
- (1) monitor the financial reporting process;
  - (2) monitor the effectiveness of the *issuer's* internal control, internal audit where applicable, and risk management systems;
  - (3) monitor the statutory audit of the annual and consolidated accounts;
  - (4) review and monitor the independence of the *statutory auditor*, and in particular the provision of additional services to the *issuer*.

7.1.4 R An *issuer* must base any proposal to appoint a *statutory auditor* on a recommendation made by the relevant body.

[Note: Article 41.3 of the *Audit Directive*]

7.1.5 R The *issuer* must make a statement available to the public disclosing which body carries out the functions required by DTR 7.1.3R and how it is composed.

[Note: Article 41.5 (part) of the *Audit Directive*]

7.1.6 G An *issuer* may include the statement required by DTR 7.1.5R in any statement it is required to make under DTR 7.2 (Corporate governance statements).

7.1.7 G In the FCA's view, compliance with provisions A.1.2, C.3.1, C.3.2, C.3.3 and C.3.8 of the *UK Corporate Governance Code* will result in compliance with DTR 7.1.1R to DTR 7.1.5R.

App  
1.1.4

This appendix does not apply to:

(1) any *issuer* which is a *subsidiary undertaking* of a *parent undertaking* where the *parent undertaking* is subject to DTR 7.1, or to requirements implementing Article 41 of the *Audit Directive* in any other *EEA State*; or

[Note: Article 41.6(a) of the *Audit Directive*]

(2) any *issuer* the sole business of which is to act as the issuer of *asset-backed securities* provided the entity makes a statement available to the public setting out the reasons for which it considers it is not appropriate to have either an audit committee or an administrative or supervisory body entrusted to carry out the functions of an audit committee; or

[Note: Article 41.6(c) of the *Audit Directive*]

(3) a *credit institution* whose *shares* are not *admitted to trading* and which has, in a continuous or repeated manner, issued only *debt securities* provided that:

(a) the total nominal amount of all such *debt securities* remains below 100,000,000 Euros; and

(b) the *credit institution* has not been subject to a requirement to publish a prospectus in accordance with section 85 of the Act.

[Note: Article 41.6(d) of the *Audit Directive*]