

# GROUP 1 AUTOMOTIVE®

## AUDIT COMMITTEE CHARTER

The Board of Directors (the “**Board**”) of Group 1 Automotive Inc. (the “**Company**”) has heretofore constituted and established an Audit Committee of the Board (the “**Committee**”) with the authority, responsibility, and specific duties as described in this Audit Committee Charter (this “**Charter**”).

### Purposes

The purposes of the Committee are:

1. To oversee the quality, integrity and reliability of the financial statements and other financial information the Company provides to any governmental body or the public;
2. To oversee the Company’s compliance with legal and regulatory requirements;
3. To oversee the qualifications, independence and performance of the independent auditor engaged for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Company (the “independent auditor”);
4. To oversee the effectiveness and performance of the Company’s internal audit function;
5. To prepare annually an Audit Committee Report meeting the requirements of any applicable regulations of the Securities and Exchange Commission (the “**SEC**”) to be included in the Company’s proxy statement relating to its annual meeting of stockholders; and
6. To perform such other functions as the Board may assign to the Committee from time to time.

Consistent with these purposes, the Audit Committee should encourage continuous improvement of, and should foster adherence to, the Company’s policies, procedures and practices at all levels.

### Composition

The Board shall appoint the members of the Committee based on the recommendation of the Governance & Corporate Responsibility Committee of the Board. The Chair of the Committee (the “**Chair**”) shall be designated by the Board based on the recommendation of the Governance & Corporate Responsibility Committee or, if no such designation is made, shall be selected by the affirmative vote of the majority of the Committee. Each Committee member will serve at the

pleasure of the Board for such term as the Board may decide or until such Committee member is no longer a Board member.

The size of the Committee shall be determined by the Board, but shall be comprised of at least three members of the Board. The members of the Committee shall meet the independence and experience requirements of the New York Stock Exchange (the “**NYSE**”) and the rules and regulations of the SEC. At least one member of the Committee shall be an “audit committee financial expert” as defined by the SEC. The Board shall determine annually whether each member of the Committee is independent in accordance with the requirements described above. If a member of the Committee serves on more than three audit committees of public companies (including the Committee), prior to appointing that member to the Committee, the Board shall determine that such person’s membership on those other audit committees will not impair that person’s ability to serve effectively on the Committee, and the Company shall disclose such determination in the Company’s annual proxy statement.

Notwithstanding the foregoing membership requirements, no action of the Committee shall be invalid by reason of any such requirement not being met at the time such action is taken.

### **Authority and Responsibilities**

The Committee shall have the authority to take all actions it deems advisable to fulfill its responsibilities and duties. As such, the Committee will have direct access to financial, legal, and other staff and consultants of the Company. Such consultants may assist the Committee in defining its role and responsibilities, consult with Committee members regarding a specific audit or other issues that may arise in the course of the Committee’s duties, and conduct independent investigations, studies, or tests as the Committee deems appropriate. The Committee has the sole authority to appoint, compensate, retain or replace the independent auditor. The Company shall provide for appropriate funding, as determined by the Committee, for payment to such independent auditor. In addition, the Committee has the authority to retain and determine funding for such other accountants, attorneys, consultants or other outside advisors to assist the Committee as it deems advisable, which expenses the Company shall pay. The Committee shall also receive appropriate funding from the Company for the payment of ordinary administrative expenses of the Committee that are necessary or appropriate in carrying out its duties.

The Committee may require any officer or employee of the Company or any of its subsidiaries, the Company’s outside legal counsel, and the Company’s external auditors to meet with the Committee or any member of the Committee. The Committee has the sole authority to delegate to its Chair, any one of its members or any subcommittee it may form, the responsibility and authority for any particular matter, as it deems appropriate from time to time under the circumstances. Each subcommittee will keep minutes and regularly report to the Committee.

Without limiting the generality of the preceding statements, the Committee shall have the authority, and is entrusted with responsibility to do the following actions:

### ***Interaction with the Independent Auditor.***

1. Annually (a) select and engage the Company’s independent auditor; (b) review, evaluate and determine the compensation of the independent auditor; (c) evaluate

the performance and on-going qualifications of the independent auditor; and (d) dismiss the independent auditor if the Committee determines, in its sole discretion, that such action is necessary. The independent auditor will report directly to the Committee.

2. Oversee the resolution of any disagreements between the Company's management and the independent auditor regarding financial reporting.
3. Review the experience and qualifications of the senior members of the independent auditor's team and the quality control procedures of the independent auditor and present the Committee's conclusions with respect to the independent auditor to the Board. In conducting its review, the Committee shall obtain and review a report prepared by the independent auditor describing (i) the firm's internal quality-control procedures; (ii) any material issues raised by the most recent internal quality-control review, or peer review, of the firm, or by any inquiry or investigation by governmental or professional authorities, within the preceding five years, involving one or more independent audits carried out by the firm, and any steps taken to deal with any such issues; and (iii) (to assess the independent auditor's independence) all relationships between the independent auditor and the Company, consistent with applicable requirements.
  - (a) If applicable, consider whether the provision by the independent auditor of any permitted non-audit services to the Company is compatible with maintaining the independence of the independent auditor.
  - (b) Confirm with the independent auditor that the firm is in compliance with the partner rotation requirements established by the SEC.
  - (c) Consider rotation of the independent registered public accounting firm, to the extent it deems it appropriate.
  - (d) Request the independent auditor to provide relevant information about any Public Company Accounting Oversight Board inspections into the audit of the Company.
  - (e) Review and evaluate the lead partner of the independent auditor.
4. Pre-approve all audit services and all permitted audit-related services, tax services and other non-audit services to be performed by the Company's independent auditor. The Committee may delegate its pre-approval authority for these services to one or more members, whose decisions shall be presented to the full Committee at its scheduled meetings. Each of these services must receive specific pre-approval by the Committee unless the Committee has provided general pre-approval for such category of services in accordance with policies and procedures that comply with applicable laws and regulations.
5. Set guidelines for the Company's hiring of employees or former employees of the independent auditor.

6. Discuss with the independent auditor any matters required by applicable auditing standards, including any critical audit matters brought to the Committee's attention.

***Annual Financial Statements, Annual Audit and Separate Meetings with the Independent Auditor.***

1. Review with management, the internal auditor and the independent auditor, the independent auditor's process for identifying and responding to key audit and internal control risks and the scope, the procedures to be followed and the staffing of the audit to assure completeness of coverage of key business controls and risk areas.
2. Review and discuss with management and the independent auditor: (a) major issues regarding accounting principles and financial statement presentations, including any significant changes in the Company's selection or application of accounting principles, and major issues as to the adequacy of the Company's internal controls and any special audit steps adopted in light of material control deficiencies; (b) any analyses prepared by management or the independent auditor setting forth significant financial reporting issues and judgments made in connection with the preparation of the Company's financial statements, including analyses of the effects of alternative treatments of financial information on the Company's financial statements; and (c) the effect of regulatory and accounting initiatives, as well as off-balance sheet structures, on the Company's financial statements.
3. Review with the independent auditor any problems or difficulties incurred in connection with the audit, including any restrictions on the scope of activities or access to required information, or any significant disagreements with management and management's responses to such matters. Among the items that the Committee should consider reviewing with the independent auditor are: (a) any accounting adjustments that were noted or proposed by the independent auditor but were "passed" (as immaterial or otherwise); (b) any communications between the audit team and the independent auditor's national office respecting auditing or accounting issues presented by the engagement; and (c) any "management" or "internal control" letter issued, or proposed to be issued, by the independent auditor to the Company. Such review should also include discussion of the responsibilities, budget and staffing of the Company's internal audit function. The Committee shall obtain from the independent auditor assurances that Section 10A(b) of the Exchange Act has not been implicated.
4. Review and discuss with management and the independent auditor disclosures made in management's discussion and analysis of financial condition and the financial statements and footnotes included in the annual report to stockholders on Form 10-K and quarterly reports on Form 10-Q filed with the SEC prior to the filing of such reports with the SEC.
5. Discuss with the independent auditor the report that such firm is required to make to the Committee regarding: (a) all accounting policies and practices to be used that the independent auditor identifies as critical; (b) all alternative treatments of

financial information for policies and practices related to material items that have been discussed among management and the independent auditor, including the ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the independent auditor; and (c) all other material written communications between the independent auditor and management of the Company, such as any management letter, management representation letter, reports on observations and recommendations on internal control over financial reporting, the independent auditor's engagement letter, the independent auditor's independence letter, schedule of unadjusted audit differences and a listing of adjustments and classifications not recorded, if any.

6. Periodically meet separately with the independent auditor to discuss any issues that the independent auditor believes warrant the Committee's attention.
7. Based on the review by, and discussions with, representatives of the independent registered public accounting firm, determine whether to recommend to the Board that the audited financial statements be included in the Company's Annual Report on Form 10-K for the fiscal year subject to such audit.

#### ***Internal Audit.***

1. At least annually, review the activities and structure of the internal audit function.
2. Periodically meet separately with the Company's internal auditor to discuss the scope of the internal audit, responsibilities, budget and staffing of the Company's internal audit function and any issues that the internal auditor believes warrant the Committee's attention.
3. Review and approve the appointment, performance and replacement of the senior internal auditing executive, who shall have direct access to the Committee.
4. Periodically meet and review with the senior internal auditing executive the internal reports to management prepared by the internal auditing department and any findings of major significance stemming from internal audits, together with management's response and follow-up to those reports.

#### ***Oversight of Risk and System of Internal Controls.***

1. Discuss with management, and/or any such other committee of the Board charged with responsibility for risk assessment and risk management, and the senior internal auditing executive policies with respect to risk assessment and risk management.
2. Consider and review with management, the internal auditor and the independent auditor the following:
  - (a) the effectiveness of or weaknesses in the Company's internal controls including the status and adequacy of management information systems and

other information and security, the overall control environment and accounting and financial controls;

- (b) any disclosures provided by the Chief Executive Officer or the Chief Financial Officer during their certification process regarding (i) significant deficiencies in the design or operation of internal controls that could adversely affect the Company's ability to record, process, summarize, and report financial data and (ii) any fraud, including that which involves management or other employees who have a significant role in the Company's internal controls; and
  - (c) any related significant findings and recommendations of the independent auditor, together with management's response thereto, including the timetable for implementation of recommendations to correct weaknesses in internal controls.
3. Receive reports from management regarding, and review and discuss the adequacy and effectiveness of, the Company's disclosure controls and procedures.
  4. Assess internal processes for determining and managing key financial statement and compliance risk areas.
  5. Meet separately with management on a periodic basis to discuss matters related to the Company's internal control over financial reporting and other matters related to the Company's internal audit function.

***Corporate Compliance Process.***

1. Approve for recommendation to the Board the Company's policies and procedures regarding compliance with the law and with significant Company policies, including, but not limited to, codes of conduct expressing principles of business ethics, legal compliance, the Foreign Corrupt Practices Act, environmental, health, and safety issues, and other matters relating to business conduct, and programs of legal compliance designed to prevent and detect violations of law.
2. Establish procedures for the receipt, retention and treatment of complaints regarding accounting, internal accounting controls and auditing matters, and complaints received by the Company regarding potential violations of applicable laws, rules and regulations or of the Company's codes, policies and procedures. The Committee shall also establish procedures for the confidential and anonymous submission by employees of concerns regarding any such matters.
3. Investigate at its discretion any matter brought to its attention, which investigation may include reviewing the books, records and facilities of the Company and interviewing Company officers or employees.
4. Review with the Company's management and others any legal, tax or regulatory matters (including compliance with Manufacturer Public Company Agreements)

that may have a material impact on Company operations and the financial statements, related Company compliance policies, and programs and reports received from regulators.

5. Review officers' expense accounts, including their use of corporate assets, and consider the results of any review of these areas by the independent auditor.
6. Review periodically the Company's Financial Code of Ethics and its enforcement.

***Other Committee Responsibilities.***

1. Prepare a report to stockholders to be included in the proxy statement on an annual basis as required by the SEC.
2. Approve the formation of all offshore subsidiaries or affiliates of the Company.
3. Discuss the Company's tax planning matters.
4. Review and discuss with management and the independent registered public accounting firm the Company's report on internal control over financial reporting prior to filing the Company's Annual Report on Form 10-K.
5. Review the accounting and disclosure associated with any off-balance sheet structures.
6. Review and discuss with financial management the Company's earnings to be included in its press releases, as well as financial information and earnings guidance, including the use of "pro forma" or "adjusted" non-GAAP information. These duties require the Committee to discuss with financial management in advance of each earnings release.
7. Review, approve or ratify related party transactions as set forth in the Company's Code of Conduct.
8. Review with management and the independent auditor any correspondence from or with regulators or governmental agencies and any employee complaints or published reports that raise material issues regarding the Company's financial statements, financial reporting process, internal audit function or accounting policies.
9. Review with the Company's management and/or legal counsel legal any regulatory matters that could reasonably be expected to have a material impact on the Company's financial statements, compliance policies and any material reports or inquiries received from regulators or governmental agencies.
10. Discuss with the independent auditor the matters required to be discussed by Auditing Standard No. 1301 as then in effect.

11. Annually review the adequacy and succession planning of the Company's accounting and financial personnel.

## Procedures

1. **Meetings.** The Committee shall meet as frequently as necessary to carry out its responsibilities under this Charter, but no less than once per quarter. The Committee will meet at the call of its Chair, a majority of the members of the Committee, or the Chairman of the Board. At these meetings, the Committee may meet with management, the independent auditor and the internal auditors in separate executive sessions to discuss any matters that the Committee or each of these groups believe should be discussed privately. The Committee will also meet with management and the independent auditor prior to the release of the Company's quarterly or annual earnings to discuss the results of the quarterly review or audit as applicable.

The Chair and/or management of the Company may call additional meetings as deemed necessary. In addition, the Committee will make itself available to the independent auditor of the Company as requested by such independent auditor.

2. **Quorum and Approval.** A majority of the members of the Committee shall constitute a quorum. The Committee shall act on the affirmative vote of a majority of members present at a meeting at which a quorum is present. The Committee may also act by unanimous written consent in lieu of a meeting.
3. **Rules.** The Committee may determine additional rules and procedures, including designation of a Chair *pro tempore* in the absence of the Chair, at any meeting thereof.
4. **Reports.** The Committee shall maintain minutes of its meetings and make regular reports to the Board, directly or through its Chair.
5. **Review of Charter.** Each year, the Committee shall review the need for changes in this Charter and recommend any proposed changes to the Board for approval.
6. **Performance Review.** Each year, the Committee shall review and evaluate its own performance and shall submit itself to the review and evaluation of the Board.
7. **Fees.** Each member of the Committee shall be paid the fee set by the Board for his or her services as a member of, or Chair of, the Committee.

## **Posting Requirement**

The Company will make this Charter available on or through the Company's website as required by applicable rules and regulations. In addition, the Company will disclose in its proxy statement for its annual meeting of stockholders or in its Annual Report on Form 10-K, as applicable, that a copy of this Charter is available on the Company's website and provide the website address.

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