

# DXP Enterprises, Inc. – Audit Committee Charter

## DXP Enterprises, Inc. - Charter for the Audit Committee of the Board of Directors

### I. Purpose and Authority

The Audit Committee (the "Committee") of the Board of Directors (the "Board") of DXP Enterprises, Inc. ("DXP"):

- assists the Board in fulfilling its responsibilities for general oversight of: (1) DXP's financial reporting processes and the audit of DXP's financial statements, including the integrity of DXP's financial statements, (2) DXP's compliance with legal regulatory and exchange or listing requirements, and (3) the independent auditors' qualifications and independence;
- prepares the report required by the proxy rules of the Securities and Exchange Commission (the "SEC") to be included in DXP's annual proxy statement; and
- has the additional duties and responsibilities set forth in Section IV below.

The Committee has the authority to obtain advice and assistance from outside legal, accounting or other advisors as the Committee deems necessary to carry out its duties, and the Committee shall receive appropriate funding, as determined by the Committee, from DXP for payment of compensation to the outside legal, accounting or other advisors employed by the Committee.

### II. Membership

1. **Membership.** The Committee shall consist of at least three directors, each of whom shall meet the independence and financial expertise requirements of the SEC, the Board and Nasdaq. At least one member of the Committee must have past employment experience in finance or accounting, requisite professional certification in accounting or other comparable experience or background that leads to financial sophistication. In addition, no Committee member may have participated in the preparation of the financial statements of DXP or any of DXP's current subsidiaries at any time during the past three years.
2. **Appointment and Removal.** The members of the Committee shall be appointed by the Board based on recommendations from the Nominating and Governance Committee of the Board. The members of the Committee shall serve for such term or terms as the Board may determine or until earlier resignation or death. The Board may remove any member from the Committee at any time with or without cause.

### **III. Meeting and Procedures**

The Committee shall convene at least four times each year, with additional meetings called as the Committee deems appropriate. The Committee Chair is responsible for the agenda, including input from management, staff and other Committee and Board members as appropriate. A majority of the Committee members shall be present to constitute a quorum for the transaction of the Committee's business. The Committee shall meet regularly in separate executive sessions and also in private sessions with each of management, the independent auditors and internal auditors (or other persons carrying on the internal audit function) to facilitate full communication. The Committee shall be given open access to DXP's Board Chairman, DXP executives, independent auditors and internal auditors (or other persons carrying on the internal audit functions), as well as DXP's books, records, facilities and other personnel.

### **IV. Duties and Responsibilities**

The primary general responsibility of the Committee is to oversee DXP's financial reporting process on behalf of the Board and to report the results of its activities to the Board. While the Committee has the responsibilities and powers set forth in this charter, it is not the duty of the Committee to plan or conduct audits or to determine that DXP's financial statements are complete and accurate and are in accordance with generally accepted accounting principles. Management is responsible for the preparation, presentation and integrity of DXP's financial statements and for the appropriateness of the accounting principles and reporting policies that are used by DXP. The independent auditors are responsible for auditing DXP's financial statements, for reviewing DXP's unaudited interim financial statements, and, to the extent required by law, attesting as to management certifications pertaining to the adequacy of DXP's internal controls.

The committee, in carrying out its responsibilities, believes its policies and procedures should remain flexible in order to best react to changing conditions and circumstances. Within the overall general responsibility, the following shall be the principal specific duties and responsibilities of the Committee. These are set forth as a guide with the understanding that the Committee may supplement them as appropriate but shall have them reviewed and approved annually by the Board.

### **The Committee shall:**

1. Review and reassess annually the adequacy of this charter and submit the charter for approval of the full Board.
2. Appoint, evaluate and compensate the independent auditors, which shall report directly to the Committee, and oversee the rotation of the independent auditors' lead (or coordinating) audit and concurring partners at least once every five years and the rotation of other audit partners at least once every seven years, with applicable time-out periods, in accordance with SEC regulations. The Committee shall determine whether to retain or, if appropriate, terminate the independent auditors. The Committee is responsible for recommending the independent auditors for approval by the shareholders, if appropriate. The independent auditors shall report directly to the Committee.
3. Review and approve in advance the scope of the fiscal year's independent audit and the audit fee, establish policies for the independent auditors' activities and any fees beyond the core audit, approve in advance all non-audit services to be performed by the independent auditors that are not otherwise prohibited by the SEC, the Nasdaq listing standards or applicable law and associated fees, and monitor the usage and fees paid to the independent auditors. The Committee may delegate to the Chair of the Committee the authority, with agreed limits, to pre-approve non-audit services not prohibited by the SEC, the Nasdaq listing standards or applicable law to be performed by the independent auditors. The Chair shall report any decisions to pre-approve such services to the full Committee at its next meeting.
4. Review and discuss with the independent auditors their annual written statement delineating all relationships or services between the independent auditors and DXP, or any other relationships or services that may impact their objectivity and independence.
5. Set clear hiring practices for employees or former employees of the independent auditors, and monitor compliance with such policies.
6. Review and discuss with management and the independent auditors.
  - a. DXP's annual audited and quarterly financial statements, related disclosures, including DXP's disclosures in "Management's Discussion and Analysis of Financial Condition and Results of Operations" in its public filings, and the matters required to be discussed by Statement of Auditing Standards No. 61 or any similar or successor standard.
  - b. the results of the independent auditors' audit and the independent auditors' opinion on the annual financial statements;
  - c. the independent auditors' judgments on the quality, not just the acceptability, and consistent application of DXP's accounting principles, the reasonableness of significant judgments, clarity of disclosures and underlying estimates in the financial statements;
  - d. changes in accounting principles or application thereof, significant judgment areas and

significant and complex transactions; and

- e. any disagreements between management and the independent auditors, about matters that individually or in the aggregate could be significant to DXP's financial statements or the independent auditors' report, and any significant difficulties the independent auditors encountered in dealing with management related to the performance of the audit.
7. Review management's analysis of any significant accounting issues, changes, estimates, judgments or unusual items relating to the financial statements and the selection, application and effects of critical accounting policies applied by DXP (including an analysis of the effect of alternative generally accepted accounting principles ("GAAP") methods) and review with the independent auditors the reports on such subjects delivered pursuant to Section 10A(k) of the Securities and Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder by the SEC.
  8. Recommend to the Board whether the audited financial statements should be included in DXP's Annual Report on Form 10-K and whether the unaudited financial statements should be included in DXP's Quarterly Reports on Form 10-Q.
  9. Review and discuss earnings press releases.

10. At least annually, obtain from and review a report by the independent auditors describing (a) the independent auditors' internal quality control procedures and (b) any material issues raised by the most recent internal quality-control review, peer review or any governmental or professional inquiry or investigation within the preceding five years regarding any audit performed by the independent auditors and any steps taken to deal with any such issues.
11. DXP shall provide funding for such independent professional advisors and counsel as the Committee determines appropriate to carry out its functions hereunder. DXP shall provide appropriate funding to the Committee, as determined by the Committee, for payment of (a) compensation to the independent auditors for services approved by the Committee, (b) compensation to any outside advisors retained by the Committee and (c) ordinary administrative expenses of the Committee that are necessary or appropriate in carrying out its duties.
12. Assure that procedures are established for the receipt, retention and treatment of complaints received by DXP on accounting, internal accounting controls or auditing matters, as well as for confidential, anonymous submissions by DXP's employees of concerns regarding questionable accounting or auditing matters and compliance with DXP's Business Ethics Policy.
13. Receive and, if appropriate, respond to reports of evidence of material violations of securities laws and breaches of fiduciary duty and similar violations of US or state law.
14. Review significant risks or exposures relating to litigation and other proceedings and regulatory matters that may have a significant impact on DXP's financial statements.
15. Review the results of significant investigations, examinations or reviews performed by regulatory authorities and management's response thereto.
16. Review and approve all "related party transactions," as defined in applicable SEC rules and Nasdaq listing standards.
17. Conduct or authorize investigations into any matters within the Committee's scope of responsibilities.
18. Consider such other matters regarding DXP's financial affairs, its controls and the independent audits of DXP as the Committee, in its discretion, may determine to be advisable.
19. Report regularly to the Board with respect to the Committee's activities.