

# DF Capital Group

*DF Capital Group (includes Distribution Finance Capital Holdings PLC and its operating subsidiary DF Capital Bank Limited)*

## DF Capital Bank Limited

### Terms of Reference

## Version Control

Version	Change History	Revised by	Date
1.0	Annual review: minor clarifying and formatting amends, addition of control sheet and fraud prevention in the objectives.	T Maw/MKhan	01/02/2023
1.0	Board approval		01/02/2023

<b>Policy Owner:</b>	Company Secretary
<b>Accountable SMF Manager:</b>	Chair
<b>Review Frequency:</b>	Annual
<b>Internal Stakeholders / Policy Reviewers:</b>	CEO, Board
<b>External Review (if applicable):</b>	n/a
<b>Approval Committee:</b>	Board

**DF CAPITAL BANK LIMITED****(THE "COMPANY")****THE BOARD****TERMS OF REFERENCE**

as adopted on 1 February 2023

1. The Board is constituted in accordance with the requirements of the Companies Act 2006 and the Quoted Companies Alliance (QCA) Corporate Governance Code. These Terms of Reference should be read in conjunction with the Company's constitution which is defined within its Memorandum and Articles of Association.
2. The Board, via its parent company, Distribution Finance Capital Holdings plc, is accountable to the Company's stakeholders for the conduct of its business and ensuring this is undertaken in a prudent and effective manner.
3. The Board exercises its accountabilities through its own activities and through delegation of responsibilities to the Chief Executive Officer (**CEO**) and their Executives. The Board receives reports from the Chief Executive Officer and reviews the work of the Executive Committee.
4. In addition, the Board has established five sub-committees to assist it in monitoring the business, reviewing policies, systems, and controls, and consideration and setting of risk appetite. These are:
  - 4.1 Board Risk Committee (**BRC**);
  - 4.2 Board Audit Committee (**BAC**);
  - 4.3 Disclosure Committee (**DisCo**);
  - 4.4 Remuneration Committee (**RemCo**); and
  - 4.5 Nomination Committee (**NomCo**).
5. Each sub-committee is subject to its own terms of reference and has authority to review relevant policies, systems, controls and reporting, making recommendations to the Board for approval. The Board reviews the work of executive sub-committees, through reports from the Committee chairs, the Executive Directors and members of the Senior Leadership Team.

**Members**

6. The members of the Board for the time being shall be:

<b>Company Chair</b>	<b>Chair</b>
<b>Senior Independent Director</b>	<b>Deputy Chair</b>

<b>Independent Non-Executive Directors</b>	
<b>Non-Executive Directors</b>	
<b>Chief Executive Officer</b>	
<b>Chief Financial Officer</b>	

7. The following are requirements for membership of the Board:

- 7.1 a minimum of 6 members (of which the majority shall be Senior Managers under the FCA/PRA regime – such directors having received approval from the PRA/FCA upon appointment and being annually assessed as ‘fit and proper’ to continue in the role);
- 7.2 a minimum of two of the Non-Executive Directors shall be independent;
- 7.3 all non-executive directors not undertaking a designated Senior Management Function must be deemed ‘fit and proper’ to perform the non-executive director role upon appointment, and annually thereafter, by NomCo and RemCo.
- 7.4 appointed on the recommendation of the NomCo and in consultation with the Chair of the Board; and
- 7.5 the Chair and non-executive directors shall be appointed for a term of three years but shall be eligible for re-appointment subject to the proviso that any non-executive director who has served for more than nine years:
  - 1. shall be subject to annual re-appointment;
  - 2. is no longer deemed to be independent.

8. The following persons are invited to the Board by standing invite:

<b>Company Secretary</b>
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9. Any other persons are invited to the Board by prior arrangement with the Chair of the Board with input from the CEO (based on the subject of discussion and where performance is discussed) generally these shall be (but are not limited to):

<b>Chief Risk Officer</b>
<b>Director - Operations</b>
<b>Chief Sustainability and People Officer</b>
<b>Chief Technology Officer</b>
<b>Chief Commercial Officer</b>
<b>Director – Credit</b>

#### **Chair**

- 10. The Chair of the Board shall be the Company Chair.
- 11. In the absence of the Chair or the Deputy Chair, the remaining members present shall elect one of themselves to chair the meeting.
- 12. The Chair shall be responsible for:
  - 12.1 Reporting all decisions of the Board formally to the Board;

- 12.2** setting the agenda for meetings, chairing those meetings and ensuring the effective operation of the Board;
  - 12.3** ensuring that the Board addresses all of the tasks delegated to it; and
  - 12.4** maintaining a dialogue with key individuals involved in the Company's governance; and
- 13.** The Board will allow sufficient time and resources for the Chair of the Board to deal with matters relating to the discharge of any individual responsibilities allocated to them under the Senior Managers Regime.

#### **Secretary**

- 14.** The Company Secretary or their nominee shall act as Secretary of the Board.
- 15.** The Secretary of the Board will be responsible for:
- 15.1** working with the Chair of the Board in setting the agenda for meetings;
  - 15.2** providing the Board with informational support;
  - 15.3** circulating at least 5 working days' notice of any meeting of the Board (although such notice period may be waived or shortened with the consent in writing of all the members of the Board for the time being) to each member of the Board and any other person required to attend;
  - 15.4** in the notice of meeting, confirming the venue, time and date of the meeting;
  - 15.5** circulating supporting papers to Board members;
  - 15.6** taking minutes of Board meetings and all resolutions made, including the names of those present and in attendance;
  - 15.7** circulating minutes to all members of the Board.

#### **Quorum**

- 16.** The quorum for decisions of the Board shall be any 3 members (the majority of which shall be independent non-executive directors and one executive director).

#### **OBJECTIVES**

- 17.** The objectives of the Board are to:

<b>Objective 1</b>	Develop the firm's strategy, operating plans and budgets and monitor progress against these
<b>Objective 2</b>	Implement and maintain frameworks, policies and risk appetites within which senior management will run the business, all within an effective and appropriate governance structure
<b>Objective 3</b>	Set from the top the 'culture and tone' to be cascaded by senior management through the Company relating to the conduct of its business
<b>Objective 4</b>	Oversee the conduct of business to ensure that systems, procedures and internal controls are adequate to deliver the

	firm's business activities compliantly (within applicable regulations and regulatory limits/ ratios)
<b>Objective 5</b>	Receive and consider reports from the BRC, BAC, RemCo, NomCo, DisCo and Executive Committee ( <b>ExCo</b> ) to monitor, scrutinise, oversee and challenge their approach to managing the risks appropriate to each committee including regulatory risk, financial crime risk (anti-money laundering, sanctions, terrorist financing, market abuse and anti-bribery and corruption) and conduct risk
<b>Objective 6</b>	Oversee the firm's prudential arrangements for liquidity, capital funding, recovery and resolution ensuring compliance with regulatory requirements
<b>Objective 7</b>	Oversee and monitor current and future operating activities of the Company

## ROLES/RESPONSIBILITIES

18. The Board shall, on behalf of the Board and the shareholders of the Company:

<b>Role/Responsibility</b>	<b>How this will be achieved</b>
Review and agree the Strategy, Operating Plan, IT strategy and budget for the firm	Annual review
Review performance of the firm	Approval of the Company's financial performance, including reviews of monthly management accounts, annual forecasts, plans and budgets, multi-year strategic planning, financial accounts, annual reports and Pillar 3 disclosures.
Review and approve the firm's ICAAP and ILAAP	Annual review following review and recommendation by BRC
Review and agree the Firm's Recovery and Resolution arrangements including Solvent Wind-down Plan, Recovery Plan and Resolution Pack	Annual review following review and recommendation by BRC
Oversee the development, implementation and maintenance of the Company's Risk Management Framework RMF) including its risk appetite (RAF), risk principles and policies	1. Ensure these are in line with current and emerging risk and regulation, corporate governance and industry best practice albeit proportionate to the Company's size 2. Following review and recommendation by BRC
Ensure that all legal and regulatory requirements regarding disclosure of information, and those set out in the QCA Code, are fulfilled	Review (where necessary) individual correspondence with the PRA and the FCA on all significant and material regulatory matters affecting the firm; and
Work and liaise as necessary with all other Board committees	Review and approve (where appropriate) the reports and recommendations from Board sub-committees relating to development and maintenance of policies and other matters within those sub-committees' terms of reference and RMF's Policies Schedule (requiring the agreement

	of the Board)
Review the standard data & management information received by the Board, annually, to ensure it is adequate	Develop and utilise a standard Management Information dashboard to present such information

## PROCEDURE AND FREQUENCY OF MEETINGS

- 19.** Notwithstanding the quorum requirements for the Board, all members of the Board should endeavour to attend (either in person or by telephone) all meetings.
- 20.** Meetings of the Board:
  - 20.1** shall be held bi-monthly (with at least six Board meetings taking place annually) and at such other times as the Chair of the Board requires;
  - 20.2** may be held by telephone or video conference; and
  - 20.3** may be called by the Secretary of the Board at the request of any member of the Board.
- 21.** The Board shall:
  - 21.1** have access to sufficient resources in order to carry out its duties, including access to the Company Secretary for assistance as required;
  - 21.2** 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;
  - 21.3** investigate any activity within its terms of reference and seek directly any information it requires from any employee or contractor of the Company (all such persons being directed to co-operate with any such request by the Board); and
  - 21.4** obtain outside legal or other independent professional advice at the cost of the Company in accordance with the Company's agreed procedure under which Directors may obtain independent advice, and to secure the attendance of outsiders with relevant experience and expertise if it considers this necessary (but such persons shall not be members of the Board).
- 22.** The Board shall, at least once a year, review its own performance, constitution and terms of reference to ensure that it is operating at maximum effectiveness and recommend any changes it considers necessary to the Board for approval.

*\* Reference in these terms of reference to the “Group” or “Firm” mean the Company and its subsidiaries*