

## **Board Audit Committee**

### **Terms of Reference**

**Date: September 2026**

## BOARD AUDIT COMMITTEE

### TERMS OF REFERENCE

#### PURPOSE

1. The Board Audit Committee (**the Committee**) is a sub-committee of the Board. The purpose of the Committee is to assist and provide assurance to the Board in fulfilling its oversight responsibilities by reviewing and monitoring:
  - 1.1 The integrity of the financial statements, disclosures and other financial information of the Group provided to the shareholders.
  - 1.2 The Group's system of internal controls and risk management.
  - 1.3 The internal and external audit process, reports and auditors.
  - 1.4 Whistleblowing and fraud prevention arrangements.
  - 1.5 Compliance with legislation, regulation and internal policy.
  - 1.6 Oversight of matters delegated to it by the Board.

#### DEFINITIONS

|                        |                                                                                         |
|------------------------|-----------------------------------------------------------------------------------------|
| <b>Board</b>           | the board of directors of the Company                                                   |
| <b>Board Chair</b>     | the chair of the Board                                                                  |
| <b>Committee</b>       | Board Audit Committee                                                                   |
| <b>Committee Chair</b> | The chair of the Committee                                                              |
| <b>Company</b>         | Distribution Finance Capital Holdings PLC                                               |
| <b>Directors</b>       | the directors of the Company and "Director" means any one of them                       |
| <b>Group</b>           | the Company and its subsidiaries                                                        |
| <b>INEDs</b>           | The independent non-executive directors of the Company and "INED" means any one of them |
| <b>QCA Code</b>        | the QCA Corporate Governance Code (2023).                                               |

#### AUTHORITY

2. The Committee is authorised by the Board to:
  - 2.1 investigate any activity within its terms of reference;
  - 2.2 obtain any information it reasonably requires from any employee, officer or contractor of the Group;
  - 2.3 obtain external legal, accounting or other professional advice at the expense of the Company, noting this to the Board; and
  - 2.4 make recommendations to the Board on matters within its responsibilities.

#### CHAIR

3. **Appointment of Chair:** The Board shall appoint the Committee Chair who shall be an INED approved by the FCA and PRA as SMF11. In the absence of the Committee Chair and/or the appointed deputy, the remaining members present shall elect one of themselves to chair the meeting who would qualify under these terms of reference to be appointed to that position by the Board.
4. The Board Chair shall not be eligible to be appointed as the Committee Chair but may serve

5. on the Committee as an additional member if they were considered independent on appointment as Chair.
6. The Committee Chair should make themselves available at each annual general meeting of the Company to answer questions concerning the Committee's work.
7. **Chair Responsibilities.** The Committee Chair shall be responsible for:
  - (a) Leading the Committee and ensuring its effective operation;
  - (b) Setting the Committee agenda and facilitating effective discussion and challenge;
  - (c) Act as the Company's Whistleblowers' Champion
  - (d) reporting all decisions of the Committee and any significant issues in relation to the financial statements formally to the Board;
  - (e) ensuring that the Committee addresses all of the tasks delegated to it; and
  - (f) lead the annual review of the Committee's effectiveness
8. The Committee will allow sufficient time and resources for the Committee Chair to deal with matters relating to the discharge of any individual responsibilities allocated to them under the Senior Managers Regime.
9. The Committee Chair shall report to the Board following each meeting on matters discussed, key decisions taken under delegated authority, recommendations requiring Board approval and any significant issues within the Committee's remit. Unless otherwise required by the Board, approved Committee minutes or verbal read across of minutes (where meetings are held in close succession) may serve as the primary reporting mechanism.

## MEMBERS

10. The members of the Committee shall be:

| Members                             | Chair                      | Deputy Chair |
|-------------------------------------|----------------------------|--------------|
| Independent Non-Exec Chair<br>INEDs | Independent Non-Exec Chair | Senior INED  |

11. **Appointment of Committee members:** The members of the Committee shall be appointed by the Board on the recommendation of the Remuneration and Nomination Committee of the Company in consultation with the Committee Chair. The following are requirements for membership of the Committee:
  - 11.1 **Membership:** a minimum of 3 members (of which the majority shall be Senior Managers under the FCA/PRA regime). It is recognised that the number of members may fall below three for temporary periods due to departures pending new appointments.
  - 11.2 **Independence:** to the Committee shall comprise only of independent non-executive directors one of which shall be a member of the Board Risk Committee;
  - 11.3 **Financial experience:** at least one Committee member at all times shall have recent and relevant financial expertise. The Committee as a whole shall have competence relevant to the sector in which the Company operates;
  - 11.4 **Tenure:** subject to annual re-election of directors at the Company's annual general meeting and subject to annual review of the Committee composition, appointments to the Committee shall be for periods of up to three years, which may be extended for no more than two additional three-year periods, provided the members (other than the Chair of the Board, if they are a member of the Committee) continue to meet the criteria for membership of the Committee.
12. **Other attendees at meetings:** the following persons are invited to the Committee by standing invite:

| <b>Invited Attendees</b>                      |
|-----------------------------------------------|
| Chief Executive Officer                       |
| Chief Financial Officer                       |
| Chief Risk Officer                            |
| Company Secretary/Assistant Company Secretary |
| Internal and External Audit                   |

- 12.1** Any other individuals and external advisers may be invited by the Committee or the Committee Chair with input from the CEO and/or CFO (based on the subject of discussion and where performance is discussed).
- 12.2** External Auditors must attend a Committee meeting at least twice per year . In exceptional circumstances, Internal Audit or External Auditors may request a meeting of the Committee.
- 13. Private sessions.** The Committee or the Committee Chair shall meet with the external auditors at least twice a year, normally June and November, without any executive directors being present, to discuss the External Auditors' remit and any issues arising from the audit.

## **QUORUM**

- 14.** The quorum shall be any 2 members, comprised of the Chair plus one other INED.

## **SECRETARY**

- 15.** The Company Secretary or their nominee shall be secretary of 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 the issues.
- 16.** The Secretary will keep minutes of the proceedings and resolutions. Draft minutes shall be circulated promptly to the Committee Chair and subject to all members of the Committee for their review.

## **RESPONSIBILITIES**

- 17.** The Committee shall, on behalf of the Board oversee the matters set out below and make recommendations to the Board where appropriate. In addition, reference should be made to the Board Reserved Matters and Delegated Authority Schedule:
- 18. Financial Statements**
- 18.1** Monitor the integrity of the financial statements of the Company including:
- (i) annual and half-yearly accounts,
  - (ii) market announcements; and
  - (iii) other formal announcements relating to the Company's financial performance
- 18.2** Review significant financial reporting issues and the judgements which the financial statements, interim reports, formal announcements and related formal statements contain having regard to matters communicated to it by the external auditor;
- 18.3** Review, and challenge where necessary, the actions and judgements of management, in relation to annual financial statements before submission to the Board paying particular attention to:
- (i) critical accounting policies, including for provisions;
  - (ii) disclosures and estimates requiring a major element of judgement;

- (iii) the extent to which financial statements are affected by any unusual transactions in the year, the methods used to account for any significant or unusual transactions;
  - (iv) clarity of disclosures and the context within which financial statements are made;
  - (v) compliance with accounting standards;
  - (vi) compliance with legal and regulatory requirements;
  - (vii) the going concern assumptions;
  - (viii) the representation letter to the auditors; and
  - (ix) all material information presented with the financial statements (such as the operating and financial review and the corporate governance statement).
- 18.4** Review any significant adjustments to financial reporting resulting from the audit and resolve any disagreements between management and the External Auditors regarding financial reporting assessed as part of the statutory/ interim accounts approval process.
- 18.5** Monitor compliance with financial reporting standards and the AIM Rules and related guidance and other financial and governance reporting requirements.
- 18.6** Review any critical control issues raised by auditors or management that have an impact on financial reporting.
- 18.7** Review the Company's procedures for detecting financial reporting fraud
- 19. External Audit**
- 19.1** Oversee arrangements implemented by the Board for External Auditors.
- 19.2** Make recommendations to the Board, to be put to shareholders for approval at the Company's annual general meeting, for approval on the appointment, reappointment and removal of the External Auditors.
- 19.3** Oversee the relationship with the External Auditors including approval of the terms of engagement with the auditor and review and assessment of the qualifications, expertise and resources of the external auditor.
- 19.4** Ensure that at least once every ten years 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, conduct such tender process and develop and oversee the selection process.
- 19.5** Review and approve the annual external audit plan ensuring that it is consistent with the scope of the audit engagement, and co-ordinated with the activities of the Internal Audit function.
- 19.6** Discuss with the External Auditors, before the audit commences, the nature and scope of the audit and review the auditor's quality control procedures and steps taken by the auditor to respond to changes in regulatory and other requirements.
- 19.7** Provide independence over and challenge the findings of audits with the External Auditors.
- 19.8** Considering the External Auditors' management letter and management's response to the auditor's findings and recommendations.
- 19.9** Review such reports prepared by the External Auditors as the Committee shall require, including obtaining assurance that external recommendations are implemented as timetabled.
- 19.10** Considering management's response to any major external audit recommendations and track progress on remediation.
- 19.11** Monitor the level of fees paid by the Company to the external auditor and assess these in the context of the size and scale of the Group together with its legal, profession and regulatory requirements.
- 19.12** Assess annually the effectiveness, quality, objectivity and independence of the External Auditor.
- 20. Internal Audit**

- 20.1** Monitor, review and challenge the effectiveness of the Company's internal audit function which is outsourced and any internal audit functions
- 20.2** Oversight, review and challenge the internal audit programme and ensure that the internal audit function is adequately resourced, has appropriate access to information and has appropriate authority and standing within the Company.
- 20.3** Review and challenge Internal Audit's reports on the effectiveness of systems for internal control
- 20.4** Consider the major findings of internal audit reviews and challenge senior management's response to the audit recommendations
- 20.5** Consider the major findings of any relevant internal investigations into control weaknesses, fraud or misconduct and management's response
- 21. Whistleblowing, fraud and compliance**
  - 21.1** Review the Company's Whistleblowing Policy, report and associated arrangements.
  - 21.2** Review and approve procedures for handling the confidential submission by employees of the Company (which may be anonymous) of concerns on any matter which they wish to raise, and for protecting staff who raise concerns, from any detrimental treatment or victimisation.
  - 21.3** Review the Company's procedures for handling the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or audit matters.
  - 21.4** Review the Company's procedures for detecting fraud.
- 22. Governance and Reporting**
  - 22.1** Review and recommend to the Board, the Audit Committee report for inclusion within the Annual Report and Accounts.
  - 22.2** Oversee the preparation of any audit, controls or compliance related disclosures required for inclusion in the Annual Report and Accounts or other regulatory reporting.
  - 22.3** Review and recommend to the Board for approval the Company's Pillar 3 disclosure policies including frequency, publication and verification arrangements.
  - 22.4** Review and recommend to the Board for publication the Company's periodic Pillar 3 reporting.
  - 22.5** Receive periodic independent review reports conducted on the Pillar 3 disclosures.
  - 22.6** Make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.
  - 22.7** Reviewing key frameworks and policies including associated mandates which are summarised in the Board Reserved Matters and Delegated Authority Schedule.
  - 22.8** The Committee shall consider such others matters as may be requested by the Board and work and liaise as necessary with all other committees. The Committee shall coordinate closely with the Board Risk Committee. Responsibility for oversight of the risk management framework and risk appetite remains with the Board Risk Committee, whilst responsibility for audit, assurance, financial reporting and internal controls rests with the Committee. The Committee shall coordinate with Board Risk Committee (and other Committees) where responsibilities may overlap.
  - 22.9** Facilitate the effective contribution and involvement of non-executive directors through appropriate escalation and reporting of significant matters to the Board.
  - 22.10** Review periodically, the adequacy, quality and effectiveness of management information Provided to the Committee.
  - 22.11** undertake an annual assessment of its effectiveness, composition, skills and performance and report the outcome to the Board.

## **VOTING ARRANGEMENTS**

- 23.** Resolutions of the Committee shall be passed by a majority of votes.
- 24.** Each member of the Committee shall have one vote which may be cast on matters discussed at the meeting. Votes can be cast by members attending a meeting of the Committee and subject to the Committee Chair's discretion, members unable to attend a meeting may submit their votes in advance, provided that such votes are received within a sufficient timeframe before the meeting.
- 25.** If a matter that is considered by the Committee is one where a member of the Committee, either directly or indirectly, has a personal interest, that member shall not be permitted to vote at the meeting in respect of that matter.

#### **PROCEDURE AND FREQUENCY OF MEETINGS**

- 26.** Notwithstanding the quorum requirements for the Committee, all members of the Committee should endeavour to attend all meetings of the Committee at which matters of the contents of the Committee's annual report to shareholders are discussed.
- 27.** Meetings of the Committee:
  - 27.1** shall be held at least quarterly and at such other times as the Committee Chair requires (normally immediately before a regular meeting of the Board);
  - 27.2** may be held by telephone or video conference; and
  - 27.3** may be called by the Secretary of the Committee at the request of any member of the Committee.