

Board Risk Committee

Terms of Reference

Date: September 2026

BOARD RISK COMMITTEE

TERMS OF REFERENCE

PURPOSE

1. The Board Risk Committee (**the Committee**) is a sub-committee of the Board. The purpose of the Committee is to assist the Board in fulfilling its oversight responsibilities by reviewing and monitoring the Group's risk management framework, risk appetite, principal and emerging risks, operational resilience and compliance arrangements. It advises the Board on overall risk appetite, tolerance and strategy as well as the current and future risk profile of the Group.

DEFINITIONS

Board	the board of directors of the Company
Board Chair	the chair of the Board
Committee	Board Risk Committee
Committee Chair	The chair of the Committee
Company	Distribution Finance Capital Holdings PLC
Directors	the directors of the Company and "Director" means any one of them
Group	the Company and its subsidiaries
INEDs	The independent non-executive directors of the Company and "INED" means any one of them
QCA Code	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 SMF10. 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 on the Committee as an additional member if they were considered independent on appointment as Chair.

5. The Committee Chair should make themselves available at each annual general meeting of the Company to answer questions concerning the Committee's work.
6. **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) Reporting all decisions of the Committee and any significant issues in relation to the risk management and risk appetite of the Group formally to the Board;
 - (d) ensuring that the Committee addresses all of the tasks delegated to it;
 - (e) lead the annual review of the Committee's effectiveness
7. 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.
8. 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

9. The members of the Committee shall be:

Members	Chair	Deputy Chair
Independent Non-Exec Chair INED	Senior INED	INED

10. **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:
 - 10.1 **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.
 - 10.2 **Independence:** the Committee shall comprise only of INEDs;
 - 10.3 **Risk experience:** Committee members at all times shall have recent and relevant risk expertise. The Committee as a whole shall have competence relevant to the sector in which the Company operates;
 - 10.4 **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.
11. **Other attendees at meetings:** the following persons are invited to the Committee by standing invite:

Invited Attendees
Chief Executive Officer
Chief Financial Officer
Chief Risk Officer
Company Secretary/Assistant Company Secretary
Director - Compliance & MLRO
Chief Lending Officer

- 11.1** Any other persons are invited to the Committee by prior arrangement with the Chair of the Committee with input from the CEO or CRO (based on the subject of discussion and where performance is discussed).

QUORUM

- 12.** The quorum for decisions of the Committee shall be any 2 members, formed by the Chair plus one other INED.

SECRETARY

- 13.** 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.
- 14.** 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

- 15.** 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:
- 16. Risk Oversight and Risk Management Framework**
- 16.1** Oversee the implementation and maintenance of the Company's overall Risk Management Framework, Risk Appetite Framework and Code of Ethics, and all supporting frameworks, policies and procedures
- 16.2** Ensure the Committee's activities support the Company's purpose, strategy and culture, and assess whether risk appetite, controls and management information remain aligned to the Company's stated purpose and long-term value creation.
- 16.3** Receive and challenge relevant reporting from management on purpose, culture, risk appetite, customer outcomes and conduct, with material matters escalated to the Board and cross-referred to other Board Committees where appropriate.
- 16.4** Review and challenge, where necessary, the appropriateness of the Company's values and culture and reward systems for managing risk and internal controls, and the extent to which the culture and values are embedded at all levels of the company supporting the remuneration committee on establishing an effective remuneration policy which aligns with values, purpose and culture of the Company.

- 16.5** Oversee the adequacy of the Company's internal control and assurance arrangements within the Committee's remit, including the interaction between first line control testing, second line oversight and third line assurance.
- 16.6** Oversee adherence to the Company's risk principles, policies and standards and any action taken resulting from material policy breaches.
- 16.7** Oversee the Company's key risk exposures and risk versus return strategy (including risk to the Company's business model and solvency/liquidity risks).
- 16.8** Review and discuss with the Chief Risk Officer the key risk issues, including how management are addressing them and the effectiveness of systems and controls for risk management.
 - (i) Review credit risk exposures across the Company's lending and investment activities by the monitoring and review of the Risk Appetite Metrics as set out in the Risk Appetite Frameworks..
 - (j) Review adequacy of risk and compliance resource and its authority and standing within the Company.

17. Capital, Liquidity and Recovery Planning

- 17.1** Review and challenge the Company's capital and liquidity stress testing frameworks, including the design of scenarios, assumptions and outputs.
- 17.2** Review and recommend to the Board for approval the Internal Capital Adequacy Assessment Process (ICAAP), Internal Liquidity Adequacy Assessment Process (ILAAP), Recovery Plan, Solvent Wind-down Plan and Resolution Pack and any material ad-hoc stress testing exercises

18. Compliance, Regulatory and Financial Crime Oversight.

- 18.1** Oversee the Company's compliance with applicable legal and regulatory requirements.
- 18.2** Ensure that all legal and regulatory requirements relating to the disclosure of risk management and internal control information are fulfilled.
- 18.3** Review adequacy and effectiveness of the Company's procedures and controls for the detection and prevention of financial crime, including anti-money laundering, bribery and corruption, tax evasion prevention, market abuse and internal and external fraud.
- 18.4** Receive an annual report from the MLRO to assess the effectiveness of systems and controls and monitor recommended corrective action plans.
- 18.5** Review the Company's financial crime and anti-money laundering risk appetite and assess whether related frameworks, policies, standard and tolerances remain appropriate and effective
- 18.6** Monitor the Company's adherence to the AIM Rules for Companies, and, where applicable, those set out in the QCA Code insofar as they fall within the Committee's remit.

19. Risk Culture, Operational Resilience and Technology Risk

- 19.1** Oversee the maturity and effectiveness of the Company's risk culture, including the embedding of risk judgement into decision-making, risk awareness, minimum standards, training and compliance and periodic refresher activity.
- 19.2** Oversee the effectiveness of operational resilience framework, including key control testing, incident management and reporting, root cause analysis and remediation actions.
- 19.3** Oversee material technology, cyber, artificial intelligence and third-party/supplier risks insofar as they affect the Company's risk profile, operational resilience, data protection or customer outcomes.

20. Consumer Duty and Customer Outcomes

- 20.1** Review and approve the report into the Consumer Duty monitoring report and annual outcomes assessment and satisfy itself that the Company is complying with its obligations under the Consumer Duty and related FCA requirements.
- 20.2** Receive an annual report to assess the compliance by the Company of its obligations approving any action required to address any identified risk, instances of retail customer's not receiving good outcomes and any amendments to strategy.
- 20.3** Oversee actions taken by management to address any identified risks to customer outcomes and make recommendations to the Board where appropriate.
- 20.4** Review and approve new products through the New Product Approval and Assessment Process any oversee ongoing product monitoring to ensure products continue to meet their intended objectives and deliver good customer outcomes where relevant.

21. Governance and Reporting

- 21.1** Review and recommend to the Board, the Risk Committee report for inclusion within the Annual Report and Accounts.
- 21.2** Oversee the preparation of any risk, operational resilience, risk culture risk oversight or consumer duty related disclosures required for inclusion in the Annual Report and Accounts or other regulatory reporting.
- 21.3** Make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.
- 21.4** Maintain oversight of and delegate the appropriate level of mandates and authorities to the Group Risk Committee (**GRC**).
- 21.5** Reviewing key risk frameworks and policies including associated mandates which are summarised in the Board Reserved Matters and Delegated Authority Schedule.
- 21.6** 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 Audit Committee. Responsibility for oversight of the risk management framework and risk appetite remains with the Committee, whilst responsibility for audit, assurance, financial reporting and internal controls rests with the Board Audit Committee. The Committee shall coordinate with Board Audit Committee (and other Committees) where responsibilities may overlap.
- 21.7** Provide advice to the Remuneration & Nomination Committee on any risk adjustments and risk-based considerations relevant to executive remuneration, including performance measures, malus and clawback provisions.
- 21.8** Facilitate the effective contribution and involvement of non-executive directors Through appropriate escalation and reporting of significant risk matters to the Board.
- 21.9** Review periodically the adequacy, quality and effectiveness of data & management information provided to the Committee.
- 21.10** undertake an annual assessment of its effectiveness, composition, skills and performance and report the outcome to the Board;

VOTING ARRANGEMENTS

- 22.** Resolutions of the Committee shall be passed by a majority of votes.
- 23.** 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.
- 24.** 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

- 25.** 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.
- 26.** Meetings of the Committee:
- 26.1** shall be held at least 5 times a year and at such other times as the Committee Chair requires (normally immediately before a regular meeting of the Board);
- 26.2** may be held by telephone or video conference; and
- 26.3** may be called by the Secretary of the Committee at the request of any member of the Committee.