

**DISTRIBUTION FINANCE CAPITAL HOLDINGS PLC (THE "COMPANY")**  
**AUDIT COMMITTEE**  
**TERMS OF REFERENCE**  
**CONSTITUTION**

1. The members of the Audit Committee for the time being shall be:

**Carole Machell** (Chairman)

**John Baines**

**Thomas Grathwohl**

**Mark Stephens**

2. The Audit Committee (the "**Committee**") shall consist of a minimum of 3 members appointed by the Board of the Company (the "**Board**") on the recommendation of the Nomination Committee and in consultation with the Committee Chairman, membership being confined to independent non-executive directors. The Chairman of the Committee, who shall be an independent non-executive director, shall be appointed by the Board which shall determine the period for which he/she shall hold office. In the absence of the Committee Chairman and/or an appointed deputy, the remaining members present shall elect one of themselves to chair the meeting. The Chairman of the Board shall not be eligible to be appointed as Chairman of the Committee but may serve on the Committee as an additional member if he or she was considered independent on appointment as Chairman.
3. Appointments to the Committee shall be for a period of up to one year, which may be extended by no more than six further one year periods, provided the members continue to be independent.
4. The Company Secretary or his or her nominee shall act as the 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 issues.
5. At least one member of the Committee should have recent and relevant financial experience ideally with a professional qualification from one of the professional accountancy bodies. The Committee as a whole should have competence relevant to the sector in which the Company operates.
6. The quorum for decisions of the Committee shall be any 3 members.

**PURPOSE**

7. The Audit Committee is a sub-committee of the DFC Board and is responsible for reviewing, reporting its conclusions and making recommendations to the Board on matters relating to:
- 7.1 Internal controls and the Risk Management Framework;

- 7.2 Internal Audit plans, activity and reports;
- 7.3 External Auditors plans, activity and reports;
- 7.4 Financial Statements and Reporting;
- 7.5 Disclosure requirements;
- 7.6 Whistleblowing policy and arrangements.

#### **PURPOSE**

- 8. The Audit Committee shall have access to sufficient resources, and is authorised by the Board, to:
  - 8.1 investigate any activity within its terms of reference;
  - 8.2 review policies, regulatory reporting and financial reporting, making recommendations for approval to the Board;
  - 8.3 seek any information from any employee and all employees are directed to cooperate with any request made by the Committee;
  - 8.4 obtain outside legal or independent professional advice, noting this to the Board;
  - 8.5 review the appointment, resignation or dismissal of the Internal Auditor and make recommendations to the Board; and
  - 8.6 review the appointment, resignation or dismissal of the External Auditor and make recommendations to the Board.

#### **RESPONSIBILITIES**

- 9. The Audit Committee shall oversee the arrangements implemented by the Board and:
  - 9.1 **External Auditors**
    - 9.1.1 To make recommendations to the Board, to be put to shareholders for approval at the annual general meeting, on the appointment, reappointment and removal of the external auditor. The Audit Committee shall oversee the process for selecting the external auditor.
    - 9.1.2 To oversee the relationship with the external auditor, including:
      - 9.1.2.1 approving the terms of engagement of the external auditor, including the remuneration to be paid;
      - 9.1.2.2 assessing the external auditors' effectiveness, independence and

objectivity, ensuring that key partners are rotated at appropriate intervals;

**9.1.2.3** approving the provision of non-audit services by the external auditor and related remuneration; and

**9.1.2.4** agreeing with the Board a policy on the employment of former employees of the firm's auditor and monitoring the implementation of this policy.

**9.1.3** To review and approve the annual external audit plan, and ensure that it is consistent with the scope of the audit engagement, and co-ordinated with the activities of the Internal Audit function.

**9.1.4** To discuss with the external auditor, 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.

**9.1.5** To review the findings of the audit with the external auditor, considering the external auditor's management letter and management's response to the auditor's findings and recommendations.

**9.1.6** To review such reports prepared by the external auditor as the committee shall require, considering management's response to any major external audit recommendations.

## **9.2 Financial statements**

**9.2.1** To monitor the integrity of the financial statements of the firm, including annual and half-yearly reports, preliminary results announcement and other formal announcements relating to the firm's financial performance, reviewing significant financial reporting issues and the judgements which they contain. The Committee shall also review summary financial statements, significant financial returns to regulators and any financial information contained in certain other documents, such as announcements of a price sensitive nature.

**9.2.2** To 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:

**9.1.2.1** critical accounting policies, including for provisions;

**9.1.2.2** disclosures and estimates requiring a major element of judgement;

**9.1.2.3** 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;

**9.1.2.4** clarity of disclosures and the context within which financial statements are made;

**9.1.2.5** compliance with accounting standards;

**9.1.2.6** compliance with legal and regulatory requirements;

**9.1.2.7** the going concern assumptions;

**9.1.2.8** the representation letter to the auditors; and

**9.1.2.9** all material information presented with the financial statements, such as the operating and financial review and the corporate governance statement.

**9.2.3** To review any significant adjustments to financial reporting resulting from the audit, and resolve any disagreements between management and the external auditors regarding financial reporting.

**9.2.4** To review any critical control issues raised by auditors or management that have an impact on financial reporting.

**9.2.5** To review the firm's procedures for detecting financial reporting fraud.

### **9.3 Disclosure**

**9.3.1** To review and recommend to the Board for approval the firm's Pillar 3 disclosure, including frequency, publication and verification arrangements.

**9.3.2** To review and recommend to the Board for publication the firm's periodic Pillar 3 reporting.

**9.3.3** To receive periodic independent review reports conducted on the Pillar 3 disclosures.

### **9.4 Internal Audit**

**9.4.1** To monitor and review the effectiveness of the firm's internal audit function in the context of the Company's overall risk management system.

**9.4.2** To review 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 firm.

**9.4.3** To review Internal Audit's reports on the effectiveness of systems for internal control.

**9.4.4** To consider the major findings of any significant internal audit review and

consider management’s response to the audit recommendations.

- 9.4.5 To consider the major findings of any relevant internal investigations into control weaknesses, fraud or misconduct and management’s response.

## 9.5 Whistleblowing and fraud

The Chairman of the Audit Committee is designated as the firm’s “whistleblowers’ champion”, with responsibility for ensuring and overseeing the integrity, independence, and effectiveness of the whistleblowing policies and procedures.

The Audit Committee shall:

- 9.5.1 Review at least annually the firm’s Whistleblowing Policy and associated arrangements.
- 9.5.2 Review and approve procedures for handling the confidential submission by employees of the firm (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.
- 9.5.3 Review the firm’s procedures for handling the receipt, retention and treatment of complaints received by the firm regarding accounting, internal accounting controls or audit matters.
- 9.5.4 Review the Company's procedures for detecting fraud.

## 9.6 General

- 9.6.1 To facilitate the effective contribution and involvement of non-executives and aid their understanding of risk issues and the firm’s audit framework.
- 9.6.2 Oversee adherence to the firm’s risk principles, policies and standards and any action taken resulting from material policy breaches, based upon reports from Internal or External Audit.
- 9.6.3 To give due consideration to laws and regulations, the provisions of the QCA Code, the QCA's Audit Committee Guide for Smaller Quoted Companies and the AIM Rules for Companies.
- 9.6.4 To monitor and ensure the Company's adherence to the AIM Rules for Companies.
- 9.6.5 To review any other matters referred to it by the Chairman or the Board.
- 9.6.6 The chair of the Audit Committee is responsible for maintaining contact with the chair of the Board Risk Committee (BRC), reporting and sharing relevant matters between formal meetings or by attending the BRC.

## PROCEDURE

10. The Company's external auditors and the Company's Chairman, Chief Executive or Finance Director and other members of the Company's executive committee may attend and speak at meetings of the Committee at the invitation of the Committee. At least twice each year, normally June and November, representatives of the Company's external auditors shall meet the Committee without any executive directors being present, to discuss the external auditor's remit and any issues arising from the audit.
11. The Committee shall meet at least twice a year. The Committee meetings are normally held quarterly, although additional meetings may be held as required by the Chairman of the Committee.
12. Outside of the formal meeting programmes, the Chairman of the Committee will maintain a dialogue with key individuals involved in the Company's governance, including the Board Chairman, the Chief Executive, the Finance Director, the external audit lead partner and the head of internal audit.
13. The Company's external or internal auditor may request a meeting if they consider it necessary. Meetings may also be called by the Secretary of the Committee at the request of any member of the Committee.
14. At least 5 working days' notice of any meeting of the Committee shall be given, although such notice period may be waived or shortened with the consent in writing of all the members of the Committee for the time being. Notice of the meeting shall confirm the venue, time and date together with an agenda of items to be discussed. Notice shall be sent to each member of the Committee, any other person required to attend and all other non- executive directors. Supporting papers shall be sent to Committee members and to other attendees as appropriate at the same time.
15. The Secretary shall minute the proceedings and discussions of all meetings of the Committee, including recording the names of those present and in attendance.
16. The minutes of the meeting of the Committee shall be circulated to all members of the Committee and, once agreed, to the Board unless it would be inappropriate to do so in the opinion of the Committee Chairman.
17. The Chairman of the Committee shall attend the Company's Annual General Meeting prepared to respond to any shareholder questions on the Committee and its activities and responsibilities.
18. The Committee is authorised:
  - 18.1.1 to 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

Committee);

- 18.1.2** to 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 Committee); and
- 18.1.3** to call any employee to be questioned at a meeting of the Committee as and when required.
- 19.** The Committee shall conduct an annual review of its work, constitution, performance and these terms of reference to ensure it is operating at maximum effectiveness and shall make recommendations for any changes to the Board.
- 20.** References in these terms of reference to the "Group" mean the Company and its subsidiaries.

**April 2019**