



FACILITIES BY ADF PLC

TERMS OF REFERENCE OF THE AUDIT AND RISK COMMITTEE

ADOPTED BY RESOLUTION OF THE BOARD ON 28 April 2025

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FACILITIES BY ADF PLC
AUDIT AND RISK COMMITTEE
TERMS OF REFERENCE

1. CONSTITUTION

- 1.1 The Audit and Risk Committee (“**Committee**”) was constituted as a committee of the board of directors of Facilities by ADF Plc (“**Company**”) (“**Board**”) at a full meeting of the Board held on 20 December 2021 in accordance with the articles of association of the Company.

2. ROLE

- 2.1 The role of the Committee is to assist the Board in fulfilling its oversight responsibilities by reviewing and monitoring:
- a) the integrity of the financial statements and other financial information of the Company and its subsidiaries (“**Group**”) provided to the Company’s shareholders;
 - b) the Group’s system of internal controls and risk management;
 - c) the internal and external audit process and auditors’ independence;
 - d) the processes for compliance with laws, regulations and ethical codes of practice; and
 - e) how risk is reported internally and externally.
- 2.2 Responsibility for determining the Company's attitude to and appetite for risk and its future risk strategy shall remain with the Board.
- 2.3 The Committee will also assist the Board in monitoring and keeping abreast of regulatory developments concerning the audit of the Group and the oversight of the audit.

3. DUTIES AND TERMS OF REFERENCE

The Committee shall carry out the duties set out in this section 3 for the Company and other duties determined by the Board from time to time. The Committee shall have access to sufficient resources in order to carry out its duties, including access to the Company Secretary for assistance as required.

3.1 Financial reporting

The Committee shall:

- a) monitor the integrity of the financial statements of the Company, released to the market or circulated to the Company’s shareholders including:
 - (i) the annual and half-yearly reports; and
 - (ii) any other formal statements relating to its financial performance;
- b) monitor the preparation of the Company’s accounts, annual report and other public financial reports;
- c) review and report to the Board on significant financial reporting issues and judgements which the financial statements, interim reports, preliminary announcements and related formal statements contain, having regard to matters communicated to it by the external auditor;

- d) consider and report to the Board its views on appropriate KPIs for inclusion in the Company's annual report;
- e) review and challenge where necessary:
 - (i) whether the Company has applied suitable accounting policies and made appropriate estimates and judgements, taking into account the external auditor's views;
 - (ii) the consistency of, and any changes to accounting policies both on a year-on-year basis and across the Company and the Group, including management's assessment of the impact of these on the Company's distributable reserves;
 - (iii) the clarity and completeness of financial reporting disclosures and the context in which statements are made, including review of relevant correspondence with the external auditor;
 - (iv) the methods used to account for significant or unusual transactions (including any off-balance sheet arrangements) where different approaches are possible;
 - (v) the legality of any proposed dividend and the Company's ability to pay it and remain a going concern;
- f) monitor compliance with financial reporting standards and the AIM Rules and related guidance and other financial and governance reporting requirements;
- g) where the Committee is not satisfied with any aspect of the proposed financial reporting by the Company, report its views to the Board.

3.2 **Narrative reporting**

Where requested by the Board, the Committee shall review the content of the annual report and accounts and advise the Board on whether, taken as a whole, it is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy.

3.3 **Risk management systems and internal controls**

The Committee shall:

- a) **Risk assessment and management**
 - (i) On behalf of the Board, keep under review the adequacy, effectiveness and independence of the Company and Group's internal controls, assessing adequacy of internal risk management systems and processes and, where appropriate, seek third-party assurance relating to specific risks;
 - (ii) consider the appropriate risk appetite for the Company across all major activities and satisfies itself that the Company/Group takes sufficient steps to identify, understand, manage/mitigate potential risks arising from its extended supply chain, strategic partners, material third parties and climate-related risks;
 - (iii) consider in conjunction with the Remuneration Committee how executive remuneration may shape the executive approach to risk;
 - (iv) on an annual basis, robustly assess the emerging and principal risks facing the

Company and Group, providing feedback on their management and mitigation to safeguard delivery of strategic objectives and be satisfied that procedures are in place to adequately identify potential future risks;

- (v) at the request of the Board, review all material adverse crystallisation of risks, including those involving breaches of the Company's policies and/or procedures, carrying out root cause analysis and introducing lessons learned into the risk management system;

b) Transactional activities

- (i) at the request of the Board:
 - (A) carry out a specific risk assessment of any major transactions, including but not limited to mergers and acquisitions, disposals, joint ventures, significant expenditure on property, plant and equipment and material multi-year service contracts and report to the Board accordingly. This should involve consideration of whether appropriate due diligence has been carried out, obtaining external advice when appropriate and assess whether the transaction is in line with the Company's risk appetite; and
 - (B) carry out a review of the impact of any major transaction on the financial statements, working capital, cash and debt positions of the Company and adjustments to the risk register;
 - (C) review the integration plans in relation to areas within the Committee's remit in relation to any acquisition activity including integration of finance and risk functions;

c) Management and internal and external audit reports

- (i) review the assurance reports from management on the effectiveness of the internal control and risk management systems and from the external auditor and others on the operational effectiveness of matters related to risk and control. The Committee should satisfy itself that these sources of assurance and information are sufficient and objective; and
- (ii) review the timeliness of, and reports on, the effectiveness of corrective action taken by management in response to any material audit recommendation;

d) Disclosures

- (i) review and approve the statements to be included in the annual report concerning internal controls and risk management, risk appetite and climate risk, and ensure that relevant disclosures are given in the directors' report as to the Company's risk management and strategy in relation to financial instruments;
- (ii) consider any necessary disclosure implications of the process that has been applied by the Board to deal with material internal control aspects of any

significant problems disclosed in the annual report and accounts; and

- (iii) consider the major findings of any relevant internal investigations into risk and control weaknesses, fraud, or misconduct and management's response, and also consider whether any such failings or weaknesses are significant and therefore require disclosure, the basis and accuracy of explanations given as to what actions are being taken to address them, and whether the level of disclosure of such actions is appropriate.

3.4 **Internal audit**

The Company has no internal audit function. The Committee shall consider at least annually the need for an internal audit function, make any recommendation to the Board and explain the reasons for the absence of such a function to the Board accordingly for disclosure in the annual report.

3.5 **External audit**

The Committee shall, taking into account any applicable law and legislation, other professional requirements and the Financial Reporting Council's Ethical Standards in place at the relevant time ("**Ethical Standard**"):

a) **Appointment, reappointment and resignation**

The Committee shall:

- (i) consider and make recommendations to the Board, to be put to shareholders for approval at the Company's AGM, on the appointment, reappointment or removal of the Company's external auditor;
- (ii) recommend to the Board an Audit Tender Policy for the Company;
- (iii) ensure compliance with any applicable requirements for audit tendering and, in any event, ensure that at least once every ten years consideration is given to putting the audit services contract out to tender;
- (iv) oversee any tender for the audit services contract 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, develop and oversee the selection process, ensuring that all tendering firms have access to necessary information and individuals during the tendering process;
- (v) if any external auditor resigns, investigate the issues leading to this and decide whether any action is required; and
- (vi) evaluate the risks to the quality and effectiveness of the financial reporting process in light of the external auditor's communications with the Committee and consider the need to include the risk of the withdrawal of the external auditor from the market in that evaluation;

b) **Terms of engagement**

oversee the relationship with the external auditor and negotiate and agree their terms of engagement, including any engagement letter issued at the start of each

audit, the scope of the audit and agree and approve their remuneration, including fees for both the audit and non-audit services, to ensure that the level of fees is appropriate to enable an effective and high-quality audit to be undertaken;

c) **Independence and expertise**

- (i) review and formally assess on an annual basis;
 - (A) the external auditor's independence and objectivity taking into account the relevant UK law, any ethical standard and other professional and regulatory requirements and the relationship with the auditor as a whole, including any threats to the auditor's independence and the safeguards to mitigate those threats including the provision of any non-audit services; and
 - (B) the qualifications, expertise and resources of the external auditor and, taking into account relevant UK professional and regulatory requirements, the effectiveness of the external audit process, which shall include a report from the external auditor on their own internal quality procedures;
- (ii) seek reassurance from the external auditor and their staff and satisfy itself that they have no relationships with the Company (other than in the ordinary course of business) which could adversely affect the auditor's independence and objectivity;
- (iii) at least annually, seek information from the external audit firm about, and monitor, the external audit firm's policies and processes for maintaining independence and its compliance with the relevant UK law, regulation and other professional requirements and any ethical standard, including guidance on the rotation of the audit partner and staff; and
- (iv) agree with the Board the Company's policy on employment of former employees of the Company's external auditor, taking into account any ethical standard and legal requirements, and monitor the application of this policy;

d) **Fees of external auditor**

monitor the level of fees paid by the Company to the external auditor compared to the overall fee income of the firm, office and partner and assess these in the context of the legal, professional and regulatory requirements, guidance and any ethical standard;

e) **Non-audit services**

develop and recommend to the Board, and implement, the Company's formal policy on the external auditor's provision of non-audit services, including the Committee's approval of non-audit services and the types of non-audit service to be pre-approved, and assessment of whether non-audit services have a direct or material effect on the audited financial statements;

f) Audit cycle

- (i) review and approve the annual audit plan at the start of the audit cycle and ensure it is consistent with the scope of the audit engagement, having regard to the seniority, expertise and experience of the audit team;
- (ii) meet regularly with the external auditor (including once at the planning stage before the audit and once after the audit at the reporting stage) and at least once a year, without the executive directors or management being present, to review and discuss the auditor's remit and the findings of the audit and the auditor's view of their interactions with senior management and levels of errors identified during the audit;
- (iii) review, before its consideration by the Board, the external auditor's report to the directors and their management letter, including management's response to the auditor's findings and recommendations;
- (iv) at the end of the audit cycle, assess the effectiveness of the audit process and the performance by management and the external auditor.

3.6 Whistleblowing

The Committee shall review the effectiveness, adequacy and security of the Company's arrangements for its employees, contractors and external parties to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters. The Committee shall ensure that these arrangements allow proportionate and independent investigation of such matters and appropriate follow up action.

3.7 Fraud

The Committee shall annually review the Company's procedures for detecting fraud.

3.8 Compliance

The Committee shall:

- a) review the Company's systems and controls for ethical behaviour and the prevention of bribery and modern slavery and receive reports on non-compliance;
- b) review regular reports on the adequacy and effectiveness of the data protection systems and controls; and
- c) review regular reports on and keep under review, the adequacy and effectiveness of the Company's compliance function.

4. MEMBERSHIP

4.1 The Committee shall comprise a chair and a minimum of two other members.

4.2 Ideally all, and at a minimum the majority, of Committee members shall be independent non-executive directors as determined by the Board (in accordance with the principles of the QCA Corporate Governance Code), at least one of whom shall have recent and relevant experience working with financial and accounting matters.

4.3 The Board shall appoint members of the Committee, on the recommendation of the Nomination Committee, and in consultation with the Committee chair. 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 chairperson of the Board if a member) continue to be independent.

- 4.4 The chair of the Board shall not ordinarily be a Committee member unless exceptional circumstances apply such as when there is a vacancy among the non-executive directors but may be invited to attend its meetings.
- 4.5 The Board shall appoint the chair of the Committee from among the independent non-executive directors. In the absence of the Committee chair and/or an appointed deputy, the remaining members present at a Committee meeting shall elect one of their number present to chair the meeting.
- 4.6 The Company Secretary, or their nominee, shall act as the secretary of the Committee and provide all necessary support to the Committee, including the recording of Committee minutes and ensuring that the Committee receives information and papers in a timely manner to enable full and proper consideration of the relevant issues.

5. MEETINGS

- 5.1 The Committee shall meet at least three times a year at appropriate times in the Company's financial reporting and audit cycle. The Committee may meet at other times during the year as required.
- 5.2 Outside of the formal meeting programme, the Committee chair shall maintain a dialogue with key individuals involved in the Company's governance, including the Board chair, the Chief Executive Officer, the Chief Financial Officer, the external audit lead partner and the head of internal audit (if any).
- 5.3 Only members of the Committee have the right to attend Committee meetings, but other directors and external advisers may be invited to attend all or part of any meeting as and when appropriate.
- 5.4 The chair of the Committee shall ascertain, at the beginning of each meeting, the existence of any conflicts of interest and minute them accordingly.
- 5.5 Meetings of the Committee may be conducted when the members are physically present together or in the form of video or audio conference.

6. NOTICE OF MEETINGS

- 6.1 Meetings of the Committee shall be called by the secretary of the Committee at the request of any of its members or at the request of the external audit lead partner or head of internal audit (if any).
- 6.2 Unless the Committee otherwise agrees, notice of each meeting confirming the venue, time and date, together with an agenda of items to be discussed, shall be forwarded to each member of the Committee no later than five working days before the date of the meeting. Supporting papers shall be sent to Committee members at the same time, but Committee papers may be forwarded at shorter notice with the approval of the Committee chair. Papers shall also be provided to other attendees where appropriate.

7. QUORUM

- 7.1 The quorum necessary for the transaction of business at a Committee meeting shall be two members (including, whenever possible, at least one member with recent and relevant financial experience), present in person or by audio or video conference.
- 7.2 A duly convened Committee meeting at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the Committee.

8. VOTING ARRANGEMENTS

- 8.1 Subject to Paragraph 8.2, each Committee member shall have one vote which may be cast on matters considered at the meeting. Votes can only be cast by members attending a Committee meeting.
- 8.2 If a matter that is considered by the Committee is one where a Committee member, either directly or indirectly has a personal interest, that member shall not be permitted to vote at the meeting.
- 8.3 The Committee chair shall not have a casting vote.
- 8.4 The Committee chair may ask any attendees of a Committee meeting to leave the meeting to allow discussions of matters relating to them.

9. MINUTES OF MEETINGS

- 9.1 The secretary of the Committee shall minute the proceedings and resolutions of all Committee meetings, including the names of those present and in attendance.
- 9.2 Draft minutes of Committee meetings shall be agreed with the Committee chair and then be circulated promptly to all Committee members, unless in the Committee chair's opinion it would be inappropriate to do so. Once approved, minutes shall be circulated to all other board members unless in Committee chair's opinion it would be inappropriate to do so.
- 9.3 A resolution in writing and signed by all Committee members will be as effective as a resolution passed at a Committee meeting.

10. ANNUAL GENERAL MEETING

The Committee chair (or another appropriate member) shall attend the Annual General Meeting and be available to respond to any shareholder questions on the Committee's activities.

11. REPORTING RESPONSIBILITIES

- 11.1 The Committee shall:
 - a) report to the Board on its proceedings after each meeting on all matters within its duties and responsibilities. The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed. Where disagreements between the Committee and the Board cannot be resolved, report the issue to the shareholders as part of the report on the Committee's activities in the annual report referred to in Paragraph 11.1(b).
 - b) prepare a formal report on its activities and how the Committee has discharged its

responsibilities to be included in the Company's annual report (which may cross reference other appropriate parts of the annual report e.g. the corporate governance and risk disclosures), which shall include:

- (i) a summary of its role;
- (ii) the names of the Committee members and their qualifications;
- (iii) the number of meetings held and members' attendance record;
- (iv) a summary of the significant issues that the committee considered in relation to the annual report and financial statements and how these issues were addressed, including significant estimates, judgements and risks;
- (v) an explanation of how the committee has assessed the independence and effectiveness of the external audit process and the approach taken to the appointment or reappointment of the external auditor, the Company's policy on auditor rotation, information on the length of tenure of the current audit firm, when a tender was last conducted and advance notice of any retendering plans;
- (vi) an explanation of how auditor independence and objectivity are safeguarded if the external auditor provides non-audit services, having regard to matters communicated to it by the auditor;
- (vii) how the Committee's performance evaluation has been conducted;
- (viii) all other information requirements set out in the QCA Corporate Governance Code; and
- (ix) any other issues on which the Board has requested the Committee's opinion.

11.2 In compiling the report referred to in Paragraph 11.1(b), exercise judgement in deciding which of the issues it considers in relation to the financial statements are significant, but include at least those matters that have informed the Board 's assessment of whether the Company is a going concern.

11.3 Make available to shareholders these terms of reference by placing them on the Company's website.

12. GENERAL MATTERS

The Committee shall give due consideration to all applicable laws and regulations, in particular the directors' duties contained in the Companies Act 2006, the QCA Corporate Governance Code, the QCA Audit Committee Guide and the requirements of the London Stock Exchange's rules for AIM, as appropriate.

13. AUTHORITY

The Board authorises the Committee to:

- a) seek any information it requires from any employee of the Company in order to perform its duties;
- b) obtain, at the Company's expense, professional advice on any matter within its terms of reference subject to an annual limit of £5000. Additional costs and fees may be

incurred with the approval of the Board, the Chief Executive Officer or the Chief Financial Officer;

- c) call any employee to be questioned at a meeting of the Committee as and when required;
- d) collectively and individually have direct access to the Company's external auditors.

**Approved by resolution of the Board of
Facilities by ADF Plc on 28 April 2025.**