

PROVIDENT FINANCIAL plc

CUSTOMER, CULTURE AND ETHICS COMMITTEE

Terms of Reference

In this document the following terms have the following meanings unless inconsistent with the context:

The Company	Provident Financial plc
The Board	The Board of Provident Financial plc
Group	Provident Financial plc and its subsidiaries
Major subsidiaries	Vanquis Bank Limited, Provident Financial Management Services Limited and Provident Personal Credit Limited (together known as the “Consumer Credit Division (CCD)”), Moneybarn No.1 Limited and Moneybarn Limited (together known as a “Moneybarn” and Cheque Exchange Limited).

1. Name

1.1. This Committee of the Board shall be known as the Customer, Culture and Ethics Committee.

2. Membership

2.1. The Committee will be chaired by an independent non-executive director and will report directly into the Board. It is proposed that the formal members of the Committee will comprise at least two Provident Financial plc Board independent non-executive directors.

2.2. The Group Chief Executive Officer (CEO) or his designate must attend meetings of the Committee.

2.3. The Committee will invite such other attendees as it deems necessary to fulfil its duties as set out below.

Appointment

2.4. Members of the Committee shall be appointed by the Board, on the recommendation of the Nomination Committee and in consultation with the Chairman of the Committee.

2.5. The Chairman of the Committee will be appointed by the Board. In the absence of the Chairman of the Committee or an appointed deputy, at a Committee meeting, the remaining members present shall elect one of themselves to chair the meeting.

2.6. Membership of the Committee will be reviewed by the Board on an annual basis.

Attendance

2.7. Only members of the Committee have the right to attend Committee meetings. However, other individuals may be invited to attend for all or part of any meeting, as and when appropriate and necessary.

3. Secretary

3.1. The Company Secretary, or his or her nominee, in consultation with the Chairman of the Committee, is the Secretary of the Committee.

3.2. The Committee Secretary will ensure that the Committee receives information and papers in a timely manner to enable full and proper consideration to be given to issues.

4. Quorum

4.1. The quorum necessary for the transaction of business shall be two.

4.2. In determining whether the members are participating in the meeting, it is irrelevant where the member is and how they are communicating with other attendees.

5. Meetings

Approach and Focus

The Committee's forward agenda will be agreed with the wider Board and the Group CEO and will explicitly reflect the customer and ethical considerations of the evolving regulatory and competitive landscape, as well as customer and stakeholder expectations.

The Committee will adopt a KPI- and evidence-based approach to its work, align its objectives to expectations established with stakeholders, and may often sponsor "thematic" reviews, designed to assess improvement opportunities and recommend changes, remediation, investment, or introduction of new practices, all with a view to advancing overall progress against the Company's Strategic Blueprint, and the Committee's scope of work (and the Committee's priorities, agreed with the Board).

Frequency

5.1. Meetings will be held at least three times a year and otherwise as required at appropriate intervals.

5.2. Outside of the formal meeting programme, the Committee Chairman, and to a lesser extent the other Committee members, will maintain a dialogue through the CEO with key individuals involved in the Company's governance of customer-facing processes, including product and channel development, and ongoing marketing, product design, customer service and collections activities. Regular dialogue with the Chairman of the Group Risk Committee, Chairman of the Remuneration Committee and Chairman of the Audit Committee will be undertaken, as well as active engagement with members of relevant management committees.

5.3. Importantly, the Committee's efforts will be supported by a regular cadence of reporting on KPIs and metrics (to be agreed with the relevant business and functional teams) which will evolve over time to support monitoring of trends, analysis, diagnosis, and recommendations for improvement, and to enable progress updates around key Company objectives. These will in turn support external and internal reporting and communications requirements.

Notice

5.4. Meetings of the Culture and Ethics Committee shall be called by the Committee Secretary at the request of the Committee Chairman.

5.5. Unless otherwise agreed, notice of each meeting confirming the venue, time and date together with an agenda of items to be discussed and the relevant supporting papers, shall be made available to each member of the Committee and any other person required to attend, no later than five working days before the date of the meeting.

Voting and conflicts

5.6. The members of the Committee, at the beginning of the meeting, declare the existence of any conflicts arising and the Committee Secretary shall minute them accordingly.

5.7. Although normally decisions are reached by consensus, in the event of a disagreement, decisions on any matter are made by the majority, with the Chairman having the casting vote in the event of a tie. A Committee member who remains opposed to a proposal after a vote is taken, can ask for his or her dissent to be noted in the minutes.

Minutes

5.8. The Committee Secretary shall minute the proceedings and decisions of all meetings of the Committee, including recording the names of those present and in attendance.

5.9. Draft minutes of Committee meetings shall be agreed with the Committee Chairman and then circulated promptly to all members of the Committee. Once finalised, minutes will be made available to all members of the Board, unless it would be inappropriate to do so in the opinion of the Committee Chairman.

5.10. Final signed copies of the minutes of the meetings of the Committee should be maintained for the Company's records, in hard and soft copy where possible.

5.11. Only members of the Committee have the right to attend Committee meetings. However, other individuals may be invited by the Committee Chairman to attend all or part of any meeting as and when required and necessary.

6. Annual General Meeting

6.1. The Committee Chairman should attend the annual general meeting to answer any shareholder questions on the Committee's activities.

7. Duties

The Committee shall oversee the implementation project for compliance with the 2018 UK Corporate Governance Code and the accountabilities under Section 172 of the Companies Act 2006 which call for the Board and its directors to balance and provide oversight of the company's short and long-term decision making and outcomes with respect to a wide set of stakeholders, encompassing customers, employees, suppliers, and the community, as well as shareholders, in order to ensure full compliance, as appropriate, with the assistance of the Group Company Secretarial team.

The Committee will support the Board in overseeing policies, procedures, standards and progress against KPIs, to ensure that the Group conducts and develops business responsibly and consistently in accordance with the Company's customer objectives, purpose and corporate culture. In doing so, the Committee will align its work with the Company's overall goals (including its new Strategic Blueprint) and its purpose.

The Committee will assist the work of the Board's Group Risk Committee in reviewing the design and performance of the Group's products and channels (particularly with respect to our aim of achieving greater customer centricity and fairer customer outcomes), and in assessing whether the Company's new culture and purpose is embedding across the employee population. While it is expected that Conduct Risk will remain within the focus of the Risk Committee, regular reviews of various customer metrics in the CCE committee will provide an additional and important line of sight into the many areas where our conduct is a key contributor to delivering fairer customer outcomes

The Committee will assist the Remuneration Committee in factoring dimensions like customer centricity, environmental, and community impact, cultural and governance issues into the setting of performance conditions for annual bonus schemes and share incentive plans of executive directors and senior management teams, and where appropriate, offer inputs on individuals' and teams' attainment of these goals.

The Committee will review and provide guidance for external communications and the Group's public posture on key reputational issues that the Group may encounter on the areas within its remit, e.g., with respect to customers, diversity, and sustainability (ESG agenda: environment, social, governance).

The Committee shall review the improvement opportunities and proposed actions on Gender Pay Gap, monitor and oversee the progress made regarding improvement opportunities and provide feedback and guidance on any further content that needs to be included in the final publication on the website.

Specific duties shall include review and oversight of:

7.1. Ensuring that the Board meets evolving corporate governance requirements

- The CCE Committee will work to ensure that all new governance requirements, in so far as it relates to the precise remit of the Committee, are being addressed by the Board, and specifically

confirm that the company is taking into account, where appropriate, the views and concerns of the Group's stakeholders, including customers, employees, suppliers, and the community, as well as shareholders. This will focus on ensuring full compliance with Section 172 of the Companies Act and the UK Corporate Governance Code.

7.2. Delivering positive customer experiences and fairer customer outcomes

- Provide oversight of the Group's efforts to ensure that its policies, business processes, procedures, systems and behaviours are consistent with improving the customer experience and delivering fairer customer outcomes. The spirit in this regard will be to ensure that we are mapping to (according to our best understanding of) the priorities and focus of our regulators, our customers' expectations, and the need to provide a sustainable, commercially viable set of products and services, all of which are critical to creating a sustainable business.

7.3. Embedding PFG's target culture and ethics

- To oversee development, embedding and monitoring by management of the Group's customer objectives, purpose, culture and ethics within its operations, consistent with the Group's Strategic Blueprint.
- To frequently review whether the culture of the organisation is evolving to meet the changing expectations of stakeholders and identify (and flag to the Board) areas where more effort is required and that such expectation are reflected in the Board's decision making.
- To ensure that any material issues which relate to the culture and ethics of the Group are reported to other relevant Board Committees and are reflected in the Board's decision making process.

7.4. Being a responsible and inclusive employer:

- To oversee the engagement of employees in relation to the Group's purpose, culture and ethics, and identify where improvements should be undertaken and are reflected in the Board's decision making process.

7.5. Enhancing community involvement

- To oversee the Company's engagement with the communities in which the Group operates to ensure that its community investment activities are consistent with the Group's customer objectives, social purpose, culture and ethics and that the output is taken into account in the Board's decision making process.

7.6. Supporting environmental protection

- To provide oversight of the Group's approach to managing and reporting its impact on the environment and that the output is taken into account in the Board's decision making process.

8. Reporting responsibility

8.1. The Committee Chairman shall report to the Board on its proceedings after each meeting on all matters within its duties and responsibilities and shall also formally report to the Board on how it has discharged its responsibilities.

8.2. The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.

8.3. The Committee shall produce a report of its activities to be included in the Company's annual report and financial statements.

9. Other matters

9.1. The Committee shall:

- Have access to sufficient resources in order to carry out its duties, including access to the Company secretariat for assistance as required;
- 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;
- Arrange for periodic review of its own performance, and, at least annually, review its constitution and terms of reference to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the Board for approval;
- Give due consideration to relevant laws and regulations, the provisions of the UK Corporate Governance Code and the requirements of the Listing Rules, Prospectus Rules and Disclosure Guidance and Transparency Rules sourcebook and any other applicable rules, as appropriate;
- Work and liaise as necessary with all other Board Committees, taking particular account of their respective remits, and their likely review and oversight of similar/related topics (e.g., risk, reward, control, etc.) Align and agree the forward agenda with the main Board and Committees to ensure full coverage of key matters (particularly in relation to the implementation and compliance with the requirements of the UK Corporate Governance Code), whilst recognising that there may be some duplication in terms of underlying subject matter, but that the different “lenses” of the different Committees are value-adding. This approach is consciously intended to achieve a substantial uptick in the Company’s increased commitment and progress towards its more customer-centric future.

10. Authority

10.1. The Committee is authorised by the Board, if the Committee considers it necessary, to:

- Obtain, at the Company’s expense, independent legal or other independent professional advice on any matter within its terms of reference if it believes it is necessary to do so;
- Secure the attendance of external advisers with relevant experience and expertise;
- Seek any information it requires from any employee of the Company in order to perform its duties; and
- Call any employee to be questioned at a meeting of the Committee as and when required.

Change Control

Date	Version	Summary of Changes	Approved by and date
21 March 2019	1.	Adoption	Board 21 March 2019
23 September 2019	2.	Minor amends	Board 23 September 2019
23 June 2020	3.	Minor amends to reflect the Gender Pay Gap reporting	Board 21 July 2020