



APPENDIX 1

PROVIDENT FINANCIAL plc and VANQUIS BANK Ltd

Risk Committee

Terms of Reference

- The Company** each of Provident Financial plc (PF PLC) and Vanquis Bank Ltd (VBL). Where these Terms of Reference are used for either PF PLC or VBL then it shall mean the relevant company only.
- The Board** when used as a joint document, the Boards of both PF PLC and VBL. Where Terms of Reference are used as either of PLC or VBL then it shall mean the relevant Board only.
- Committee** when used as a joint document, the Risk Committees of both PF PLC and VBL. Where Terms of Reference are used as either of PLC or VBL then it shall mean the relevant Risk Committee only.
- Director** a director of the Board of each of PF PLC and VBL.
- Group** PF PLC and its subsidiaries as defined by the Companies Act 2006. Should these Terms of Reference be used solely then the same definition shall apply but when used for VBL then this definition shall mean only those subsidiaries of the VBL.
- Major subsidiaries** Provident Financial Management Services Limited and Provident Personal Credit Limited (together known as "CCD"), Provident SPV Limited (for the CCD Scheme of Arrangement also known

as 'SchemeCo'), Moneybarn No 1 Limited and Moneybarn Limited (together known as "Moneybarn") and Cheque Exchange Limited ("CEL").

The Code

The 2018 UK Corporate Governance Code and any later version superseding this version.

1. Overview

- 1.1. The Boards and Committees of PF PLC and VBL have predominantly identical membership and sit jointly on most occasions. Where a joint meeting takes place these Terms of Reference for the Committee shall apply. Where the Committees of PF PLC or VBL sit separately, these Terms of Reference shall apply with the exception of those duties or responsibilities where due to statute, regulation or other reasons considered appropriate by the directors/executives they cannot or should not apply.
- 1.2. For the purpose of these Terms of Reference the term 'Articles of Association' shall mean, when the Committee is sitting as a joint Committee, the Articles of Association of each of PF PLC and VBL. Where the Committee is sitting as either a Committee of PF PLC or VBL then it shall mean the Articles of Association of the relevant company only.
- 1.3. For the avoidance of doubt reference to shares and share schemes are to shares and schemes of PF PLC only.
- 1.4. Paragraphs or provisions marked with "*" are expected to apply primarily to the Committee of PF PLC and unless otherwise determined by the Committee that it should also apply to PF PLC, the paragraphs or provisions marked with a "†" are expected to apply primarily to the Committee of VBL. Such matters are not exclusive and can be amended from time to time on an ad hoc or continuous basis, separate to any agreement to amend these Terms of Reference, provided that a quorum of the relevant Committee agrees and this derogation is minuted as such.
- 1.5. Where a matter relating to VBL requires VBL Risk Committee

approval, this matter will not also require approval from the Risk Committee of PF PLC.

2. Name

2.1 This Committee of the Board shall be known as the Risk Committee (the “Committee”).

1. Membership and attendance

Basic membership

1.1 The Committee shall comprise at least two members.

Requirements of membership

1.2 All members of the Committee shall be independent non-executive directors.

1.3 One of the members shall be the Chairman of the Audit Committee. The Chairman of the Board shall not be a member of the Committee.

Appointment

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

1.5 The Chairman of the Committee will be an independent non-executive director appointed by the Board. In the absence of the Chairman of the Committee at a committee meeting, the remaining members present shall elect one of themselves to chair the meeting.

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

Attendance

- 1.7 Only members of the Committee have the right to attend Committee meetings. However, other individuals may be invited by the Chairman to attend for all or part of any meeting, as and when appropriate and necessary.
- 1.8 Without prejudice to the foregoing provision, the Group Finance Director and the Group Chief Risk Officer (CRO) shall be in attendance at all meetings.

2. Secretary

- 2.1 The Company Secretary, or his or her nominee in consultation with the Chairman of the Committee, is the Secretary of the Committee.
- 2.2 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.

3. Quorum

- 3.1 The quorum necessary for the transaction of business will be two members.
- 3.2 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.

4. Meetings

Frequency

- 4.1 Meetings will be held at least four times a year and otherwise as required at appropriate intervals.
- 4.2 Outside of the formal meeting program, the Committee Chairman,

and to a lesser extent the other committee members, will maintain a dialogue with key individuals involved in the Group's governance, including the Board chairman, the Chief Executive Officer and the Group Chief Risk Officer.

Notice

- 4.3 Meetings of the Committee shall be called by the Committee Secretary at the request of the Committee Chairman or any other member of the Committee.
- 4.4 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, as soon as reasonably practical and by five working days before the date of the meeting.

Voting and conflicts

- 4.5 The members of the Committee, at the beginning of the meeting, shall declare the existence of any conflicts arising and the Committee Secretary shall minute them accordingly.
- 4.6 Although normally decisions are reached on a consensus, in the event of a disagreement, decisions on any matter are made by the majority, with the Committee Chairman having the casting vote in the event of a tie.
- 4.7 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

- 4.8 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.

4.9 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.

4.10 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. Engagement with shareholders

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

7.2 In addition, the Chairman of the Committee should engage with shareholders on significant matters related to the Committee's areas of responsibility as and when required.

6. Duties

8.1.1 The Committee should have oversight of the Group as a whole and, unless required otherwise by regulation, carry out the duties below for the parent company and major subsidiary undertakings and the Group as a whole;

8.2 The Committee shall:

General

8.2.1 In conjunction with the CEO, approve the appointment and/or removal of the Group Chief Risk Officer (CRO) and Chief Compliance Officer (CCO);

- 8.2.2 Review promptly all reports from the Group CRO;
- 8.2.3 Review and monitor management's responsiveness to the findings and recommendations of the Group CRO;
- 8.2.4 Ensure the Group CRO shall be given the right of unfettered direct access to the Chairman of the Board and to the Committee; work and liaise as necessary with all other Board committees;
- 8.2.5 Ensure workforce policies and practices, which fall in the scope of the Committee, are consistent with the Group's values and support long term sustainable success;
- 8.2.6 The Chief Risk Officer and the Committee Chair shall work with and provide advice to the Remuneration Committee on the management of remuneration risk, with support from the Committee where necessary and appropriate, reviewing annually performance against risk metrics, including of conduct matters and providing input to the Remuneration Committee to assist in its deliberations on appropriate quantitative and qualitative risk metrics and risk adjustments to be made to incentive packages;
- 8.2.7 The Committee should, without prejudice to the tasks of the Remuneration Committee, examine whether incentives provided by the remuneration policies and practices take into consideration the institution's risk, capital, liquidity and the likelihood and timing of earnings.

Risk Strategy, Culture and Governance

- 8.2.8 Assess the effectiveness of the Group's risk management strategy, governance arrangements and operating model in managing risk;
- 8.2.9 Consider and approve the remit of the Group's/Company's risk and compliance functions and ensure that they have adequate resources and appropriate access to information to enable them to perform their function effectively and in accordance with the relevant professional standards. The Committee shall also ensure the functions have adequate independence and are free from management and other restrictions;

- 8.2.10 As requested and working in collaboration with the Chair of the Customer, Conduct and Ethics Committee, to support embedding and maintenance of a risk culture which helps the Group and colleagues in delivering risk outcomes aligned to our Group Blueprint and customer purpose;
- 8.2.11 Consider whether there is appropriate alignment between the Group's/Company's overall product and service offerings and the Group's/Company's risk strategy and business model, and whether the Group/Company has satisfactory controls in place to ensure customers are treated in accordance with both internal policies and regulatory requirements;

Risk Appetite

- 8.2.12 Review and approve the Group's/Company's Risk Appetite Statements and monitor adherence to them including proposed material changes to the Group's/Company's risk profile and/or risk appetite arising from any new products, geographical locations, new or increased business;
- 8.2.13 Advise the Board on the Group's/Company's overall risk appetite, tolerance and strategy, and that of its subsidiaries, taking account of the current and prospective macroeconomic and financial environment and drawing on financial stability assessments such as those by relevant industry and regulatory authorities;
- 8.2.14 Keep under review the Group's and Company's overall risk assessment processes that inform the Board's decision making, overseeing that both qualitative and quantitative metrics are used to ensure robust assessment of emerging and principal risks;
- 8.2.15 Regularly review and approve the parameters used in these measures and the methodology adopted particularly around timely monitoring of large exposures and certain risk types of critical importance;
- 8.2.16 Review reports on any material breaches of risk appetite and the adequacy of proposed actions;

Risk Management Framework

- 8.2.17 Keep under review and approve the Risk Management Framework (RMF) and the Group's/Company's Risk Policies;
- Capital Risk Policy (GRC approved)
 - Funding and Liquidity Risk Policy (GRC approved)
 - Market (IRRBB) Risk Policy (GRC approved)
 - Credit Risk Policy (GRC approved)
 - Strategy Risk Policy (GRC approved)
 - Climate Risk Policy (GRC approved)
 - Legal and Governance Risk Policy (GRC approved)
 - Financial Crime Risk Policy (GRC approved)
 - Conduct and Regulatory Risk Policy (GRC approved)
 - Responsible lending policy (GRC approved)
 - Vulnerable customers policy (GRC approved)
 - Complaints Management Policy (GRC approved)
 - People Risk Policy (GRC Approved)
 - Technology and Information Security Risk Policy (GRC approved)
 - Operational Risk Policy (GRC approved)
 - Group Procurement Policy (GRC approved)
 - Model Risk Policy (GRC approved)

- 8.2.18 Review the adequacy and effectiveness of the RMF, the technology infrastructure supporting it, including interactions and workings with the divisions;

- 8.2.19 Consider the adequacy and effectiveness of the Group's/Company's model governance arrangements;

- 8.2.20 Review the Group's capability to identify and manage new and emerging risk types;

Risk Management

- 8.2.21 Oversee and advise the Board on the current principal and emerging risk exposures of the Group/Company and future risk strategy;

- 8.2.22 Assess and monitor the principal risks facing the Group/Company, including those that threaten its business model, future performance, solvency or liquidity;
- 8.2.23 Review and challenge the key risk reporting indicators used to monitor risk events and trends;
- 8.2.24 Review and challenge the stress testing framework and the execution of stress and scenario testing;
- 8.2.25 Keep under review, in conjunction with the Audit Committee the effectiveness of the Group's/Company's internal financial controls and internal controls and risk management systems and review and approve the statements to be included in the annual report and accounts concerning internal controls and risk management;
- 8.2.26 Review and approve the Group's/Company's Internal Capital Adequacy Assessment Process (ICAAP), including the stress testing and capital allocation approach, the Recovery and Resolution Plan (RRP) and the Group's/Company's Internal Funding Plan prior to the submission to the Board for approval.
- 8.2.27 † Review and approve the Company's Internal Liquidity Adequacy Assessment Process (ILAAP) and Pillar 3 disclosure prior to the submission to the Board for approval.
- 8.2.28 Before a decision is taken to proceed, advise the Board on proposed strategic transactions, including acquisitions and disposals, ensuring that a due diligence appraisal of the proposition is undertaken, focusing in particular on risk aspects and implications for the risk appetite and tolerance of the Group, and taking independent external advice where appropriate and available;
- 8.2.29 Review the Group's/Company's business continuity, disaster recovery and operational resilience plans;
- 8.2.30 Review the Group's/Company's Wind Down plan and recommend to the Board for approval;
- 8.2.31 † Review the quarterly compliance attestation performed by the

Group CRO on behalf of the Company;

- 8.2.32 Oversee the Risk and Control Self-Assessment process;
- 8.2.33 Monitor the progress of significant risk management projects as appropriate;

Regulatory Compliance

- 8.2.34 Review and approve the Compliance Monitoring plan and receive periodic updates, including details of activities (planned and /or undertaken)
- 8.2.35 Review regular reports from the Money Laundering Reporting Officer(s) and the adequacy and effectiveness of the Group's/Company's Anti-Money Laundering Systems and controls;
- 8.2.36 Review the Group's/Company's systems and controls for the detection and prevention of bribery and fraud and receive reports on non-compliance;
- 8.2.37 Oversee the regulatory communication strategy, and key communications with the regulators in particular conduct or prudential matters and that material matters are escalated to the Board;
- 8.2.38 Consider the Group's/Company's position in relation to future regulatory requirements through receipt of regulatory horizon scanning and management of emerging regulatory risk reports;
- 8.2.39 Evaluate the effectiveness of the regulatory interactions and the management of any material actions or breaches arising from these and regulatory reviews. Monitoring and challenging the process for resolving issues raised.

Conduct Risk

- 8.2.40 Review the effectiveness of the processes and policies by which the Group/Company identified and manages conduct risk including annually reviewing the effectiveness of the conduct risk framework.

9 Reporting responsibilities

- 7.1 The Committee Chairman shall formally report to the Board on its proceedings after each meeting including on relevant matters within its duties and responsibilities, that are not otherwise included in the CRO's brief to the Board, and any other issues on which the Board has requested the Committee's opinion.
- 7.2 The Committee shall provide advice to the Remuneration Committee on any risk weightings to be applied to performance objectives incorporated in the incentive structure for executive remuneration and make recommendations to the Remuneration Committee on clawback provisions.
- 7.3 The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.
- 7.4 The Committee shall compile a report on its activities and the Group's risk management and strategy and all other information requirements as set out in the Code to be included in the annual report and accounts.
- 7.5 The directors' report in the annual report and accounts should set out risk management objectives and policies, including in relation to financial instruments.
- 7.6 In compiling the reports referred to in 8.1 and 8.3, the Committee should exercise judgement in deciding which of the issues it considers in relation to the financial statements are significant but should include at least those matters that have informed the Board's assessment of whether the Company is a going concern and the inputs to the Board's viability statement. The report to shareholders need not repeat information disclosed elsewhere in the annual report and accounts but could provide cross references to that information.

8. Other matters

The Committee shall:

- 8.1 Have access to sufficient resources in order to carry out its duties, including access to the Company secretariat for assistance as required;
 - 8.2 Be provided with appropriate and timely training, both in the form of an induction program for new members and on an ongoing basis for all members;
 - 8.3 Give due consideration to relevant laws and regulations, the provisions of the Code and published guidance, the requirements of the Financial Conduct Authority's Listing Rules, Prospectus Rules and Disclosure Guidance and Transparency Rules sourcebook and any other applicable rules, as appropriate;
 - 8.4 Work and liaise as necessary with all other Board committees, taking particular account of the impact of risk management and internal controls on the work of other committees;
 - 8.5 Oversee any investigation of activities which are within this term of reference; and
 - 8.6 Arrange for periodic reviews 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.
9. Authority

The Committee is authorised to:

- 9.1 Seek any information it requires from any employee of the Group in order to perform its duties;
- 9.2 Obtain, at the Group's/Company's expense, independent legal, or other professional advice on any matter within its terms of reference it believes it necessary to do so, providing the cost of the advice in relation to a specific matter this does not exceed £20,000 (exclusive of VAT). Should it exceed this figure, approval from Board

is to be obtained in advance;

- 9.3 Delegate any matter or matters to another committee or person (s) as it deems appropriate;
- 9.4 Call any employee to be questioned at a meeting of the Committee as and when required; and
- 9.5 Have the right to publish in the Company's annual report, details of any issues that cannot be resolved between the committee and the Board.

Change Control

Date	Version	Changes Made	Approved By
21 September 2018	0.1		Risk Committee
17 October 2018	0.2	Various	Risk Committee
26 February 2019	1.0	Updated for CG Code 2018	GRC / Board
28 January 2020	1.1	Updated as part of annual refresh	GRC / Board
December 2021	2	Combined with VBL Risk Co and Updated with best practice for combined committees.	GRC (subject to CC review)
January 2022	2.1	Incorporated recommendations from Clifford Chance	Chairman and General Counsel as per delegated authority from the Committee)