



Terms of Reference: Group Risk Committee

# PROVIDENT FINANCIAL plc

## Group Risk Committee

### Terms of Reference

<b>The Company</b>	Provident Financial plc
<b>The Board</b>	The Board of Provident Financial plc
<b>Group</b>	Provident Financial plc and its subsidiaries
<b>Major subsidiaries</b>	Vanquis Bank Limited, Provident Financial Management Services Limited and Provident Personal Credit Limited (together known as “CCD”), Moneybarn No 1 Limited and Moneybarn Limited (together known as “Moneybarn”) and Cheque Exchange Limited.
<b>The Code</b>	The UK Corporate Governance Code

#### 1. Name

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

#### 2. Membership and attendance

##### *Basic membership*

2.1. The membership of the Committee shall comprise at least three members.

##### *Requirements of membership*

2.2. A majority of the members of the Committee shall be independent non-executive directors.

2.3. 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*

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

2.5. 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.

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 by the Chairman to attend for all or part of any meeting, as and when appropriate and necessary.

2.8. Without prejudice to the foregoing provision, the Group Finance Director and the Group Chief Risk Officer (CRO) shall be in attendance at all meetings.

### 3. Secretary

3.1. The Company Secretary, or his or her nominee in consultation with the Chairman of the Group Risk 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 will be two members.

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

##### *Frequency*

5.1. Meetings will be held at least four 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 with key individuals involved in the Group's governance, including the Board chairman, the chief executive officer, the CRO and the divisional CROs.

##### *Notice*

5.3. Meetings of the Committee shall be called by the Committee Secretary at the request of the Committee Chairman.

5.4. 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*

5.5. 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.

5.6. 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 Chairman having the casting vote in the event of a tie.

5.7. 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*

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.

5.10. 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.

5.11. 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.

## 6. Annual General Meeting

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

## 7. Duties

7.1. 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, major subsidiary undertakings and the Group as a whole.

7.2. The Committee shall:

7.2.1. advise the Board on the Group's overall risk appetite, tolerance and strategy, 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 including the Bank of England, the Prudential Regulation Authority, the Financial Conduct Authority, the Code, the requirements of the UK Listing Authority's Listing Rules and Disclosure Guidance and Transparency Rules and other authoritative sources that may be relevant for the Group's risk policies;

7.2.2. 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;

7.2.3. oversee and advise the Board on the current principal and forward looking risk exposures of the Group and future risk strategy;

7.2.4. in relation to the assessment of risk, and in conjunction with the Audit Committee:

7.2.4.1. keep under review the Group's overall risk assessment processes that inform the Board's decision making, ensuring both qualitative and quantitative metrics are used to ensure robust assessment of emerging and principal risks;

7.2.4.2. regularly review and approve the parameters used in these measures and the methodology adopted;

7.2.4.3. set a standard for the accurate and timely monitoring of large exposures and certain risk types of critical importance;

7.2.4.4. review the Group's capability to identify and manage new risk types;

7.2.4.5. review the Group's procedures for detecting fraud and the prevention of bribery in conjunction with the Audit Committee;

7.2.4.6. keep under review, in conjunction with the Audit Committee the effectiveness of the Group'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; and

7.2.4.7. monitor and challenge first line tax risk management actions.

7.2.5. recommend and endorse an overall Group conduct risk appetite, culture and tone, prior to approval by the Board;

7.2.6. assess and monitor the principal risks facing the Group, including those that threaten its business model, future performance, solvency or liquidity;

7.2.7. 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, focussing 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;

7.2.8. review the Group corporate risk register and consider mitigating actions;

7.2.9. review reports on any material breaches of risk limits and the adequacy of proposed action;

7.2.10. delegate authority to the CRO to provide qualitative and quantitative advice to the Remuneration Committee on risk weightings to be applied to performance objectives incorporated in executive remuneration.

7.2.11. review the effectiveness of the major subsidiaries in establishing and maintaining risk management frameworks, policies and procedures to be recommended to the Board for approval.

7.2.12. consider the adequacy and effectiveness of the technology infrastructure supporting the risk management framework.

7.2.13. ensure that the data captured facilitates appropriate modelling and data analysis and enables timely and effective management information to be produced for risk monitoring and decision making purposes.

7.2.14. review and approve the Group's Internal Capital Adequacy Assessment Process (ICAAP), including the stress testing and capital allocation approach, and Group's Internal Liquidity Adequacy Process (ILAAP) prior to the submission to the Board for approval.

7.2.15. keep under review the Group's business continuity plans.

7.2.16. consider and approve the remit of the compliance and risk oversight function and ensure that it has adequate resources and appropriate access to information to enable it to perform its function effectively and in accordance with the relevant professional standards. The Committee shall also ensure the function has adequate independence and is free from management and other restrictions.

7.2.17. consider and approve the recovery and resolution plan adopted by Vanquis Bank on an individual and consolidated basis for submission to the Board for final approval.

7.2.18. recommend to the Board the appointment and/or removal of the CRO.

7.2.19. review promptly all reports on the Group from the CRO.

7.2.20. review and monitor management's responsiveness to the findings and recommendations of the CRO.

7.2.21. ensure the CRO shall be given the right of unfettered direct access to the Chairman of the Board and to the Committee.

7.2.22. review regular reports from the Money Laundering Reporting Officer and the adequacy and effectiveness of the Group's Anti-Money Laundering Systems and controls.

7.2.23. work and liaise as necessary with all other Board committees.

## 8. Reporting responsibilities

8.1. The Committee Chairman shall formally report to the Board on its proceedings after each meeting on all matters within its duties and responsibilities and any other issues on which the Board has requested the Committee's opinion.

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 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.

8.4. The directors' report in the annual report and accounts should set out risk management objectives and policies, including in relation to financial instruments.

8.5. 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.

## 9. Other matters

The Committee shall:

- 9.1. have access to sufficient resources in order to carry out its duties, including access to the Company secretariat for assistance as required;
- 9.2. 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;
- 9.3. give due consideration to relevant laws and regulations, the provisions of the Code and the requirements of the Listing Rules, Prospectus Rules and Disclosure Guidance and Transparency Rules sourcebook and any other applicable rules, as appropriate;
- 9.4. oversee any investigation of activities which are within this terms of reference; and
- 9.5. 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.

## 10. Authority

The Committee is authorised to:

- 10.1. seek any information it requires from any employee of the Group in order to perform its duties;
- 10.2. obtain, at the Group's expense, independent legal, or other professional advice on any matter within its terms of reference it believes it necessary to do so, providing this does not exceed £20,000 (exclusive of VAT). Should it exceed this figure, approval from Board is to be obtained in advance;
- 10.3. call any employee to be questioned at a meeting of the Committee as and when required; and
- 10.4. 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.



## 11. 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