

PROVIDENT FINANCIAL PLC

PROVIDENT FINANCIAL ANNUAL BONUS PLAN

Adopted by the Remuneration Committee of the Board of Directors of the Company on 16/7/18

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1. DEFINITIONS AND INTERPRETATION

1.1 In this Plan, unless the context otherwise requires:

"Base Salary" means the annual base salary of a Participant (before any reductions in respect of salary sacrifice arrangements and excluding other elements of the Participant's remuneration including (but not limited to) benefits in kind, pension allowances and bonuses, unless otherwise determined by the Committee) payable during the relevant Performance Period;

"Board" means the board of directors of the Company or a duly authorised committee of the Board or a duly authorised person;

"Bonus" means a discretionary sum (if any) payable to a Participant under this Plan;

"Committee" means the remuneration committee of the Board (in consultation with the remuneration committee of board of any other Group Member, where relevant to a Participant) or, in relation to any decision of the Committee to be made under Rule 7.1 (*Change of Control*), Rule 7.2 (*Schemes of arrangement and winding-up*) or 7.4 (*Corporate events: reduction in amount of Bonus*), the remuneration committee of the Board as constituted immediately before a change of Control or voluntary winding-up of the Company (as appropriate);

"Company" means Provident Financial plc (registered in England and Wales with registered number 668987);

"Control" means control within the meaning of section 995 of the Income Tax Act 2007;

"Eligible Individual" means any person who is an employee of a Group Member;

"Group Member" means:

- (a) a body corporate which is the Company's holding company (within the meaning of section 1159 of the Companies Act 2006) or a Subsidiary of the Company's holding company;
- (b) a body corporate which is a subsidiary undertaking (within the meaning of section 1162 of the Companies Act 2006) of a body corporate within paragraph (a) above and has been designated by the Board for this purpose; and
- (c) any other body corporate in relation to which a body corporate within paragraph (a) or (b) above is able (whether directly or indirectly) to exercise 20% or more of its equity voting rights and has been designated by the Board for this purpose;

"Malus and Clawback Policy" means the Company's Malus & Clawback Policy which was adopted by the Committee in March 2018 (as amended from time to time);

"Participant" means an Eligible Individual selected by the Committee for participation in the Plan in respect of any Performance Period (including, in the event of the Eligible Individual's death, their personal representatives);

"Payment Date" means the date of payment of a Bonus;

"Performance Conditions" means the conditions determined by the Committee which may comprise objective and/or subjective conditions that apply to all or part of a Performance Period;

"Performance Period" means a period of one financial year of the Company;

"**Plan**" means the Provident Financial Annual Bonus Plan as amended from time to time;

"**Rule**" means a Rule of the Plan;

"**Shares**" means fully paid ordinary shares in the capital of the Company; and

"**Subsidiary**" means a body corporate which is a subsidiary (within the meaning of section 1159 of the Companies Act 2006).

1.2 Any reference in this Plan to any enactment includes a reference to that enactment as from time to time modified, extended or re-enacted.

1.3 Where the context admits, a reference to the singular includes the plural.

1.4 Any headings, footnotes and words in italics are for guidance only and do not form part of the Plan.

2. **PARTICIPATION**

For each Performance Period, the Committee may in its absolute discretion select an Eligible Individual to participate in the Plan in respect of a Performance Period.

Participation in one Performance Period or the payment of any Bonus shall not confer any right on the Eligible Individual to participate in the Plan in respect of any other Performance Period.

3. **TERMS OF THE BONUS**

3.1 **Maximum Bonus Level**

The maximum potential Bonus which may be awarded to a Participant under the Plan shall be determined by the Committee in its absolute discretion (having regard to the Company's prevailing shareholder-approved Directors' Remuneration Policy, where applicable to the Participant) and shall be expressed as a percentage of a Participant's Base Salary unless the Committee decides otherwise.

The Committee may, in the case of an Eligible Individual who is eligible to participate in the Plan for less than the full length of the relevant Performance Period, use a pro-rated Base Salary.

3.2 **Performance Conditions**

Before, or as soon as reasonably practicable after, the start of a Performance Period, the Committee shall set the Performance Conditions applying to the Bonus and any other conditions it so wishes.

3.3 **Communication to Participants**

The Company shall send a communication to every Participant informing them that they have been selected to participate in the Plan, what the Performance Conditions and any other conditions are, and the maximum potential Bonus that could be earned.

4. **DETERMINATION AND PAYMENT OF BONUSES**

4.1 **Committee determinations**

As soon as reasonably practicable following the end of a Performance Period, the Committee shall in its discretion determine:

- (a) the extent to which the Performance Conditions and any other conditions applicable to the Bonus have been satisfied;
- (b) notwithstanding any determination under paragraph (a) above, whether or not any Bonus shall be paid;
- (c) if the Committee determines that a Bonus shall be paid under (b) above, and as permitted under any operation of the Malus and Clawback Policy:
 - (i) the amount of each Participant's Bonus for the relevant Performance Period; and
 - (ii) the amount of each Participant's Bonus for the relevant Performance Period which:
 - (aa) shall be paid in the form of a cash payment; and/or
 - (bb) has been deferred into an award of Shares under any deferred share bonus arrangement operated by any Group Member.

Any determination(s) made by the Committee pursuant to this Rule 4.1 shall be made in its absolute discretion and the Committee may have regard to any factors as it considers appropriate, including without limitation any adverse circumstances which it considers should be taken into account.

4.2 **Notification to Participants**

The Company shall notify the Participant of the amount (if any) that is payable to them in respect of the Performance Period, specifying the amount of Bonus that shall, subject to Rule 4.3 (*Requirement not to be subject to disciplinary proceedings*), be paid in the form of a cash payment and, where relevant, the amount of Bonus that has been deferred into an award of Shares under any deferred share bonus arrangement operated by any Group Member, subject to the terms of such arrangement.

4.3 **Requirement not to be subject to disciplinary proceedings**

Unless otherwise determined by the Committee, no Bonus (if any) shall ordinarily be capable of payable to a Participant if, on the proposed Payment Date of such Bonus, the Participant is under any disciplinary, capability or probationary procedures brought by the Company (except where the Company is prohibited from preventing the payment of a Bonus in order to comply with the provisions of the Equality Act 2010).

Any such Bonus shall not be paid to the Participant unless and until such procedures have been concluded, following which the Committee shall determine whether it is appropriate to pay the Bonus to the Participant (and if so, to what extent the Bonus shall be paid). Any Bonus which is determined to be payable shall be paid to the Participant as soon as practicable following the Committee's determination.

4.4 **Payment of Bonus**

Subject to Rule 7.4(c), a Bonus shall ordinarily be paid to the Participant (subject to deductions pursuant to Rule 4.5 (*Deductions on account of tax liabilities*)) in the March payroll following the of the end of the relevant Performance Period (or, if later, as soon as reasonably practicable following the determination of the extent to which the Performance Conditions and any other conditions applicable to the Bonus have been satisfied).

4.5 **Deductions on account of tax liabilities**

Where a Group Member is obliged to account for or could suffer a disadvantage if it did not account for any tax and/or employee's social security contributions (in any jurisdiction) by virtue of the payment of the Bonus (together the "**Tax Liability**"), the Group Member, or any other person on its behalf, may deduct and pay over an amount equal to the Tax Liability from the Bonus.

5. **MALUS & CLAWBACK**

All Bonuses awarded pursuant to the Plan shall be subject to the provisions of the Malus & Clawback Policy.

6. **LEAVERS**

6.1 **Cessation of employment: default rule**

- (a) If a Participant ceases to be employed by a Group Member or becomes under notice of termination of their employment (whether given in writing or verbally by the Participant or by a Group Member) prior to the Payment Date then the Bonus opportunity shall, subject to Rules 6.1(b) and 6.2 (*Cessation of employment: Committee discretion*), be forfeited on the date of such cessation or notice and no Bonus shall be payable to that Participant.
- (b) If a Participant gives or receives notice of termination of their employment and such notice is subsequently rescinded so that they remain an employee of a Group Member then their Bonus opportunity shall continue in accordance with, and subject to, the Rules.

6.2 **Cessation of employment: Committee discretion**

- (a) Notwithstanding the provisions of Rule 6.1(a), the Committee may determine, in its absolute discretion, that a Participant who has ceased to be employed by a Group Member or is under notice of termination of their employment (whether given in writing or verbally by the Participant or by a Group Member) for any reason shall, subject to Rule 7 (*Takeovers and other corporate events*), continue to be eligible to receive their Bonus opportunity in accordance with Rule 4 (*Determination and payment of Bonuses*) after the end of the Performance Period (or, in exceptional circumstances, the Committee may determine that a Bonus shall be paid on the date of the Participant's cessation of employment or such other date as it determines, subject to testing of the Performance Conditions at that earlier date).
- (b) Where Rule 6.2(a) applies then the amount of the Bonus that would otherwise be payable shall be subject to a time pro-rated reduction based on the period starting on the first day of the Performance Period and ending on the date of cessation of employment (or the date of cessation of active service, at the Committee's discretion) relative to the length of the entire Performance Period, unless the Committee, acting fairly and reasonably, decides that such a pro-rata reduction in the amount of Bonus payable is inappropriate in any particular case.
- (c) If a Bonus becomes payable under Rule 7 (*Takeovers and other corporate events*) when a Participant has ceased to be employed by a Group Member then the application of time pro-rating under Rule 6.2(b) shall take precedence over the application of time pro-rating under Rule 7.4 (*Corporate events: reduction in amount of Bonus*).

6.3 **Meaning of ceasing employment**

A Participant shall not be treated for the purposes of this Rule 6 as ceasing to be a director or employee of a Group Member until such time as the individual is no longer a director or employee of any Group Member. If any Participant ceases to be such a director or employee before the payment of their Bonus in circumstances where they retain a statutory right to return to work then they shall be treated as not having ceased to be such a director or employee until such time (if at all) as they cease to have such a right to return to work while not acting as an employee or director.

The reason for the termination of office or employment of a Participant shall be determined by reference to Rules 6.1 (*Cessation of employment: default rule*) or 6.2 (*Cessation of employment: Committee discretion*) regardless of whether such termination was lawful or unlawful.

7. **TAKEOVERS AND OTHER CORPORATE EVENTS**

7.1 **Change of Control**

If any person (or group of persons acting in concert):

- (a) obtains Control of the Company as a result of making a general offer to acquire the whole of the issued share capital of the Company; or
- (b) obtains Control of the Company as a result of making a general offer to acquire all the shares in the Company which are of the same class as the Shares,

then:

- (i) ordinarily, the provisions of the Plan shall continue to apply in full; **unless**
- (ii) the Committee, in its absolute discretion, determines that the Performance Period shall end on (or shortly before) the date of such change of Control, in which case Rule 7.4 (*Corporate events: reduction in amount of Bonus*) shall apply.

7.2 **Schemes of arrangement and winding-up**

In the event that:

- (a) a compromise or arrangement is sanctioned by the Court under section 899 of the Companies Act 2006 in connection with or for the purposes of a change in Control of the Company; or
- (b) the Company passes a resolution for a voluntary winding up of the Company; or
- (c) an order is made for the compulsory winding-up of the Company,

then:

- (i) ordinarily, the provisions of the Plan shall continue to apply in full; **unless**
- (ii) the Committee, in its absolute discretion, determines that the Performance Period shall end on (or shortly before) the date of such change of Control, in which case Rule 7.4 (*Corporate events: reduction in amount of Bonus*) shall apply.

7.3 **Corporate events: changing Performance Conditions**

If the provisions of the Plan continue to apply in full after an event described in Rule 7.1 (*Change of Control*) or Rule 7.2 (*Schemes of arrangement and winding-up*), the Committee may adjust the Performance Conditions applying to a Bonus to reflect such event.

7.4 **Corporate events: reduction in amount of Bonus**

Where the Performance Period ends early on the occurrence of an event as described in Rule 7.1 (*Change of Control*) or Rule 7.2 (*Schemes of arrangement and winding-up*), the following provisions shall apply:

- (a) the Committee shall determine the extent (if at all) to which a potential Bonus shall be payable, taking into account such factors as it (in its absolute discretion) considers appropriate and which may include the extent to which the applicable Performance Conditions have been achieved during the curtailed Performance Period;
- (b) the Committee shall apply a pro rata reduction to the amount of a potential Bonus determined under Rule 7.4(a) above based on the period starting on the first day of the Performance Period and ending on the date of the relevant event relative to the full length of the original Performance Period, unless the Committee, acting fairly and reasonably, decides that such a reduction in the amount of Bonus payable is inappropriate in any particular case; and
- (c) each Participant's Bonus (if any) shall be paid to them (subject to the deductions referred to in Rule 4.5 (*Deductions on account of tax liabilities*)) as soon as practicable following the calculation.

8. **ALTERATIONS**

The Committee may at any time alter the Plan in any manner it so chooses and/or the terms of any Bonus, including without limitation, the Performance Conditions.

9. **MISCELLANEOUS**

9.1 **Employment**

The rights and obligations of any individual under the terms of their office or employment with any Group Member shall not be affected by their participation in the Plan or any right which they may have to participate in it. An individual who participates in the Plan waives any and all rights to compensation or damages in consequence of the termination of their office or employment for any reason whatsoever insofar as those rights arise or may arise from them ceasing to have rights under the Plan as a result of such termination. Participation in the Plan shall not confer a right to continued employment upon any individual who participates in it. The grant of any Bonus does not imply that any further Bonus will be granted nor that a Participant has any right to receive any further Bonus.

9.2 **Disputes**

In the event of any dispute or disagreement as to the interpretation of the Plan, or as to any question or right arising from or relating to the Plan, the decision of the Committee shall be final and binding upon all persons.

9.3 **Severability**

If any Rule, provision or part-provision of the Plan is or becomes invalid, illegal or unenforceable, it shall be deemed deleted, but that shall not affect the validity and enforceability of the rest of the Plan.

9.4 **Exercise of powers and discretions**

The exercise of any power or discretion by the Committee shall not be open to question by any person and a Participant or former Participant shall have no rights in relation to the exercise of or omission to exercise any such power or discretion.

9.5 **Benefits not pensionable**

Any Bonus paid or payable under the Plan shall not be pensionable.

9.6 **Notices**

Any notice or other communication under or in connection with the Plan may be given:

- (a) by personal delivery or by sending the same by post, in the case of a company to its registered office, and in the case of an individual to their last known address, or, where the individual is a director or employee of a Group Member, either to their last known address or to the address of the place of business at which they perform the whole or substantially the whole of the duties of their office or employment;
- (b) in an electronic communication to their usual business address or such other address for the time being notified for that purpose to the person giving the notice; or
- (c) by such other method as the Committee determines.

Where a notice or document is sent to an Eligible Individual or Participant by ordinary or internal post, it shall be treated as being received 72 hours after it was put into the post properly addressed and, where relevant, stamped. In all other cases, the notice or document shall be treated as received when it is given. A notice or document sent to the Company shall only be effective once it is received by the Company, unless otherwise agreed by the Company. All notices and documents given or sent to the Company shall be given or sent at the risk of the sender.

9.7 **Third parties**

No third party has any rights under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of the Plan.

9.8 **Data protection**

If a Participant is employed outside the European Economic Area and consent is needed for the collection, processing or transfer of their personal data under applicable local law, by participating in the Plan, the Participant gives their consent for the purposes of the Scheme.

For the purposes of compliance with the General Data Protection Regulation (EU) 2016/679, the Company will separately provide a Participant with information on the collection, processing and transfer of their personal data, including the grounds for processing.

9.9 **Governing law**

The Plan shall be governed by and construed in accordance with the law of England and Wales and the Courts of England and Wales have exclusive jurisdiction to hear any dispute (including non-contractual disputes or claims) arising out of or in connection with it or its subject matter or formation.