

**PROVIDENT FINANCIAL plc**

**Matters Reserved for the Board**

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

<b>The Company</b>	Provident Financial plc
<b>Group</b>	Provident Financial plc and its subsidiaries
<b>Operating 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.

**1. ROLE AND KEY PRINCIPLES OF THE BOARD**

The role of the Board is to:

- 1.1. have responsibility for the overall leadership of the Group and setting the Group’s value and standards;
- 1.2. approve the Group’s strategic aims for long term success, ensuring that the necessary financial and human resources are in place for the Group to meet its objectives and regulatory requirements and review management performance;
- 1.3. set, instil and monitor the Group’s culture, values and standards in the Boardroom and throughout the Group, which are centred firmly on the customer and take appropriate account of the Group’s wider stakeholders;
- 1.4. act in the best interests of the shareholders and the Company and in accordance with the Directors’ duties under UK law, including those set out in sections 171 to 177 and 182 of the Companies Act 2006;
- 1.5. review the Group’s performance in light of the Group’s strategic aims, objectives, business plans and budgets, and regulatory obligations and ensure that any necessary corrective action is taken;
- 1.6. make well-informed decisions based on a clear line of sight into the Group’s business; and
- 1.7. oversee the application of Group policies and procedures adopted in

accordance with this document throughout the Group.

## **2. MATTERS RESERVED FOR THE BOARD**

The Board delegates certain of its authority through the Delegated Authorities Manual to the Board's authorised and constituted committees, and to its Subsidiary Boards. Those matters which are reserved for the Board's approval and cannot be delegated are below:

### **2.1. Strategy**

- 2.1.1. Review and approve the Group's corporate strategy and plans, ensuring that a customer led approach is taken and all stakeholders have been considered where appropriate;
- 2.1.2. Approval of any strategic proposals and major operational issues;
- 2.1.3. Approvals of the annual operating and capital expenditure budgets for the Group and each Operating Subsidiaries and any material changes to them, and the review and monitoring of business results and performance against the agreed plans in the light of the Group's strategic aims and objectives and taking into account the applicable legal and regulatory framework;
- 2.1.4. In light of the Group's corporate strategic aims, review, approve and monitor the implementation of the corporate strategy, objectives, budgets and business plans within the applicable legal and regulatory framework, taking into account, inter alia, the Group's long term financial interests, solvency, risk appetite and sustainable success. Ensure that any necessary corrective action is taken;
- 2.1.5. Oversight of the Group's operations ensuring:
  - 2.1.5.1. competent and prudent management;
  - 2.1.5.2. sound planning;
  - 2.1.5.3. maintenance of sound management and internal control systems;
  - 2.1.5.4. adequate accounting and other records; and
  - 2.1.5.5. compliance with statutory and regulatory obligations;
- 2.1.6. Challenge management, including discussing all strategic proposals, such as new distribution channels, key risk policies and major operational issues;
- 2.1.7. Review, approve and monitor major investments, divestments and strategic commitments, including cessation of any of the Group's businesses (or a material part of those businesses) or entry into new businesses or geographic locations;

## **2.2. Structure and Capital**

- 2.2.1. Approval of major changes to the Group's capital structure, such as reduction in capital, share issues and share buy backs (including the use of treasury shares);
- 2.2.2. The allotment of shares in Provident Financial plc and the approval of the allotment of shares in subsidiaries (where this is other than to companies within the Provident Financial plc group);
- 2.2.3. Approval of the exercise of options or grant of awards under the Group's approved executive share incentive schemes or approved employee share schemes is delegated to a subcommittee of the Board, comprising a minimum of two Executive Directors;
- 2.2.4. Acquisitions and disposals of shares (of the Company and of its operating subsidiaries) where the consideration exceeds £3,000,000 (excluding such acquisitions or disposals between companies within the Provident Financial group);
- 2.2.5. Approval of major changes to the Group's corporate structure, including, but not limited to acquisitions and disposals of shares, businesses or undertakings which are material relative to the size of the Group in question (taking into account initial and deferred consideration), and material transactions, equity investments, acquisitions, mergers or disposals;
- 2.2.6. Approval of changes to the Group's management and control structure;
- 2.2.7. Approval of the Company's regulatory capital requirements and the basis for allocation of capital through the annual plan/ Internal Capital Adequacy Assessment Process (ICAAP) and Internal Liquidity Adequacy Process (ILAAP); and
- 2.2.8. Approval of any amendments to (including any request for cessation or suspension of) the Company's listing on the London Stock Exchange or its listing status on any such exchange and any amendment to its status as a public limited company.

## **2.3. Financial and Regulatory Matters**

Following recommendations from the Audit Committee and/or the Group Risk Committee, where appropriate:

- 2.3.1. Approval of the Annual Report and Financial Statements, including the corporate governance statement, the statement of Going Concern and directors' remuneration report;
- 2.3.2. Approval of the half-yearly financial statements and results, including any statement of Going Concern, and any preliminary announcement of the final

results;

- 2.3.3. Without prior recommendation from the Audit Committee, approval of interim management statements;
- 2.3.4. Approval of the dividend policy;
- 2.3.5. Declaration of interim dividends and recommendation of final dividends to the shareholders;
- 2.3.6. Approval of significant changes in accounting policies or practices;
- 2.3.7. Approval of the appointment, re-appointment or removal of the External Auditor to be put to the shareholders for approval in the Annual General Meeting;
- 2.3.8. Approval of the remuneration of the External Auditor;
- 2.3.9. Approval of material unbudgeted capital or operating expenditures (outside pre-determined tolerances);
- 2.3.10. Approval of any transaction that has the potential to impact adversely, by £10,000,000 or more, on the Group's regulatory capital or which would cause the Group's capital adequacy to fall below the minimum level agreed with the Prudential Regulatory Authority;
- 2.3.11. Approval of loans (of up to £5,000 or as otherwise permitted by law) to Provident Financial plc Board directors;
- 2.3.12. Ensure compliance with relevant prudential and financial regulations including, but not limited to, the Financial Conduct Authority's Listing Rules, Prospectus Rules and Disclosure Guidance and Transparency Rules;
- 2.3.13. Approval of donations to registered parties (namely parties registered under Part II of the Political Parties, Elections and Referendums Act 2000);
- 2.3.14. Review and approval of subsidiaries' (including, but not limited to, Vanquis Bank Limited) procedures and controls as required by the Prudential Regulation Authority's safety and soundness objectives;
- 2.3.15. Oversight of the processes, controls and procedures which are in place to maintain the integrity of the Group's accounting and financial reporting, with the guidance of the Audit Committee;
- 2.3.16. Ensure Board level management information coming from the Executive Committee and the Operating Subsidiary boards is appropriate in terms of quantity, quality and scope to facilitate effective oversight of performance, including current and emerging risks; and
- 2.3.17. Assess the prospects and principal risks of the Company and provide an

explanation in the Annual Report and Accounts with reference to the period of assessment and justification of the period used.

## **2.4. Internal Controls and Risk Management**

Following recommendations from the Audit Committee and/or the Group Risk Committee, as appropriate:

- 2.4.1. Oversee, review and approve the maintenance of a sound system of internal controls, risk management and the processes for compliance with prudential regulation, standards and other regulatory requirements with the guidance of the Group Risk Committee;
- 2.4.2. Oversee and approve procedures to identify the main risks associated with the Group's business and the implementation of appropriate systems to manage these risks;
- 2.4.3. Oversee, review and approve the Group's risk profile and emerging risks, through a review of all major risks, strategic and product areas, excess complexity and areas of over performance, having been consulted on Subsidiary risk profiles and notified of material changes to these;
- 2.4.4. Approval of the Group's risk appetite statement and risk management framework;
- 2.4.5. Receive reports on, and review the effectiveness of, the group's risk and control processes to support its strategy and objectives;
- 2.4.6. Approve procedures for the detection of fraud and the prevention of bribery and undertaking an annual assessment of these processes;
- 2.4.7. Approve the statement on internal controls and risk management for inclusion in the Annual Report; and
- 2.4.8. Ensure that the executive management and Operating Subsidiary boards:
  - 2.4.8.1. establish, maintain and implement appropriate systems to plan and control Group operations and risks and to comply with relevant legislation and regulations; and
  - 2.4.8.2. provide regular and sufficient information to the Board, through the Group committee structure, to enable it to comprehend fully the major risks and to discharge its monitoring duties in relation to these matters.

## **2.5. Contracts**

- 2.5.1. Approval of major capital projects or investments entered into by the Company, or any of its subsidiaries, whose total development costs exceeds £5,000,000, or which are otherwise transformative in nature, and oversight of

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the execution and delivery of those investments;

- 2.5.2. Approval of any financially or strategically material contracts including outsourcing entered into by the Company, or any of its subsidiaries,
- 2.5.3. Approval of any contract, entered into by the Company, or any of its operating subsidiaries, where the consideration (or aggregate consideration) exceeds £10,000,000;
- 2.5.4. Approval and oversight of any acquisition or disposal of interests of more than 3 per cent in the voting shares of any company or the making of any takeover offer;

### **2.6. Delegation of Authority**

- 2.6.1. Approval of the Delegated Authorities Manual which should include the Chief Executive Officer's authority limits in writing, for the Group;
- 2.6.2. Establish and maintain Board Committees and approval of their terms of reference and amendments thereto;
- 2.6.3. Set out the division of responsibilities between the Chairman, the Chief Executive Officer and other executive directors, which should be clearly established, in writing and agreed by the board;
- 2.6.4. Receive reports from board committees on their activities.

### **2.7. Board and Committee Matters**

Following guidance and recommendations from the Nomination Committee, where appropriate:

- 2.7.1. Approval of changes to the structure, size and composition of the Board, as well as Board committee membership and chairmanship and the subsequent appointments and related appointment letters;
- 2.7.2. Approval of the appointments of the Chairman of the Board and the Chief Executive Officer;
- 2.7.3. Approval of the appointment of the Senior Independent Director to provide a sounding board for the Chairman and to serve as intermediary for the other directors when necessary;
- 2.7.4. Approval of the re-appointment of Non-Executive Directors at the end of their term of office;
- 2.7.5. Approval of the appointment and removal of the Group Company Secretary;
- 2.7.6. Approval of the appointments of Directors to Operating Subsidiary boards;

- 2.7.7. Approval of the continuation in office of any Director at any time, including the suspension or termination of service of an Executive Director as an employee of the Company, subject to the law and their service contract;
- 2.7.8. Following a recommendation from the Nomination Committee, determine the independence of non-executive directors in light of their character, judgement and relationships;
- 2.7.9. Consider all requests from Board members for permission for other directorships carefully, subject to the following principles: (i) a non-executive director would not be expected to simultaneously hold more than four other material non-executive directorships; and (ii) if they hold an executive role in a FTSE 350 company, they would not be expected to simultaneously hold more than two other material non-executive directorships; (iii) an executive director should not take on more than one non-executive directorship in a FTSE 100 company or other significant appointment;
- 2.7.10. Annually review the external appointments held by the directors to ensure the time commitment provided to the Company is sufficient;
- 2.7.11. Prior to appointment of new directors, the Board should consider other demands and significant commitments on the prospective director's time before approval of that appointment;
- 2.7.12. Each director should not undertake any additional external appointments without the prior approval of the Board and the reasons for permitting the appointment should be explained in the annual report and accounts;
- 2.7.13. Periodically review succession planning for the Board and senior executives to ensure it is adequate and will maintain an appropriate balance of skills and experience within the Group and on the Board;
- 2.7.14. Monitor Board composition and processes as well as the performance of the Board, its committees and individual Directors; and
- 2.7.15. Approve the Board diversity policy promoting diversity on the Board and the associated targets and actions on how to increase representation both on the Board, and across the Group.

## **2.8. Remuneration**

Following recommendations from the Remuneration Committee and subject always to applicable law and regulation:

- 2.8.1. Approve the Group's remuneration strategy and policy (including remuneration packages of the Executive Directors, Company Chairman and Company Secretary and other senior executives) and make recommendations to the shareholders for approval of the Directors' Remuneration Policy as required;

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- 2.8.2. Determine the remuneration of the non-executive directors, subject to the articles of association and shareholder approval as appropriate;
- 2.8.3. Approve Group compensation payments, in line with the remuneration policy, following any termination of the Chairman, Group Company Secretary and Executive Directors appointments;
- 2.8.4. Set the overall parameters for annual salary reviews and bonus plans of the Company employees, including annual bonus arrangements and allocation of annual bonus pool; and
- 2.8.5. Recommend any new share incentive arrangements or major changes to existing plans to be put to shareholders for approval.

## **2.9. Corporate Governance**

- 2.9.1. Review, approve and monitor the Group's overall corporate governance arrangements, including compliance with the relevant laws and regulation which are applicable to the Group;
- 2.9.2. Approve the Corporate Governance Report for inclusion in the Annual Report;
- 2.9.3. Authorisation of conflicts of interest or potential conflicts of interest of Directors where permitted by the Company's Articles of Association;
- 2.9.4. Authorisation of any third party benefits offered by or to any director, with a value of more than £2,500 or £10,000 in aggregate in any one year;
- 2.9.5. Undertake a formal and rigorous annual review of the Board's own performance, its Committees and individual Directors, the division of responsibilities between the CEO and the Chairman of the Board, a minimum of annually;
- 2.9.6. Review the results, conclusions and recommendations from any Board evaluation activity to take any remedial actions and ensure that the actions identified are reviewed against progress following the evaluation;
- 2.9.7. Ensure that the Non-Executives annually evaluate the performance of the Chairman of the Board, without the Chairman of the Board, present led by the Senior Independent Director;
- 2.9.8. Review and approve the Senior Independent Director responsibilities;
- 2.9.9. Receive and review reports from the Board committees on their activities to ensure they are fulfilling their responsibilities in line with their terms of reference;
- 2.9.10. Consider the balance of interests between all stakeholders, including, but not limited to, customers, shareholders, employees and the community



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- 2.9.11. Annually review assurance from HR that workforce policies and practices are consistent with the Group's values and support its long-term sustainable success; and
- 2.9.12. Receive reports on the views of the Company's shareholders to ensure they are communicated to the Board as a whole.

### **2.10. Communication with Stakeholders**

- 2.10.1. Approval of resolutions and corresponding documents to be put forward to shareholders at a general meeting or the Annual General Meeting of the Company;
- 2.10.2. Ensuring a satisfactory dialogue with shareholders, through the Investor Relations team and oversight of the Shareholder engagement plan;
- 2.10.3. Ensure satisfactory engagement with the workforce, including approval and oversight of any Board-related workforce engagement mechanisms;
- 2.10.4. Routinely review the adequacy and security of Group's arrangements for its employees and contractors to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters. The Board shall ensure that these arrangements allow proportionate and independent investigation of such matters and appropriate follow up action;
- 2.10.5. Approval of any circulars, prospectuses, listing particulars and related press releases and announcements, following recommendation from the appropriate Board Committee, except where otherwise delegated;
- 2.10.6. Guide the Group, receive regular reporting on stakeholder engagement and engage with stakeholders with a view to building sustainable returns having regard to the interests of all stakeholders, including customers, regulators, staff and the communities in which the Group operates;
- 2.10.7. Establish and oversee performance to ensure customers are treated fairly and customer outcomes are appropriate;
- 2.10.8. Review and approve the Group public affairs strategy; and
- 2.10.9. Review and monitor perceptions and reputation of the Group by the investment community, regulators and the media with reports on activity from the Group Corporate Communications Director.

### **2.11. Policies**

Monitor, review and approve Group Corporate Policies, which includes the following but is not limited to:

- 1. Treasury Policy;
- 2. Remuneration Policy;
- 3. Group Tax Strategy;

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4. Pension Policy;
5. Health and Safety Policy;
6. Equality, Diversity & Inclusion Policy;
7. Human Resources policy;
8. Share dealing policy (comprising Market Abuse Regulation);
9. Whistleblowing policy;
10. Bribery and Fraud prevention policy;
11. Charitable donations policy;
12. Environment and Sustainability policy;
13. Corporate Social Responsibility policy ;
14. Code of Conduct;
15. Communications policy.

### **2.12. Other**

- 2.12.1. Approval of the arrangements for overall levels of insurance for the Group including Directors' and Officers' liability insurance;
- 2.12.2. Following recommendation from the Trustees, approval of any major changes to the rules of the Group's pension scheme, changes of trustees nominated by the Company or changes in fund management arrangements;
- 2.12.3. Approval of any matter likely to have a material impact on the Company or the Group from any perspective, including, but not limited to, financial, operational, strategic or reputational;
- 2.12.4. Approval of this list of matters reserved for Board decisions or any changes thereto;
- 2.12.5. Consideration and approval of prosecution, commencement, defence or settlement of litigation or an alternative dispute resolution mechanism which is material to the interests of the Group; and
- 2.12.6. Approval of any professional fees which exceeds, or is expected to exceed, £20,000 (exclusive of VAT) prior to the engagement for advice.

### **2.13. Authority**

- 2.13.1. In carrying out their responsibilities and functions, the Board may establish and delegate any of their powers (save for those outlined within this document) to a Board committee, a Director, employee or other person subject to ultimate responsibility of the Directors under the Companies Act 2006.
- 2.13.2. The Board may also delegate specific functions to ad-hoc committees where it feels appropriate. The powers delegated to ad-hoc committees will be described in Board resolutions.
- 2.13.3. The Board shall have adequate access to information and shall determine the nature, amount, format and frequency of the information which it is to receive.

2.13.4. The Board shall have access to sufficient resources and the authority to seek any information it requires from employees of the Company, including the Group Company Secretary, or otherwise in order to fulfil its role and responsibilities.

2.13.5. The Board may obtain, at the Company's expense, any appropriate independent external expert advice on any matter it considers necessary to fulfil its role and responsibilities.

### 3. REPORTING

3.1. The Board shall compile a statement on how it operates to be included in the Company's Annual Report and Financial Statements. The statement should include a high level statement of which types of decisions are taken by the Board and which are delegated to management.

3.2. The Board shall make this document available to shareholders via the Company's website.

### 4. COMPLIANCE WITH THE UK CORPORATE GOVERNANCE CODE (THE CODE)

Should the Board at any time act or be in contravention of this document or the Code, provided that the Board can clearly explain the reasons for this and show that they have considered the consequences of not acting in accordance with corporate governance best practice as reflected in the Code, and considers what steps may be appropriate to remedy such contravention, then such non-compliance will not constitute a breach of this document.

### 5. ANNUAL REVIEW

5.1. The performance of the Board, the Board Chairman and of each Board member shall be reviewed annually as part of the annual Board's Performance Evaluation process which is overseen by the Nomination Committee.

5.2. These Matters Reserved will be reviewed by the Board at least annually and any amendments will subsequently be approved by the Board.

### 6. CHANGE CONTROL

<b>Date</b>	<b>Changes Made</b>	<b>Approved By</b>
23 January 2018	Newly Created Board Charter	PF Board 23 January 2018
30 July 2018	Various	Approved by PF Board 30 July 2018
11 December 2018	Various	Approved by PF Board 11 December 2018