

PROVIDENT FINANCIAL plc

Audit Committee

Terms of Reference

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 “CCD”), Moneybarn No 1 Limited and Moneybarn Limited (together known as “Moneybarn”) and Cheque Exchange Limited.
The Code	The UK Corporate Governance Code

1. Name

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

2. Membership and attendance

Basic membership

2.1. The Committee shall comprise at least three members.

Requirements of membership

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

2.3. The Committee shall include at least one member of the Group Risk Committee and, where possible, one member of the Remuneration Committee.

2.4. The Chairman of the Committee should have recent and relevant financial experience with a professional qualification from one of the professional accountancy bodies.

2.5. The Chairman of the Board should not be a member of the Committee.

Appointment

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

2.7. 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.

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

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Attendance

- 2.9. Only members of the Committee have the right to attend Committee meetings. However, other individuals may be invited to attend by the Chairman for all or part of any meeting, as and when appropriate and necessary.
- 2.10. Without prejudice to the foregoing provision, the Group Finance Director, the Head of Group Internal Audit, the Group Financial Controller, the Group Chief Risk Officer, and the external lead audit partner will be invited to attend meetings on a regular basis. The Chief Executive Officer will be in attendance as 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 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.
- 4.3. Ideally of the quorum present, at least one member should have relevant, recent and significant financial experience.

5. Meetings

Frequency

- 5.1. Meetings will be held at least three times a year and otherwise as required at appropriate intervals in the financial reporting and audit cycle to review the half year, year-end results and audit matters respectively.
- 5.2. At least twice a year, the Committee will meet with the External Auditors and the Head of Group Internal Audit without any executive director present.
- 5.3. Outside of the formal meeting programme, the Chairman of the Committee, and to a lesser extent, the other Committee members, will maintain a dialogue with key individuals involved in the Company's governance, including the Board chairman, the Chief Executive Officer, the Group Finance Director, the external audit lead partner and the Head of Group Internal Audit.

Notice

- 5.4. Meetings of the 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, as soon as reasonably practical and by five working days before the date of the meeting.

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Voting and conflicts

- 5.6. 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.
- 5.7. 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. 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 Committee meetings, 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.

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

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.

Financial reporting

- 7.1. The Committee shall monitor the integrity of the Group's financial statements, including its annual and half yearly reports, interim management statements, preliminary announcements and any other formal statements relating to its financial performance, and review and report to the Board on significant financial reporting issues and judgements which those statements contain having regard to matters communicated to it by the auditor.
- 7.2. The Committee shall review and approve the Group's accounting policies annually for use in the preparation of the Annual Report & Financial Statements.
- 7.3. In particular, the Committee shall review and challenge where necessary:
 - 7.3.1. The application of significant accounting policies across the Group and any changes to them;
 - 7.3.2. The methods used to account for significant or unusual transactions where different approaches are possible;
 - 7.3.3. Ensuring that the Group has adopted appropriate accounting policies and made appropriate estimates and judgements, taking into account the external auditor's views on the financial statements;

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- 7.3.4. Areas involving significant judgment, estimation or uncertainty and emerging issues;
- 7.3.5. Significant adjustments resulting from the audit;
- 7.3.6. The ongoing assessment of the viability of the Group and the basis for the Going Concern assumption;
- 7.3.7. Regulatory and Compliance matters; the clarity and completeness of disclosures in the annual report and financial statements and the context in which statements are made;
- 7.3.8. All material information presented with the financial statements, including the strategic report and the corporate governance statements relating to the audit and to risk management;
- 7.3.9. The Committee shall review any other statements requiring Board approval which contain financial information first, where to carry out a review prior to Board approval would be practicable and consistent with any prompt reporting requirements under any law or regulation including the Listing Rules or Disclosure Guidance and Transparency Rules sourcebook;
- 7.3.10. Where the Committee is not satisfied with any aspect of the proposed financial reporting by the Company, it shall report its views to the Board.

Narrative reporting

- 7.4. Where requested by the Board, the Committee should review the content of the annual report and financial statements and advise the Board on whether, taken as a whole, it is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy, and whether it informs the Board's statement in the annual report on these matters that is required under the Code.

Internal controls

- 7.5. The Committee shall:
 - 7.5.1. Keep under review annually or as otherwise required the Group's internal financial controls systems that identify, assess, manage and monitor financial risks, and other internal control systems;
 - 7.5.2. Keep under review:
 - 7.5.2.1. any audit findings with a rating of 'Significant' or above;
 - 7.5.2.2. yearend opinions on internal controls;
 - 7.5.2.3. proposed changes to the agreed annual audit plan; and
 - 7.5.2.4. any audit actions that have been overdue for more than three months and the management plans to resolve.
 - 7.5.3. Review and approve the statements to be included in the annual report concerning internal control, risk management and the viability statement.

Bribery

- 7.6. The Committee shall review:

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- 7.6.1. The systems and controls for the prevention of bribery and receive reports on non-compliance; and
- 7.6.2. Review and approve any hospitality received from any provider which exceeds £1,000 in a calendar year in the Group.

Internal Audit

7.7. The Committee shall:

- 7.7.1. Approve the appointment or removal of the Head of Group Internal Audit;
- 7.7.2. Review and approve the role and mandate of the Group Internal Audit team, monitor and review the effectiveness of its work, and annually approve the Group Internal Audit Charter ensuring it is appropriate for the current needs of the business;
- 7.7.3. Review and approve the annual Group Internal Audit Plan to ensure that it is aligned to the key risks of the business and receive activity reports at each meeting on the work undertaken;
- 7.7.4. Ensure that Group Internal Audit has unrestricted scope, the necessary resources and access to information to enable it to fulfil its mandate, ensure there is open communication between all divisions, and that the Group internal audit function evaluates the effectiveness of these divisions as part of its audit plan, whilst ensuring that the Group internal audit function is equipped to perform in accordance with appropriate professional standards for internal auditors;
- 7.7.5. Ensure the Head of Group Internal Audit has direct access to the Chairman of the Board and the Chairman of the Committee, whilst providing independence from the executives and remaining accountable to the Committee;
- 7.7.6. Undertake an annual assessment of the effectiveness of the Group Internal Audit Function, and as part of this assessment:
 - 7.7.6.1. Meet with the Head of Group Internal Audit without the presence of management to discuss the effectiveness of the function;
 - 7.7.6.2. Review and assess the annual Group Internal Audit work plan;
 - 7.7.6.3. Receive a report on the results of the Group Internal Auditor's work;
 - 7.7.6.4. Determine whether it is satisfied that the quality, experience and expertise of Group Internal Audit is appropriate for the business;
 - 7.7.6.5. Review Group Internal Audit self-assessment against Chartered Institute of Internal Auditors' financial services audit code;
 - 7.7.6.6. Review the actions taken by management to implement the recommendations of Group Internal Audit and support the effective working of the Group Internal Audit Function;
- 7.7.7. Monitor and assess the role and effectiveness of the Group Internal Audit Function in the overall context of the business's risk management system and the work of compliance, finance and the external auditor; and
- 7.7.8. Consider whether an independent, third party review of processes is appropriate.

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External Audit

7.8. The Committee shall:

- 7.8.1. Consider and make recommendations to the Board, to be put to shareholders for approval at the Annual General Meeting, in relation to the appointment, re-appointment and removal of the External Auditor;
- 7.8.2. Ensure that at least once every ten years the audit services contract is put out to tender and oversee the selection process;
- 7.8.3. Develop and oversee the selection procedure for the appointment of the external audit firm, ensuring that all tendering firms have access to all necessary information and individuals during the tendering process;
- 7.8.4. If an external auditor resigns, investigate the issues leading to this and decide whether any action is required;
- 7.8.5. Oversee the relationship with the External Auditor. In this context the Committee shall:
 - 7.8.5.1. Approve the scope and fees of the external auditor, including both fees for audit and non-audit services, and ensure that the level of fees is appropriate to enable an effective and high-quality audit to be conducted; and
 - 7.8.5.2. Approve their terms of engagement, including any engagement letter issued at the start of each audit and the scope of the audit.
- 7.8.6. Assess annually the external auditor's independence and objectivity taking into account relevant UK law, regulation, the FRC's Ethical Standard and other professional requirements and the Group's relationship with the auditor as a whole, including any threats to the auditor's independence and the safeguards applied to mitigate those threats including the provision of any non-audit services;
- 7.8.7. Satisfy itself that there are no relationships between the auditor and the company (other than in the ordinary course of business) which could adversely affect the auditor's independence and objectivity;
- 7.8.8. Agree with the Board a policy on the employment of former employees of the Group's auditor, taking into account the FRC's Ethical Standard and legal requirements, and monitor the application of this policy;
- 7.8.9. Monitor the auditor's processes for maintaining independence, its compliance with relevant UK law, regulation, other professional requirements and the FRC's Ethical Standard, including the guidance on the rotation of audit partner and staff;
- 7.8.10. Monitor the level of fees paid by the Group to the external auditor compared to the overall fee income of the firm, office and partner and assess these in the context of relevant legal, professional and regulatory requirements, guidance and the FRC's Ethical Standard;
- 7.8.11. Assess annually the qualifications, expertise and resources of the external auditor and the effectiveness of the external audit process, which shall include a report from the external auditor on their own internal quality procedures;
- 7.8.12. Seek to ensure coordination of the external audit with the activities of the

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Group Internal Audit Function;

- 7.8.13. Evaluate the risks to the quality and effectiveness of the financial reporting process in the light of the external auditor's communications with the Committee;
- 7.8.14. Develop and recommend to the Board the formal policy on the provision of non- audit services by the auditor, including the approval of non-audit services by the Committee and specifying the types of non-audit service to be pre-approved, and assessment of whether non-audit services have a direct or material effect on the audited financial statements. The policy should include consideration of the following matters:
 - 7.8.14.1. Threats to the independence and objectivity of the external auditor and any safeguards in place;
 - 7.8.14.2. The nature of the non-audit services;
 - 7.8.14.3. Whether the external audit firm is the most suitable supplier of the non- audit service; and
 - 7.8.14.4. The fees for the non-audit services, both individually and in aggregate, relative to the audit fee;
- 7.8.15. Meet regularly with the external auditor (including once at the planning stage before the audit and once after the audit at the reporting stage) and, at least twice a year, meet with the external auditor without management being present, to discuss the auditor's remit and any issues arising from the audit;
- 7.8.16. Discuss with the external auditor the factors that could affect audit quality and review and approve the annual audit plan, ensuring it is consistent with the scope of the audit engagement, having regard to the seniority, expertise and experience of the audit team;
- 7.8.17. Review the findings of the audit with the external auditor. This shall include, but not limited to, the following:
 - 7.8.17.1. A discussion of any major issues which arose during the audit;
 - 7.8.17.2. The auditor's explanation of how the risks to audit quality were addressed;
 - 7.8.17.3. Key accounting and audit judgements;
 - 7.8.17.4. The external auditor's view of these interactions with senior management; and
 - 7.8.17.5. Levels of errors identified during the audit;
- 7.8.18. Review any representation letter(s) requested by the external auditor before they are signed by management;
- 7.8.19. Review the management letter and management's response to the auditor's findings and recommendations; and
- 7.8.20. Review the effectiveness of the audit process, including an assessment of the quality of the audit, the handling of key judgements by the auditor, and the auditor's response to questions from the Committee.

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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 shall also formally report to the Board on how it has discharged its responsibilities. The report shall include:
 - 8.1.1. The significant issues that it considered in relation to the financial statements under section 7.1 and how these were addressed;
 - 8.1.2. Its assessment of the effectiveness of the external audit process, the approach taken to the appointment or reappointment of the external auditor, length of tenure of the audit firm, when a tender was last conducted and advance notice of any retendering plans; and
 - 8.1.3. 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 to be included in the annual report. The report should include an explanation of how the Committee has addressed the effectiveness of the external audit process; the significant issues that the Committee considered in relation to the financial statements and how these issues were addressed, having regard to matters communicated to it by the auditor, and all other information requirements set out in the Code.
- 8.4. 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 laws and regulations, the provisions of the Code and the requirements of the UK Listing Authority's Listing Rules, Prospectus Rules and Disclosure Guidance and Transparency Rules and any other applicable rules, as appropriate;
- 9.4 Be responsible for co-ordination of the Group's internal audit function and the External Auditors;
- 9.5 Oversee any investigation of activities which are within its terms of reference;
- 9.6 Work and liaise as necessary with all other Board Committees, taking particular account of the impact of risk management and internal controls being delegated to different Committees;

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9.7 Review its own performance, constitution and terms of reference at least annually to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the Board for approval.

10 Authority

10.1 The Committee is authorised by the Board to undertake any activity within its terms of reference.

The Committee is authorised to:

10.2 Seek any information it requires from any employee of the Group in order to perform its duties;

10.3 Obtain, at the Group's expense, independent legal, accounting or other independent professional advice on any matter within its terms of reference if it believes it is 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;

10.4 Secure the attendance of third parties with relevant experience and expertise;

10.5 Call on any employee of the Group to be questioned at a meeting of the Committee as and when required; and

10.6 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	V.	Changes Made	Approved By
14 Dec 2017	V.0	Amended for approval by the Committee to reflect ICSA best practice, changes to the UK Corporate Governance Code (the 'Code'), Financial Reporting Council ('FRC') new guidance on the operation of the Audit Committee, which require audit Committees to take on additional responsibilities, including the oversight of the auditor's appointment, audit tendering, enhanced reporting arrangements and the audit Committee's oversight of the relationship with External Audit.	PF Board 23 January 2018
13 Mar 2018	V.0 1	The inclusion of a reference to version control of the ToR document, changes to membership to show roles (rather than individual names); the Chairman being the Senior Independent Director (SID) (AB), with one Non-Executive Director (NED) being (JS) and the interim Non-Executive Chairman being (SS).	PF Board 26 March 2018
10 Oct 1997		Various	Approved by the Board
9 Dec 1998		Various	
8 Dec 1999		Various	
23 Apr & 9		Membership amended	

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Dec 1998			
12 May 2000		Membership amended	
22 Jun 2000		Various	
11 Dec 2002		Various	
26 Jun 2003		Various	
10 Dec 2003		Membership amended	
1 Jan 2004		Various	
31 Jul 2004		Various	
13 Dec 2006		Membership amended	
1 Feb 2007		Membership amended	
3 Sept 2007		Membership amended	
21 Oct 2008		Various	
6 May 2009		Membership amended	
22 Oct 2009		Various	
28 Feb 2011		Various	
1 Oct 2012		Membership amended	
31 Jan 2013		Various	
17 Oct 2013		Various	
1 Jan 2014		Various	
1 Mar 2014		Membership amended	
22 Jan 2015		Various	
10 Dec 2015		Membership amended	
8 Dec 2016		Membership amended	
16 Jun 2017		Various	
20 Nov 2017		Amended to include FRC & ICSA Guidance for Audit Committees.	
26 February 2019	V2	Various	GAC / Board