

**PROVIDENT FINANCIAL plc**

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

2.3 The Chairman of the Board shall not be Chairman of the Committee.

2.4 The Chairman of the Committee shall have a minimum of 12 months experience serving on a remuneration committee prior to appointment as Chairman of the Committee.

2.5 The Chairman of the Board may serve on the Committee as an additional member if he or she was considered independent on appointment as Chairman.

2.6 The Committee shall include at least one member of the Audit Committee.

*Appointment*

2.7 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.

2.8 The Chairman of the Committee will be 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.

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

### *Attendance*

2.10 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.

2.11 No Director or manager shall be present at any meeting of the Committee when his own remuneration is being discussed.

## 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.

## 5. Meetings

### *Frequency*

5.1 Meetings will be held at least three 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, and Group HR Director and external advisers.

### *Notice*

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

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.

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- 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. 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*

- 5.7 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.
- 5.8 Draft minutes of Committee meetings shall be agreed with the Committee Chairman and then circulated promptly to all members of the Committee.
- 5.9 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

- 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.

The Committee shall:

- 7.2 have responsibility for setting and recommending to the Board, the Group remuneration policy (the "policy" comprising pension rights and compensation payments, malus and clawback, annual bonus rules, share option schemes and other incentive schemes, the form of the standard contract of employment and termination payments and the upper cash limit for Company cars). This is to apply for all executive directors, Chairman of the Board, the Company Secretary and senior management (specifically members of the Group Executive Committee). The Board itself or, where required by the Articles of Association, the shareholders, should determine the remuneration of the non-executive directors within the limits set in the Articles of the Association. No person shall be involved in any decisions as to their own remuneration;
- 7.3 review, approve and monitor the level and structure of remuneration for senior management (specifically members of the Group Executive Committee);
- 7.4 approve the remuneration policies, including malus and clawback, annual bonus rules, and pension arrangements amongst others, established by each major subsidiary in respect of its senior management team (being any member of the boards of the major subsidiaries) which, as a minimum, must be consistent with the approved Group remuneration policy;
- 7.5 maintain oversight (at least on an annual basis) of divisional remuneration policies and

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- practices, including pension arrangements, for the wider workforce across the Group, taking these into account when setting the Group remuneration policy;
- 7.6 in determining and reviewing such policies, take into account all factors it deems necessary, including relevant legal and regulatory requirements, the provisions and recommendations of the UK Corporate Governance Code (the “Code”), the FCA Listing Rules, Prospectus Rules and Disclosure Guidance and Transparency Rules as well as guidelines published by the Investment Association, ISS and the Pensions and Lifetime Savings Association and any other associated guidance, as appropriate.
- 7.7 address the following objectives when determining and reviewing the remuneration policy and practices:
- 7.7.1 to attract, retain and motivate executive management of the quality required to run the Group successfully without paying more than necessary, having regard to views of shareholders and other stakeholders;
  - 7.7.2 to have regard to the risk appetite of the Group and alignment to the Group’s long strategic term goals.
  - 7.7.3 a significant proportion of remuneration should be structured so as to link rewards to corporate and individual performance and designed to promote the long-term success of the Group;
  - 7.7.4 to ensure reputational and other risks from excessive rewards, and behavioral risks that can arise from target-based incentive plans, are identified and mitigated;
  - 7.7.5 to avoid complexity and ensure that the rationale and operation of them is easy to understand;
  - 7.7.6 to ensure remuneration is linked explicitly to the delivery of the Group strategy and long term performance of the Group;
  - 7.7.7 to be aligned to the culture of the Group and be consistent with the Group’s purpose, values and strategy;
- 7.8 based on qualitative and quantitative advice provided by the Group Risk Committee, apply risk weightings to performance objectives incorporated in the incentive structure of the Group and in executive remuneration;
- 7.9 without prejudice to the generality of the foregoing, ensure that the remuneration and conditions of service of the executive directors support corporate objectives and shareholders’ interests, represent value for money, reflect the performance of the Group and the individual directors (as appropriate);
- 7.10 review the on-going appropriateness and relevance of the remuneration policy;
- 7.11 review workforce remuneration and related policies and have regard to the remuneration trends across the Group when setting the remuneration policy for the executive directors, the Chairman, Company Secretary and other designated senior executives, including bonuses, incentive payments, share options and share awards, and especially when determining annual salary increases and pension contribution rates. The pension consequences and associated costs of basic salary increases and

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- any other changes in pensionable remuneration, or contribution rates, particularly for directors close to retirement, should be carefully considered when compared with workforce arrangements;
- 7.12 the Chairman of the Committee shall hold a regular meeting with the Chairman of any remuneration committee of the major subsidiaries to review their remuneration policy and any other remuneration matters relating to the senior management of the major subsidiaries;
  - 7.13 within the terms of the agreed Group remuneration policy, and in consultation with the Chairman and/or Chief Executive Officer, as appropriate, determine the total individual remuneration packages of each Executive Director, the Chairman of the Board, the Company Secretary and other designated senior management, including bonuses, incentive payments and share based incentives, to be recommended to the Board for approval;
  - 7.14 obtain reliable, up-to-date information about remuneration in other companies of comparable scale and complexity. To help fulfil its obligations, the Committee shall have full authority to appoint remuneration consultants and to commission or purchase any reports, surveys or information which it deems necessary at the expense of the Group, but within any budgetary restraints imposed by the Board;
  - 7.15 be exclusively responsible for establishing the selection criteria, and the selecting, appointing and setting of the terms of reference for any remuneration consultants who advise the Committee;
  - 7.16 approve the design of, and determine targets for, any performance-related pay schemes operated by the company and approve the total annual payments made under such schemes;
  - 7.17 ensure that any remuneration schemes promote long term shareholdings by the executive directors in alignment with long term shareholder interests and specifically, that share awards granted for this purpose should be released for sale on a phased basis and be subject to a total vesting and holding period of five years or more. The Committee should develop a formal policy for post-employment shareholding requirements, encompassing both unvested and vested shares;
  - 7.18 review the design of any share incentive plans, for approval by the Board and shareholders and ensure that the plans enable the use of discretion and contain provisions, where appropriate, that would enable the Group to recover and/or withhold sums or share awards and specify the circumstances in which it would be appropriate to do so. For any such plans, determine each year whether awards will be made, and if so, the overall amount of such awards, the individual awards to executive directors, Company Secretary and other designated senior executives and the performance targets to be used subject to, where necessary, having considered the proposals in relation thereto made by any remuneration committee of the major subsidiaries in relation to the participation of their respective employees in such plans;
  - 7.19 determine the policy for, and scope of, pension arrangements for the executive directors, the Company Secretary and other designated members of senior management in the Group and its major subsidiaries, noting that only basic salary should be pensionable and ensuring that the pension contribution rates for executive directors are in alignment with rates available to the Group's workforce;
  - 7.20 ensure that contractual terms on termination of any executive director, the Company

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Secretary and the senior management team of each major subsidiaries, and any payments made, are fair to the individual, noting that notice or contract periods should be one year or less, and the Company, that failure or poor performance is not rewarded and that the Committee is robust in reducing compensation to reflect the duty to mitigate loss and that any loss of office payments are within the terms of the approved Group remuneration policy;

- 7.21 oversee any major changes in employee benefits structures throughout the Group;
- 7.22 agree a policy for the authorisation of expenses claimed by the executive directors;
- 7.23 *review, approve annually the issuance of a report on the Gender Pay Gap across the Group and the measures in place to support closing any gap and the Chairman;*
- 7.24 review annually the shareholdings of the executive directors and directors of major subsidiaries in the context of the Share Ownership Policy.

### 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 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 ensure that provisions regarding disclosure information, including pensions, as set out in the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 and the Code are fulfilled and produce a report on the Company's remuneration policy and practices to be included in the Company's annual report and financial statements and ensure each year that it is put to shareholders for approval at the Annual General Meeting (which shall include an annual statement from the committee chairman, an annual report on remuneration and a remuneration policy report). If the Committee has appointed remuneration consultants, the annual report of the Company's remuneration policy should identify such consultants and state whether they have any other connection with the Group.
- 8.4 Through the Chairman of the Board, ensure that the Company maintains contact as required with its principal shareholders about remuneration.

### 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, regulations and any published guidelines or recommendations regarding the remuneration of directors of listed/non listed companies and formation and operation of share schemes including but not limited to the provisions of the Code, the requirements of the UK Listing Authority's Listing,

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Prospectus and Disclosure and Transparency Rules as well as guidelines published by the Association of British Insurers and the Pensions and Lifetime Savings Association and any other applicable rules, as appropriate;

- 9.4 oversee any investigation of activities which are within this terms of reference;
- 9.5 work and liaise as necessary with all other Board committees; and
- 9.6 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.

### 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

<b>Date</b>	<b>V.</b>	<b>Changes Made</b>	<b>Approved By</b>
July 2018		Refresh in line with best practice	
January 2019		Change to align with 2018 UK Corporate Governance Code	Board
March 2020		Minor amends to reflect change in external reporting	Board
June 2020		Minor amends to reflect the Gender Pay Gap reporting	Board