THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. IF YOU ARE IN ANY DOUBT AS TO ANY ASPECT OF THE PROPOSALS REFERRED TO IN THIS DOCUMENT OR AS TO THE ACTION TO BE TAKEN, YOU SHOULD IMMEDIATELY CONSULT YOUR STOCKBROKER, SOLICITOR, ACCOUNTANT OR OTHER INDEPENDENT ADVISER AUTHORISED UNDER THE FINANCIAL SERVICES AND MARKETS ACT 2000.

If you have sold or transferred all of your ordinary shares in Provident Financial plc, you should pass this document, together with the accompanying documents, as soon as possible to the purchaser or transferee or to the person through whom the sale or transfer was made for transmission to the purchaser or transferee.

Provident Financial plc

(incorporated and registered in England and Wales under number 00668987)

NOTICE OF GENERAL MEETING

Notice of a General Meeting of Provident Financial plc, which is to be held on 3 November 2020 at 9.30am, is set out in Part II of this Circular. As a result of the ongoing COVID-19 pandemic, Shareholders should note that the General Meeting will be held as a closed meeting and Shareholders and their proxies (other than the Chairman of the meeting) will not be able to attend in person. Further details are set out in Parts I and II of this Circular.

YOUR VOTE IS IMPORTANT. We strongly encourage Shareholders to vote on the Resolutions in advance of the General Meeting by completing an online proxy appointment form appointing the Chairman of the meeting as your proxy. To be valid, a proxy form must be completed in accordance with point 6 of the Explanatory Notes to the Notice of General Meeting (set out on pages 13 to 15 of this Circular) so as to be received by 9.30am on 30 October 2020. Further details are set out in Parts I and II of this Circular.

Contents

Expected Timetable

Event	Expected Time/Date
Date of this Notice of General Meeting	8 October 2020
Latest time and date for receipt of Forms of Proxy and CREST Proxy instructions for the General Meeting	9.30am on 30 October 2020
Record date for entitlement to vote at the General Meeting	6.00pm on 30 October 2020
Time and date of General Meeting	9.30am on 3 November 2020

Notes:

1. Other than the date of this Notice of General Meeting, each of these times and dates in the table above may be subject to change.
2. All of the above times refer to London time unless otherwise stated.
3. The Board will keep the situation under review and may need to make further changes to the arrangements relating to the General Meeting, including how it is conducted, and Shareholders should therefore continue to monitor the Company's website (www.providentfinancial.com/investors) and announcements for any updates.

Definitions

The following definitions apply throughout this Circular, unless the context otherwise requires:

2006 Act or Companies Act	the Companies Act 2006
Board or Directors	the directors of the Company
Bonus Plan	the annual bonus plan described in more detail in the New Policy
CIGA 2020	the Corporate Insolvency and Governance Act 2020
Circular	this document comprising a circular to Shareholders for the purposes of the Listing Rules and containing the Notice of General Meeting
Close Period	when trading in the Company's Shares is prohibited
Committee	the Remuneration Committee of the Board
Company or Provident Financial	Provident Financial plc, a company incorporated under the laws of England and Wales (with registered number 00668987), with its registered office at No. 1 Godwin Street, Bradford, West Yorkshire BD1 2SU
CRD V	the Capital Requirements Directive 2019/878 amending directive 2013/36
CREST	the facilities and procedures for the time being of the relevant system of which Euroclear has been approved as operator pursuant to the CREST Regulations
Current Policy	the Directors' Remuneration Policy approved by Shareholders at the 2019 Annual General Meeting of the Company
Executive Directors	the directors of the Company performing an executive role, currently the CEO and CFO
Fixed Remuneration	the annual base salary, RBA, monetary value of benefits and Company pension contribution of an individual
Form of Proxy	the electronic proxy form completed online at www.signalshares.com or the paper proxy form available on request from Link Asset Services, both in accordance with point 6 of the Explanatory Notes to the Notice of General Meeting
General Meeting	the general meeting of the Company convened for 9.30am on 3 November 2020, notice of which is set out in Part II of this Circular
Group	Provident Financial and its subsidiaries and subsidiary undertakings from time to time
LTIS	the Provident Financial Long Term Incentive Scheme 2015
New Policy	the Directors' Remuneration Policy to be put to Shareholders at the General Meeting of the Company on 3 November 2020
Notice of General Meeting	the notice of the General Meeting set out in Part II of this Circular
Participant	an employee who holds an award under the RSP
RBA	Role Based Allowance
Regulation	the Large and Medium Sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013
Regulatory Body	the Prudential Regulatory Authority, Financial Conduct Authority or any other financial regulator relevant for the Group
Resolutions	the resolutions set out in the Notice of General Meeting
RSP or Plan	the Provident Financial 2020 Restricted Share Plan, details of which are set out in the Chair of the Committee's letter and in Part III
Shareholder	holders of Ordinary Shares in the Company
Shares	ordinary shares of 20 8/11 pence each in the capital of the Company

Part I – Letters from Chairman and Chair of the Remuneration Committee

Registered Office:
No. 1 Godwin Street
Bradford
West Yorkshire
BD1 2SU

8 October 2020

Letter from the Chairman

Dear Shareholder,

We hope you have been keeping safe and well during these unprecedented times. On behalf of the Board, we are writing to all Shareholders in regards to proposed changes to our directors' remuneration policy and the adoption of the Provident Financial 2020 Restricted Share Plan, more details of which are set out below in the letter from our Chair of the Remuneration Committee, Andrea Blance.

The Board understands and respects the importance of Shareholders being able to attend, speak and vote at General Meetings. However, the health and safety of our colleagues, customers, communities and Shareholders is of paramount importance and we are committed to supporting the UK Government's efforts in relation to the COVID-19 pandemic. Accordingly, in light of the pandemic and the UK Government's current guidance on public gatherings, and the regulations set out in Schedule 14 of the CIGA 2020 (as recently extended to 30 December 2020), we regret that it will not be possible for Shareholders to attend in person the General Meeting, to which the Notice set out in Part II of this Circular refers.

However, the Board recognises the importance of Shareholder engagement and sees it as important for Shareholders to exercise their right to vote and, accordingly, strongly recommends that Shareholders vote on all Resolutions by completing and submitting an online proxy appointment form in favour of the Chairman of the meeting as more fully set out below.

Capitalised terms used but not defined in this letter and the letter from the Chair of the Remuneration Committee shall have the meanings given to them on page 3 of this Circular.

Reasons for Change

As a Board, we were starting to consider what changes we should introduce in 2021 to ensure that our approach to remuneration remains both effective and aligned with our shareholders. However, two matters required us to accelerate our thinking and timing:

(i) feedback from shareholders obtained as part of our mid-year results process; and

(ii) the impact of CRD V on our executive remuneration which requires a rebalancing of our fixed and variable remuneration to ensure regulatory compliance.

Shareholder feedback post the mid-year financial announcements included strong support for management, agreement with the articulated agenda/direction and concern that management had virtually no lock-in. It should be noted that the Committee has decided that no bonus will be paid to the executive directors relating to the 2020 financial year. Hence, concerns about 'no lock-in's' and 'no retention' are further exacerbated. As a Board, and a Committee, we feel that this concern needs addressing. The proposed New Policy and RSP is intended to address this concern.

General Meeting Proposals

A formal Notice convening a general meeting of the Company to be held on 3 November 2020 at 9.30am is set out in Part II of this Circular on pages 12 to 15, which includes full details of the Resolutions and explanatory notes. The purpose of the General Meeting is to seek Shareholders' approval for the following resolutions:

- Resolution 1 - relates to the approval of the New Policy.
- Resolution 2 - relates to the approval of the maximum variable remuneration of 200% of fixed remuneration.
- Resolution 3 - relates to the approval of the new Provident Financial 2020 Restricted Share Plan.

The rules of the Provident Financial 2020 Restricted Share Plan are available for inspection during normal business hours at the registered office of the Company from the date of despatch of the Notice of General Meeting until the conclusion of the General Meeting. Given the current restrictions related to COVID-19, the rules are also being made available on the Company's website

Meeting arrangements, voting and questions

As noted above, the Board takes the well-being of its colleagues, customers, communities and Shareholders very seriously. Given the UK Government's current guidance on public gatherings, and the new regulations set out in Schedule 14 of the CIGA 2020, in place at the date of this Circular, we regret that it will not be possible for Shareholders to attend the General Meeting in person. We anticipate that only the Chairman and a limited number of Directors and employees will be in attendance at the General Meeting to ensure a quorum and to conduct the business of the General Meeting.

These restrictions mean that neither you nor any person you might appoint other than the Chairman of the meeting will be able to attend the General Meeting in person. You are therefore strongly encouraged to appoint the Chairman of the meeting as your proxy. Your vote is important to the Company and we encourage you to vote on all Resolutions by completing and submitting an online proxy appointment form in accordance with point 6 of the Explanatory Notes to the Notice of General Meeting (set out on pages 13 to 15 of this Circular). If you are unable to vote online and/or wish to receive a paper proxy, please call Link Asset Services on 0371 664 0300 (calls are charged at the standard geographic rate and will vary by provider) or write to them at FREEPOST SAS, 34 Beckenham Road, BR3 9ZA. A proxy appointment made electronically will not be valid if sent to any address other than those provided or if received after 9.30am on 30 October 2020.

As at the 2020 Annual General Meeting, each Resolution will be voted on by way of a poll. This is a more transparent method of voting as shareholder votes will be counted according to the number of shares held.

Shareholders are encouraged to submit questions to the Board in advance of the General Meeting by emailing shareholder.questions@providentfinancial.com by no later than 9.30am on 30 October 2020. We will consider all questions received and, if appropriate and relating to the business of the General Meeting, provide a written response or publish answers on a thematic basis on our website www.providentfinancial.com/investors.

Our approach to the General Meeting is in line with the regulations set out in CIGA 2020 which permit the Company to convene a closed meeting at this time in order to mitigate the spread of COVID-19.

The Board will keep the situation under review and may need to make further changes to the arrangements relating to the General Meeting, including how it is conducted, and Shareholders should therefore continue to monitor the Company's website (www.providentfinancial.com/investors) and announcements for any updates.

The steps set out above are deemed necessary and appropriate ones to take given the current COVID-19 pandemic. The Board would like to thank Shareholders for their understanding in these exceptional times.

Recommendation

The Board considers that all Resolutions proposed will promote the success of the Company and are in the best interests of the Company and its Shareholders as a whole. Your Board unanimously recommends that Shareholders vote in favour of them.

Yours faithfully

Patrick Snowball
Chairman of the Company

Letter from the Chair of the Remuneration Committee

Dear Shareholder,

New Directors' Remuneration Policy and the introduction of the Provident Financial 2020 Restricted Share Plan

Background

When drafting this letter, the focus on responding to the societal and business disruption caused by the COVID-19 pandemic is immense and the Committee is acutely aware of its responsibilities in taking account of this context in its discussions and decisions.

In the normal course of events, we would be seeking Shareholder approval for a new Directors' Remuneration Policy in 2022, three years after the approval of the current policy in 2019. However, there are a number of reasons driving the Committee to bring forward the New Policy in 2020:

- To support the new Company strategy, including a better alignment with the 'new normal' - market, customer and structural change (as highlighted by the Group CEO during the mid-year results).
- To align the Executive Directors' ownership experience over the period the New Policy applies with Shareholders.
- A desire to simplify our remuneration structures.
- A desire to incentivise the creation of long-term Shareholder returns through sustainable long-term performance of the Company.
- To reflect the current context and the additional uncertainties it introduces over the mid-term.
- To reflect the impact of CRD IV and in particular CRD V and the associated cap on variable pay at 200% of Fixed Remuneration (under the New Policy, it is currently only the CEO who is impacted):
  - this is being addressed by the introduction of RBAs under the New Policy; and
  - for the CEO, the RBA will be equivalent to 15% of base salary per year paid in Shares in equal instalments over 3 years, to reflect the impact of the cap on variable pay on his total remuneration.
- A desire for a remuneration approach which encourages a focus on the long-term interests of our Shareholders and customers, rather than driving short-term performance which may be detrimental.
- Lower maximum remuneration opportunities which reflects that our services are being provided to less affluent members of society.

We, therefore, believe it is time for something different.

Additional Considerations

As mentioned in the Chair's letter, as a Board, we were starting to consider what changes we should introduce in 2021 to ensure that our approach to remuneration remains both effective and aligned with our shareholders. However, two matters required us to accelerate our thinking and timing:

(i) feedback from shareholders obtained as part of our mid-year results process; and

(ii) the impact of CRD V on our executive remuneration which requires a rebalancing of our fixed and variable remuneration to ensure regulatory compliance.

Shareholder feedback post the mid-year financial announcements included strong support for management, agreement with the articulated agenda/direction and concern that management had virtually no lock-in. It should be noted that the Committee has decided that no bonus will be paid to the executive directors relating to the 2020 financial year. Hence, concerns about 'no lock-in's' and 'no retention' are further exacerbated. As a Board, and a Committee, we feel that this concern needs addressing. The proposed New Policy and RSP it intended address these concern.

Implementation of the RSP in 2020 and Interaction with 2020 LTIS award

It is the Committee's intention to grant an RSP award of 100% of base salary to our CEO, Malcolm Le May, and 75% of base salary to our CFO, Neeraj Kapur, following the approval of the RSP and New Policy at the General Meeting on 3 November 2020. These RSP awards are conditional on the CEO and CFO agreeing to the cancellation of their LTIS 2020 awards granted in March 2020 with a grant value of 170% and 150% of base salary respectively without compensation. The rationale for this approach is set out above which in summary is to form part of the provision of a retention and incentivising component for management; which the Committee does not believe that the 2020 LTIS grant will achieve.

Key Changes in the New Policy

1. Provident Financial 2020 Restricted Share Plan

- Removal of the LTIS and replacement with the RSP for all appropriate participants.
- Reduction in maximum award for the CEO from 200% of base salary under the LTIS to 100% of base salary under the RSP (150% to 75% of base salary for the CFO).
- 3-year vesting period and two-year holding period.
- Underpin for the Committee to adjust vesting if business performance, individual performance or wider Company considerations mean, in its view, that an adjustment is required.
- Further details:
  - The Committee will review the Share price performance at the end of the vesting period to determine whether any windfall gains have been provided through a 'bounce back' in the share price;
  - The Committee will take into account the following factors (amongst others) when determining whether to exercise its discretion to adjust the number of Shares vesting:
    - whether threshold performance levels have been achieved for the performance conditions for the Bonus Plan for each of the three years in the RSP vesting period;
    - the underlying financial performance progression over the vesting period considering factors such as profit growth, return on equity and shareholder returns (amongst others);
    - whether there have been any sanctions or fines issued by a Regulatory Body and participant responsibility may be allocated collectively or individually;
    - whether there has been material damage to the reputation of the Company or Group. Participant responsibility may be allocated collectively or individually;
    - the level of employee and customer engagement over the vesting period; and
    - in all cases, subject to the Committee's holistic assessment at vesting, based on business performance, individual performance or wider Company or Group considerations.

2. Role Based Allowance ("RBAs")

Introduction of RBAs to reflect the impact of CRD V which introduces a shareholder approved maximum variable pay of 200% of Fixed Remuneration for the Group. The introduction of the RBA, (i) reduces the annual bonus potential, (ii) increases shareholder alignment by the greater use of shares, and (iii) is structured so that it does not impact base salary (and the corresponding impact on any other element of the remuneration based on a percentage of base salary).

3. Bonus Plan

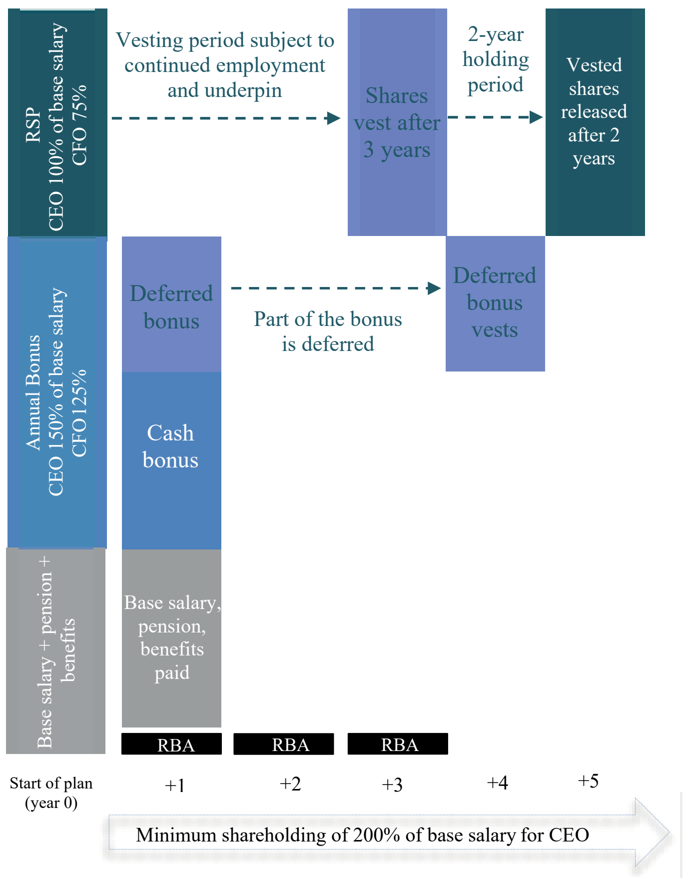
Reduction in maximum bonus opportunity for the CEO from 175% to 150% of base salary (CFO remains at his current maximum of 125% of base salary).

4. Pension

Confirmation in the New Policy that the CEO's pension contributions will reduce from 15% of base salary per annum to 10% from 31 December 2022 (down from 25% in 2018); 10% is the current average employee contribution. All new Executive Director appointees automatically have pension contributions of 10% of base salary.

Summary of Proposed Remuneration Policy

Illustrative CEO package



Salary: (In general increases in line with the wider workforce)
- **CEO current:** £714,000
  - **Role Based Allowance ("RBA"):** 15% of base salary p.a. paid in shares equally over three years
- **CFO current:** £525,000 – remains unchanged

Pension: *Executive pensions aligned with the wider workforce from 31 December 2022*
- **Current EDs:** CEO 15%, CFO 10% (wider workforce 10%)
- **New EDs:** In line with wider workforce

Annual Bonus: *Element of the bonus is deferred*
- **Maximum:** CEO – 150% of base salary (reduced from 175%), CFO – 125% of base salary (no change)
- **Performance conditions:**
- 60% financial - (Adjusted PBT)
- 40% non-financial:
  - Strategy (20%)
  - Regulatory risk and conduct (40%)
  - Investor relations (10%)
  - Customer (20%)
  - Employee (10%)
- CET1 underpin
- **Deferral:** At least 40% of the bonus is deferred for 3 years in Company shares

RSP: *Restricted Share Plan to replace the LTIS*
- **Frequency:** Annual, rolling awards
- **Award level:** CEO – 100% of base salary (down from LTIS of 200%), CFO – 75% of base salary (down from LTIS of 150%). As part of the grant process the Committee will consider the individuals' personal and business performance for the prior year and determine that the proposed level of grant remains appropriate.
- **Performance conditions:** Underpin of Committee discretion on vesting
- **Vesting:** 3 years with a 2-year holding period post-vesting

Shareholding requirement: *Extend post-cessation*
- Executive Directors must continue to build a minimum shareholding of 200% of base salary.
- The full requirement extends for 2 years post-cessation

In all other material respects, the New Policy remains the same as the Current Policy.

Why Shareholders should support the Committee's New Policy

The introduction of the RSP and changes to the Bonus Plan:

- Provide greater emphasis on the build-up and maintenance of a long-term shareholding which ensures Executive Directors:
  - focus on recovering and enhancing Shareholder value;
  - focus on the long-term sustainable performance of the business; and
  - have the same ownership experience as Shareholders;
- Allow the Executive Directors to be nimble in the implementation of the new strategy rather than be conflicted by performance targets attached to a LTIS which may become irrelevant soon after awards are granted;
- Ensure the Company operates within the applicable remuneration regulations under CRD V in conjunction with the RBA for the CEO;
- Simplify the remuneration for the Executive Directors; and
- Lower the maximum value of the remuneration.

The proposed New Policy is set out in this Circular on pages 20 to 35.

A summary of the RSP is set out on pages 16 to 19.

In this letter, I am focusing on the new, proposed RSP which will form part of the New Policy and requires separate shareholder approval. The RSP is the most material change from the Current Policy. The other key changes are to bring the New Policy in line with current corporate governance best practice and to meet the requirements of Regulation.

Rationale behind the RSP in the proposed New Policy

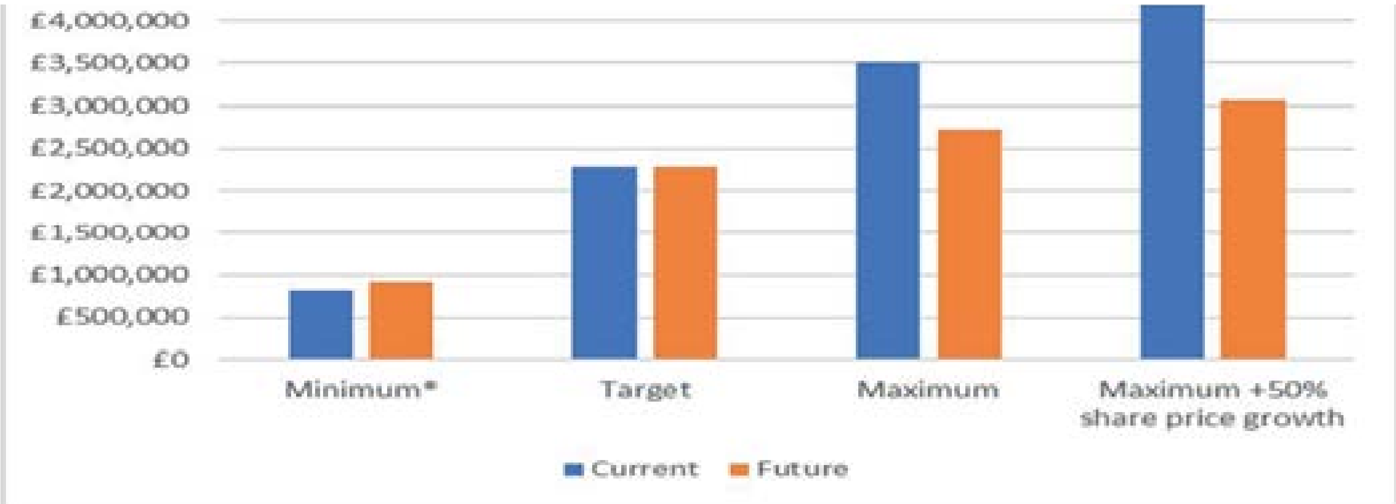
The Committee considered a range of alternative incentive structures and decided that the most appropriate approach with which to support the implementation of the strategy over the period the New Policy applies was the RSP. The following points are the key reasons why the Committee believes the RSP is appropriate for the Company:

Key Rationale	Detail
Focus on recovering and enhancing Shareholder value	The Committee believes that a key measure of the success of the implementation of the new strategy is that it leads to the recovery and enhancement of the Share price over the next period. The Committee believes that the RSP ensures that the Executive Directors have a material Shareholding quickly (subject to their continued employment) ensuring full alignment with Shareholders' interests from the beginning of the implementation of the new strategy.
Ensure that the approach both retains and motivates participants	The Board received feedback post the mid-year financial announcements including strong support for management, agreement with the articulated agenda/direction and concern that management had virtually no lock-in. It should be noted that the Committee has decided that no bonus for the executive directors, relating to the 2020 financial year, will be payable. Hence, concerns about 'no lock-in's' and 'no retention' are further exacerbated. As a Committee, we feel that these shareholder concerns needed addressing. It is the intention of the New Policy and RSP to address these concerns.
Focus on long-term sustainable performance	It is critical at this point that the Executive Directors are focused on ensuring the long-term sustainable performance of the Company. The implementation of the new strategy is unlikely to be linear and the Executive Directors need to be flexible and nimble on their feet to exploit opportunities as and when they arise. The Committee believes that the RSP will ensure that the Executive Directors have a material "locked in" Shareholding for the long-term, which will encourage a focus on making long-term appropriate decisions for the business, as opposed to meeting comparatively short-term objectives. However, the Committee does believe that it is important that the Executive Directors do not take their eye off the need to deliver shorter term financial and operational objectives and it achieves this dynamic tension through the retention of the Bonus Plan.
Same ownership experience as Shareholders	The Committee feels that it is important, given the history of Provident Financial, that the Executive Directors share the same ownership experience as Shareholders; rather than have remuneration outcomes which do not completely align. The Committee believes that a shared ownership experience is the most effective way of ensuring alignment of interests between Shareholders and Executive Directors. The key purpose of the RSP and the deferred Share element of the Bonus Plan is to provide the Executive Directors with the opportunity to quickly build up a material equity holding to provide this shared ownership experience.
Simplification	The Committee believes that the removal of the LTIS and replacement with the RSP simplifies the overall remuneration structure of the Company for its Executive Directors. For all the reasons set out above it is the Committee's view that the build-up and retention of a material shareholding is the best and simplest way to focus Executive Directors on the long-term sustainable performance. The Bonus Plan has been operated for a number of years and is market standard and therefore familiar to all stakeholders.
Lowers overall remuneration	The Committee believes it is appropriate to lower the overall level of remuneration by reducing the leverage in the incentives because: • the Committee desires a remuneration approach which encourages a focus on the long-term interests of our customers rather than driving short-term performance which may be detrimental; and • a lower overall level of remuneration reflects that our services are being provided to less affluent members of society.
Challenge of setting performance conditions for LTIS awards	The Company has the following difficulties to navigate when attempting to set three-year performance conditions in advance for LTIS awards: • the flexibility required for the implementation of a new strategy to adapt to changing priorities. LTIS performance conditions once set can therefore quickly become irrelevant and the ability to change inflight performance conditions is challenging in the current climate; and in any case, constant adjustments of performance conditions and targets tends to lead to opaqueness for all stakeholders; • the Company operates a number of cyclical businesses. This often results in the timing of when performance conditions are set in the cycle having more impact on the vesting outcomes of LTIS than the absolute performance of the Company. The result tends to be that LTIS operates on a "boom" or "bust" payment profile which is less relevant to both incentivisation and retention. • The use of the RSP avoids the above issues. This challenge is less when setting performance conditions for the Bonus Plan which are annual and therefore there is greater visibility on the business over this shorter period.

Key Rationale	Detail
Approach to Underpin	The Committee considered very carefully the nature of the underpin for the RSP. The Committee took the following approach: • the inherent difficulty of setting accurate financial performance conditions for the Company as set out above which was one of the reasons for the Committee determining a traditional long-term incentive plan was not appropriate; • the nature of the market with material upswings and downswings which could make any financial underpins completely irrelevant when viewed at the end of the three-year vesting period; and • the greater protection provided by a general underpin which allowed the Committee to review holistically the overall performance of the Company, individual performance, and wider Company considerations. The Committee, therefore, felt that the introduction of a general underpin provided greater protection for the Company and Shareholders because, whereas a specific financial underpin could be met but there still be a misalignment with overall performance, this approach allowed the Committee to take all factors into account on vesting. Whilst the RSP is focused on the long-term sustainable performance of the Company, the Bonus Plan metrics are selected to reward and incentivise performance against key annual goals. It is intended that delivery of these annual objectives and targets will ultimately flow through to long-term sustainable performance of the Company and a recovery in the share price.

Indicative CEO total remuneration pay-out

The chart below shows the current CEO package (including the LTIP) and the indicative CEO package (with the proposed RSP and RBA) under various different scenarios.



Element and scenario	Minimum	Target	Maximum	Maximum + 50% share price growth
Bonus (% of base salary – Current + Proposed)	0%	90%	150%	150%
Restricted shares (% of base salary – Proposed)	0%	100%	100%	Maximum with 50% share price growth
LTIS (% of base salary – Current)	0%	100%	200%	Maximum with 50% share price growth

Shareholder consultation

As a part of the New Policy design process, we held preliminary consultations with three of our largest shareholders seeking feedback on the proposals. We are pleased that the all of those Shareholders initially consulted, have indicated that they are supportive of the proposals. Following the initial consultation, we undertook a further consultation with the next eight largest Shareholders (representing in excess of 65% of our share capital, in total) and had meetings with several of the main Shareholder representative bodies. I am pleased to report that the consultation with the top 11 largest Shareholders (and shareholder representative bodies) yielded a supportive response, following which the Committee decided to proceed with the proposed changes to our existing policy.

Yours faithfully,

Andrea Blance
Chair of Remuneration Committee

Shareholders should read the whole of this Circular and not only rely on the information set out in this letter.

Part II - Notice of General Meeting

Notice is hereby given that a General Meeting of the Company will be held on 3 November 2020 at 9.30am to consider and, if thought fit, to pass the Resolutions set out below. The Resolutions will be proposed as ordinary resolutions and will be passed if more than 50% of the votes cast (not counting votes withheld) are in favour. Resolution 2 will only be treated as effective if approved by shareholders holding a majority of at least 66% of the shares represented (by proxy) at the General Meeting, provided that at least 50% of the total shares are represented (by proxy) at the General Meeting. If the latter condition is not met, at least 75% of the shares represented (by proxy) at the General Meeting must be voted in favour of the Resolution in order for it to be passed.

For ease of reference, the formal resolutions are in bold black text.

DIRECTORS' REMUNERATION POLICY

Ordinary Resolution 1

THAT the directors' remuneration policy (as that term is used in section 439A of the Companies Act 2006), as set out in Part IV (the "New Policy") of the Circular containing this notice, be and is hereby approved and will take effect at the conclusion of the General Meeting.

This resolution proposes that the New Policy be approved by Shareholders for the reasons set out in the Chair of the Committee's letter in Part I of the Circular. A summary of the key changes to the current policy are set out in the Chair of the Committee's letter in Part I of the Circular and the full New Policy is set out in Part IV of the Circular.

MAXIMUM VARIABLE PAY

Resolution 2

THAT Provident Financial and its subsidiaries be authorised to apply a ratio of the fixed to variable components of total remuneration for 'Material Risk Takers' that exceeds 1:1, provided that the ratio does not exceed 1:2, which will take effect at the conclusion of the General Meeting.

Under the EU Capital Requirements Directive ("CRD V") and the Remuneration Rules of the Prudential Regulation Authority ("PRA"), banks and other institutions that are subject to CRD V are, as a basic rule, prevented from paying "Material Risk Takers" an amount of variable remuneration that is more than 100% of their fixed remuneration. However, the rules permit these institutions to pay such staff an amount of variable remuneration that is up to 200% of their fixed remuneration where shareholder approval is obtained.

Provident Financial is looking to increase the cap on variable remuneration to allow the business to maintain a competitive remuneration package and allow us to recruit and retain key employees. The increased limit of 200% would also allow Provident Financial to ensure there is strong alignment between pay and performance whilst minimising any increases in fixed remuneration that might otherwise be required.

The new maximum ratio will apply to all Provident Financial Group Material Risk Takers, whose professional activities have a material impact on the risk profile of the business. This includes senior management, senior control functions, other key heads of and high earners. The total number of MRTs is expected to be less than 40 people based on the current requirements and how they should apply in relation to the business. We can confirm that variable remuneration will only be awarded when it supports the Group's sound capital base and increasing the ratio will not endanger our capital base.

The voting thresholds in relation to this resolution are as follows:

- at least 66% of the Shares or equivalent ownership rights represented, if at least 50% of the Shares or equivalent ownership rights in the firm are represented; or
- at least 75% of the Shares or equivalent ownership rights represented if less than 50% of the Shares or equivalent ownership rights in the firm are represented.

Shareholders are therefore being asked to approve Resolution 2, which would give Provident Financial the flexibility to pay variable remuneration to its Material Risk Takers of up to a maximum limit of 200% of their fixed remuneration.

Employees who have an interest in the increased cap proposed by this resolution are not allowed to exercise, directly or indirectly, any voting rights they may have as Shareholders.

PROVIDENT FINANCIAL 2020 RESTRICTED SHARE PLAN

Ordinary Resolution 3

THAT:

(a) the rules of the Provident Financial 2020 Restricted Share Plan (the "RSP"), the principal terms of which are summarised in Part III of the Circular containing this notice, which are available on the Company's website and produced in draft to the General Meeting and for the purposes of identification initialled by the Chairman, be approved, and the Directors be authorised to do all such acts and things necessary to establish the RSP, including making such modifications to the RSP as they may consider appropriate for the implementation of the RSP and to adopt the RSP as so modified; and

(b) the Directors be authorised to establish any schedules or sub-plans to the RSP for the benefit of employees outside the UK containing such modifications as may be necessary or desirable to take account of securities laws, exchange control and tax legislation, provided that any Shares made available under such schedules or sub-plans are treated as counting against any limits on individual participation or overall participation in the RSP.

This resolution proposes to adopt the rules for the new RSP. The rationale behind the adoption of the RSP is set out in the Chair of the Committee's letter in Part I of the Circular. The principal terms and conditions of the RSP are set out in Part III of the Circular.

By order of the board

Charley Davies
General Counsel and Company Secretary

Registered Office:
No. 1 Godwin Street
Bradford
West Yorkshire
BD1 2SU

8 October 2020
Registered in England and Wales No. 00668987

Explanatory Notes to the Notice of General Meeting

The following notes explain your general rights as a Shareholder and your rights to attend and vote at the General Meeting (as defined below) or to appoint someone else to vote on your behalf.

The Board understands and respects the importance of Shareholders being able to attend, speak and vote at General Meetings. However, the health and safety of our colleagues, customers, communities and Shareholders is of paramount importance and we are committed to supporting the UK Government's efforts in relation to the COVID-19 pandemic. Accordingly, in light of the pandemic and the UK Government's current guidance on public gatherings, and the regulations set out in Schedule 14 of the CIGA 2020 (as recently extended to 30 December 2020), we regret that it will not be possible for Shareholders to attend the General Meeting in person. **We strongly encourage Shareholders to vote on all Resolutions in advance of the General Meeting by completing an online proxy (as set out below) appointing the Chairman of the meeting.**

Members' right to appoint a proxy

1. Members who are entitled to attend and vote at the meeting are entitled to appoint a proxy to exercise all or any of their rights to attend and to speak and vote on their behalf at the general meeting of the Company (the "**General Meeting**"). A member may appoint more than one proxy in relation to the General Meeting provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that member. If you appoint the Chairman of the meeting as your proxy, this will ensure your votes are cast in accordance with your wishes as in person attendance is not permitted at the General Meeting which means that neither you nor any other person you might appoint as your proxy will be able to attend the meeting in person.

2. The right of a member to vote at the General Meeting will be determined by reference to the Register of Members. To be entitled to attend, vote and speak at the General Meeting, members must be registered in the Register of Members of the Company at 6.00pm on 30 October 2020 (or, in the event of any adjournment, on the date which is two days before the time of the adjourned meeting, provided that no account shall be taken of any part of a day that is not a working day).

3. A member that is a corporation can appoint one or more corporate representatives who may exercise, on its behalf, all its powers as a corporate shareholder, provided that no more than one corporate representative exercises powers over the same share. Given in person attendance is not permitted at the General Meeting, corporate shareholders should consider appointing the Chairman of the meeting as a proxy or corporate representative to ensure their votes can be cast in accordance with their wishes.

4. In the case of joint holders, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's Register of Members in respect of the joint holding (the first named being the most senior).

5. Each Resolution will be voted on by way of a poll. This is a more transparent method of voting as shareholder votes will be counted according to the number of shares held. A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolution. If no voting indication is given, your proxy

will vote or abstain from voting at his or her discretion. Your proxy will vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the General Meeting.

6. A member may appoint a proxy online by following the instructions for the electronic appointment of a proxy at www.signalshares.com. To be a valid proxy appointment, the member's electronic message confirming the details of the appointment completed in accordance with those instructions must be transmitted so as to be received at the same time as the instructions. Alternatively, a hard copy proxy form may be used to appoint a proxy and this can be requested directly from the registrars, Link Asset Services on 0371 664 0300 (calls are charged at the standard geographic rate and will vary by provider, lines are open 9.00am-5.30pm Mon-Fri).

   To be valid, a proxy form must be completed in accordance with the instructions that accompany it and delivered (together with any power of attorney or other authority under which it is signed, or a certified copy of such item) to Link Asset Services, PXS 1, 34 Beckenham Road, Beckenham, Kent BR3 4ZF so as to be received by 9.30am on 30 October 2020. If you are unable to vote online and/or wish to receive a paper proxy, please call Link Asset Services on 0371 664 0300 (calls are charged at the standard geographic rate and will vary by provider) or write to them at FREEPOST SAS, 34 Beckenham Road, BR3 9ZA.

   Members who hold their Shares in uncertificated form may also use the CREST voting service to appoint a proxy electronically, as explained below. Members who hold their shares in uncertificated form may also use the CREST voting service to appoint a proxy electronically, as explained below. If an instrument of proxy is not received in a manner or within the time limits set out in this Notice of General Meeting it shall be invalid, unless and to the extent that the Board, in its absolute discretion in relation to any such instrument, waives any such requirement.

   If you are an institutional investor you may be able to appoint a proxy electronically via the Proximity platform, a process which has been agreed by the Company and approved by the Registrar. For further information regarding Proximity, please go to www.proxymity.io. Your proxy must be lodged by 9.30am on 30 October 2020 in order to be considered valid. Before you can appoint a proxy via this process you will need to have agreed to Proximity's associated terms and conditions. It is important that you read these carefully as you will be bound by them and they will govern the electronic appointment of your proxy.

   Appointing a proxy will not prevent you from attending and voting at the General Meeting in person should the situation and the applicable restrictions change such that you are permitted to, and you subsequently wish to, do so.

7. If you return more than one proxy appointment, either by paper or electronic communication, the appointment received last by the Registrar before the latest time for the receipt of proxies will take precedence. You are advised to read the terms and conditions of use carefully. Electronic communication facilities are open to all shareholders and those who use them will not be disadvantaged.

8. The return of a completed form of proxy, electronic filing or any CREST Proxy Instruction will not prevent you from attending and voting at the General Meeting in person should the situation and the applicable restrictions change such that you are permitted to, and you subsequently wish to, do so.

9. Any person to whom this Notice of General Meeting is sent who is a person nominated under section 146 of the Companies Act 2006 to enjoy information rights (a "Nominated Person") may, under an agreement between him/her and the member by whom he/ she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the General Meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may, under any such agreement, have a right to give instructions to the member as to the exercise of voting rights. The statement of the rights of members in relation to the appointment of proxies in Note 1 above does not apply to Nominated Persons. The rights described in Note 1 can only be exercised by members of the Company.

10. As at 1 October 2020 (being the latest practicable date prior to publication of this Notice of General Meeting) the Company's total issued equity Share capital consisted of 253,615,794 ordinary Shares, carrying one vote each. As at 1 October 2020, the Company did not hold any treasury Shares. Therefore, the total voting rights in the Company as at 1 October 2020 was 253,615,794.

11. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so by using the procedures described in the CREST Manual (available from www.euroclear.com/site/public/EUI). CREST personal members or other CREST sponsored members, and those CREST members who have appointed a service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

12. In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications, and must contain the information required for such instruction, as described in the CREST Manual. The message must be transmitted so as to be received by the issuer's agent (IDRA10) by 9.30am on 30 October 2020. For this purpose, the time of receipt will be taken to be the time (as determined by the time stamp applied to the message by the CREST Application Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

13. CREST members and, where applicable, their CREST sponsors, or voting service providers, should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular message. Normal system timings and limitations will, therefore, apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member

is a CREST personal member, or sponsored member, or has appointed a voting service provider, to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred to those sections of the CREST Manual concerning practical limitations of the CREST systems and timings.

The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertified Securities Regulations 2001.

14. Any corporation which is a Shareholder can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a Shareholder provided that no more than one corporate representative exercises powers in relation to the same shares.

Member questions

15. The Company must cause to be answered any such question relating to the business being dealt with at the meeting but no such answer need be given if (a) to do so would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information, (b) the answer has already been given on a website in the form of an answer to a question, or (c) it is undesirable in the interests of the Company or the good order of the meeting that the question be answered. Given the current restrictions related to COVID-19, Shareholders are encouraged to submit questions to the Board in advance of the General Meeting by emailing shareholder.questions@providentfinancial.com by no later than 9.30am on 30 October 2020. We will consider all questions received and, if appropriate and relating to the business of the General Meeting, provide a written response or publish thematic answers on our website www.providentfinancial.com/investors.

Documents on display

16. The rules of the Provident Financial 2020 Restricted Share Plan are available for inspection during normal business hours at the registered office of the Company from the date of despatch of the Notice of General Meeting until the conclusion of the General Meeting. Given the current restrictions related to COVID-19, the rules are also being made available on the Company's website.

Company website

17. Information relating to the General Meeting which the Company is required by the Companies Act 2006 to publish on a website in advance of the meeting can be found at www.providentfinancial.com in the Investors section. A member may not use any electronic address provided by the Company in this Circular or with any proxy appointment form or on any website for communicating with the Company for any purpose in relation to the General Meeting other than as expressly stated in it.

Part III – Summary of principal terms and conditions of the Provident Financial 2020 Restricted Share Plan (the RSP)

1. RSP Overview of Terms and Conditions

Term	Detail
Eligibility	Executive Directors and senior management of the Group. At the discretion of the Committee, other employees of the Group may participate in the RSP. Non-Executive Directors are not eligible to participate in the RSP.
Maximum Award	The Committee may grant awards over Shares to eligible employees with a maximum total market value in any financial year of up to 100% of their base salary.
Performance Conditions	No performance conditions on grant, however the Committee will consider prior year business and personal performance to determine whether the level of grant remains appropriate. The Committee has discretion to adjust the level of vesting once any performance targets have been applied if business performance, individual performance or wider Group considerations mean, in their view, that an adjustment is required.
Underpin	The Committee will review the Share price performance at the end of the vesting period to determine whether any windfall gains have been provided through a 'bounce back' in the share price. The Committee will take into account the following factors (amongst others) when determining whether to exercise its discretion to adjust the number of Shares vesting: • whether threshold performance levels have been achieved for the performance conditions for the Bonus Plan for each of the three years in the vesting period; • the underlying financial performance progression over the vesting period, considering factors such as profit growth, return on equity and shareholder returns (amongst others); • whether there have been any sanctions or fines issued by a Regulatory Body – Participant responsibility may be allocated collectively or individually; • whether there has been material damage to the reputation of the Company or the Group - Participant responsibility may be allocated collectively or individually; • the level of employee and customer engagement over the vesting period; and in all cases subject to the Committee's holistic assessment at vesting based on business performance, individual performance or wider Group considerations.
Vesting	RSP awards will normally vest on the third anniversary of the date of grant subject to continued employment, the satisfaction of the underpin or other condition imposed by the Committee, and to the extent permitted following any operation of malus. However, if there are any dealing restrictions in place at that time, normal vesting may be delayed until the dealing restrictions have been lifted. RSP options will normally remain exercisable for a period determined by the Committee at grant which cannot exceed 10 years from grant.
Holding Period	RSP awards for Executive Directors will be subject to a two-year holding period following vesting when the Shares vested cannot be sold. The Committee may also apply a holding period of up to two years for other Participants, so that the vesting period plus the holding period is no longer than five years from the date of grant. The holding period restrictions continue after employment ceases and malus/clawback can still be applied to awards, but the holding period can end early in the case of certain corporate events; death of a Participant; or at the discretion of the Committee.

Term	Detail
Cessation of Employment	**For the Year of Cessation** *Good leavers*: an award will normally be granted but pro-rated for the period worked during the financial year. *Other leavers*: No awards will be grated for year of cessation. *Discretion*: The Committee has discretion to determine: • that a participant is a good leaver. It is the Committee's intention to only use this discretion in circumstances where there is an appropriate business case which will, in the case of the Executive Directors, be explained in full to Shareholders; • whether to time pro-rate. The Committee's normal policy is that it will pro-rate. It is the Committee's intention to use discretion to not pro-rate in circumstances where there is an appropriate business case which will be explained in full to Shareholders; • whether the award will vest on the date of cessation or the original vesting date. The Committee will make its determination based amongst other factors on the reason for the cessation of employment. **Subsisting Awards** *Good leavers*: awards will be time pro-rated, vest on their original vesting dates subject to the applicable conditions and remain subject to the holding period. *Other leavers*: unvested awards will be forfeited on cessation of employment. Vested awards will remain subject to the holding period. *Discretion*: The Committee has discretion to determine: • that a participant is a good leaver. It is the Committee's intention to only use this discretion in circumstances where there is an appropriate business case which will, in the case of the Executive Directors, be explained in full to Shareholders; • whether to time pro-rate. The Committee's normal policy is that it will pro-rate. The Committee will determine whether to pro-rate based on the circumstances of the departure; • whether the awards vest on the date of cessation or the original vesting date. The Committee will make its determination based amongst other factors on the reason for the cessation of employment; • whether the holding period for awards applies in part or in full. The Committee will make its determination based on the reason for the cessation of employment, amongst other factors.
Good Leaver	A good leaver reason is defined as cessation in the following circumstances:- • death; • ill-health; • injury or disability; • retirement with the agreement of the employing Group company; • employing company ceasing to be a Group company; • transfer of employment to a company which is not a Group company; and • at the discretion of the Committee (as described above). Cessation of employment in circumstances other than those set out above is cessation for other reasons.

Term	Detail
Change of Control	**For the Year of the Change of Control** Awards will normally be granted but pro-rated to the date of the change of control. *Discretion*: The Committee has discretion to determine whether to time pro-rate. The Committee's normal policy is that it will pro-rate. It is the Committee's intention to use discretion to not pro-rate in circumstances where there is an appropriate business case. *Subsisting Awards* The awards will vest on the date of the change of control pro-rated for time and taking into account any applicable conditions. The holding period will not apply. *Discretion*: The Committee has discretion to determine whether: • the satisfaction of awards should be in cash or Shares or a combination of both; • to pro-rate awards on change of control. The Committee's normal policy is that it will pro-rate. The Committee will determine whether to pro-rate based on the circumstances of the change of control.

2. Operation of the RSP

Operation

The Committee supervises the operation of the Plan and has discretion to make awards at any time where they consider appropriate. No awards will be granted during a Close Period.

Grants of awards

Awards may normally only be granted during the 42 days beginning on: (i) the date of Shareholder approval of the Plan; (ii) the day after the announcement of the Company's results; (iii) any day on which the Committee determines that circumstances are sufficiently exceptional to justify the grant of the Share award at that time; or (iv) the day after the lifting of any dealing restrictions. Awards can be in the form of options over Shares ("Options") or a conditional right to acquire Shares ("Conditional Share Awards"). It is currently intended that no consideration is payable by Participants to receive an award and that Participants will make either a nominal or nil payment for the vesting of Conditional Share Awards or exercise of an Option, as determined by the Committee although the rules allow the Committee to set a grant or award price.

Dilution

The Plan may operate over new issue Shares, treasury Shares or Shares purchased in the market.

The rules of the Plan provide that, in any rolling 10 year period (i) not more than 10% of the Company's issued Shares may be issued under the Plan and under any other employees' share scheme operated by the Company; and (ii) not more than 5% of the Company's Shares may be issued under the Plan and under any other executive share scheme adopted by the Company. Shares issued out of treasury under the Plan will count towards these limits for so long as this is required under institutional shareholder guidelines. In addition, awards which are renounced, or lapse shall be disregarded for the purposes of these limits.

Dividend Equivalents

The Committee may decide that awards under the Plan will include a payment (normally in additional Shares but may be in cash) equal in value to any dividends that would have been paid on the Shares which vest under an award by reference to the period between the time when the relevant award was granted and the time when the relevant award vested. This amount may assume the reinvestment of dividends and exclude or include special dividends or dividends in specie, at the discretion of the Committee. The Committee has discretion to use a different method to calculate the value of dividends.

Malus and clawback

Malus provisions apply to all elements of the Plan. Malus is the adjustment of unvested awards because of the occurrence of one or more circumstances. The adjustment may result in the value being reduced to nil.

Clawback is the recovery of vested awards or payments under the Plan as a result of the occurrence of one or more circumstances. Clawback may apply to all or part of a Participant's award or payment under the Plan and may be effected, among other means, by requiring the transfer of Shares, payment of cash or reduction of awards or bonuses.

The circumstances in which malus and clawback could apply are as follows:

- discovery of a material misstatement resulting in an adjustment in the audited accounts of the Group or any Group company;
- the assessment of any vesting condition or condition in respect of an award under the Plan was based on error, or inaccurate or misleading information;
- the discovery that any information used to determine the award was based on error, or inaccurate or misleading information;
- action or conduct of a Participant which amounts to fraud or gross misconduct;
- events or the behaviour of a Participant have led to the censure of a Group Company by a regulatory authority or have had a significant detrimental impact on the reputation of any Group Company provided that the Committee is satisfied that the relevant Participant was responsible for the censure or reputational damage and that the censure or reputational damage is attributable to the Participant;

- failure of risk management including but not limited to a material breach of risk appetite and regulatory standards;
- material downturn in business performance as determined by the Committee; or
- corporate failure where the Participant is in whole or in part responsible.

The following sets out the periods during which malus and clawback may be effected:

- Malus – within 5 years of the award date.
- Clawback – 2 years following the fifth anniversary of the award date.

The total malus and clawback period may be extended to 10 years where there is an ongoing internal or regulatory investigation.

Taxation

The vesting and exercise of awards are conditional upon the Participant paying any taxes due.

Allotment and Transfer of Shares

Shares allotted by the Company or transferred by the trustee of the Company's employee trust will not rank for dividends payable if the record date for the dividend falls before the date on which the Shares are acquired by the Participant. An application will be made for the admission of the new Shares to be issued to the Official List of, and to trading on, the London Stock Exchange plc's main market for listed securities following the vesting and/or exercise of awards.

Variation of Share Capital

On a variation of the capital of the Company or in the event of a demerger or other distribution, special dividend or distribution, the number of Shares subject to awards and their terms and conditions may be adjusted in such manner as the Committee determines is appropriate.

Duration

The Plan will operate for a period of ten years from the date of approval by Shareholders. The Committee may not grant awards under the Plan after the tenth anniversary of approval.

Amendments

Amendments to the rules of the Plan may be made at the discretion of the Committee.

Prior Shareholder approval is generally required for amendments to the advantage of Participants which are made to the provisions relating to eligibility, individual or overall limits, the basis for determining the entitlement to, and the terms of, awards under the Plan, the adjustments that may be made in the event of any variation to the Share capital of the Company and/or the rule relating to such prior approval except for amendments which are of a minor nature and benefit the administration of the Plan or are necessary or desirable in order to take account of a change in legislation or maintain favourable tax, exchange control or regulatory treatment for Participants, the Company or any Group company.

No change to subsisting awards to the material disadvantage of a Participant can normally be made except as a result of a legal or regulatory requirement or where Participants are notified of such amendment and the majority of Participants approve such amendment.

General

Shares acquired and awards and any other rights granted pursuant to the Plan are non-pensionable.

Non-Transferability of Awards

Awards are not transferable, except in the case of a Participant for whom a trustee is acting, in which case the trustee will be able to transfer the benefit to the Participant or by will or the laws of inheritance and distribution.

Alternative Settlement

At its discretion, the Committee may decide to satisfy awards with a payment in cash equal to any gain that a Participant would have made had the relevant award been satisfied with Shares.

Rights attaching to Shares

Shares issued and/or transferred under the Plan will not confer any rights on any Participant until the relevant award has vested or the relevant Option has been exercised and the Participant has received the underlying Shares. Any Shares allotted when an Option is exercised or an award vests will rank equally with Shares then in issue (except for rights arising by reference to a record date prior to their issue).

Overseas plans

The Committee may, at any time, establish further plans based on the Plan for overseas territories. Any such plan shall be similar to the Plan, as relevant, but modified to take account of local tax, exchange control or securities laws. Any Shares made available under such further overseas plans must be treated as counting against the limits on individual and overall participation under the Plan.

Employee Trust

The Company may use the existing discretionary employee benefit trust, The Provident Financial Employee Benefit Trust (the "EBT") which includes any successor trust set up in connection with the Company's employee share schemes), to meet obligations under the Plan. The trustee of the EBT has full discretion on how to apply the trust fund (subject to recommendations from the Committee). The Company will be able to fund the EBT to acquire Shares in the market and/or to subscribe for Shares at nominal value in order to satisfy awards granted under the Plan. Any Shares issued to the EBT to satisfy Plan awards will be treated as counting towards the dilution limits that apply to the Plan. For the avoidance of doubt, any Shares acquired by the EBT in the market will not count towards these limits. In addition, unless prior Shareholder approval is obtained, the EBT will not hold more than 5% of the issued share capital of the Company at any one time (other than for the purposes of satisfying awards of Shares that it has granted).

Note: This Part III summarises the main features of the Plan, but does not form part of the Plan Rules, and should not be taken as affecting the interpretation of the detailed terms and conditions constituting the Plan Rules. The Directors reserve the right, up to the time of the General Meeting to make such amendments and additions to the Plan Rules as they consider necessary or desirable, provided that such amendments and additions do not conflict in any material respect with the summary set out in this Part III of the Circular.

Part IV – New Directors' Remuneration Policy

This section of the Circular sets out the Company's New Policy on remuneration for Executive and Non-Executive Directors, to be approved by Shareholders at the General Meeting on 3 November 2020. Once approved, the New Policy may operate for up to three years.

The New Policy has been prepared in accordance with the requirements of the UK's Companies Act 2006 (the Act) and Schedule 8 of the Large and Medium Sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 (the Regulations), the Listing Rules of the UK Listing Authority and the UK Corporate Governance Code (the "Code").

The Committee has built in a degree of flexibility to ensure the practical application of the New Policy. Where such discretion is reserved, the extent to which it may be applied is described. The purpose of the New Policy remains to attract, retain and motivate the Group's leaders and ensure they are focused on delivering business priorities within a framework designed to promote the long-term success of Provident Financial, aligned with Shareholder interests.

Changes in the New Policy from the current policy

The following table sets out the material changes and the rationale:

Element	Changes to Policy	Rationale
Pension	Pension contribution for new Executive Directors aligned with employee contribution of currently 10% of base salary. CFO contribution already at 10%; the CEO contribution will be aligned with the employee contribution from 31 December 2022.	Brings provision in line with the Code and corporate governance best practice.
Bonus Plan	A reduction in the maximum bonus potential from 175% to 150% of base salary.	This reflects an overall deleveraging of the remuneration for the Executive Directors; see the Letter of the Chair of the Committee for more details (See pages 6 to 11.)
Long-term incentives	Introduction of the Provident Financial 2020 Restricted Share Plan (the "RSP") to replace the current Provident Financial Long-Term Incentive Scheme 2015.	Simplifies long-term incentive arrangements and addresses challenges set out in the Letter of the Chair of the Committee (See pages 6 to 11.)
Introduction of variable remuneration cap	Maximum variable remuneration per annum is fixed at 200% of Fixed Remuneration for the relevant year.	Under CRD V and the relevant PRA Remuneration Rules, banks and other institutions that are subject to CRD V are, as a basic rule, prevented from paying Material Risk Takers an amount of variable remuneration that is more than 100% of their Fixed Remuneration. However, the rules permit these institutions to pay such staff an amount of variable remuneration that is up to 200% of their fixed remuneration where shareholder approval is obtained. Shareholders are therefore being asked for approval, which would give Provident Financial the flexibility to pay variable remuneration to its Material Risk Takers of up to a maximum limit of 200% of their fixed remuneration.
Post-cessation shareholding requirements	Formal post-cessation employment for full in-employment requirement for 2 years following cessation.	Ensures Executive Directors focus on long-term sustainable performance and extends the length of alignment between management and Shareholders.
Malus & clawback	Provisions expanded to refer specifically to risk management failure and corporate failure.	To bring the provisions further in line with best practice and regulations applicable in the financial service sector.
Introduction of a Role Based Allowance (RBA)	The introduction of an RBA has been required because of CRD V with the associated restrictions on the ratio of fixed remuneration to variable remuneration. Previously the Company was able to disapply this restriction on the basis of proportionality under the previous iteration of the Capital Requirements Directive, CRD IV.	To bring the New Policy in line with the regulations applicable in the financial service sector.

Considerations when setting the New Policy

In setting the remuneration policy for the Executive Directors and senior management, the Committee takes into account the following:

- The need to maintain a clear link between the overall reward policy and the specific performance of the Group;
- The need to achieve alignment to the business strategy both in the short- and long-term;
- The requirement for remuneration to be competitive, with a significant proportion dependent on risk-assessed performance targets;
- The responsibilities of each individual's role and their individual experience and performance;
- The need to attract, retain and motivate Executive Directors and senior management when determining remuneration packages, including an appropriate proportion of fixed and variable pay;
- The need to be compliant with the regulatory framework applicable to the Group;
- Pay and benefits practice and employment conditions both within the Group as a whole and within the sector in which it operates; and
- Periodic external comparisons to examine current market trends and practices and equivalent roles in companies of similar size, business complexity and geographical scope.

Directors' Remuneration Policy Table

Element and link to strategy	Operation	Maximum	Performance conditions and recovery provisions
Salary			
Provides a base level of remuneration to support recruitment and retention of Executive Directors with the necessary experience and expertise to deliver the Group's strategy.	An Executive Director's base salary is set on appointment and reviewed annually or when there is a change in position or responsibility. When determining an appropriate level of base salary, the Committee considers: • pay increases for other employees; • remuneration practices within the Group; • any change in scope, role and responsibilities; • the general performance of the Group and each individual; • the experience of the relevant director; and • the economic environment. Individuals who are recruited or promoted to the Board may, on occasion, have their salaries set below the targeted policy level until they become established in their role. In such cases subsequent increases in base salary may be higher than the general rises for employees until the target positioning is achieved.	The Committee ensures that maximum base salary levels are positioned in line with companies of a similar size to Provident Financial and validated against an appropriate comparator group, so that they are competitive against the market. The Committee intends to review the comparators each year and will add or remove companies from the groups as it considers appropriate. In general, base salary increases for Executive Directors will be in line with the increase for employees. However, larger increases may be offered if there is a material change in the size and responsibilities of the role (which covers significant changes in Group size and/or complexity). The Company will set out in the section headed Implementation of Remuneration Policy, in the following financial year, the salaries for that year for each of the Executive Directors.	A broad assessment of individual and business performance is used as part of the salary review. No recovery provisions apply.
Role Based Allowance ("RBA")			
To deliver a level of fixed pay required to be commensurate with the role, skills and experience of the Executive Directors and to maintain a competitive total remuneration package reflecting an appropriate mix of fixed and variable pay in line with regulatory requirements.	RBAs are non-pensionable and will be released in equal instalments over three years in the form of Shares.	The maximum value of an RBA for an individual is 25% of base salary. It should be noted that currently it is only proposed that the CEO will have an RBA of 15% of base salary.	Linked to base salary (see above). No recovery provisions apply.

Element and link to strategy	Operation	Maximum	Performance conditions and recovery provisions
Pension			
Provides a fair level of pension provision for all employees.	The Company provides a pension contribution allowance that is fair, competitive and in line with corporate governance best practice. Pension contributions will be a non-consolidated allowance and will not impact any incentive calculations.	The maximum value of the pension contribution allowance for newly appointed Executive Directors will be aligned to that of the wider workforce (currently 10% per annum). The pension contribution for incumbent Executive Directors will be aligned with that of the wider workforce from 31 December 2022. The Company will set out in the section headed Implementation of Remuneration Policy, in the following financial year the pension contributions for that year for each of the Executive Directors.	No performance or recovery provisions applicable.
Benefits			
Provides a market standard level of benefits.	Benefits include market standard benefits. The Committee recognises the need to maintain suitable flexibility in the benefits provided to ensure it is able to support the objective of attracting and retaining personnel in order to deliver the Group strategy. Additional benefits which are available to other employees on broadly similar terms may therefore be offered such as relocation allowances on recruitment.	The maximum is the cost of providing the relevant benefits which includes pension allowance, car allowance, life assurance, permanent health insurance and medical insurance.	No performance or recovery provisions applicable.

Element and link to strategy	Operation	Maximum	Performance conditions and recovery provisions
Annual Bonus Plan			
The Annual Bonus Plan provides a significant incentive to the Executive Directors linked to achievement in delivering goals that are closely aligned with the Company's strategy and the creation of value for Shareholders. In particular, the Annual Bonus Plan supports the Company's objectives allowing the setting of annual targets based on the businesses' strategic objectives at that time, meaning that a wider range of performance metrics can be used that are relevant and achievable.	The Committee will determine the maximum annual participation in the Annual Bonus Plan for each year, which will not exceed 150% of base salary. The Company will set out in the section headed Implementation of Remuneration Policy, in the following financial year, the nature of the targets and their weighting for each year. Details of the performance conditions, targets and their level of satisfaction for the year being reported on will be set out in the Annual Report on Remuneration. The Committee can determine that part of the bonus earned under the Annual Bonus Plan is provided as an award of Shares under the Deferred Share Bonus Plan element (the "DBP"). The minimum level of deferral is 40% of the bonus; however, the Committee may determine that a greater portion or in some cases the entire bonus be paid in deferred Shares. The main terms of these awards are: minimum deferral period of three years; the participant's continued employment at the end of the deferral period unless he/she is a good leaver. The Committee may award dividend equivalents on awards to the extent that these vest.	The Committee will determine the maximum annual participation in the Annual Bonus Plan for each year, which will not exceed 150% of base salary. Percentage of bonus maximum earned for levels of performance: • Threshold up to 25%; • Target 50%; • Maximum 100%.	The Annual Bonus Plan is based on a mix of financial and strategic/ operational conditions and is measured over a period of one financial year. The financial measures will account for no less than 50% of the bonus opportunity. The Committee retains discretion in exceptional circumstances to change performance measures and targets and the weightings attached to performance measures part-way through a performance year if there is a significant and material event which causes the Committee to believe the original measures, weightings and targets are no longer appropriate. Discretion may also be exercised in cases where the Committee believes that the bonus outcome is not a fair and accurate reflection of business, individual and wider company performance. The exercise of this discretion may result in a downward or upward movement in the amount of bonus earned resulting from the application of the performance measures. Any adjustments or discretion applied by the Committee will be fully disclosed in the following year's Remuneration Report. The Committee is of the opinion that given the commercial sensitivity arising in relation to the detailed financial targets used for the annual bonus, disclosing precise targets for the Annual Bonus Plan in advance would not be in shareholder interests. Actual targets, performance achieved, and awards made will be published at the end of the performance periods so shareholders can fully assess the basis for any payouts under the annual bonus. Both the Annual Bonus Plan and the DBP contain malus provisions. In addition, the Annual Bonus Plan contains clawback provisions.

Element and link to strategy	Operation	Maximum	Performance conditions and recovery provisions
Restricted Share Plan (RSP)			
Awards are designed to incentivise the Executive Directors over the longer-term to successfully implement the Company's strategy.	Awards are granted annually to Executive Directors in the form of conditional awards or options. Awards vest at the end of a three-year period subject to: • the Executive Director's continued employment at the date of vesting • the satisfaction of an underpin as determined by the Committee whereby the Committee can adjust vesting for business, individual and wider company performance. A two-year holding period will apply following the three-year vesting period for all awards granted to the Executive Directors. Upon vesting, sufficient Shares may be sold to pay tax on the shares. The Committee may award dividend equivalents on awards to the extent that these vest.	Maximum value of 100% of base salary per annum based on the market value at the date of grant set in accordance with the rules of the RSP. There are no performance conditions on grant, however the Remuneration Committee will consider prior year business and personal performance to determine whether the level of grant remains appropriate.	No specific performance conditions are required for the vesting of Restricted Shares but there will be an underpin as the Committee will have the discretion to adjust vesting taking into account business, individual and wider company performance. The Committee will take into account the following factors (amongst others) when determining whether to exercise its discretion to adjust the number of Shares vesting:- • whether threshold performance levels have been achieved for the performance conditions for the Annual Bonus Plan for each of the three years covered by the vesting period for the restricted shares; • whether there have been any sanctions or fines issued by a Regulatory Body; participant responsibility may be allocated collectively or individually; • whether there has been material damage to the reputation of the Company; participant responsibility may be allocated collectively or individually; • the potential for windfall gains; • the level of employee and customer engagement over the period. Awards are subject to clawback and malus provisions.

The Committee will operate the Bonus Plan and the RSP within the Policy detailed above and in accordance with their respective rules. In relation to the discretions included within the Plan rules, these include, but are not limited to: (i) who participates in the Plans; (ii) testing of the relevant performance targets; (iii) undertaking an annual review of performance targets and weightings; (iv) the determination of the treatment of leavers in line with the Plan rules; (v) adjustments to existing performance targets and/or Share awards under the Plans if certain relevant events take place (e.g. a capital restructuring, a material acquisition/divestment etc.) with any such adjustments to result in the revised targets being no more or less challenging to achieve; and (vi) dealing with a change of control. The difference between the New Policy and the policy on remuneration of employees generally is that employees generally will not be eligible for RBAs and only senior employees will be eligible for RSP awards.

Element and link to strategy	Operation	Maximum	Performance conditions and recovery provisions

Legacy Remuneration Arrangements

All variable remuneration arrangements previously disclosed in prior years' directors' remuneration reports will remain eligible to vest or become payable on their original terms and vesting dates, subject to any related clawback provisions.

Shareholding Requirement

The Committee already has in place strong shareholding requirements (as a percentage of base salary) that encourages Executive Directors to build up their holdings over a five year period. Adherence to these guidelines is a condition of continued participation in the equity incentive arrangements. This policy ensures that the interests of Executive Directors and those of Shareholders are closely aligned.

In addition, Executive Directors will be required to retain 50% of the post-tax amount of vested Shares from the Company incentive plans until the minimum shareholding requirement is met and maintained. The following table sets out the minimum shareholding requirements:

Role	Shareholding Requirement (percentage of base salary)
Executive Directors	200%

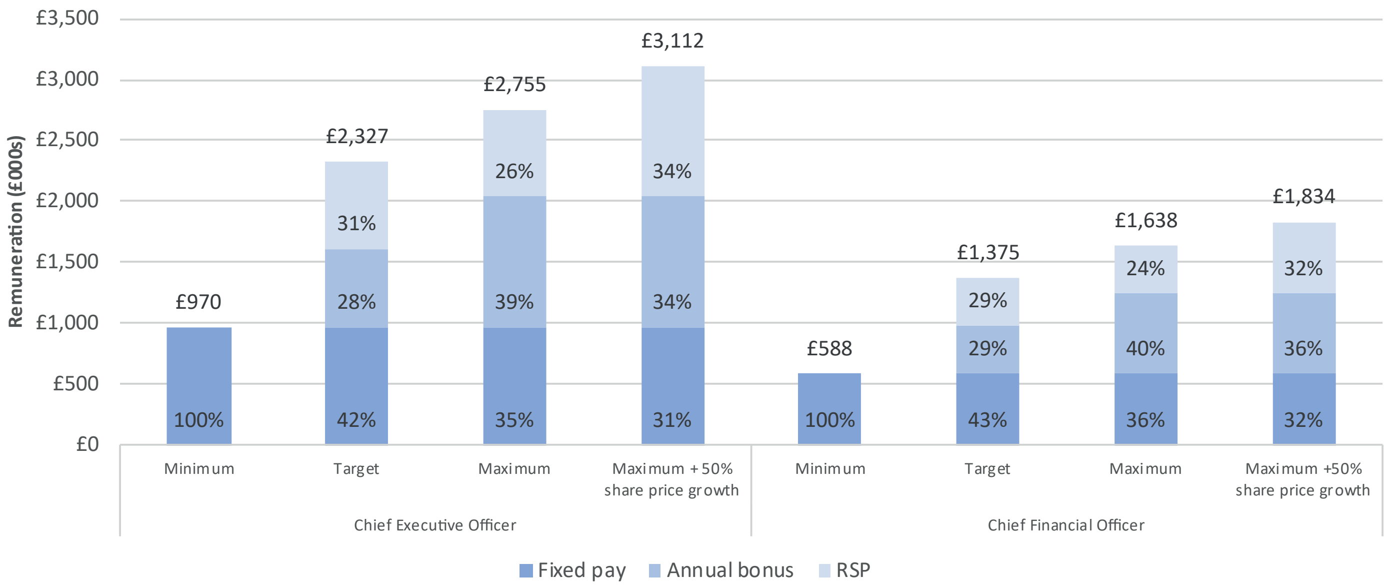
The Committee retains the discretion to increase the shareholding requirements.

For this New Policy, the Committee is introducing a post-cessation shareholding requirement of the full in-employment requirement as listed above (or the executive's actual shareholding on cessation if lower) for 2 years following cessation.

Chairman & Non-Executive Director fees	Operation	Maximum	Performance conditions and recovery provisions
Provides a level of fees to support recruitment and retention of a Chairman and Non-Executive Directors with the necessary experience to advise and assist with establishing and monitoring the Group's strategic objectives.	The Board is responsible for setting the remuneration of the Non-Executive Directors. The Committee is responsible for setting the Chairman's fees. Non-Executive Directors are paid an annual fee and additional fees for chairing of committees. The Company retains the flexibility to pay fees for the membership of committees. The Chairman does not receive any additional fees for membership of committees. Fees are reviewed annually based on equivalent roles in the comparator group used to review salaries paid to the Executive Directors. Non-Executive Directors and the Chairman do not participate in any variable remuneration or benefits arrangements.	The fees for Non-Executive Directors and the Chair are broadly set at a competitive level against the comparator group. In general, the level of fee increase for the Non-Executive Directors and the Chairman will be set taking account of any change in responsibility and will take into account the general rise in salaries across the UK workforce. The Company shall pay to the Directors (but not alternate Directors) for their services as Directors such aggregate amount of fees as the Board decides (not exceeding £1,400,000 per annum or such larger amount as the Company may by ordinary resolution decide) The Company will pay reasonable expenses incurred by the Non-Executive Directors and Chairman and may settle any tax incurred in relation to these.	No performance or recovery provisions applicable.

Illustration of application of New Policy

The chart below shows an estimate of the remuneration that could be received by Executive Directors under the proposed New Policy set out in this Report:



Assumptions used in determining the level of pay-out under given scenarios are as follows:

Element	Minimum	Target	Maximum	Maximum with 50% share price growth
Fixed Pay	Base salary for FY2020. RBA for the CEO of 15% of base salary. Benefits paid for FY2020 annualised for full year equivalent figures. Pension contribution for the CEO of 15% of base salary and the CFO 10% of base salary.			
Annual Bonus	Nil	50% of maximum opportunity.	100% of the maximum opportunity.	100% of the maximum opportunity.
RSP	100% vesting of awards. Award levels are 100% of base salary for the CEO and 75% of base salary for the CFO.	100% vesting of awards. Award levels are 100% of base salary for the CEO and 75% of base salary for the CFO.	100% vesting of awards. Award levels are 100% of base salary for the CEO and 75% of base salary for the CFO.	100% vesting of awards plus the increase in value from 50% share price growth. Award levels are 100% of base salary for the CEO and 75% of base salary for the CFO.

Scenario charts show “minimum”, “target” and “maximum” scenarios in accordance with the regulations as well as the impact of a 50% share price growth on the long-term incentives for the “maximum” scenario. All scenarios do not account for dividend equivalents on deferred bonus Shares or RSP awards.

Discretion within the Directors’ Remuneration Policy

The Committee has discretion in several areas of the New Policy as set out in this Report. The Committee may also exercise operational and administrative discretions under relevant plan rules as set out in those rules. In addition, the Committee has the discretion to amend the New Policy with regard to minor or administrative matters where it would be, in the opinion of the Committee, disproportionate to seek or await Shareholder approval.

In addition to the performance metrics set by the Committee annually for the incentive plans, the Committee will also assess the overall, or underlying, performance of the Company and its Divisions. In light of this assessment, the Committee may make a downward adjustment, including to zero, to the vesting outcome on all or any of the performance metrics.

The Committee will also assess the Company's and its Divisions' performance against the risk metrics, and may make a downward adjustment, including to zero, to the vesting outcome on all or any of the performance metrics, to take account of any material failures of risk management or regulatory compliance in the Company and its Divisions.

Additionally, Committee discretion can be applied in implementing the post-employment shareholding requirement including in cases of significant financial hardship, material ill-health and conflict of interest.

Regulatory changes

The Committee is mindful that regulatory changes in the financial services sector may result in a need to rebalance the Executive Directors' pay and, accordingly, the Committee retains discretion to adjust the current proportions of Fixed Remuneration and variable pay within the current total remuneration package if new regulations, legislation or regulatory guidance were to impact the Executive Directors in due course. Should this be the case, the Company would enter into appropriate dialogue with its major shareholders and, depending on the nature of any changes, may be required to seek shareholder approval for a revised remuneration policy.

Malus and Clawback

Malus is the adjustment of the Bonus Plan payments or unvested long-term incentive awards (including RSP awards) or the imposition of additional conditions because of the occurrence of one or more circumstances listed below. The adjustment may result in the value being reduced to nil.

Clawback is the recovery of payments made under the Bonus Plan or vested long-term incentive awards (including RSP awards) as a result of the occurrence of one or more circumstances listed below.

Clawback may apply to all or part of a Participant's payment under the Bonus Plan, RSP or LTIS award and may be effected, among other means, by requiring the transfer of Shares, payment of cash or reduction of awards or bonuses.

The circumstances in which malus and clawback could apply are as follows:-

- discovery of a material misstatement resulting in an adjustment in the audited accounts of the Group or any Group company;
- the assessment of any vesting condition or condition in respect of an award under the Plan was based on error, or inaccurate or misleading information;
- the discovery that any information used to determine the award was based on error, or inaccurate or misleading information;
- action or conduct of a Participant which amounts to fraud or gross misconduct;
- events or the behaviour of a Participant have led to the censure of a Group Company by a regulatory authority or have had a significant detrimental impact on the reputation of any Group Company provided that the Committee is satisfied that the relevant Participant was responsible for the censure or reputational damage and that the censure or reputational damage is attributable to the Participant;
- failure of risk management including but not limited to a material breach of risk appetite and regulatory standards;
- material downturn in business performance as determined by the Committee; or corporate failure.

	Annual Bonus (cash)	Annual Bonus (deferred shares)	Restricted Shares	LTIS
Malus	Up to the date of the cash payment.	To the end of the 3 year vesting period.	To the fifth anniversary of the award date.	To the end of the 3 year vesting period.
Clawback	2 years post the date of any cash payment.	n/a	2 years following the fifth anniversary of the award date. The total malus and clawback period may be extended to 10 years where there is an ongoing internal or regulatory investigation.	2 years post vesting.

The Committee believes that the rules of the Plans provide sufficient powers to enforce malus and clawback where required.

Loss of Office Policy

When considering compensation for loss of office, the Committee will always seek to minimise the cost to the Company whilst applying the following philosophy:

<table>
<tr><th>Remuneration Element</th><th>Treatment on Cessation of Employment</th></tr>
<tr><td>General</td><td>The Committee will honour Executive Directors' contractual entitlements. Service contracts do not contain liquidated damages clauses. If a contract is to be terminated, the Committee will determine such mitigation as it considers fair and reasonable in each case. There are no contractual arrangements that would guarantee a pension with limited or no abatement on severance or early retirement. There is no agreement between the Company and its Directors or employees, providing for compensation for loss of office or employment that occurs because of a takeover bid. The Committee reserves the right to make additional payments where such payments are made in good faith in discharge of an existing legal obligation (or by way of damages for breach of such an obligation); or by way of settlement or compromise of any claim arising in connection with the termination of an Executive Director's office or employment</td></tr>
<tr><td>Salary, RBA, Benefits and Pension</td><td>These will be paid over the notice period. The Company has discretion to make a lump sum payment in lieu (excluding the RBA).</td></tr>
<tr><td>Bonus

Cash</td><td><table>
<tr><th>Good Leaver Reason</th><th>Other Reason</th><th>Discretion</th></tr>
<tr><td>Performance conditions will be measured at the bonus measurement date. Bonus will normally be pro-rated for the period worked during the financial year.</td><td>No bonus payable for the year of cessation.</td><td>The Committee has discretion to determine:
• that an Executive Director is a good leaver. It is the Committee's intention to only use this discretion in circumstances where there is an appropriate business case which will be explained in full to Shareholders; and
• whether to pro-rate the bonus to time. The Committee's normal policy is that it will pro-rate bonus for time. It is the Committee's intention to use discretion to not pro-rate in circumstances where there is an appropriate business case which will be explained in full to Shareholders.</td></tr>
</table></td></tr>
<tr><td>Bonus

Deferred Share Awards</td><td><table>
<tr><th>Good Leaver Reason</th><th>Other Reason</th><th>Discretion</th></tr>
<tr><td>All subsisting deferred Share awards will vest.</td><td>Lapse of any unvested deferred Share awards.</td><td>The Committee has discretion to:
• determine that an Executive Director is a good leaver. It is the Committee's intention to only use this discretion in circumstances where there is an appropriate business case which will be explained in full to Shareholders;
• vest deferred Shares at the end of the original deferral period or at the date of cessation. The Committee will make this determination depending on the type of good leaver reason resulting in the cessation; and
• determine whether to pro-rate the maximum number of Shares to the time from the date of grant to the date of cessation. The Committee's normal policy is that it will not pro-rate awards for time. The Committee will determine whether or not to pro-rate based on the circumstances of the Executive Directors' departure.</td></tr>
</table></td></tr>
</table>

Restricted Share Plan **For the Year of Cessation**	**Good Leaver Reason**	**Other Reason**	**Discretion**
	The award will normally be pro-rated for the period worked during the financial year.	No award for year of cessation.	The Committee has discretion to determine: • that an Executive Director is a good leaver. It is the Committee's intention to only use this discretion in circumstances where there is an appropriate business case which will be explained in full to Shareholders; • whether to pro-rate the Company award to time. The Committee's normal policy is that it will pro-rate for time. It is the Committee's intention to use discretion to not pro-rate in circumstances where there is an appropriate business case which will be explained in full to Shareholders; • whether the award will vest on the date of cessation or the original vesting date. The Committee will make its determination based amongst other factors on the reason for the cessation of employment.
Restricted Share Plan **Subsisting Awards**	**Good Leaver Reason**	**Other Reason**	**Discretion**
	Awards will be pro-rated to time and will vest on their original vesting dates and remain subject to the holding period.	Unvested awards will be forfeited on cessation of employment. Vested Awards will remain subject to the holding period.	The Committee discretion to determine: • that an Executive Director is a good leaver. It is the Committee's intention to only use this discretion in circumstances where there is an appropriate business case which will be explained in full to Shareholders; • whether to pro-rate the award to the date of cessation. The Committee's normal policy is that it will pro-rate. The Committee will determine whether to pro-rate based on the circumstances of the Executive Directors' departure; • whether the awards vest on the date of cessation or the original vesting date. The Committee will make its determination based amongst other factors on the reason for the cessation of employment; • whether the holding period for awards applies in part or in full. The Committee will make its determination based amongst other factors on the reason for the cessation of employment.
Other contractual obligations	There are no other contractual provisions other than those set out above agreed prior to 27 June 2012.		

The following definition of leavers will apply to all the above incentive plans. A good leaver reason is defined as cessation in the following circumstances:

- death;
- ill-health;
- injury or disability;
- retirement with agreement of the employing Group company;
- employing company ceasing to be a Group company;
- transfer of employment to a company which is not a Group company; and
- at the discretion of the Committee (as described above).

Cessation of employment in circumstances other than those set out above is cessation for other reasons.

Change of Control Policy

Name of Incentive Plan	Change of Control	Discretion
Cash Awards	Pro-rated to time and performance to the date of the change of control.	The Committee has discretion regarding whether to pro-rate the bonus to time. The Committee's normal policy is that it will pro-rate the bonus for time. It is the Committee's intention to use its discretion to not pro-rate in circumstances only where there is an appropriate business case.
Deferred Share Awards	The number of Shares subject to subsisting RSP awards will vest on a change of control pro-rated for time and performance against any underpins.	The Committee has discretion regarding whether to pro-rate the RSP awards for time. The Committee's normal policy is that it will pro-rate the Restricted Share awards for time. It is the Committee's intention to use its discretion to not pro-rate in circumstances only where there is an appropriate business case. The Committee also has discretion to consider attainment of any underpins.
Restricted Shares	The number of Shares subject to subsisting RSP awards will vest on a change of control prorated for time and performance against any underpins.	The Committee has discretion regarding whether to pro-rate the RSP awards for time. The Committee's normal policy is that it will pro-rate the Restricted Share awards for time. It is the Committee's intention to use its discretion to not pro-rate in circumstances only where there is an appropriate business case. The Committee also has discretion to consider attainment of anyunderpins.

Recruitment and promotion policy

The Company's principle is that the remuneration of any new recruit will be assessed in line with the same principles as for the Executive Directors, as set out in the Remuneration Policy table. The Committee is mindful that it wishes to avoid paying more than it considers necessary to secure a preferred candidate with the appropriate calibre and experience needed for the role. In setting the remuneration for new recruits, the Committee will have regard to guidelines and shareholder sentiment regarding one-off or enhanced short-term or long-term incentive payments as well as giving consideration for the appropriateness of any performance measures associated with an award. The Company's policy when setting remuneration for the appointment of new Directors is summarised in the table below:-

Remuneration element	Recruitment policy
Salary, RBA, Benefits and Pension	Salary, RBA, benefits and pension will be set in line with the policy for existing Executive Directors. Maximum pension contribution will be aligned to that of the majority of employees.
Annual Bonus	Maximum annual participation will be set in line with the Company's policy for existing Executive Directors and will not exceed 150% of base salary.
Restricted Shares	Maximum annual participation will be set in line with the Company's policy for existing Executive Directors and will not exceed 100% of base salary for Restricted Shares.
Maximum Variable Remuneration	The maximum variable remuneration which may be granted is the sum of the annual bonus and restricted shares award (excluding the value of any buy-outs). For the proposed Policy under the Restricted Share Plan, the maximum variable remuneration will be 250% of base salary.
"Buy Out" of incentives forfeited on cessation of employment	Where the Committee determines that the individual circumstances of recruitment justifies the provision of a buyout, the equivalent value of any incentives that will be forfeited on cessation of an Executive Director's previous employment will be calculated taking into account the following: • the proportion of the performance period completed on the date of the Executive Director's cessation of employment; • the performance conditions attached to the vesting of these incentives and the likelihood of them being satisfied; and • any other terms and condition having a material effect on their value ("lapsed value"). The Committee may then grant up to the same value as the lapsed value, where possible, under the Company's incentive plans. To the extent that it was not possible or practical to provide the buyout within the terms of the Company's existing incentive plans, a bespoke arrangement would be used.
Relocation Policies	In instances where the new Executive Director is required to relocate or spend significant time away from their normal residence, the Company may provide one-off compensation to reflect the cost of relocation for the Executive Director. The level of the relocation package will be assessed on a case by case basis but will take into consideration any cost of living differences/housing allowance and schooling and will not exceed a period of two years from recruitment.

Where an existing employee is promoted to the Board, the Policy set out above would apply from the date of promotion but there would be no retrospective application of the Policy in relation to subsisting incentive awards or remuneration arrangements. Accordingly, prevailing elements of the remuneration package for an existing employee would be honoured and form part of the ongoing remuneration of the person concerned. These would be disclosed to Shareholders in the remuneration report for the relevant financial year.

The Company's policy when setting fees for the appointment of a new Chairman or Non-Executive Directors is to apply the policy which applies to current Chair or Non-Executive Directors.

Service contracts and letters of appointments

The Committee's policy for setting notice periods is that normally they will be a maximum of 12 months. The Committee may in exceptional circumstances arising on recruitment, allow a longer period, which would in any event reduce to 12 months following the first year of employment. The Non-Executive Directors of the Company do not have service contracts. The Non-Executive Directors are appointed by letters of appointment. Each independent Non-Executive Director's term of office runs for a three-year period.

The Company follows the UK Corporate Governance Code's recommendation that all Directors be subject to annual re-appointment by shareholders.

Executive Directors

Name	Date of Contract	Company Notice	Executive Notice	Guaranteed Payments on Change of Control or Cessation
Malcolm Le May (CEO)	1 February 2018	12 months	12 months	None
Neeraj Kapur (CFO)	1 April 2020	12 months	12 months	None

Terms of Appointment of the Non-executive directors

Name	Appointment	Date of most recent term	Expected & (Actual) date of expiry
Elizabeth Chambers	31 July 2018	31 July 2018	31 July 2021
Paul Hewitt	31 July 2018	31 July 2018	31 July 2021
Angela Knight	31 July 2018	31 July 2018	31 July 2021
Patrick Snowball	21 September 2018	21 September 2018	20 May 2022
Graham Lindsay	1 April 2019	1 April 2019	1 April 2022
Robert East	26 June 2019	26 June 2019	26 June 2022
Andrea Blance	1 March 2017	1 March 2020	1 March 2023
Margot James	27 July 2020	27 July 2020	27 July 2023

Policy on other appointments

Executive Directors are permitted to hold non-executive directorships but may only hold one non-executive directorship in a FTSE250 company (or unlisted company) - and may retain the fees from their appointment, provided that the Board considers that this will not adversely affect their executive responsibilities.

Consideration of employment conditions elsewhere in the Group

Each year, prior to reviewing the remuneration of the Executive Directors and the members of the Executive Team, the Committee considers a report prepared by the Group HR Director detailing base pay and Share schemes practice across the Company. The report provides an overview of how employee pay compares to the market and any material changes during the year and includes detailed analysis of basic pay and variable pay changes within the UK.

While the Company does not directly consult with employees as part of the process of reviewing executive pay and formulating the Remuneration Policy, the Company does receive an update and feedback from the broader employee population on an annual basis using an engagement survey which includes a section relating to remuneration. The Company does not use remuneration comparison measurements.

The Group aims to provide a remuneration package for all employees that is market competitive and operates the same core structure as for the Executive Directors. The Group operates employee Share and variable pay plans, with pension provisions provided for all Executive Directors and employees. In addition, any salary increases for Executive Directors are expected to be generally in line with those for UK-based employees. The Committee annually publishes a section on fairness, diversity and wider workforce considerations as part of the Directors' Remuneration Report.

Consideration of Shareholder views

The Committee takes the views of the Shareholders seriously and these views are taken into account in shaping remuneration policy and practice. Shareholder views are considered when evaluating and setting remuneration strategy and the Committee welcomes an open dialogue with its shareholders on all aspects of remuneration. The Committee consulted its major shareholders and the main shareholder representative bodies IA, ISS and Glass Lewis on the proposed New Policy. The Committee is grateful for the time taken to consider the Committee proposals and provide feedback. At the end of the consultation the majority of shareholders consulted indicated they were supportive of the New Policy.

Compliance with UK Corporate Governance Code

The following table sets out how the New Policy aligns with the UK Corporate Governance Code whose objective is to ensure the remuneration operated by the Company is aligned to all stakeholder interests including those of shareholders:

Key Remuneration Element of the 2018 UK Corporate Governance Code	**Alignment with our proposed new Remuneration Policy**
Five-year period between the date of grant and realisation for equity incentives.	The Restricted Share Plan meets this requirement through the implementation of the 2-year post-vesting holding period.
Phased release of equity awards.	The Restricted Share Plan meets this requirement as awards are made in an annual cycle.
Discretion to override formulaic outcomes	Included in the terms and conditions of the Bonus Plan and the Restricted Share Plan.
Post-cessation shareholding requirement	The full in-employment requirement for two years following cessation of employment.
Pension alignment	New Executive Directors aligned with wider employee contributions. Incumbent Executive Directors alignment by the end of 2022.
Extended malus & clawback	The proposed malus and clawback provisions are formally enhanced to align with the FRC's Board Effectiveness Guidance.
Provision 40 element	**How the New Policy aligns**
Clarity – remuneration arrangements should be transparent and promote effective engagement with shareholders and the workforce.	• The Bonus Plan performance conditions are based on the core KPIs of the strategy and therefore there is a clear link to all stakeholders between their delivery and reward provided to management. • The Restricted Share Plan provides annual grants of shares which have to be retained for the longer-term to ensure a focus on sustainable performance. This provides complete clarity of the alignment of the interests of management and shareholders.
Simplicity – remuneration structures should avoid complexity and their rationale and operation should be easy to understand.	• The performance conditions for the Bonus Plan are based on the Company's KPIs. This alignment of reward with the delivery of key markers of the success of the implementation of the strategy ensures simplicity. • Restricted Shares are a simple mechanism and avoid the setting of long-term performance conditions which tend to inherently make the remuneration more complex.
Risk – remuneration arrangements should ensure reputational and other risks from excessive rewards, and behavioural risks that can arise from target-based incentive plans, are identified and mitigated.	The Remuneration Policy includes: • setting defined limits on the maximum awards which can be earned; • requiring the deferral of a substantial proportion of the incentives in shares for a material period of time; • aligning the performance conditions with the strategy of the Company; • ensuring a focus on long-term sustainable performance through the Restricted Share Plan; • ensuring there is sufficient flexibility to adjust payments through malus and clawback and an overriding discretion to depart from formulaic outcomes. These elements mitigate against the risk of target-based incentives by • limiting the maximum value that can be earned; • deferring the value in shares for the long-term which helps ensure that the performance earning the award was sustainable and thereby discouraging short term behaviours; • aligning any reward to the agreed strategy of the Company; • the use of a Restricted Share Plan supports a focus on the sustainability of the performance over the longer term; • reducing the awards or cancelling them if the behaviours giving rise to the awards are inappropriate; • reducing the awards or cancelling them, if it appears that the criteria on which the award was based do not reflect the underlying performance of the Company.
Predictability – the range of possible values of rewards to individual directors and any other limits or discretions should be identified and explained at the time of approving the policy.	• The New Policy sets out clearly the range of values, limits and discretions in respect of the remuneration of management. • The introduction of a Restricted Share Plan increases the predictability of the rewards received by management.

Proportionality – the link between individual awards, the delivery of strategy and the long-term performance of the company should be clear. Outcomes should not reward poor performance.	• The New Policy sets out clearly the range of values and discretions in respect of the remuneration of management. • The introduction of a Restricted Share Plan increases the predictability of the rewards received by Executive Directors, and the Bonus Plan, being based on annual targets, operates over a more predictable time cycle compared with traditional LTIP schemes thereby allowing the Committee to more effectively ensure desirable remuneration outcomes. The Committee's overriding discretion to depart from formulaic outcomes ensures there is no reward for poor performance.
Alignment to culture – incentive schemes should drive behaviours consistent with company purpose, values and strategy.	• The Bonus Plan drives behaviours consistent with Provident Financial's strategy. • The Restricted Share Plan drives behaviours consistent with the Company's purpose and values which are focused on the long-term future of the business throughout the business cycle.