

VANQUIS BANKING GROUP plc and VANQUIS BANK Ltd

Audit Committee

Terms of Reference

The Company	each of Vanquis Banking Group plc (the plc) and Vanquis Bank Ltd (VBL). Where these Terms of Reference are used for either the plc or VBL then it shall mean the relevant company only.
Board	when used as a joint document, the Boards of both the plc and VBL. Where Terms of Reference are used as either of the plc or VBL alone then it shall mean the relevant Board only.
Committee	when used as a joint document, the Audit Committees of both the plc and VBL. Where Terms of Reference are used as either of PLC and VBL alone then it shall mean the relevant Audit Committee only.
Director	a director of the Board of each of the plc and VBL.
Group	the plc and its subsidiaries as defined by the Companies Act 2006. Should these Terms of Reference be used solely then the same definition shall apply but when used for VBL then this definition shall mean only those subsidiaries of the VBL.
Major subsidiaries	<p>Major subsidiaries of the plc are: Vanquis Bank Limited, Moneybarn No 1 Limited and Moneybarn Limited (together known as "Moneybarn") and Cheque Exchange Limited.</p> <p>Provident Financial Management Services Limited and Provident Personal Credit Limited (together known as "CCD"), Provident SPV Limited (for the CCD Scheme of Arrangement also known as</p>

'SchemeCo') are in members voluntary liquidation,

The Code

The UK Corporate Governance Code and any later version superseding this version

1. Overview

- 1.1. The Boards and Committees of the plc and VBL have predominantly identical membership and sit jointly on most occasions. Where a joint meeting takes place these Terms of Reference for the Committee shall apply. Where the Committees of the plc or VBL sit separately, these Terms of Reference shall apply with the exception of those duties and responsibilities where due to statute, regulation or other reasons considered appropriate by the directors/executives they cannot or should not apply.
- 1.2. For the purpose of these Terms of Reference the term 'Articles of Association' shall mean, when the Committee is sitting as a joint Committee, the Articles of Association of each of the plc and VBL. Where the Committee is sitting as either a Committee of the plc or VBL then it shall mean the Articles of Association of the relevant company only.
- 1.3. For the avoidance of doubt reference to shares and share schemes are to shares and schemes of the plc only.
- 1.4. Paragraphs or provisions marked with '*' are expected to apply primarily to the Committee of the plc and unless otherwise determined by the Committee that it should also apply to the plc, the paragraphs or provisions marked with a '†' are expected to apply primarily to the Committee of VBL. Such matters are not exclusive and can be amended from time to time on an ad hoc or continuous basis, separate to any agreement to amend these Terms of Reference, provided that a quorum of the relevant Committee agrees and this derogation is minuted as such.
- 1.5. Where a matter relating to VBL requires VBL Audit Committee approval, this matter will not also require approval from the Audit Committee of the plc.

2. Name

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

3. Membership and attendance

Basic membership

- 3.1. The Committee shall comprise at least three members.

Requirements of membership

- 3.2. All members of the Committee shall be independent non-executive directors.
- 3.3. The Committee shall include at least one member of the Risk Committee and, where possible, one member of the Remuneration Committee.
- 3.4. The Chair of the Committee should have recent and relevant financial experience with a professional qualification from one of the professional accountancy bodies.
- 3.5. The Chair of the Board should not be a member of the Committee.

Appointment

- 3.6. Members of the Committee shall be appointed by the Board, on the recommendation of the Nomination Committee, in consultation with the Chair of the Committee.
- 3.7. The Chair of the Committee will be appointed by the Board. In the absence of the Chair of the Committee or an appointed deputy, at a Committee meeting, the remaining members present shall elect one of themselves to chair the meeting.
- 3.8. Membership of the Committee will be reviewed by the Board on an annual basis.

Attendance

- 3.9. Only members of the Committee have the right to attend Committee meetings. However, other individuals may be invited to attend by the Chair for all or part of any meeting, as and when appropriate and necessary.
- 3.10. Without prejudice to the foregoing provision, the Chief Finance Officer (CFO), the Chief Internal Auditor (CIA), the Director of Finance Shared Services, the Chief Risk Officer (CRO), and the external lead audit partner will be invited to attend meetings on a regular basis. The Chief Executive Officer will be in attendance as necessary.

4. Secretary

- 4.1. The Company Secretary, or his or her nominee in consultation with the Chair of the Committee, is the Secretary of the Committee.
- 4.2. The Committee Secretary will ensure that the Committee receives information and papers in a timely manner to enable full and proper consideration to be given to issues.

5. Quorum

- 5.1. The quorum necessary for the transaction of business will be two members.
- 5.2. In determining whether the members are participating in the meeting, it is irrelevant where the member is and how they are communicating with other attendees.
- 5.3. Ideally of the quorum present, at least one member should have relevant, recent and significant financial experience.

6. Meetings

Frequency

- 6.1. Meetings will be held at least four times a year and otherwise as required at appropriate intervals in the financial reporting and audit cycle to include at a minimum reports from Finance, Internal Audit and External Audit.
- 6.2. At least twice a year, the Committee will meet with the External Auditors and the CIA without any executive director present.
- 6.3. Outside of the formal meeting programme, the Chair of the Committee, and to a lesser extent, the other Committee members, will maintain a dialogue with key individuals involved in the Company's governance, including the Board Chairman, the CEO, the CFO, the external audit lead partner and the CIA.

Notice

- 6.4. Meetings of the Committee shall be called by the Committee Secretary at the request of the Chair of the Committee or any Committee member.
- 6.5. Unless otherwise agreed, notice of each meeting confirming the venue, time and date together with an agenda of items to be discussed and the relevant supporting papers, shall be made available to each member of the Committee and any other person required to attend, as soon as reasonably

practical and by five working days before the date of the meeting.

Voting and conflicts

- 6.6. The members of the Committee, at the beginning of the meeting, shall declare the existence of any conflicts arising and the Committee Secretary shall minute them accordingly.
- 6.7. Although normally decisions are reached on a consensus, in the event of a disagreement, decisions on any matter are made by the majority, with the Chair having the casting vote in the event of a tie. A Committee member who remains opposed to a proposal after a vote is taken, can ask for his or her dissent to be noted in the minutes.

Minutes

- 6.8. The Committee Secretary shall minute the proceedings and decisions of all Committee meetings, including recording the names of those present and in attendance.
- 6.9. Draft minutes of Committee meetings shall be agreed with the Chair of the Committee and then circulated promptly to all members of the Committee. Once finalised, minutes will be made available to all members of the Board, unless it would be inappropriate to do so in the opinion of the Chair of the Committee.
- 6.10. Final signed copies of the minutes of the meetings of the Committee should be maintained for the Company's records, in hard and soft copy where possible.

7. Engagement with Shareholders

- 7.1 The Chair of the Committee should attend the annual general meeting to answer any shareholder questions on the Committee's activities. In addition, the Chair of the Committee should seek engagement with shareholders on significant matters related to the Committee's area of responsibility as and when required.

8. Duties

The Committee should have oversight of the Group as a whole and, unless required otherwise by regulation, carry out the duties below for the plc, major subsidiary undertakings and the Group as a whole, as appropriate.

Financial reporting

- 8.1. Monitor and discuss with management the integrity of the financial statements of the Company and the Group, including:
 - 8.1.1. the annual and half-yearly reports;
 - 8.1.2. preliminary results announcements;
 - 8.1.3. any other formal announcement relating to the Company or the Group's financial performance;
 - 8.1.3.1. wherever the Chair deems it impractical for the Committee to review Quarterly Trading Statements prior to their release to the market, the Committee agrees that the same shall be circulated to the Chair for approval on behalf of the Committee in advance of publication. The Chair shall verbally update the Committee of any such occurrences at its next meeting;
 - 8.1.4. interactions with regulators in relation to the Company or the Group's financial reporting.
- 8.2. Oversee the processes, controls and procedures which are in place to maintain the integrity of the Group's/Company's accounting and financial reporting.
- 8.3. Review and report to the Board significant financial reporting issues and judgements which the financial statements, interim reports, preliminary announcements and related formal statements contain having regard to matters communicated to it by the External Auditor.
- 8.4. The Committee shall review, challenge and approve the Group's/Company's accounting policies annually for use in the preparation of the Annual Report & Financial Statements.
- 8.5. In particular, the Committee shall review and challenge where necessary:
 - 8.5.1. The application of significant accounting policies across the Group/Company and any changes to them;
 - 8.5.2. Compliance with accounting and financial reporting standards;
 - 8.5.3. The methods used to account for significant or unusual transactions (including any off balance sheet arrangements) where different approaches are possible;

- 8.5.4. Whether the Group has adopted appropriate accounting policies and made appropriate estimates and judgements, taking into account the External Auditor's views on the financial statements;
- 8.5.5. Areas involving significant judgment, estimation or uncertainty and emerging issues, including the key assumptions underpinning significant judgements and estimates;
- 8.5.6. Significant adjustments resulting from the external audit and any views of the External Auditor on matters relating to the financial statements;
- 8.5.7. The ongoing assessment of the viability of the Group and the appropriate basis for the Going Concern assumption, for onward recommendation to the Board;
- 8.5.8. The clarity and completeness of financial reporting disclosures and any changes to those disclosures, including the review of any correspondence between the Group/Company and the External Auditor;
- 8.5.9. All material information presented with the financial statements, including the strategic report and the statements relating to the audit and, jointly with the Risk Committee, for disclosures relating to risk management including the assessment of principal risks;
- 8.5.10. Any other statements requiring Board approval which contain financial information, where to carry out a review prior to Board approval would be practicable and consistent with any prompt reporting requirements under any law or regulation;
- 8.5.11. Where the Committee is not satisfied with any aspect of the proposed financial reporting by the Group/Company, it shall report its views to the Board.

*Narrative reporting**

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

Social Responsibility Report including the TCFD disclosures.

Internal controls

8.8. The Committee shall:

8.8.1. Keep under review the adequacy and effectiveness of the Group's/Company's internal financial controls and other internal control systems as required, including those that identify, assess, manage and monitor financial risks;

8.8.2. Keep under review:

8.8.2.1. any audit findings with a rating of 'Major' or above;

8.8.2.2. assurance reports from management on the effectiveness of the internal control and risk management systems and from the internal audit, the external auditor and others on the operational effectiveness of matters related to risk and control. Consider the existence of any significant deficiencies in the design or operation of the Group's system of internal controls and any material weaknesses in internal controls;

8.8.2.3. year-end opinions on internal controls;

8.8.2.4. proposed changes to the agreed annual audit plan; and

8.8.2.5. any audit actions that have been overdue for more than three months and the management plans to resolve.

8.8.3. Review and approve the statements to be included in the annual report concerning internal control, risk management, the going concern statement and the viability statement;

8.8.4. Approve any major subsidiary dividend which is not within the parameters of the Group's Capital Management Policy

Internal Audit

8.9. The Committee shall:

8.9.1. In consultation with the CEO, approve the appointment or removal of the CIA;

8.9.2. Through the Chair of the Committee, and in consultation with the

CEO, agree and recommend to the Remuneration Committee for approval, salary and performance related remuneration for the CIA;

- 8.9.3. Review and approve the role and mandate of Internal Audit and annually approve the Internal Audit Charter ensuring it is appropriate for the current needs of the Group/Company;
- 8.9.4. Review and approve the annual Group Internal Audit Plan to ensure that it is aligned to the key risks of the business and receive activity reports at each meeting on the work undertaken;
- 8.9.5. Ensure that Group Internal Audit has unrestricted scope, the necessary resources and access to information to enable it to fulfil its mandate, ensure there is open communication between all divisions, and that the Group internal audit function evaluates the effectiveness of these divisions as part of its audit plan, whilst ensuring that the Group Internal Audit function is equipped to perform in accordance with appropriate professional standards for internal auditors;
- 8.9.6. Ensure the Group Chief Internal Auditor has direct access to the Chair of the Board and the Chair of the Committee, whilst providing independence from the executives and remaining accountable to the Committee;
- 8.9.7. Carry out an annual assessment of the effectiveness of the Group Internal Audit Function, and as part of this assessment:
 - 8.9.7.1. Meet with the CIA without the presence of management to discuss the effectiveness of the function;
 - 8.9.7.2. Review and assess the annual Group Internal Audit Work Plan;
 - 8.9.7.3. receive a report on the results of the internal auditor's work;
 - 8.9.7.4. determine whether it is satisfied that the quality, experience and expertise of internal audit is appropriate for the business;
 - 8.9.7.5. review the actions taken by management to implement the recommendations of internal audit and to support the effective working of the internal audit function; and
 - 8.9.7.6. Review Group Internal Audit's self-assessment against the Chartered Institute of Internal Auditors' financial services audit code.

- 8.9.8. Monitor and assess the role and effectiveness of the Group Internal Audit Function in the overall context of the business's risk management system and the work of compliance, finance and the external auditor;
- 8.9.9. Ensure an independent, third party review of the Internal Audit function is performed periodically.; and
- 8.9.10. Review and monitor responsiveness to the findings and recommendations of the Chief Internal Auditor's work on a regular basis.

External Audit

- 8.10. The Committee shall:
 - 8.10.1. Consider and make recommendations to the Board, to be put to shareholders for approval at the Annual General Meeting, in relation to the appointment, re- appointment and removal of the External Auditor*;
 - 8.10.2. Ensure that at least once every ten years the audit services contract is put out to tender and oversee the selection process;
 - 8.10.3. Develop and oversee the selection procedure for the appointment of the external audit firm, ensuring that all tendering firms have access to all necessary information and individuals during the tendering process;
 - 8.10.4. If an external auditor resigns, investigate the issues leading to this and decide whether any action is required;
 - 8.10.5. Oversee the relationship with the External Auditor. In this context the Committee shall:
 - 8.10.5.1. Approve the scope and fees of the external auditor, including both fees for audit and non-audit services, and ensure that the level of fees is appropriate to enable an effective and high-quality audit to be conducted; and
 - 8.10.5.2. Approve their terms of engagement, including any engagement letter issued at the start of each audit and the scope of the audit.
 - 8.10.6. Assess annually the external auditor's independence and objectivity

taking into account relevant UK law, regulation, the FRC's Ethical Standard and other professional requirements and the Group's relationship with the auditor as a whole, including any threats to the auditor's independence and the safeguards applied to mitigate those threats including the provision of any non-audit services;

- 8.10.7. Satisfy itself that there are no relationships between the auditor and the Company (other than in the ordinary course of business) which could adversely affect the auditor's independence and objectivity;
- 8.10.8. Approve the policy on the employment of former employees of the Group's auditor, taking into account the FRC's Ethical Standard and legal requirements, and monitor the application of this policy;
- 8.10.9. Monitor the auditor's processes for maintaining independence, its compliance with relevant UK law, regulation, other professional requirements and the FRC's Ethical Standard, including the guidance on the rotation of audit partner and staff;
- 8.10.10. Monitor the level of fees paid by the Group to the External Auditor compared to the overall fee income of the firm, office and partner and assess these in the context of relevant legal, professional and regulatory requirements, guidance and the FRC's Ethical Standard;
- 8.10.11. Assess annually the qualifications, expertise and resources of the External Auditor and the effectiveness of the external audit process, which shall include a report from the External Auditor on their own internal quality procedures;
- 8.10.12. Seek to ensure coordination of the external audit with the activities of the Group Internal Audit Function;
- 8.10.13. Evaluate the risks to the quality and effectiveness of the financial reporting process in the light of the external auditor's communications with the Committee;
- 8.10.14. Approve the formal policy on the provision of non-audit services by the auditor, including the approval of non-audit services by the Committee and specifying the types of non-audit service to be pre-approved, and assessment of whether non-audit services have a direct or material effect on the audited financial statements. The policy should include consideration of the following matters:
 - 8.10.14.1. Threats to the independence and objectivity of the External

Auditor and any safeguards in place;

- 8.10.14.2. The nature of the non-audit services;
- 8.10.14.3. Whether the external audit firm is the most suitable supplier of the non-audit service; and
- 8.10.14.4. The fees for the non-audit services, both individually and in aggregate, relative to the audit fee;
- 8.10.15. Meet regularly with the External Auditor (including once at the planning stage before the audit and once after the audit at the reporting stage) and, at least twice a year, meet with the external auditor without management being present, to discuss the auditor's remit and any issues arising from the audit;
- 8.10.16. Discuss with the External Auditor the factors that could affect audit quality and review and approve the annual audit plan, ensuring it is consistent with the scope of the audit engagement, having regard to the seniority, expertise and experience of the audit team;
- 8.10.17. Review the findings of the audit with the external auditor. This shall include, but not limited to, the following:
 - 8.10.17.1. A discussion of any major issues which arose during the audit;
 - 8.10.17.2. The auditor's explanation of how the risks to audit quality were addressed;
 - 8.10.17.3. Key accounting and audit judgements;
 - 8.10.17.4. The external auditor's view of these interactions with senior management; and
 - 8.10.17.5. Levels of errors identified during the audit;
- 8.10.18. Review any representation letter(s) requested by the External Auditor before they are signed by management;
- 8.10.19. Review the management letter and management's response to the auditor's findings and recommendations; and
- 8.10.20. Review the effectiveness of the audit process, including an assessment of the quality of the audit, the handling of key judgements by the auditor, and the auditor's response to questions

from the Committee.

*Tax Matters**

- 8.11. The Committee shall oversee the Group's tax matters, including the review and challenge of key tax risks and the management of those risks as part of the review of the annual and half-yearly reports.

8 Reporting responsibilities

- 9.1. The Chair of the Committee shall formally report to the Board on its proceedings after each meeting on all matters within its duties and responsibilities and shall also formally report to the Board on how it has discharged its responsibilities. The report shall include:
 - 9.1.1. The significant issues that it considered in relation to the financial statements under section 7.1 and how these were addressed;
 - 9.1.2. Its assessment of the effectiveness of the external audit process, the approach taken to the appointment or reappointment of the external auditor, length of tenure of the audit firm, when a tender was last conducted and advance notice of any retendering plans;
 - 9.1.3. Any significant alleged frauds or misrepresentation of assets to the Risk Committee; and
 - 9.1.4. Any other issues on which the Board has requested the Committee's opinion.
- 9.2. The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.
- 9.3. The Committee shall compile a report on its activities to be included in the Group's annual report. The report should include an explanation of how the Committee has addressed the independence and effectiveness of the external audit process; the significant issues that the Committee considered in relation to the financial statements and how these issues were addressed, having regard to matters communicated to it by the auditor, and all other information requirements set out in the Code.
- 9.4. In compiling the reports referred to in 8.1 and 8.3, the Committee should exercise judgement in deciding which of the issues it considers in relation to the financial statements are significant, but should include at least those matters that have informed the Board's assessment of whether the Group

/Company are going concerns and the inputs to the Board's viability statement. The report to shareholders need not repeat information disclosed elsewhere in the annual report and accounts, but could provide cross references to that information.

9 Other matters

The Committee shall:

- 9.1 Have access to sufficient resources in order to carry out its duties, including access to the company secretariat for assistance as required;
- 9.2 Be provided with appropriate and timely training, both in the form of an induction programme for new members and on an ongoing basis for all members;
- 9.3 Give due consideration to laws and regulations, the provisions of the Code and the requirements of the Financial Conduct Authority Listing Rules, Prospectus Rules and Disclosure Guidance and Transparency Rules and any other applicable rules, as appropriate;
- 9.4 Be responsible for oversight of the co-ordination of the Group's internal audit function and the External Auditors;
- 9.5 Oversee any investigation of activities which are within its terms of reference;
- 9.6 Work and liaise as necessary with all other Board Committees, taking particular account of the impact of risk management and internal controls being delegated to different Committees;
- 9.7 Review its own performance, constitution and terms of reference at least annually to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the Board for approval.

10 Authority

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

The Committee is authorised to:

- 10.2 Seek any information it requires from any employee of the Group in order to perform its duties;
- 10.3 Obtain, at the Group's expense, independent legal, accounting or other independent professional advice on any matter within its terms of reference

if it believes it is necessary to do so, providing the cost of the advice in relation to a specific matter this does not exceed £20,000 (exclusive of VAT). Should it exceed this figure, approval from Board is to be obtained in advance;

- 10.4 Secure the attendance of third parties with relevant experience and expertise;
- 10.5 Call on any employee of the Group to be questioned at a meeting of the Committee as and when required; and
- 10.6 Have the right to publish in the Company’s annual report, details of any issues that cannot be resolved between the Committee and the Board, including in relation to the appointment of the External Auditor.

11 Change Control

Date	V.	Changes Made	Approved By
20 Nov 2017		Amended to include FRC & ICSA Guidance for Audit Committees.	
26 February 2019	V2	Various	GAC / Board
16 December 2019	V3	Removal of ABC and Fraud duties which have been transferred to the GRC. Added the review of financial projections of Long Term Incentive Schemes (LTIS) and any interdependencies.	GAC / Board
December 2021	V4	Combined with VBL AuditCo and updated with best practice for combined committees	GAC / Board
January 2022	V5	Integrated legal review comments.	PH and CHD
March 2023	V6	Updated for change of plc name and Consumer Duty	None required