STATEMENT OF COMPLIANCE WITH THE UK CORPORATE GOVERNANCE CODE

FEBRUARY 2023

CONTENTS

INTRODUCTION

The Board of PCF Group plc (the **Company** or **Group**) applies and reports against the UK Corporate Governance Code 2018 (the **Code**).

This statement, together with the Report of the Directors and the Strategic report, in the report and accounts for the financial year ended 30 September 2022 (“**Annual Report**”), describes how the Group has applied the principles and complied with provisions of the Code, or sets out explanations of where the Group is not complying with the Code:

Further information is available in:

The Company’s Annual Report, including the Report of the Directors and Strategic report, and
A copy of this report will be placed on the ‘Investor Relations’ section of the Company’s website (https://pcf.bank).

A copy of the Code can be found on the Financial Reporting Council’s website at www.frc.org.uk.

1. BOARD LEADERSHIP AND COMPANY PURPOSE

1. The board should assess the basis on which the company generates and preserves value over the long-term. It should describe in the annual report how opportunities and risks to the future success of the business have been considered and addressed, the sustainability of the company's business model and how its governance contributes to the delivery of its strategy.	The Board carries out an assessment of the principal risks facing the Company along with the stress testing tests and scenarios that would threaten the sustainability of its business model, future performance, solvency, or liquidity. The Board considers the current and future strategy as well as any significant business restructuring and legacy issues. The Board considers the business environment of the Company and the potential threats to its business model arising from regulatory, demographic, political and technological changes. More details of the Company's sustainability can be found in the Sustainability section of the Annual Report. The Annual Report also details the opportunities and principal risks that the Company faces.
2. The board should assess and monitor culture. Where it is not satisfied that policy, practices or behaviour throughout the business are aligned with the company's purpose, values and strategy, it should seek assurance that management has taken corrective action. The annual report should explain the board's activities and any action taken. In addition, it should include an explanation of the company's approach to investing in and rewarding its workforce.	The Board monitors the Group's culture through regular reports from the Chief Executive Officer (CEO) and the Chief People Officer to ensure this is aligned with the Group's purpose and strategy. The CEO and other members of senior management frequently engage with staff in forums ranging from formal communications, including "All Colleague" video conferences, to more informal small group discussions. Further information on the Company's approach to investing in and rewarding the workforce is outlined in the Stakeholder Engagement Report in the Annual Report.
3. In addition to formal general meetings, the chair should seek regular engagement with major shareholders in order to understand their views on governance and performance against the strategy. Committee chairs should seek engagement with shareholders on significant matters related to their areas of responsibility. The chair should ensure that the board as a whole has a clear understanding of the views of shareholders.	The Board remained committed to communicating with shareholders by provision of detailed half-year and full-year financial reports and by way of meetings, in particular, the Annual General Meeting and interactive meetings on the Investor Meets Company platform, when shareholders were invited to ask questions of any of the Board members. The Chair ensures that the views of shareholders are communicated to the Board.

4. When 20 per cent or more of votes have been cast against the board recommendation for a resolution, the company should explain, when announcing voting results, what actions it intends to take to consult shareholders in order to understand the reasons behind the result.	No resolution received 20 per cent or more votes against the board recommendation at (i) the General Meetings of the Company 4 February 2022, 6 July 2022, 29 July 2022 or 12 December 2022 (ii) or Annual General Meeting of the Company 25 March 2022
5. The board should understand the views of the company's other key stakeholders and describe in the annual report how their interests and the matters set out in section 172 of the Companies Act 2006 have been considered in board discussions and decision-making.	When considering their decisions and in setting the policies and strategy for the Company, the Directors are aware there are several other stakeholders, in addition to shareholders, who will be affected by the actions of the Group. These include, for example, our clients and advisers along with our employees. More information on how we consider these stakeholders can be found in the section 172 Statement in the Annual Report. **Non-Compliance with the Code** Lack of Workforce Director The Board has not appointed a director from the workforce, created a formal workforce advisory panel or appointed a designated non-executive director to maintain engagement with the workforce. The Board contains two executive directors who have daily contact with colleagues and has an experienced Chief People Office who regularly engages with the Board on colleague matters, and colleague engagement. This role is now taken up by the new office of the Chief of Staff. Given the size of the workforce, an experienced Chief of Staff is considered the most effective means of developing and monitoring colleague engagement.
6. There should be a means for the workforce to raise concerns in confidence and – if they wish – anonymously. The board should routinely review this and the reports arising from its operation. It should ensure that arrangements are in place for the proportionate and independent investigation of such matters and for follow-up action.	The Company has established a "Whistleblowing Policy" which is reviewed and agreed annually by the Audit Committee. Responsibility for whistleblowing rests with the Chair of the Audit Committee, who has the role of the Group's dedicated "Whistleblowing champion"
7. The board should take action to identify and manage conflicts of interest, including those resulting from significant shareholdings, and ensure that the influence of third parties does not compromise or override independent judgement.	All Board members are required to disclose any external positions or interests which might conflict with their appointment as a director of the Company and thereafter on a continuous basis so that any potential conflict of interest can be properly assessed.

8. Where directors have concerns about the operation of the board or the management of the company that cannot be resolved, their concerns should be recorded in the board minutes. On resignation, a non-executive director should provide a written statement to the chair, for circulation to the board, if they have any such concerns.	All Board and Committee meetings are minuted by the Company Secretarial team and reflect any concerns raised by Directors regarding the operation of the board or the management of the Company. On resignation, Non-Executive Directors are invited to provide a written statement to the chair, for circulation to the Board, of any such concerns.

2. DIVISION OF RESPONSIBILITIES

9. The chair should be independent on appointment when assessed against the circumstances set out in Provision 10. The roles of chair and chief executive should not be exercised by the same individual. A chief executive should not become chair of the same company. If, exceptionally, this is proposed by the board, major shareholders should be consulted ahead of appointment. The board should set out its reasons to all shareholders at the time of the appointment and also publish these on the company website.	The roles of the Chair and CEO are separate. The Chair was deemed to be independent on appointment. The Group Board, led by the Chair, sits at the top of the Company's governance framework. The Board and Committees have clearly defined roles, with details the Board and Committees' being available on the Company's website.
10. The board should identify in the annual report each non-executive director it considers to be independent.	The Board on the recommendation of the Nomination Committee considers if each of the Non-Executive Directors is independent. The Board considers Simon Moore, Christine Higgins, Mark Sisney-Durrant and Carol Sergeant to be independent. The Board does not consider Mark Brown or David Morgan to be independent. David Morgan has been nominated by the Company's majority shareholder Somers Limited and Mark Brown due to his holding office at two companies in the past where Somers Limited was at the time a shareholder in the same. The up-to-date biographies for the Directors including any external roles can be found on the Company Website: https://pcf.bank
11. At least half the board, excluding the chair, should be non-executive directors whom the board considers to be independent.	**Non-Compliance with the Code** Less than half the Board, excluding the Chair, are independent non-executive directors. Following the appointments of Garry Stran and Caroline Richardson as executive directors on the 5th October 2021, and notwithstanding the subsequent further changes to the Board, the Company ceased to be compliant with this provision. It had been the intention for this to be addressed by the appointment of Carol Sergeant as a further

	independent non-executive director, but with the resignation of both David Titmuss and subsequently Carol Sergeant unfortunately the Company was unable to achieve this, and the composition of the Board will be further reviewed in future reporting periods.
12. The board should appoint one of the independent non-executive directors to be the senior independent director to provide a sounding board for the chair and serve as an intermediary for the other directors and shareholders. Led by the senior independent director, the non-executive directors should meet without the chair present at least annually to appraise the chair's performance, and on other occasions as necessary.	With the appointment of Mark Sismey-Durrant to the new role of SID on 9th January 2022, the Company addressed its previous non-compliance with this provision. With a SID in place an appraisal of the Chair has now been carried out.
13. Non-executive directors have a prime role in appointing and removing executive directors. Non-executive directors should scrutinise and hold to account the performance of management and individual executive directors against agreed performance objectives. The chair should hold meetings with the non-executive directors without the executive directors present.	The Nomination Committee is responsible for reviewing the composition of the Board and Board Committees to ensure they are suitably constituted, with an appropriate balance of skills, experience, knowledge, and diversity.
14. The responsibilities of the chair, chief executive, senior independent director, board and committees should be clear, set out in writing, agreed by the board and made publicly available. The annual report should set out the number of meetings of the board and its committees, and the individual attendance by directors.	The responsibilities of the Chair, CEO, Senior Independent Director, Board and Committees as agreed by the Board are made publicly available in the Annual Report. Non-Executive Directors must comply with minimum attendance requirements under the terms in their appointment letters. Details of their attendance at Board and Committee meetings are set out in the Annual Report.
15. When making new appointments, the board should take into account other demands on directors' time. Prior to appointment, significant commitments should be disclosed with an indication of the time involved. Additional external appointments should not be undertaken without prior approval of the board, with the reasons for permitting significant appointments explained in the annual report. Full-time executive directors should not take on more than one non-executive directorship in a FTSE 100 company or other significant appointment.	On appointment to the Board, Non-Executive Directors receive a formal letter of appointment setting out what is expected of them in terms of time commitment, Committee services and involvement outside Board meetings. A Board candidate is required to disclose any business interests that might result in a conflict of interest arising and that, following appointment is required to report any new business interests arising that could result in a conflict of interest. None of the Executive Directors are Non-Executive Directors or a Chair of a FTSE 100 company.
16. All directors should have access to the advice of the company secretary,	All Directors have access to the advice and services of the Company Secretary. The appointment and removal of the

who is responsible for advising the board on all governance matters. Both the appointment and removal of the company secretary should be a matter for the whole board.	Company Secretary is a matter reserved for decision by the Board as a whole.

3. COMPOSITION, SUCCESSION AND EVALUATION

17. The board should establish a nomination committee to lead the process for appointments, ensure plans are in place for orderly succession to both the board and senior management positions, and oversee the development of a diverse pipeline for succession. A majority of members of the committee should be independent non-executive directors. The chair of the board should not chair the committee when it is dealing with the appointment of their successor.	The Board has established a Nomination Committee. The Committee is comprised of three independent Non-Executive Directors, the Chair of the Board and two Non-Executive Directors. This Committee monitors the balance of skills, knowledge, experience, and diversity on the Board, recommends Board and Board Committee appointments based on merit and objective criteria and, within this context looks to promote diversity of gender, social and ethnic background, cognitive and personal strengths, and monitors succession planning at the senior level. The Chair of the Board may not chair any meeting of the Committee when the Committee is dealing with the appointment of a successor to the chairmanship of the Company.
18. All directors should be subject to annual re-election. The board should set out in the papers accompanying the resolutions to elect each director the specific reasons why their contribution is, and continues to be, important to the company's long-term sustainable success.	All directors are submitted for re-election annually at the Annual General Meeting. Detailed biographical information on the Directors is included in the Company's Annual Report and in the notice of the Annual General Meeting to enable shareholders to take an informed decision on their re-election.
19. The chair should not remain in post beyond nine years from the date of their first appointment to the board. To facilitate effective succession planning and the development of a diverse board, this period can be extended for a limited time, particularly in those cases where the chair was an existing non-executive director on appointment. A clear explanation should be provided.	Simon Moore, the Chair was appointed as an independent non- executive Director and Chair of the Company on 8 January 2022.
20. Open advertising and/or an external search consultancy should generally be used for the appointment of the chair and non-executive directors. If an external search consultancy is engaged it should be identified in the annual report alongside a statement about any other connection it has with the company or individual directors.	The Company uses external consulting firms to assist with recruitment for Board and senior management roles. Further details of these and particulars regarding the identification, vetting and appointment of Non-Executive Directors are set out in the Annual Report.
21. There should be a formal and rigorous annual evaluation of the performance of the board, its committees, the chair and individual directors. The chair should consider having a regular externally facilitated board evaluation. In FTSE 350	**Non-compliance with the Code** <u>Evaluation of performance of Board, Board Committees and individual directors</u> The new Chair, Simon Moore has undertaken an evaluation of the effectiveness of the Board and its individual

companies this should happen at least every three years. The external evaluator should be identified in the annual report and a statement made about any other connection it has with the company or individual directors.	Directors, including future training needs. Effectiveness reviews were also undertaken of the Board Audit Committee, the internal auditors and the external auditors. These effectiveness reviews formed part of the governance remediation by the new Chair, which is substantially complete, however effectiveness reviews are now required to be extended to the other three committees of the Board.
22. The chair should act on the results of the evaluation by recognizing the strengths and addressing any weaknesses of the board. Each director should engage with the process and take appropriate action when development needs have been identified.	**Non-compliance with the Code** See Provision 21 above. The new Chair, Simon Moore has now undertaken an evaluation of the effectiveness of the Board and its individual Directors, including future training needs.
23. The annual report should describe the work of the nomination committee, including: the process used in relation to appointments, its approach to succession planning and how both support developing a diverse pipeline; how the board evaluation has been conducted, the nature and extent of an external evaluator's contact with the board and individual directors, the outcomes and actions taken, and how it has or will influence board composition; the policy on diversity and inclusion, its objectives and linkage to company strategy, how it has been implemented and progress on achieving the objectives; and the gender balance of those in the senior management and their direct reports.	The Nomination Committee Report in the Annual Report describes the work of the Nomination Committee. The Annual Report details the process used in relation to appointments, its approach to succession planning and how both supports developing a diverse pipeline. The Annual Report also details the policy on diversity and inclusion, its objectives and linkage to company strategy, how it has been implemented and progress on achieving the objectives.

4. AUDIT, RISK, AND INTERNAL CONTROL

24. The board should establish an audit committee of independent non-executive directors, with a minimum membership of three, or in the case of smaller companies, two. The chair of the board should not be a member. The board should satisfy itself that a least one member has recent relevant financial experience relevant to the sector in which the company operates.*	The Board has established an Audit Committee. The Committee is comprised of three Non-Executive Directors, two* of whom are considered independent of management. The chair of the Board is not a member of the Committee. The Board is satisfied that the Chair of the Committee, Christine Higgins, has recent and relevant financial experience. Details of her experience are set out in the Annual Report. The Board is also satisfied that all members of the Committee have appropriate knowledge and understanding of financial risk and accounting matters to contribute effectively to the Committee. * Membership of 2 required for a smaller company, one that is below the FTSE 350 throughout the year immediately prior to the reporting year.
25. The main roles and responsibilities of the audit committee should include the specific items set out in the Code.	The main roles and responsibilities of the Audit Committee are set out in its terms of reference. The terms of reference do not "word for word" replicate the specific items of the Code but in principle cover the same issues.
26. The annual report should describe the work of the audit committee.	The Audit Report in the Annual Report describes the work of the Audit Committee. The Board has outsourced the internal audit function to Grant Thornton. The Audit Committee approves the internal audit plans and scope, its resources and considers the Grant Thornton internal audit reports detailed in the Annual Report.
27. The directors should explain in the annual report their responsibility for preparing the annual report and accounts, and state that they consider the annual report and accounts, taken as a whole, is fair, balanced and understandable, and provides the information necessary for shareholders to assess the company's position, performance, business model and strategy.	The Annual Report complies with this Code provision. The Board considers that the Annual Report is fair, balanced, and understandable, and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy.
28. The board should carry out a robust assessment of the company's emerging and principal risks. The board should confirm in the annual report that it has completed the assessment, including a description of its principal risks, what procedures are in place to identify emerging risks, and an explanation of how these are being managed or mitigated.	There is an ongoing process of identifying, evaluating, and managing the significant risks faced by the Group which is regularly reviewed in detail by the Board Risk Committee and reported to the Board for its review. The Board has resolved that the Directors will comply with this Code provision and such statements are included in the Annual Report.

29. The board should monitor the company's risk management and internal control systems and, at least annually, carry out a review of their effectiveness and report on that review in the annual report. The monitoring and review should cover all material controls, including financial, operational and compliance controls.	The review and monitoring of risk management and internal control systems is an integral part of the activities and functions of the Board Risk Committee and Board. A report on the review is included in the Annual Report.
30. In annual and half-yearly financial statements, the board should state whether it considers it appropriate to adopt the going concern basis of accounting in preparing them and identify any material uncertainties to the company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements.	The Board complies with this Code provision and going concern statements are included in the annual and interim reports. However for the annual statements for the year ended 30 September 2022, The Board Audit Committee considered IAS1's guidance that an entity is a Going concern unless management either intends to liquidate the entity or cease trading or has no realistic alternative but to do so. Given the change in strategic direction announced by the Group on 9 November 2022, the Board Audit Committee agreed with management's assessment that it would not be appropriate to apply the Going concern basis of accounting and that an alternative basis of preparation of 'other than Going concern' was appropriate.
31. Taking account of the company's current position and principal risks, the board should explain in the annual report how it has assessed the prospects of the company, over what period it has done so and why it considers that period to be appropriate. The board should state whether it has a reasonable expectation that the company will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, drawing attention to any qualifications or assumptions as necessary.	**Non-compliance with the Code** Lack of a Viability Statement The Board should provide an explanation of how it assessed the prospects of the Group over a given period. Considering the review of strategic opportunities announced in May 2022, and the decision to stop all lending and exit from the UK banking market, a viability assessment has not been prepared and a viability statement is not included in this Annual Report. ~~{Will depend on what the Gone Concern wording is??}~~ ~~However, as stated in the Company's Going Concern Statement in the Directors' Report in the Annual Report, [the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for at least the next twelve months.]~~

5. REMUNERATION

32. The board should establish a remuneration committee of independent non-executive directors, with a minimum of three, or in the case of smaller companies, two. In addition, the chair of the board can only be a member if they were independent on appointment and cannot chair the committee. Before appointment as chair of the remuneration committee, the appointee should have served on a remuneration committee for at least 12 months.* * Membership of 2 required for a smaller company, one that is below the FTSE 350 throughout the year immediately prior to the reporting year.	The Board has established a Remuneration Committee, the terms of reference of which can be found on the Company's website. **Non-compliance with the Code** During the year all non-executive directors (NEDs), including NEDs not regarded as independent, have been members of the Remuneration Committee. The Company has sought to maintain independence through having a majority of independent NEDs on this Committee. On 19 October 2022, the Board resolved that Mark Brown be appointed as Chair of the Board Remuneration Committee on an interim basis. In making its decision, the Board assessed that the factors that it applied when considering Mark Brown's independence, whilst applicable in considering his role as a Board director, were not of a nature that would be likely to influence the undertaking of his duties as Chair of the Remuneration Committee given the scope of its terms of reference. This is a temporary arrangement given the current priorities of the Group; the composition of the Remuneration Committee will be further reviewed in future reporting periods.
33. The remuneration committee should have delegated responsibility for determining the policy for executive director remuneration and setting remuneration for the chair,	The Remuneration Committee is responsible for approving remuneration proposals for the Chair, Executive Directors, Executive Committee members and other senior staff members. The Committee also reviews and recommends to the Board, the over-arching principles, parameters and

executive directors, and senior management. It should review workforce remuneration and related policies and the alignment of incentives and rewards with culture, taking these into account, when setting the policy for executive director remuneration.	governance framework of the Group's Remuneration Policy and the on-going appropriateness and relevance of the Remuneration policy.
34. The remuneration of non-executive directors should be determined in accordance with the Articles of Association or, alternatively, by the board. Levels of remuneration for the chair and all non-executive directors should reflect the time commitment and responsibilities of the role. Remuneration for all non-executive directors should not include share options or other performance-related elements.	The Chair and the Executive Directors are responsible for reviewing recommendations being proposed on the basis of independent, market-based advice and approving the recommendation in respect of the amount of fees payable to Non-Executive Directors, such recommendations being proposed on the basis of independent, market-based advice. The Non-Executive Directors' fees reflect their responsibilities, competitiveness in the market, and the time commitment required.
35. Where a remuneration consultant is appointed, this should be the responsibility of the remuneration committee. The consultant should be identified in the annual report alongside a statement about any other connection it has with the company or individual directors. Independent judgement should be exercised when evaluating the advice of external third parties and when receiving views from executive directors and senior management.	The Committee may use the services of external advisers in whatever capacity the Chair deems appropriate in order to assist the Committee in its duties. Details of advisors used are provided in the Annual Report.
36. Remuneration schemes should promote long-term shareholdings by executive directors that support alignment with long-term shareholder interests. Share awards granted for this purpose should be released for sale on a phased basis and be subject to a total vesting and holding period of five years or more. The remuneration committee should develop a formal policy for post-employment shareholding requirements encompassing both unvested and vested shares.	In 2018, the Company introduced a long-term incentive share options plan for senior executives. The plan has performance criteria attached regarding Group performance and shareholder return. The options are also conditional on continued employment with a minimum vesting period of three years. The options are forfeited if the employee leaves the Group before the options vest. If the options remain unexercised after a period of ten years from the date of grant, the options expire. With the Cancellation of the listing of the Company's Ordinary Shares on AIM since 20 December 2022, the structure of the share- based component of the Group's equity incentive arrangements are to be reviewed by the Committee.
37. Remuneration schemes and policies should enable the use of discretion to override formulaic outcomes. They should also include provisions that would enable the company to recover and/or withhold sums or share awards and specify the circumstances in which it would be appropriate to do so.	The Remuneration Committee may exercise its independent discretion when authorising remuneration outcomes, taking account of company and individual performance, and wider circumstances, and recovering and/or withholding sums or share awards under appropriate specific circumstances.

38. Only basic salary should be pensionable. The pension contribution rates for executive directors, or payments in lieu, should be aligned with those available to the workforce. The pension consequences and associated costs of basic salary increases and any other changes in pensionable remuneration, or contribution rates, particularly for directors close to retirement, should be carefully considered when compared with workforce arrangements.	The Committee supports the idea that pension alignment promotes fairness across the workforce. **Non-compliance with the Code** Historically, the pension contribution rates have been 10% for executive directors and 7% for the workforce. The Remuneration Committee has now determined that the pension contribution rates will be aligned for any new Executive Director hirings that the Company might make in the future.
39. Notice or contract periods should be one year or less. If it is necessary to offer longer periods to new directors recruited from outside the company, such periods should reduce to one year or less after the initial period. The remuneration committee should ensure compensation commitments in directors' terms of appointment do not reward poor performance. They should be robust in reducing compensation to reflect departing directors' obligations to mitigate loss.	The Group has service contracts with its executive directors with a notice period of 12 months and it is Group policy that such contracts should not normally contain notice periods of more than 12 months.
40. When determining executive director remuneration policy and practices, the remuneration committee should address the following: clarity, simplicity, risk, predictability, proportionality, and the alignment to culture.	The Remuneration Committee considers these factors when determining executive director remuneration.
41. There should be a description of the work of the remuneration committee in the annual report which should include amongst various matters what engagement has been undertaken with shareholders and workforce on remuneration matters.	The work of the Remuneration Committee is described in the Directors Remuneration Report section of the Annual Report. This detail complies with the above requirements. **Non-Compliance with the Code** Engagement with shareholders and workforce on remuneration matters. There has been no specific engagement to report on this year with (i) the shareholders seeking feedback on remuneration policy and outcomes and/or (ii) the workforce to explain the alignment of executive pay with wider Company pay policy. With the change in business strategy, the Company will not be in a position to implement this Code provision.

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