



Provident Financial
Corporate Responsibility Report 2014



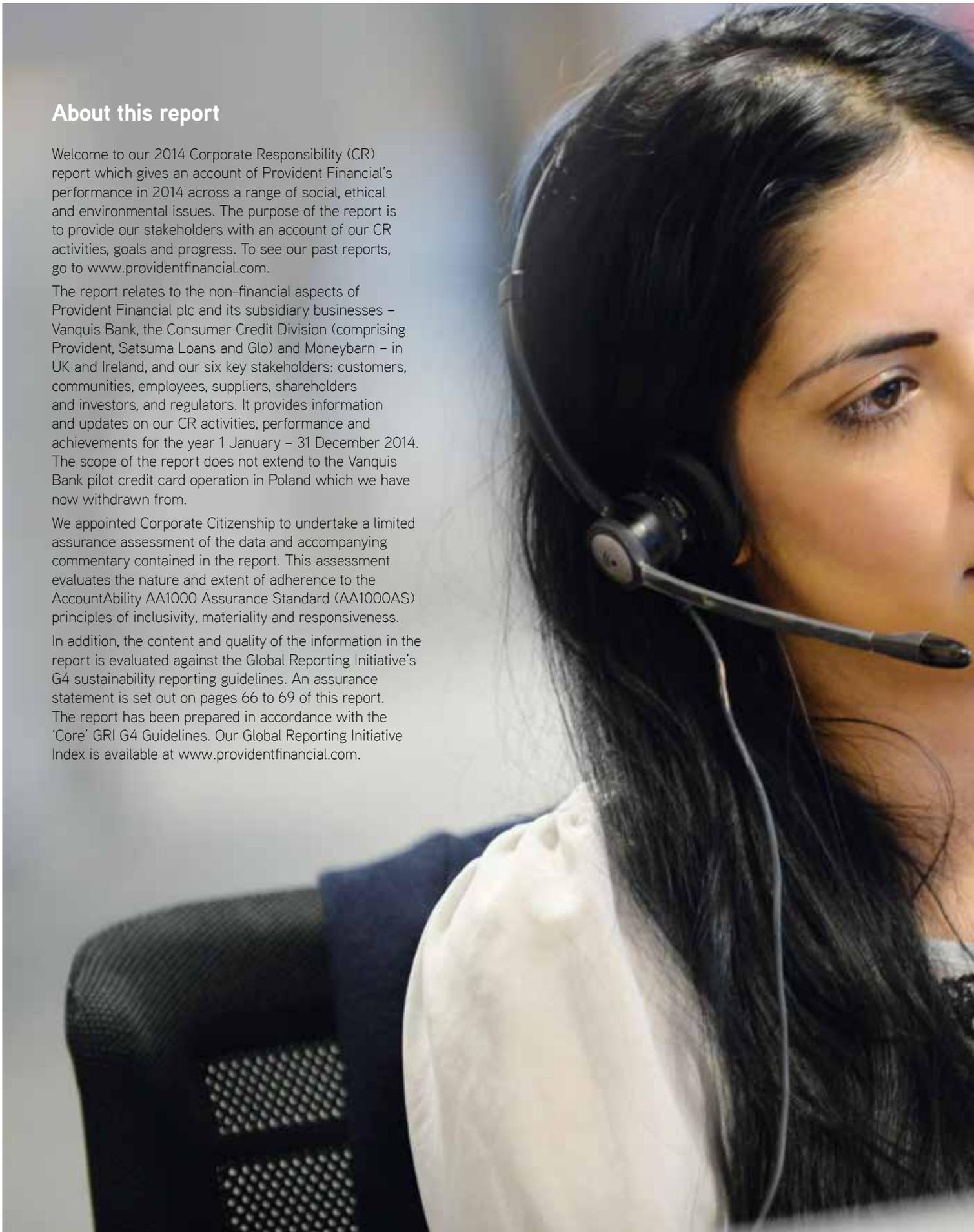
About this report

Welcome to our 2014 Corporate Responsibility (CR) report which gives an account of Provident Financial's performance in 2014 across a range of social, ethical and environmental issues. The purpose of the report is to provide our stakeholders with an account of our CR activities, goals and progress. To see our past reports, go to www.providentfinancial.com.

The report relates to the non-financial aspects of Provident Financial plc and its subsidiary businesses – Vanquis Bank, the Consumer Credit Division (comprising Provident, Satsuma Loans and Glo) and Moneybarn – in UK and Ireland, and our six key stakeholders: customers, communities, employees, suppliers, shareholders and investors, and regulators. It provides information and updates on our CR activities, performance and achievements for the year 1 January – 31 December 2014. The scope of the report does not extend to the Vanquis Bank pilot credit card operation in Poland which we have now withdrawn from.

We appointed Corporate Citizenship to undertake a limited assurance assessment of the data and accompanying commentary contained in the report. This assessment evaluates the nature and extent of adherence to the AccountAbility AA1000 Assurance Standard (AA1000AS) principles of inclusivity, materiality and responsiveness.

In addition, the content and quality of the information in the report is evaluated against the Global Reporting Initiative's G4 sustainability reporting guidelines. An assurance statement is set out on pages 66 to 69 of this report. The report has been prepared in accordance with the 'Core' GRI G4 Guidelines. Our Global Reporting Initiative Index is available at www.providentfinancial.com.



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Chief Executive's message

2014 was an excellent year for the Provident Financial Group. Our businesses continued to make good progress in terms of ensuring that we always provide our customers with the right products and the right experience throughout the whole customer journey.

This is partly because our sole focus is to serve the non-standard credit market which is made up of customers who might otherwise be financially excluded, something we have done for 135 years. We do this by using our knowledge and expertise to deliver credit products across all our businesses which are tailor-made to meet the particular needs of our customers. We lend responsibly by offering simple and transparent products with no hidden charges in amounts that customers can afford. This is our overriding corporate responsibility which, when done well, helps us to differentiate ourselves from other financial services businesses and other models of lending.

2014 was a year we undertook a significant amount of work to review and update our governance framework which ensures that the foundations continue to be in place to support the core position of corporate responsibility (CR) in the business.

This started at the beginning of the year when I felt it was time to review our CR strategy, one of the elements of our overall business strategy, which has guided our approach to CR since 2007. Following discussions with a number of stakeholders from inside and outside the financial services industry, we created a new CR strategy. We also created our first statement of social purpose which, I believe, succinctly sets out the role that the Provident Financial Group plays in society.

Our social purpose is financial inclusion for those who are not well served by mainstream credit products or are excluded from them altogether. This statement addresses our commitment to serve those in the non-standard part of the credit market, something we have always done, and is a commitment which harks back to 1880 when the company was established.

And our new CR strategy is to operate our core business of lending to our customers in a responsible and sustainable manner, putting their needs at the heart of everything we do, and to act responsibly and sustainably in all our other stakeholder relationships. This strategy, which supports our statement of social purpose, makes clear that our priority is to lend responsibly to our 2.4 million customers, but that we will also systematically manage the other social, environmental and economic issues that are material to our business activities. This encompasses how we treat employees, agents and suppliers, as well as supporting and investing in the many communities we serve, and minimising our impacts on the environment.

Importantly, to accompany both these statements, we have developed a scorecard which includes a range of key metrics which we will use to measure and report our performance in terms of delivering our social purpose and CR strategy.

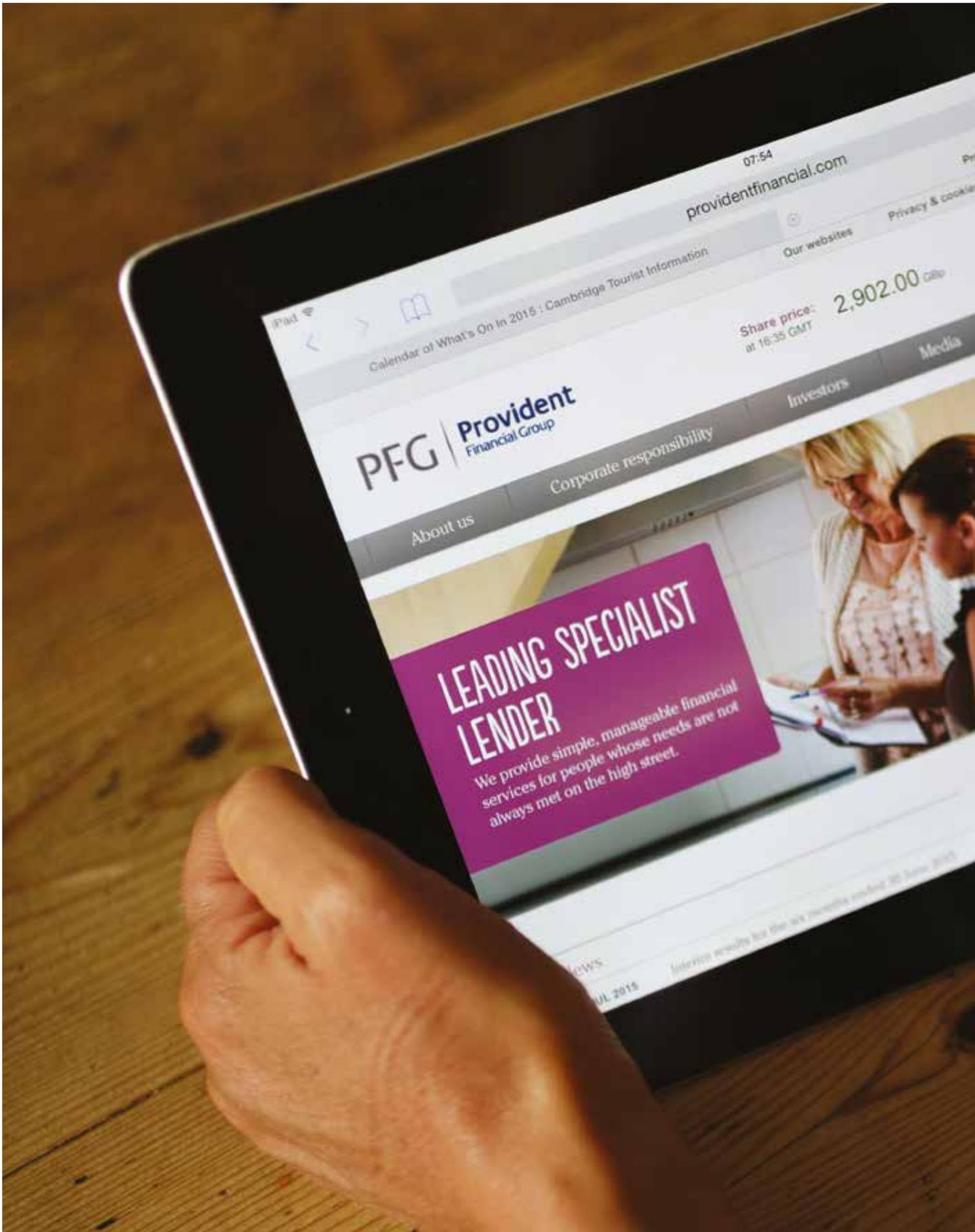
The work that we have undertaken over the past 12 months means that we now have

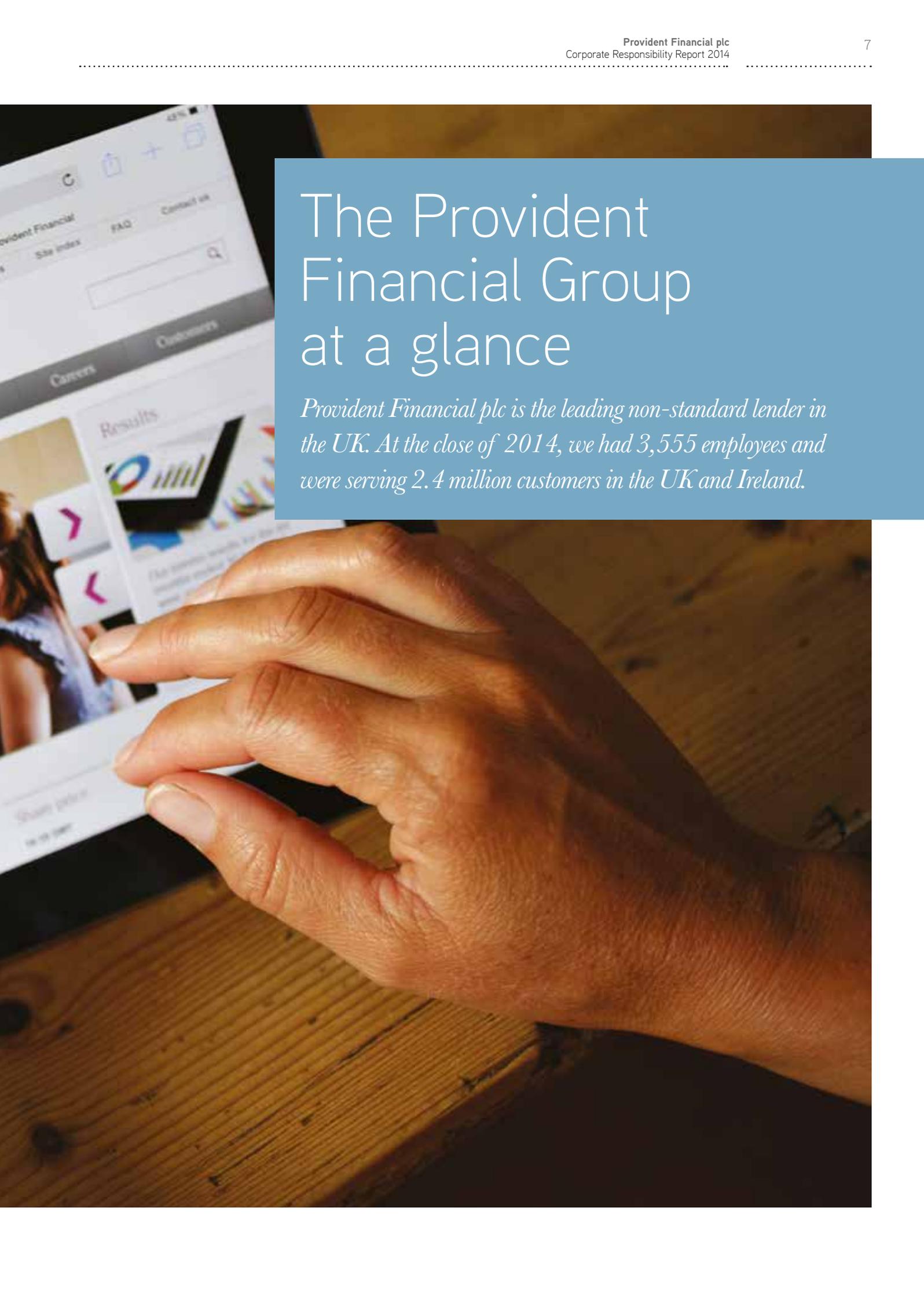
a social purpose and CR strategy in place which make clear what our CR priorities are. This means continuing to serve our customers in a responsible manner at every stage of their relationship with us, and acting responsibly and with integrity with all our other stakeholders. By doing this we can deliver our mission to be the leading non-standard specialist lender in our chosen markets, acting responsibly in all our relationships and playing a positive role in the communities we serve.

The work we have undertaken has led us to change the format of our CR report. The format now mirrors the themes of the new CR strategy which will hopefully enable us to report more clearly the progress we are making in terms of its delivery. I trust you find the new format intuitive and informative, and that it articulates clearly the importance we place on reporting our CR performance to you, our stakeholders, and that this is an integral part of the group's business strategy.

We, as ever, welcome any feedback that you may have on this CR report and the programme that underpins it, so please don't hesitate to contact us at corporateresponsibility@providentfinancial.com.

Peter Crook, Chief Executive



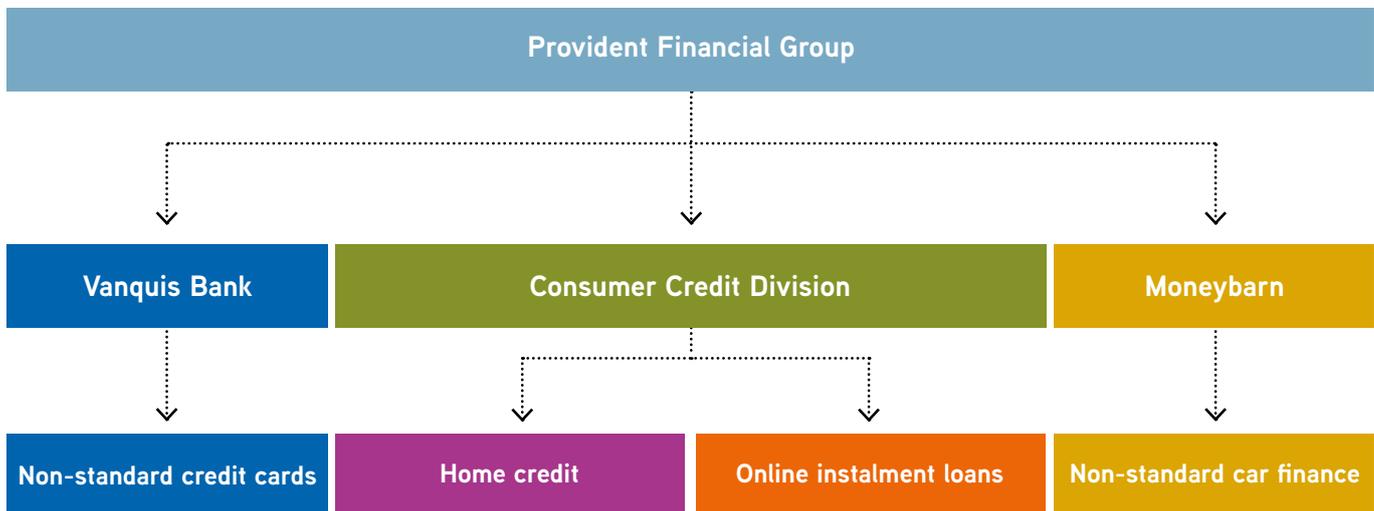
A close-up photograph of a person's hand touching a tablet screen. The screen displays a website interface for Provident Financial. The top navigation bar includes 'Provident Financial', 'Site index', 'FAQ', and 'Contact us'. Below the navigation is a search bar. The main content area features a 'Results' section with a colorful bar chart and a 'Share price' section with a 'New year' label. The background is a wooden surface.

The Provident Financial Group at a glance

Provident Financial plc is the leading non-standard lender in the UK. At the close of 2014, we had 3,555 employees and were serving 2.4 million customers in the UK and Ireland.

The Provident Financial Group at a glance

Our mission is to be the leading non-standard specialist lender in our chosen markets, acting responsibly in all our relationships and playing a positive role in the communities we serve. The group has three divisions, covering four distinct types of non-standard lending.



All our businesses share a common approach and focus on the non-standard credit market; delivering products and adapting what they do to closely suit the needs of their particular customers.

We have a long history and considerable experience in lending a hand where others do not, and seeking to increase financial inclusion. Our focus has always been on including customers who are poorly served by mainstream lenders, who either reject them or provide products and approaches not suited to their particular needs. Because of this specialism and close attention to what customers want and need, our businesses can manage customer conduct, credit and reputation risks better than many others.

The non-standard credit market

The UK non-standard credit market comprises around 12 million people. Non-standard credit customers may have a relatively low income, a poor credit history because of past problems, a limited credit history, or no credit history at all. For these reasons, they would not normally be accepted by a mainstream lender, or mainstream credit products would not suit their particular needs.

Specialist non-standard lenders such as Provident Financial have the expertise to serve non-standard consumers in a responsible manner.

The big picture

Over the last seven years, the non-standard credit market has evolved significantly. The credit crisis, together with the rapid increase in internet usage, has meant that customer behaviours and preferences have changed and products have had to adapt in response. More recently, regulatory intervention in the rapidly growing payday lending sector has resulted in market disruption.

These changes, along with much tighter underwriting standards adopted by mainstream lenders, mean that the non-standard market in 2014 looked quite different to how it looked in 2007. The non-standard audience has increased from approximately 10 million to 12 million consumers, but annual advances have reduced from £100bn in 2007 to around

<p>Vanquis Bank</p>		<p>Vanquis Bank is the leading supplier of credit cards in the non-standard credit market. We provide new customers with a low credit limit and only increase it when we have sufficient experience of the customer handling their account responsibly. We maintain a high level of contact with customers, from the initial call welcoming the customer to Vanquis Bank and continuing throughout our relationship.</p>	<p>1.3m UK customers 1,150 Employees</p>	<p>£151.0m UK profit before tax £150 - £3,500 Range of credit limits</p>
<p>Home credit</p>		<p>Provident offers home credit loans, typically of a few hundred pounds, through a network of 7,700 local agents who call each week at 1.1 million customers' homes in the UK and Ireland. Agents are primarily paid commission on what they collect, not what they lend, so it is in their interests not to lend more than customers can repay. The total amount repayable is fixed at the outset, so there are no extra charges whatsoever.</p>	<p>1.1m Customers (Home credit) 2,235 Employees (CCD)</p>	<p>£103.9m Profit before tax (CCD)¹ £100 - £2,500 Loan range (Home credit)</p>
<p>Satsuma Loans</p>		<p>Satsuma is our online instalment loan product. We give new customers an initial loan of between £100 and £1,000 and collect repayments by continuous payment authority, weekly or monthly as agreed with the customer. Existing customers can borrow up to £2,000. Our UK-based call centre is always there to discuss any issues customers may have. Just like our home credit product, the total amount repayable is fixed at the outset, so there are no extra charges whatsoever.</p>	<p>21,000 Customers</p>	<p>£100 - £2,000 Loan range</p>
<p>Moneybarn</p>		<p>Moneybarn is the market leader in the provision of car finance for people in the non-standard credit market. Moneybarn helps those who may have had problems with credit in the past but who are now over those problems.</p>	<p>22,000 Customers 115 Employees</p>	<p>£15.0m Profit before tax^{1,2} £4,000 - £25,000 Loan range</p>

¹ Before exceptional costs and, in the case of Moneybarn, prior to amortisation of acquisition intangibles.

² Pro forma profit for the year ended 31 December 2014, after applying the group's lower cost of funding to pre-acquisition results.

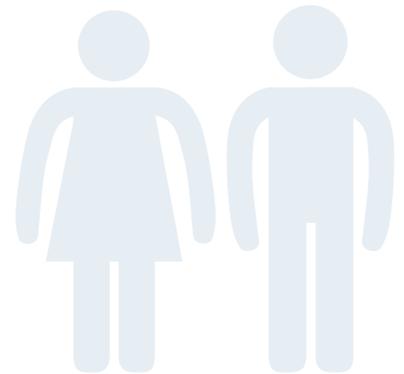
£70bn, mirroring the general reduction in consumer lending following the credit crisis. The market has started to grow again more recently.

The home-collected segment of the market is little changed in terms of size, with around 3 million consumers being served by 4 larger companies and 500 smaller, local operators. This part of the market is not showing any growth and, at the margins, newer formats such as rent-to-own and online lending are reducing the flow of quality new customers into the market.

The biggest area of change is in the direct repayment segment which has grown from around 7 million consumers to 9 million. This market is now dominated by specialist non-standard lenders providing much smaller loans at higher APRs, with customers typically being recruited online.

The exit of more mainstream lenders and failure of some other lenders has provided growth opportunities for credit card providers and payday lenders. In particular, Vanquis Bank has prospered within the non-standard credit card market, growing its customer base from around 300,000 customers in 2007 to 1.3 million in 2014.

However, the rapid growth of payday lending has led to a strong social and regulatory response. The tighter Financial Conduct Authority (FCA) regime for this sector, along with a cap on the total cost of credit from 2 January 2015, have forced companies to change their offers and reduce their prices. This has resulted in a significant reduction in these products as many providers have left the market, which has created opportunities for other lenders to serve these customers responsibly.



What we do for our customers:

- 1 Offer simple, transparent and suitable products, tailored to non-standard customer needs.
- 2 Take a different approach to managing the customer relationship, tailored to non-standard customer needs.
- 3 Learn, refine and improve what we offer, based on our experience with non-standard customers.
- 4 Do the right thing for customers, with responsibility, sustainability and compliance fundamental to our proposition.

Financial highlights

Group results – year ended 31 December 2014

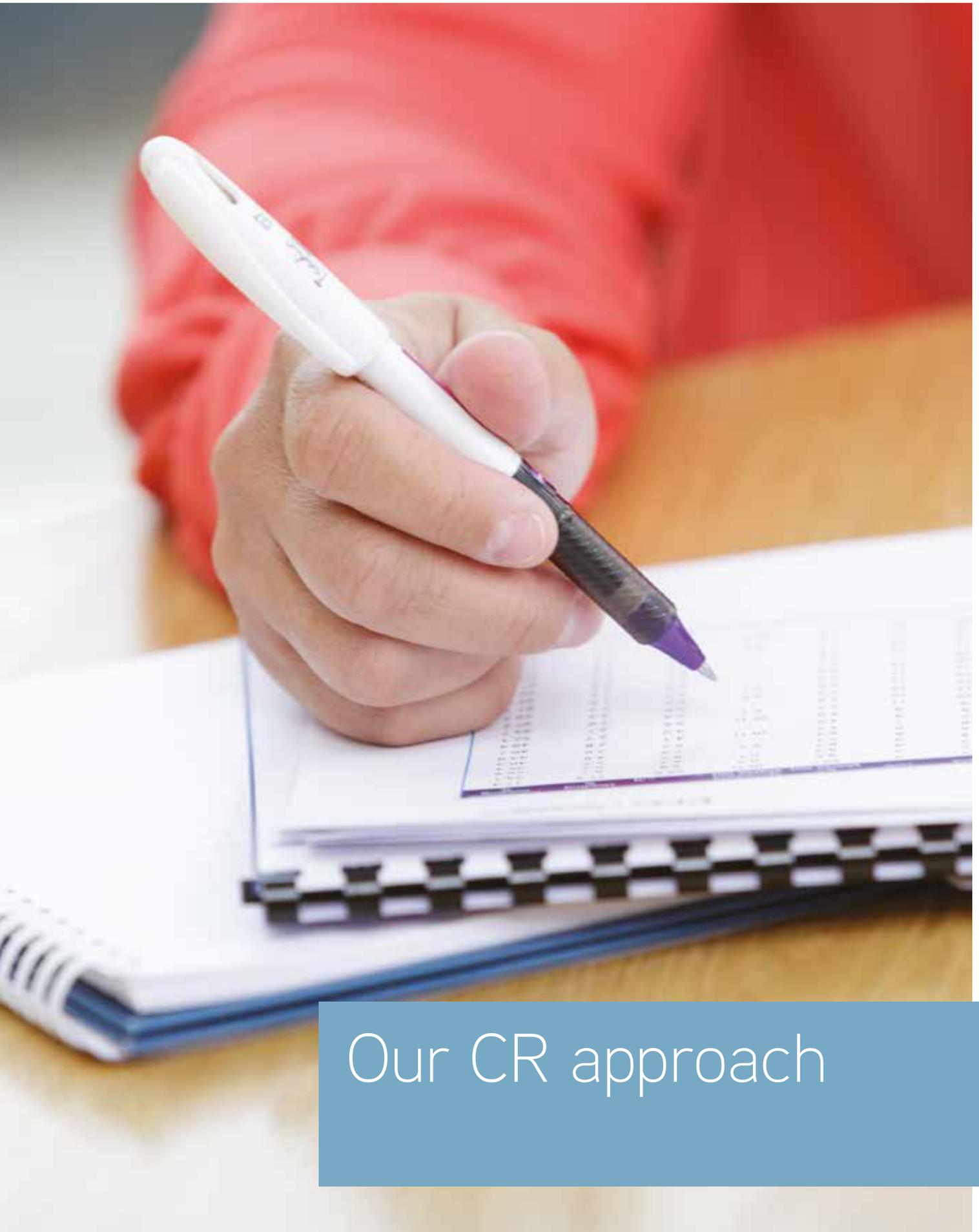
	2014 (£m)	2013 (£m)	Change (£m)
Vanquis Bank profit before tax and exceptional items	140.4	106.1	34.3
Consumer Credit Division profit before tax and exceptional items	103.9	102.5	1.4
Moneybarn profit before tax and exceptional items	5.8	–	5.8
Central costs	(15.7)	(12.5)	(3.2)
Profit before amortisation of acquisition intangibles and exceptional costs	234.4	196.1	38.3

During 2014, revenue less impairment was £748 million. Of this, £331 million was paid to brokers and suppliers of goods and services (including agents). The remaining £417 million is value added by Provident Financial which was distributed to employees (£158 million), shareholders (£123 million) and government in the form of direct taxes (£80 million). A further £2

million was donated to our community partners and a profit of £52 million was retained by the business.¹

A more detailed account of our financial performance is published in our Annual Report and Financial Statements 2014. Go to www.providentfinancial.com for more information.

¹ The figures do not add up exactly due to rounding.



Our CR approach

Our strategic approach to corporate responsibility

We have served the non-standard credit market since 1880; putting the needs of our customers at the centre of all we do. Corporate responsibility (CR) has been, and continues to be, an important part of how the Provident Financial Group operates.

This commitment to our customers' needs is demonstrated in the products and services we develop and deliver. It is also enshrined in the group's mission and CR strategy. Since 2007, these have underlined the importance of lending responsibly to our 2.4 million customers and systemically managing the other social, environmental and economic issues that are material to our business. This encompasses how we treat employees, agents and suppliers, as well as supporting and investing in the many communities we serve, and minimising our impacts on the environment.

The group's mission is "to be the leading non-standard specialist lender in our chosen markets, acting responsibly in all our relationships and playing a positive role in the communities we serve." This mission has been supported by our CR strategy,

which has guided all our CR activities, and informed the content of our Annual Report and Financial Statements, and CR Reports since 2007.

In this time, there have been a number of changes across the Provident Financial Group. The most notable include the rapid growth of Vanquis Bank; the roll-out of the Consumer Credit Division's new vision and strategy, including the launch of Satsuma Loans; and the acquisition of Moneybarn. In addition, the wider financial services sector has faced unprecedented operational and reputational challenges since the economic crisis of 2008 which has resulted, in part, in the introduction of a new regulatory regime for the sector under the Financial Conduct Authority (FCA).

Given these changes, we re-defined our social purpose and reviewed the CR

strategy that supports it during 2014 through consultation with external and internal stakeholders. This has highlighted the importance of CR to the business and will ensure our actions reflect the CR issues that are most relevant to us, today and in the future.

Our stakeholders

We define our stakeholders as those individuals or groups that have an interest in, or are affected by, the activities of the Provident Financial Group. They are organised into the following groups: customers, communities, employees, suppliers, shareholders and investors, and regulators. We engage with these groups on a regular basis to listen to their views and concerns, and also gather feedback on our activities.

Our mission is...	Our social purpose is...	Our CR strategy relates to...
...to be the leading non-standard specialist lender in our chosen markets, acting responsibly in all our relationships and playing a positive role in the communities we serve.	...financial inclusion for those who are not well served by mainstream credit products or are excluded altogether.	...operating our core business of lending to our customers in a responsible and sustainable manner, and acting responsibly and sustainably in all our other stakeholder relationships.
This commits us to...	This commits us to...	This commits us to...
...being a responsible corporate citizen.	... provide non-standard credit customers with appropriate amounts of credit, maintain close contact with them throughout the term of their loan, and work with them sympathetically if they experience difficulties. The terms and conditions for our loans are designed to meet their particular needs, and rigorous checks are made to ensure customers can afford the repayments. We have been doing this successfully since 1880.	...put the needs of our customers at the heart of everything we do; create a working environment that is safe, inclusive and meritocratic; treat our suppliers fairly; support our communities; engage with the investment community on sustainability matters; and minimise the environmental impacts of our business.

Reviewing our CR strategy

We see CR as a long-term commitment, integral to our business. So we need a robust CR strategy to guide us through the issues affecting our businesses and the industry as a whole, now and in the years to come.

Our newly-stated social purpose and CR strategy support the group's mission and

further commits our businesses to address wider social, environmental and ethical challenges and opportunities.

Our new CR strategy is supported by a scorecard; a range of qualitative and quantitative metrics to help monitor our progress in delivering against the CR strategy. Two of the metrics from this scorecard – customer satisfaction and charitable contributions – are included

in our Annual Report and Financial Statements. Our new CR strategy led us to change the format of our annual CR report, with sections now being organised around the seven commitments made in the new strategy.

The scorecard will also be used as the framework by which CR targets are set and monitored.

The CR strategy scorecard

CR strategy commitment	Key metric
Operate our core business of lending to our customers in a responsible and sustainable manner, putting their needs at the heart of everything we do.	
Be transparent in how we do business	Narrative on products (e.g. APRs), the role played by agents, tax, governance, etc.
Treat our customers responsibly throughout their journey with us	The percentage of customers surveyed who are satisfied with the service with which they have been provided*
	Total number and nature of complaints
	Total number and nature of complaints referred to the Financial Ombudsman Service and the proportion which are upheld in favour of customers
	Impairment as a percentage of revenue
	Total number of accounts handled by debt collection agencies per annum
	Total customer-focused training hours undertaken by employees and agents
Act responsibly in all our other stakeholder relationships	
Create a working environment that is safe, inclusive and meritocratic	The percentage of women in senior management roles
	Workplace diversity
	Average number of days lost to absence per employee per annum
	Number of calls made to the group-wide whistleblowing hotline per annum
Treat our suppliers fairly	Percentage of suppliers paid in accordance with their terms and conditions
Support our communities	The amount of money invested in support of community programmes, money advice and social research*
	The number of people who directly benefit from Provident Financial's community involvement activities
	The number of people supported to develop new skills or improve their personal effectiveness
	The number of people who experience a direct positive impact on their quality of life or well-being through Provident Financial's community involvement activities
	Total number of hours volunteered by employees in community involvement activities
Engage with the investment community on sustainability matters	Dow Jones Sustainability Indices/FTSE4Good scores, and narrative on investor engagement activities
Minimise the environmental impacts of our business	Total greenhouse gas emissions (reduce Scope 1 and 2 emissions and increase the reporting of Scope 3 emissions)
	Total energy use (MWh)
	Total waste arising from our activities (tonnes)

* These two metrics are, and will continue to be, included in our Annual Report and Financial Statements.

Assessing our material issues

Having used the Global Reporting Initiative’s (GRI) guidelines for many years, we have upgraded to the latest G4 guidelines. This move requires us to focus our report content on the issues that matter most, or are most material, to our business and stakeholders. The process we used to identify and prioritise our material CR issues is outlined here.

Material issues “...are those that reflect the organisation’s significant economic, environmental and social impacts; or that substantively influence the assessments and decisions of stakeholders.” GRI G4 guidelines

For over five years, we have engaged our stakeholders to ensure that we manage and report on the issues that are material to them and our business. This year, we again engaged Corporate Citizenship, an independent sustainability management consultancy, to reassess the materiality

of our CR issues, to inform our new CR strategy, and to ensure that our 2014 CR report is compliant with the G4 reporting guidelines.

The method we used to assess materiality and inform our new CR strategy involved desk-based research to identify and prioritise current and future CR issues; roundtable discussions with external stakeholders – including CR professionals from a range of financial services

companies; and stakeholder interviews, to assess the importance of each issue with our stakeholders. Finally, we engaged with internal stakeholders to identify the CR issues most important from their and our business’s point of view.

The issues that were identified as a result of the materiality assessment exercise have been plotted on the materiality matrix set out below.

Materiality matrix



These issues have also been organised around the seven commitments made in our CR strategy, with those that are considered to be most material to the Provident Financial Group highlighted in bold.

Other stakeholder engagement activities

In addition to working with stakeholders to conduct our materiality assessment and develop our strategy, other stakeholder engagement activities included:

- Regular surveys and focus groups with our customers to determine levels of satisfaction with our products and services, and to gather information on the profiles of our customers. Our operating businesses also use online review and feedback systems, such as Feefo, that allow their customers to review their services and products.
- Engaging with our community involvement partners and employees taking part in volunteering opportunities to identify the outcomes and outputs of our community involvement activities and evaluate the efficacy of our programme.
- Regular staff surveys to monitor levels of employee engagement and gather feedback on our business strategies, and issues such as communication, and training and development (see page 37 for more information).

How CR is governed

Overall responsibility for our CR programme rests with Peter Crook, Provident Financial's Chief Executive. CR and community matters are regularly considered by the Provident Financial plc board. A corporate affairs activity report is presented at each board meeting. The group's Executive Committee, which includes the executive directors and senior management, and is chaired by Peter Crook, reviews and approves the CR programme and budget.

Ongoing management of the CR programme is undertaken by Provident Financial's CR Manager, Community Affairs Manager and Community Affairs Executive, who are supported by a number of working groups made up of representatives from our subsidiary businesses. Further information on other corporate governance issues and how we have applied the principles and provisions set out in the UK Corporate Governance Code ("the Code"), and on directors' remuneration, is disclosed in our Annual Report and Financial Statements 2014 (www.providentfinancial.com).

CR strategy commitment	Material issue
Operate our core business of lending to our customers in a responsible and sustainable manner, putting their needs at the heart of everything we do.	
Be transparent in how we do business	Accountability and transparency Governance and management Ethical business conduct
Treat our customers responsibly throughout their journey with us	Responsible lending practices Customer satisfaction and customer care Financial inclusion and financial well-being
Act responsibly in all our other stakeholder relationships	
Create a working environment that is safe, inclusive and rewarding	Employment practices Diversity and inclusion
Treat our suppliers fairly	Responsible procurement
Support our communities	Financial inclusion and financial well-being Community contributions
Engage with the investment community on sustainability matters	Accountability and transparency Governance and management Ethical business conduct
Minimise the environmental impacts of our business	Environmental impact

Policies

Our CR strategy is underpinned by a range of corporate and division-specific policies which set out the codes of conduct, controls, processes and requirements of all employees and divisions within the group, as well as at the corporate office. All our corporate policies were reviewed in 2014. Any amendments made to the policies were approved by the board.

The policies cover a wide range of issues that are of relevance to our CR programme, including treating customers fairly, environmental management, community involvement, procurement, health and safety, equality and diversity, CR reporting and audit, and whistleblowing.

To demonstrate compliance, each divisional managing director and relevant senior management within the corporate office must certify compliance with the group's corporate policies twice a year, at the end of the relevant financial period for group reporting (i.e. June and December). The certification must be supported by evidence that a due process has been followed. A summary of compliance, together with specific policy exceptions, are then reported to the board.

Risk management

Our CR programme has an important role to play in the group's risk management framework. The Provident Financial plc board has ultimate responsibility for determining the nature and extent of the principal risks it is willing to accept. The board is also responsible for achieving strategic objectives and maintaining a sound system of risk management and internal controls, in accordance with the Code. The risk advisory committee assists the board by monitoring and managing the risk management and internal control systems across the group and reports to the board.

Our risk management framework is firmly embedded within our management and governance processes, and incorporates the process detailed in the diagram set out overleaf.

The framework assists in the identification, evaluation, and management of principal risks. It is designed to manage, rather than eliminate, the risk of failure to achieve business objectives. The framework fulfils the requirements of the Code; the Financial Reporting Council's 'Internal Control: Revised Guidance for Directors on the Combined Code'; and the Financial Conduct Authority's Disclosure and Transparency Rules.

Internal control

Internal audit

Regularly reviews the adequacy of internal controls (including financial, operational and compliance controls) in conjunction with the external auditor and reports to the risk advisory group, risk advisory committee and audit committee. An annual programme of work which targets and reports on higher-risk areas is carried out by the group internal audit function. The operation of internal financial controls is monitored by regular management reviews, including a requirement for each division to certify compliance quarterly.

Whistleblowing

Whistleblowing policies are in place in each of the group's divisions. The group is committed to the highest standards of quality, honesty, openness and accountability and employees are encouraged to raise genuine concerns under these policies either by contacting a manager or telephoning a dedicated external helpline, in confidence. During 2014, this external helpline was operational throughout the group and procedures are in place to ensure issues raised are addressed in a confidential manner. The Company Secretary is required to report to the audit committee in December each year on the integrity of these procedures, the state of ongoing investigations and conclusions reached. During 2014, only one issue (which was human resources related) was raised via this system and this was appropriately responded to through the group's human resources function.

New whistleblowing legislation in the Republic of Ireland (ROI) has required Consumer Credit Division to review and update its whistleblowing procedures for ROI and ensure that employees in ROI are aware of the availability of the external helpline.

Divisional boards

The divisional boards and their committees are responsible for managing the divisional risks and preparing divisional risk registers for review by the risk advisory group who report to the risk advisory committee.



Risk advisory committee

Independent of the business units and chaired by a non-executive director of the board. Responsible for ensuring that there is an appropriate risk management framework embedded across the group.



The board

Reviews the framework annually to ensure that it remains fit for purpose and complies with relevant requirements.



Risk advisory group

Formally reviews the divisional risk registers four times a year, and reports to the risk advisory committee.

Monthly management accounts

Monthly management accounts are prepared comparing actual trading results by division to budget and the prior year. Regulatory capital levels, funding liquidity and economic trends are also reported monthly. A rolling forecast of the full year outturn is produced as part of the management accounts pack. Management accounts are distributed to the executive directors and senior management team on a monthly basis and are distributed to the board for each board meeting.

Corporate policies

The board requires the divisions and the corporate office to operate in accordance with the corporate policies and to certify compliance on a biannual basis. This includes confirmation of compliance and any suggestions for improvements. This ensures that the process remains dynamic and that the divisions and corporate office are operating at the highest level. The corporate policies were last updated in July 2014.

Biannual budget process

In December each year, the board approves detailed budgets and cash flow forecasts for the year ahead. It also approves outline projections for the subsequent four years. An update to the budget is approved in June each year.

Finance forum

A six-weekly finance forum, chaired by the Finance Director and attended by divisional finance directors and senior finance management including the heads of tax, audit, treasury and risk, reviews and provides oversight of the key financial matters of the group.

In summary, the group's key risks are as follows:

Customer and conduct risk	The risk of poor outcomes for customers. The Financial Conduct Authority (FCA) replaced the Office of Fair Trading as the regulatory body for consumer credit on 1 April 2014. Under the new FCA regime, there is increased focus on customer and conduct risk, particularly ensuring that customers' interests are at the heart of what our businesses do. We minimise risk of poor customer outcomes by focusing on treating customers fairly, particularly through designing appropriate incentive schemes; ensuring affordability and sustainability of all lending; and handling vulnerable customers sensitively.
Regulatory risk	The risk of adverse regulatory change for the group and/or the failure to comply with relevant regulatory requirements.
Credit risk	The risk that the group will suffer unexpected losses in the event of customer defaults.
Business risk	The risk of loss arising from the failure of the group's strategy, or management decisions, over the planning horizon.
Reputational risk	The risk that an event or circumstance could adversely impact on the group's reputation, such as through adverse publicity from the activities of legislators, pressure groups and the media.
Operational risk	The risk of loss resulting from IT systems failure. Threats to home credit agent safety which may make it unsafe to operate home collection. The risk of financial and/or reputational losses resulting from loss or abuse of confidential data or systems, including cyber risk and the risk that IT systems are compromised. Loss of key management or reduction in staff morale, impacting business performance.
Liquidity risk	The risk that the group will have insufficient liquid resources available to fulfil our operational plans and/or meet our financial obligations.
Financial risk	The risk of loss as a result of unexpected tax liabilities.
Pension risk	The risk that there may be insufficient assets to meet the liabilities of the group's defined benefit pension scheme.

For comprehensive information on the group's risk management framework, please refer to the governance section of our Annual Report and Financial Statements 2014. Go to www.providentfinancial.com for more information.

Assurance and audit processes

The commentary and data in this report is independently assured by Corporate Citizenship. We seek assurance each year to reassure stakeholders that our CR management systems, processes and procedures are well managed and reflect legislation and best practice. It also provides reassurance that our reports and any data we disclose are accurate, complete and material.

Corporate Citizenship's assurance on our CR report evaluates the nature and extent of adherence to the AccountAbility AA1000 Assurance Standard (AA1000AS)

principles of inclusivity, materiality and responsiveness. Corporate Citizenship also evaluate the content and quality of the information against the Global Reporting Initiative's G4 Sustainability Reporting Guidelines.

An assurance statement is set out on pages 66 to 69 of this report.

The London Benchmarking Group (LBG) model is applied across the group's community programmes. This enables us to quote a total amount for our community contributions under LBG guidelines and to understand the outputs and longer-term community and business impacts of our community involvement projects.

Our environmental management system is also audited against the requirements of the international environmental standard ISO 14001. This audit work has been carried out by the consultancy firm SEQM since 2006.

Our approach to tax

Tax strategy

Our approach to tax, which is embodied in our board-approved tax strategy, is aligned with our mission, core values and overall CR strategy. We are committed to being a responsible taxpayer, being straightforward and transparent on all tax matters and acting fairly, responsibly and with integrity in all our dealings with tax authorities.

Our tax strategy seeks to ensure that we comply with all tax rules and regulations in each territory in which we operate, we pay the tax we are legally required to pay and we safeguard our reputation as a responsible taxpayer, whilst recognising that we also have a responsibility to protect shareholder value by controlling and managing our tax liabilities.

Our strategy has the following key components:

- Dealings with tax authorities**

We are committed to dealing with tax authorities openly, honestly and proactively. This includes having a regular and constructive dialogue with HM Revenue & Customs (HMRC) across all taxes, seeking advance clearance where the tax treatment is uncertain and a clearance procedure is available, discussing contentious issues as early as possible and making full disclosure of key transactions on relevant tax returns. It also includes full disclosure and early notification where it becomes apparent errors or mistakes have been made.
- Mitigating tax liabilities**

We seek to ensure that genuine commercial transactions are structured with clear and unambiguous legislative support so that tax liabilities are controlled and minimised, but artificial structures without commercial or economic substance which give a result which is inconsistent with the underlying economic position will not be considered.
- Mitigating and controlling tax risk**

Our tax strategy sets out how tax risk is mitigated and controlled by having documented principles for the involvement of the in-house tax function in transactions and business developments. These documented principles also cover the allocation of responsibilities between the tax function and the businesses, and the involvement of external advisers. These principles are

embedded into our corporate policies and the documented processes, procedures and internal controls which underpin the group's tax returns, payment of taxes and other tax reporting obligations. This includes policies and procedures which seek to ensure that the agents engaged by the home credit business maintain their self-employed status.

- **Tax risk management framework**

Our tax strategy also sets out our tax risk management framework which is embedded within our overall corporate governance structure. This seeks to ensure that tax risk across the group is identified, assessed, reported and monitored. It includes an annual review by our internal audit function of the processes and internal controls underpinning the reporting and payment of UK taxes. It also includes review and oversight of key tax risks by the risk advisory committee, twice yearly by the audit committee, as well as review by the board.

Our tax strategy, which has been shared with HMRC, is aligned with HMRC's Code of Practice on Taxation for Banks ("the Code") which sets out the principles and behaviours expected of banking groups with regard to tax, and we have unconditionally adopted the Code.

During 2014, in keeping with our strategy of keeping HMRC informed of key issues affecting the business, we discussed with HMRC the various business developments and regulatory changes potentially impacting the self-employed status of agents engaged in the home credit business. Other key business developments across the group were also discussed, including the acquisition of Moneybarn, as was tax governance and tax risk management.

The internal audit function carried out reviews of the operational effectiveness of processes and internal controls over UK corporation tax, UK VAT returns and UK employment taxes, as well as the governance framework for managing self-employed status risk in relation to home credit agents. Work also commenced on enhancing and documenting the various systems and processes in place to support Moneybarn's tax obligations.

During 2014, tax due diligence work was carried out in relation to Moneybarn, the outcome of which was considered by the board. In early 2015, the board was also provided with an update on key tax developments in respect of 2014.

Our total tax contribution

We seek to ensure that we pay the tax we are legally required to pay in all the territories in which we operate. We operate predominantly in the UK and the Republic of Ireland (ROI). Since 2012, Vanquis Bank has also operated a Polish pilot operation, the closure of which was announced in early 2015. We do not operate in, or generate income in, any other territory.

Over the last 5 years, our total tax contribution has shown sustained growth. Our total direct and indirect tax contribution in 2014 was £125 million and predominantly comprises taxes paid to the UK and Irish governments.

	2010 £m	2011 £m	2012 £m	2013 £m	2014 £m
Direct tax contribution					
Corporation tax	37	42	46	40	45
Employer's national insurance and equivalent	10	13	14	14	15
Irrecoverable VAT	8	10	11	12	17
Business rates	2	3	3	3	3
Sub-total	<u>57</u>	<u>68</u>	<u>74</u>	<u>69</u>	<u>80</u>
Indirect tax contribution					
Employees' income tax and national insurance (through PAYE)	28	34	34	38	42
Tax deducted from interest paid on Vanquis Bank deposits			2	2	3
Sub-total	<u>28</u>	<u>34</u>	<u>36</u>	<u>40</u>	<u>45</u>
Total tax contribution	85.0	102	110	109	125

Note: For 2012 to 2014, the above includes small amounts of Polish taxes paid in respect of Vanquis Bank's pilot operation in Poland.

Our direct tax contribution

Our direct tax contribution is the tax we, as an organisation, incur on our operations. It includes the following:

- **Corporation tax** – This is the tax that we pay on the profits we generate in the UK and ROI. The UK corporation tax we paid in 2013 and 2014 was reduced by the benefit of losses incurred by Vanquis Bank's pilot Polish business which operated as a branch of Vanquis Bank Limited in the UK.
- **Employer's national insurance contributions** – In 2014 we employed, on average, 3,555 employees, in respect of whom we pay employer's national insurance contributions, and the equivalent in the ROI. In 2014, this comprised £15 million of our direct tax contribution.

- **Irrecoverable VAT** – As the loans and credit we provide are exempt from VAT, we are unable to recover VAT on the vast majority of the costs we incur. In 2014, £17 million of our direct tax contribution comprised irrecoverable VAT incurred by our businesses.
- **Business rates** – The remaining £3 million of our 2014 direct tax contribution comprised business rates payable on the various business premises we occupy.

Our direct tax contribution has a direct impact on our financial results. Employer's national insurance contributions, business rates and irrecoverable VAT on operating and administrative costs are included in administrative costs and are taken into account in arriving at profit before tax. Irrecoverable VAT on capitalised costs is accounted for as part of the cost of the underlying asset.

Corporation tax is accounted for through the tax charge as explained in Note 5 to the Annual Report and Financial Statements. The corporation tax we paid in 2014 of £45m differed from the current tax charge for the year of £47m. This was due primarily to the timing of quarterly instalment payments offset by the impact of paying historic tax liabilities which had been accrued for in previous years.

We are not within the scope of the UK bank levy which only applies to larger banking groups. However, on 8 July 2015, the Government announced an 8% corporation tax surcharge which applies to profits of banking companies over £25 million. These provisions will apply to the profits of Vanquis Bank from 1 January 2016 onwards.

Our indirect tax contribution

Our indirect tax contribution represents the tax we collect on behalf of the UK and Irish Governments. It includes the following:

- Employees' income tax and national insurance contributions – This represents the income tax and employees' national insurance contributions and the equivalent taxes in ROI that we deduct from amounts paid to employees through the Pay As You Earn (PAYE) system. In 2014 it amounted to £42 million.
- Income tax on interest – Vanquis Bank pays interest on its retail deposits. This represents the basic rate income tax that we withhold from those interest payments and pay over to the UK Government. In 2014, it amounted to £3 million.

The self-employed agents engaged by our home credit businesses in the UK and ROI are responsible for paying their own tax and national insurance contributions (and the equivalent in ROI) on the commission we pay them for running their agencies.

We seek to ensure that all agents properly account for taxes on the commission we pay them by providing guidance on their tax obligations and ensuring that agents receive statements of their commission. We also fully comply with our reporting obligations and ensure that commission payments paid to agents are reported to the relevant tax authorities.

Our tax contribution in the Republic of Ireland

Our home credit business operates as a branch in the ROI. In 2014, it generated revenue of £45 million and profits of £6.5 million and had, on average, 126 employees. Of our total tax contribution for 2014 of £125 million, £3.9 million was tax paid to the Irish Government and comprised the following:

	2014 (£m)
Direct tax contribution	
Corporation tax at 12.5% net of repayments related to prior years	0.6
Employer's national insurance and equivalent	0.7
Irrecoverable VAT	0.4
Business rates	
Indirect tax contribution	
Employees' income tax and national insurance (through PAYE)	2.2
Tax deducted from interest paid on Vanquis Bank deposits	–
Total tax contribution	3.9







Our core business: lending responsibly and sustainably

Our social purpose is the financial inclusion of the people who are not well served by mainstream credit providers or are excluded altogether, and we place great importance on putting the needs of all our customers at the centre of everything we do.

Our core business



Our primary focus is to serve the needs of the non-standard credit market – something we have over 130 years' experience of doing. We do this by delivering credit products that meet the particular needs of our customers and by treating them responsibly throughout their journey with us – from the point at which we market our products to customers, through the entire term of their loan, including if they experience any difficulties along the way, and even when our credit agreement with them is over.

2014 targets

Maintain or improve customer satisfaction levels in both Vanquis Bank and the Consumer Credit Division.

ACHIEVED – during 2014, 93% (2013: 93%) of home credit customers were either very satisfied or quite satisfied with the service provided to them, and 84% (2013: 88%) of Vanquis Bank customers rated their experience as good or excellent.

Effectively manage the transition from regulation by the Office of Fair Trading and Financial Services Authority, to the Financial Conduct Authority and Prudential Regulation Authority.

ACHIEVED – See page 28 for more information.

2015 targets

Maintain or improve customer satisfaction levels in both Vanquis Bank and the Consumer Credit Division.

Implement formal processes in Moneybarn to enable baseline customer satisfaction and customer complaint data to be collected and reported.

KPIs: how we performed in 2014

Percentage of customers surveyed who are satisfied with the service they have been provided with:

- 93% home credit customers satisfied (2013: 93%); vast majority say they would recommend Provident to a friend
- 84% Vanquis Bank customers satisfied (2013: 88%)

Total number and nature of complaints: 33,433 (2013: 32,361). For nature of complaints, see page 32.

Total number and nature of complaints referred to the Financial Ombudsman Service: 832 (2013: 1,198); the proportion which were upheld in favour of customers: 23% (2013: 11%²).

Impairment as a percentage of revenue: 30% (2013: 37%)

Total number of accounts handled by debt collection agencies: 530,776

Total customer-focused training hours (employees and agents): 52,624



² Restated from last year's report.

Being transparent about how we do business

About the non-standard credit market

The UK population comprises around 50 million adults. Of these, 12 million are part of the UK non-standard credit market and it is our primary focus to serve this market in the UK and in Ireland, with our current number of customers standing at 2.4 million. The non-standard credit market is made up of people who, for a variety of reasons – from relatively low incomes to poor or limited credit histories – are not well served by the mainstream credit market’s products and services.

Our products and the customers who use them

We have been serving the non-standard credit market since 1880 and, in this time, have gained a good understanding of what our customers are looking for in the products we offer: This includes:

- Smaller sums – typically less than a mainstream provider would lend.
- High levels of contact with their lender – our customers like someone to talk to about their loan.
- Understanding – our customers usually have little leeway in their income, so, if they experience problems during the term of their loan, they want to talk to someone who understands their situation and can offer a solution. With some of our products this can even mean the ability to reschedule repayments at no extra cost to the customer whatsoever.

Our products are tailor-made to meet these needs – a sensible amount of credit provided in a transparent, responsible, sustainable way. All the businesses within the Provident Financial Group specialise in offering simple and suitable products which are delivered via a service which suits our customers’ varying needs.

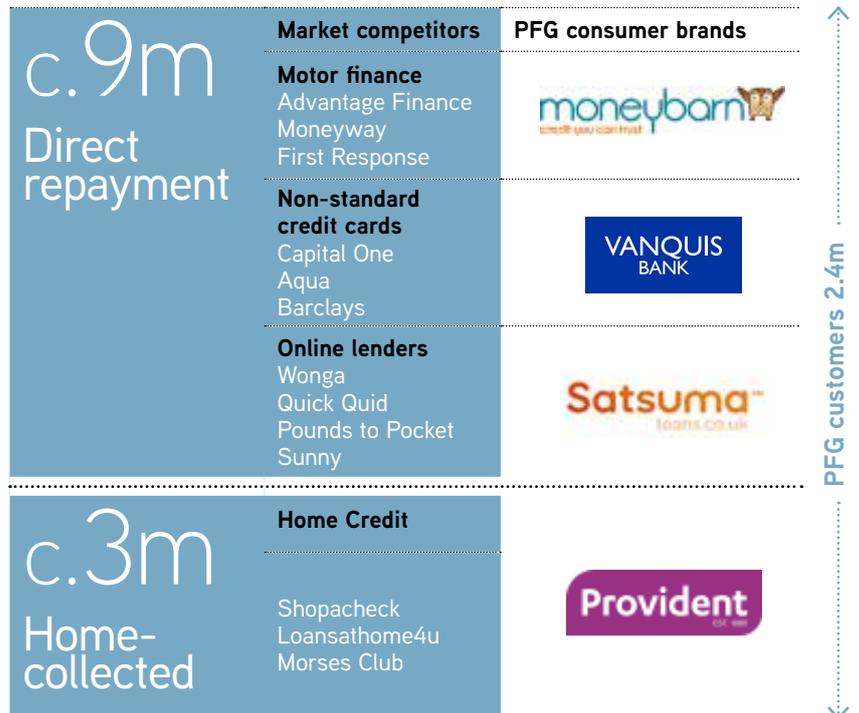
Our ‘low and grow’ approach to lending is a key characteristic of our products; it enables us to extend small amounts of credit to customers in a responsible and prudent manner. Under this approach, new customers to Vanquis Bank, Satsuma and Provident get lower credit limits, or smaller, shorter-term loans to begin with. This enables us to observe and understand the behaviour of our customers before we consider granting further lending and also enables the customers to experience our products and see if they suit their needs.

Our product offerings grew in 2014 through the acquisition of Moneybarn, the UK’s largest provider in the non-standard, dealer-purchased, used car finance market.

The UK credit market in 2014



Non-standard credit market



Non-standard credit cards

What we offer	Credit cards to 1.3 million customers supported by 650 contact centre staff in two UK locations.
Credit limit	£150-£3,500, average balance of £846
Representative APR	39.9%
Brands	Vanquis Bank, Aquis, Chrome, Black Diamond, Granite.
Our customers	Our customers spend at many of the major merchants used by prime credit card holders, such as Tesco, Asda, Sainsbury's, Argos, Amazon and PayPal. However, our target customers have a very different profile to prime credit card users. Whilst they are typically employed, their incomes of between £20,000 and £35,000 are, on average, lower than that of a prime customer. Most will have a credit profile which means they have limited access to, and use of, other forms of borrowing compared with prime customers. They are also much less likely to be home owners, with some three-quarters living in rented accommodation.
What we do for our customers	<ul style="list-style-type: none"> • Simple, non-standard credit card products with no prime offer, no teaser rates, no balance transfers, no reward programmes and no cashback offers. • Close customer contact from the outset, with a welcome call and various types of immediate communication in the event of any issues arising. • Adopt a responsible and prudent 'low and grow' approach to extending credit, starting from £150, up to a maximum of £3,500. • Offer an optional Repayment Option Plan (only after a customer has their card) to allow them to manage more easily any short-term payment difficulties, if they so choose.
How it works	<ul style="list-style-type: none"> • 80% of new accounts come through online channels and direct mail. Our representatives also attract new customers face-to-face on the high-street or in shopping centres. We also work with retail partners; for example, we work in partnership with Argos to offer an Argos credit card. • Customers start on a small initial credit limit – typically £250 – the core of our 'low and grow' approach. This gives us the opportunity to observe the customer's behaviour and only consider extending further credit slowly and responsibly. • We maintain high levels of contact with customers, starting with a welcome call from one of our contact centres in Chatham or Bradford. High contact levels are reflected in our consistently high customer satisfaction levels. • In addition to credit cards, we offer savings products with fixed-rate deposits for fixed terms of either 1, 2, 3, 4, or 5 years. We do not offer instant access savings products.
The values this creates	<ul style="list-style-type: none"> • Financial inclusion and rebuilding of credit history for over 1.3 million credit card customers. • Improving customers' credit scores whilst providing access to small credit lines over an average of four years as a Vanquis Bank customer. • High levels of customer satisfaction.

Home credit

What we offer	Home credit to over 3% of UK households with 7,700 self-employed agents visiting over 1 million homes per week, supported by 2,235 staff in 300 branches.
Loan amounts	£100-£2,500
Representative APR	399.7% APR
Brand	Provident
Our customers	Home credit customers are not always the main breadwinners in their households, although they often control the household budget. The household incomes tend to be from hourly-paid, part-time or casual work, rather than from salaried employment, and just under half of our customers receive at least part of their income from non-universal benefits.
What we do for our customers	<ul style="list-style-type: none"> • Simple, cash-based loans that are delivered to the customer with nothing extra to pay whatsoever. Customers always know the full cost of their loan upfront. • Weekly home visits from self-employed agents who collect and lend. • Skill and judgement of the agent is increasingly bolstered by sophisticated affordability assessment and credit scoring systems. • Weekly personal assessment of all customer situations and flexibility where necessary, at no extra cost to the customer whatsoever.
How it works	<ul style="list-style-type: none"> • Our new business comes through recommendations, direct mail, the internet or is sourced through our network of self-employed agents. • After receiving a request, the agent visits the customer's home to discuss the product offered and make an appointment to call back. • During the second visit, the agent conducts affordability and creditworthiness checks, completes the required documentation (often using our new smart phone app), agrees a suitable loan amount and discusses the loan terms and costs. • The agent will visit the customer each week to collect repayments.
The values this creates	<ul style="list-style-type: none"> • Financial inclusion and in-built discipline and control for over 1 million customers. • Help for customers coping with the peaks and troughs of income and expenditure. • Very high customer satisfaction.

Online instalment loans

What we offer	Small, short-term loans to non-standard customers, building on the long experience from our home credit business.
Loan amounts	£100-£2,000
Representative APR	845%
Brand	Satsuma Loans
Our customers	Satsuma is aimed at the non-standard consumers in the segment of the market between Vanquis Bank and home credit. These customers want to access small-sum credit online and make weekly or monthly repayments direct from their bank account without the need for an agent visit.
What we do for our customers	<ul style="list-style-type: none"> • Simple online loans with manageable payments, and flexibility when needed. • No penalty fees, extra charges or added interest whatsoever, no matter what happens. Customers always know the full cost of their loan upfront. • Close contact from the outset, with a representative on the phone whenever a customer needs to talk to somebody; it is a personal approach to online lending. • Sophisticated credit scoring and affordability systems using a range of data sources to aid a responsible and sustainable 'low and grow' approach to lending.
How it works	<ul style="list-style-type: none"> • Customers hear about Satsuma online and through our TV adverts. • The online application process is easy to understand and typically takes 15 minutes. We use affordability and credit bureau data to make a decision straightaway. • We always carry out a welcome call to introduce ourselves, check facts and confirm the terms of the loan. Following the call, the money is sent directly to the customer's bank account.
The values this creates	<ul style="list-style-type: none"> • Helping customers manage their tight budgets. • Lending that is far better suited to non-standard customer needs than typical online and 'payday' lending. • For customers for whom the home credit market is not suitable, a responsible and sustainable alternative to typical 'payday' and 'payday-style' lending and lender practices. • Strong growth opportunity in a market with large demand, poorly served by mainstream lenders and increasingly constrained 'payday' lenders.

Non-standard car finance

What we offer	Non-standard loans to buy a second-hand car or light van.
Loan amounts	£4,000-£25,000
Representative APR	32.83%
Brand	Moneybarn
Our customers	Our customers are very similar to Vanquis Bank customers. They have a thin or impaired credit history and often find it difficult to access credit from prime lenders. They have an average age of approximately 40, are employed or self-employed and have an income level around the national average of £25,000. They are more likely to be male than female.
What we do for our customers	<ul style="list-style-type: none"> • Simple hire purchase-type car finance with no add-ons or insurances, focused on the needs of the non-standard second-hand car buyer. • Customer relationships are established with a welcome call and maintained with individual discussions when issues arise. • Investment in automation and credit scoring systems where appropriate, building market-leading service levels; acceptance in principle decisions are made at the time of the application. • Fairness is at the forefront of all discussions with customers; always helping the customer to keep their car if possible; and looking for the best outcome for them overall.
How it works	<ul style="list-style-type: none"> • New customers come to us primarily through a well-established network of brokers with which we have excellent relationships. Brokers earn commission for each lead they provide which results in a loan being issued. Customers can source their vehicle from any dealership. • Lending decisions are made based on our combination of credit bureau data, our own proprietary scorecards, and our policy rules. This includes conducting affordability assessments and obtaining proof of income. • Collections are normally made through fixed monthly direct debit payments. Formally, the vehicle is owned by Moneybarn until the final instalment has been paid by the customer.
The values this creates	<ul style="list-style-type: none"> • Better outcomes for customers – helping people get to work. • A more suitable product to finance a used car purchase than unsecured lending. • Low level of upheld Financial Ombudsman Service (FOS) complaints. • High levels of customer satisfaction. • Strong growth opportunity in a market with large demand, poorly served by mainstream lenders. • First choice of our key brokers allowing us to access the best leads available.

The APRs of our products

Transparency is a key part of our offer to customers. The charges for all our products are clearly laid out from the start. With both home credit and Satsuma Loans, all costs are included in the loan upfront; the cost will never go up, even if the customer misses a payment.

The APRs of products in the non-standard market can appear high when compared with those products designed for the mainstream market. However, APR is an imperfect measure for the small, short-term loans we offer through home credit and Satsuma Loans. These loans include all costs upfront, while mainstream and many other lenders have these charges outside their quoted APRs, potentially significantly increasing the cost of their credit. Our rates of APR also reflect the level of default risk in our chosen market.

Transparency is also an important aspect of how we market the products we offer to our customers. As such, we make sure that all our marketing material is clear, fair and not misleading, as we do for any information that is sent to customers during and after the term of their loan. Our compliance teams review any marketing material and any customer information to ensure these principles of clarity and fairness are being maintained.

The role of the home credit agent

Home credit loans are provided face-to-face in the customer's home by our network of 7,700 self-employed agents. Agents call every week to collect repayments. They often live in the same communities as their customers and so have an understanding of their needs and circumstances.

Whilst central underwriting is used, agents make the final decision as to whether to lend, as they can make personal assessments of customers' ability and willingness to make their contractual repayments. Importantly, agents are paid commission primarily on what they collect, not what they lend, so they have no reason to lend more than their customers can afford to repay.

The profitability of an agency increases as the agent gains more experience. With this in mind, we have significantly changed the way we attract, induct and support agents, to reduce agent turnover and help increase the profitability of their agencies. Also, as less profitable rounds can be a key reason agents choose to leave, we have combined some smaller agent rounds to create better opportunities for new agents. These changes have resulted in a significant reduction in agent turnover and a halving in the number of vacant agency positions.

Vanquis Bank

Representative APR – 39.9%

Simple, non-standard credit card products with no prime offer, no teaser rates, no balance transfers, no reward programmes and no cashback offers.

Satsuma Loans

Representative APR – 845%

Simple, online instalment loans with manageable payments and nothing extra to pay whatsoever.

Home credit

Representative APR – 399.7%

Simple, cash-based loans that are delivered to the customer in their home with nothing extra to pay whatsoever.

Moneybarn

Representative APR – 32.83%

Simple, hire purchase-type car finance with no add-ons or insurances, focused on the needs of the non-standard second-hand car buyer.

Technology and apps

Throughout the year, we continued to invest in technology in our home credit business to enable better overall customer service. Following on from the launch of an Apple iOS collections app for agents in 2013, an Android version of the app was launched in February 2014. 95% of agents were using their smartphones to conduct their round at the end of 2014, up from around 30% at the start of the year. This well outstrips the 80% target we set ourselves at the start of the year³.

The apps provide many benefits including:

- Implementing market-leading compliance as regulation migrates to the Financial Conduct Authority (FCA); this implementation programme is running well ahead of plan
- Saving agents approximately two to three hours per week
- Standardising best practice
- Giving significant efficiency gains across the field operation.

The success of this app means we are piloting a lending app to support electronic loans documentation. This pilot commenced in May 2014 and has now been extended to over 35% of agents. The app eliminates paper, saving a significant amount of agent and back-office time, and allows the business to better enforce and demonstrate compliance. We anticipate 100% use of the lending app by the end of 2015.

The new legislative framework

We monitor policy, regulatory and legislative developments that relate to the way we operate, and how we deliver our products and services to our customers.

In April 2014, responsibility for regulating consumer credit was passed to the Financial Conduct Authority (FCA) and was

also brought within the legal framework contained in the Financial Services and Markets Act 2000 (FSMA). The FCA regulates the entire financial services industry and uses a set of rules and principles to ensure that customers are fairly treated by providers.

The shift to FCA regulation has brought consumer credit into the same regulatory regime as other retail financial services and means that all the Provident Financial Group in its entirety is now regulated by the FCA. Prior to this, the products that were delivered by the Consumer Credit Division and Vanquis Bank had been regulated by the Office of Fair Trading and the Financial Services Authority, respectively.

So that we could continue offering consumer credit services to our customers when the new FCA regulatory regime came into force, we registered for interim permission from the FCA in April 2014. We have also applied for full FCA authorisation too; Vanquis Bank submitted its application for variation of permissions in December 2014, and the Consumer Credit Division and Moneybarn submitted their application for full authorisation in 2015.

To ensure we comply with the new regulations, full formal governance structures have been established in each of our businesses, including divisional boards and committees with non-executive directors. We have identified FCA-approved people across key management functions in each division, as well as having implemented robust risk management frameworks, policies, processes, and procedures; we are carefully monitoring compliance to these new systems. We also undertake thorough assessments for all lending decisions to ensure affordability and sustainability of our products for our customers.

³ Not published in last year's report.



How Provident Financial Group is now regulated

Group-wide

The whole group is the subject of consolidated supervision by the Prudential Regulation Authority (PRA). The PRA sets requirements for the whole group in respect of capital adequacy, but not in respect of liquidity.

Vanquis Bank

- Authorised, regulated, and compliance monitored by the FCA.
- Must comply with the Consumer Credit Act 1974 (as amended) and associated regulations.
- Complaints can be taken to the Financial Ombudsman Service.
- Regulated by the PRA which sets requirements for Vanquis Bank relating to capital and liquidity adequacy.

Consumer Credit Division

In the UK:

- Authorised, regulated, and compliance monitored by the FCA.
- Must comply with the Consumer Credit Act 1974 (as amended) and associated regulations.
- Complaints can be taken to the Financial Ombudsman Service.
- **Home credit:** Also a member of the home credit industry's trade association, the Consumer Credit Association United Kingdom, and subject to its Code of Practice and Business Conduct Pledge. These are voluntary codes which reinforce the statutory and regulatory requirements.
- **Satsuma Loans:** Subject to additional FCA regulatory measures and restrictions as Satsuma Loans falls within the FCA's definition of 'high-cost short-term credit'.

In the Republic of Ireland (where home credit lenders are known as 'moneylenders'):

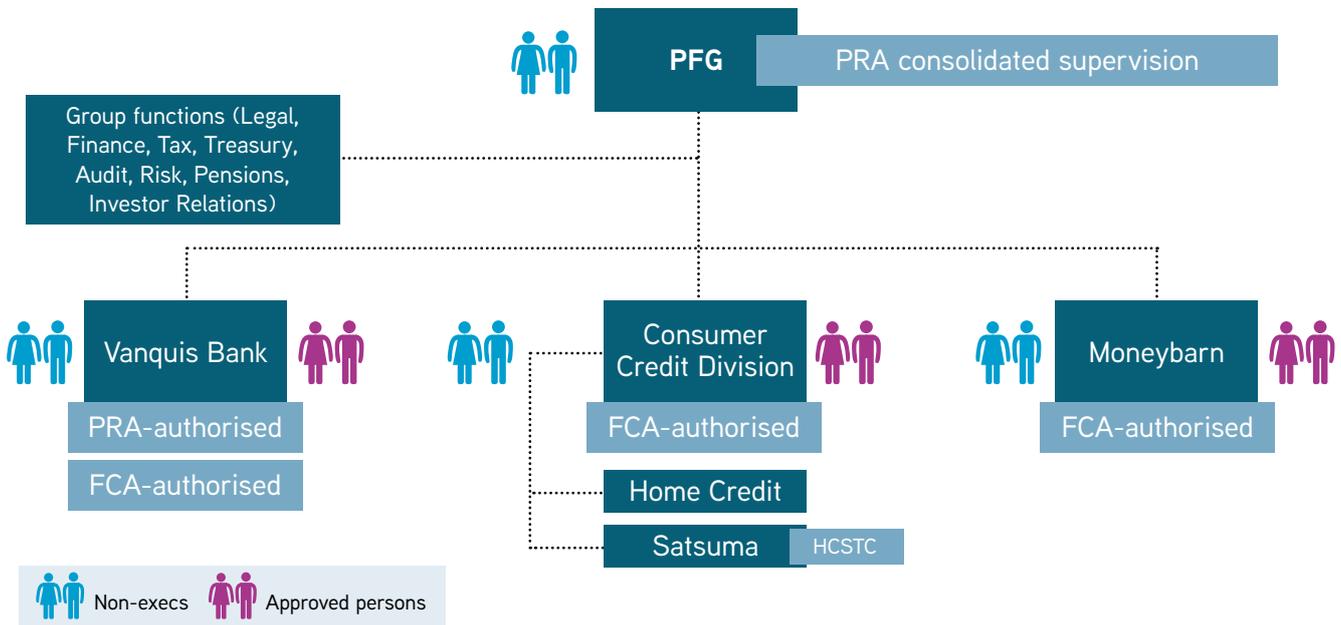
- The statutory obligations set out in the Consumer Credit Act 1995.
- Requirements of the Central Bank of Ireland's Fitness and Probity regime.
- The Consumer Protection Code for Licensed Moneylenders 2009.
- The European Communities (Consumer Credit Agreement) Regulations 2010.
- Home credit is licensed to carry on business as a moneylender by the Central Bank of Ireland. It is also a member of the Consumer Credit Association Republic of Ireland.

Moneybarn

- Authorised and regulated by the FCA.
- Must comply with the Consumer Credit Act 1974 (as amended) and associated regulations.
- Complaints can be taken to the Financial Ombudsman Service.
- Leading member of the Finance and Leasing Association, the official trade body of the motor finance industry, and subject to its Lending Code, which sets out best practice in consumer lending.

Regulation – how the group will look

Each business will have non-executive directors and approved persons



The regulatory regime's requirements

Our UK businesses are subject to the FCA's six 'Treating Customers Fairly' outcomes, which are central to ensuring a fair deal for consumers, both today and in future:

1. Consumers can be confident that they are dealing with firms where the fair treatment of customers is central to the corporate culture.
2. Products and services marketed and sold in the retail market are designed to meet the needs of identified consumer groups and are targeted accordingly.
3. Consumers are provided with clear information and are kept appropriately informed before, during and after the point of sale.
4. Where consumers receive advice, the advice is suitable and takes account of their circumstances.
5. Consumers are provided with products that perform as firms have led them to expect, and the associated service is of an acceptable standard and as they have been led to expect.
6. Consumers do not face unreasonable post-sale barriers imposed by firms to change product, switch provider, submit a claim or make a complaint.

Treating our customers responsibly every step of the way

Treating our customers responsibly is built into everything we do – from the way we market and sell our products and how we make our lending decisions, to how often we contact customers, to the process we have for complaints. We have developed our products to meet our customers' needs; creating simple, transparent products with high levels of forbearance and flexibility.

Lending responsibly

One of the indicators we use across our businesses to show that we are lending responsibly and ensuring that customers are not falling into arrears is the ratio of impairment to revenue. This measure expresses the cost to the business of customers defaulting on loans, as a percentage of revenue.

Vanquis Bank

In line with 'low and grow', Vanquis credit limits start as low as £150 and we only extend a limit if it is appropriate to do so.

Our bespoke underwriting process has been developed over the last 12 years and our conservative approach to risk is reflected in the fact we only approve 25% of applications. Our lending decision is based on both external credit reference data and our own scorecards, which have been developed through our extensive experience.

Once we have approved an application, we understand that we need to get to know our customers so that we can put them at the heart of our business. So, all new customers receive a welcome call from one of our two UK call centres and we continue to have high levels of customer contact throughout the relationship. Every customer also receives a welcome pack which outlines their rights and responsibilities and offers tips on managing their finances and improving their credit rating. Customers tell us they understand their statements and we send SMS text messages to remind them when their payment is due. We also follow-up any missed payments by contacting them immediately by telephone.

Home credit

Our home credit business is built around the relationship between the customer and our self-employed agent. The agent makes the final lending decision – using central underwriting but also basing their

30%

The ratio of impairment to revenue measure across the Provident Financial Group in 2014

final decision as to whether to lend on their personal assessment of the customer's ability and willingness to make their contracted repayments.

This relationship means the customer knows they will get a sympathetic response should they get into difficulty; this may take the form of making a reduced payment, or even missing a weekly payment altogether, at no extra cost to them whatsoever.

Our commission structure means that agents are paid commission primarily on what they collect, not what they lend, so they have no reason to lend more than their customers can afford to repay. Also, our 'low and grow' approach means first-time borrowers typically receive smaller, shorter-term loans to give agents the opportunity to observe and understand the customer's behaviour.

Satsuma Loans

The success of Satsuma Loans builds on the knowledge of issuing home credit loans and Vanquis Bank credit cards. We base lending decisions on external bureau data and our own scorecard, which we continue to refine. Satsuma Loans also reflects the 'low and grow' approach of both Vanquis and home credit and maintains high levels of customer contact.

In October, we implemented enhanced affordability assessments, as required by the FCA, including verifying customers' incomes and considering outgoings as part of the overall credit process. In November, we launched a new decision engine and scorecard which will allow us to include behavioural and social data in our credit decisions going forward.

Satsuma Loans collections processes are now handled by Vanquis Bank's Chatham contact centre collections team. This team works closely with Satsuma customers, including contacting customers by phone and text message and working closely with them to ensure the best possible outcome.

Moneybarn

The primary source of our new customer leads is through a network of well-established brokers. These brokers value our service levels, technology and the excellent relationships that we forge with them. This is reinforced by approximately 60 staff based within brokers dedicated to Moneybarn. Brokers earn commission for each lead that they provide which results in a loan being issued. Customers using a broker can source their vehicle from any car dealership.

Underwriting at Moneybarn is highly automated to allow for rapid provisional approvals. Decisions are based on external

We delivered 52,624 customer-focused training hours to employees and self-employed agents in 2014

credit data, our own scorecards, and affordability assessments. Moneybarn typically requires customers to pay a deposit. The car is formally owned by Moneybarn until the final instalment is paid.

Customer-focused training

We continue to deliver learning programmes focused on treating customers fairly. This training is delivered to all relevant staff, as well as to the self-employed agents in our home credit business.

A significant amount of training was delivered across the business in 2014, which introduced some of the changes to systems and processes that came about as a result of the new FCA regulatory regime.

We deliver a range of treating customers fairly and compliance-related modules through our training systems. These modules include anti-money laundering, data privacy, information security, customer complaints and dealing with vulnerable customers. Many of our staff and all agents are required to do refresher training on these issues on an annual basis.

Customer satisfaction

Customer satisfaction remains a key indicator of whether we are delivering our business strategy. Our high levels of customer contact, tailored products and responsible approach to lending mean we achieve very high levels of customer satisfaction. We monitor customer satisfaction across the group by conducting regular surveys.

In 2014, 93% of home credit customers said they were satisfied with the home credit service (2013: 93%) with the vast majority saying they would recommend Provident to a friend. Customer satisfaction at Vanquis Bank was 84% (2013: 88%).

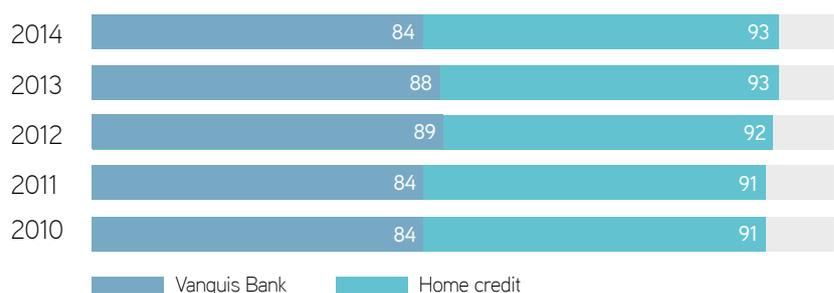
Our home credit and Satsuma Loans businesses have recently partnered with the independent and global review site Feefo. When customers use our products, they are contacted by Feefo to give a rating and a review, which are then published for other customers to read. We also use this feedback to understand what we are doing right and to learn how we can improve. It is pleasing to know that Feefo feedback shows 99% of Satsuma and 98% of home credit customers rate the service they receive as Good or Excellent.

Dealing with complaints

Handling complaints well is an important part of building a long-term, trusting relationship with our customers and reassuring them that we have their interests at heart – meaning they are more likely to stay with us and recommend us to others. It is also important for us to hear if we are getting things wrong, so that we can learn from that and improve the experience for all our customers.

The customer relations teams across the Provident Financial Group have clear complaint-handling processes, procedures and timescales in place to ensure that any complaints are taken seriously and are resolved professionally and efficiently.

Customer satisfaction (%)



Underwriting at Moneybarn is highly automated to allow for rapid provisional approvals. Decisions are based on external

During 2014, the actual number of complaints received by Vanquis Bank and the Consumer Credit Division was 33,433 (2013: 32,361). Of these, 18,040 (2013: 20,581) complaints were received by Vanquis Bank, with 15,393 (2013: 11,780) received by the Consumer Credit Division. This figure translates to 1.4% (2013: 1.2%) of the total number of our customers.

Where we are not able to resolve a customer's complaint to their satisfaction, they may refer the complaint to the Financial Ombudsman Service (FOS). We provide the contact details of the FOS to all our customers. During 2014, the total number of new cases received by the FOS was 832 (2013: 1,198⁴). 189 (2013: 126⁵), or 23% (2013: 11%⁶) of those referred to the FOS were upheld in favour of the complainant.

Collecting responsibly

Once we have issued credit to our customers, it is important that our subsidiary businesses collect their repayments in a fair, responsible and courteous manner. This includes instances where customers experience some difficulties in meeting their repayments.

Vanquis Bank

Vanquis Bank's highly trained collections teams continue to develop and use a range of tried-and-tested methods to collect repayments. This includes a text message to remind when a payment is due, and a phone call immediately following a missed payment. Vanquis Bank's success is demonstrated by our 'promise kept' rate – the number of payments actually received following a promise given by a customer to make a payment – which is currently in excess of 75% and we believe to be 'best in class'.

We offer a range of repayment solutions to suit the varying needs of our customers, such as specially-trained employees who manage the accounts of those customers identified as vulnerable. For customers who get into financial difficulty, Vanquis Bank has a range of payment plans to meet their differing requirements and help them to get back on track. It also offers customers a Repayment Option Plan (ROP) which, for a monthly fee, allows customers to freeze their account for up to two years if they lose their job or experience certain other financial difficulties. ROP also allows customers to have one default fee per annum waived and can be cancelled at any time with one month's notice. Features such as these allow customers to have greater peace of mind around their financial circumstances.

Home credit

In home credit, all customer accounts that have fallen into significant arrears are managed by the Provident Central Collections (PCC) team at head office. To re-establish repayments, the PCC team explain to the customer what they must do to either pay the balance in full or in instalments. In some instances the team accepts reduced repayment instalments, at no extra cost to the customer whatsoever.

Satsuma Loans

During 2014, Satsuma Loans successfully embedded its collections processes into the collections capabilities of Vanquis Bank. Vanquis Bank's Chatham contact centre representatives now work closely with Satsuma Loans customers, using all aspects of their technology to contact customers, including trace activity for customers where no contact can be made and, importantly, utilising their extensive range of forbearance measures for customers whose circumstances have changed.

Moneybarn

Collections are normally made through fixed monthly direct debit payments. If a customer gets into financial difficulties during the term of their loan, our customer services team will work closely with the customer to help them get back on track. This may include a temporary payment rearrangement for short-term financial difficulties. However, for those customers that demonstrate they can no longer afford the ongoing repayments, the most appropriate exit strategy is often through the repossession and sale of their vehicle to settle their loan before the vehicle depreciates further. In many cases, this results in a balancing payment being given to the customer.

Debt collection through agencies

While we dedicate significant resources to assist customers having difficulty meeting their repayments, it is unfortunate that there are some cases where customers still either cannot or will not co-operate. When this is the case, our operating divisions have systems and processes in place to resolve such situations, including appointing a debt collection agency (DCA) to pursue the debt. DCAs only receive commission on the payments they collect and, in any activities they undertake on our behalf, the title and responsibility for the loan remain with our relevant operating business. If the DCA is not able to make an arrangement for repayment, the account is then passed to a second DCA for further recovery action. We only use DCAs whose track record is known

22%

The percentage of accounts placed with DCAs during 2014 (530,776 accounts)

to our operating businesses and who are members of the DCA trade body, the Credit Services Association.

Our work with DCAs is contractually-based, and we review and scrutinise their performance on an ongoing basis, including through formal audits of their activity every six months. These audits focus on all aspects of work that the DCAs are carrying out on our behalf, including ensuring that their activities are responsible and comply with our own processes and procedures.

Debt agreement plans

While we are working to collect outstanding debt from customers, sometimes they enter into debt agreement plans with leading debt charities such as StepChange Debt Charity and Christians Against Poverty (CAP).

We continue to accept the offers of payment when customers have sought advice from these charities and a financial assessment has been made. Through the 'Fairshare' agreements we have with these charities, we contribute almost 12% of any payment we receive from a customer who has entered into a debt agreement plan to the charities. During 2014, our subsidiary businesses paid £461,207 (2013: £219,080) to StepChange and CAP in 'Fairshare' contributions.

By making these 'Fairshare' contributions to StepChange and CAP, we ensure that our subsidiary businesses pay for the debt advice received by the customer, providing the charities with financial support so that they can continue to provide free, independent advice to people in financial difficulty and to operate independently of taxpayer support.

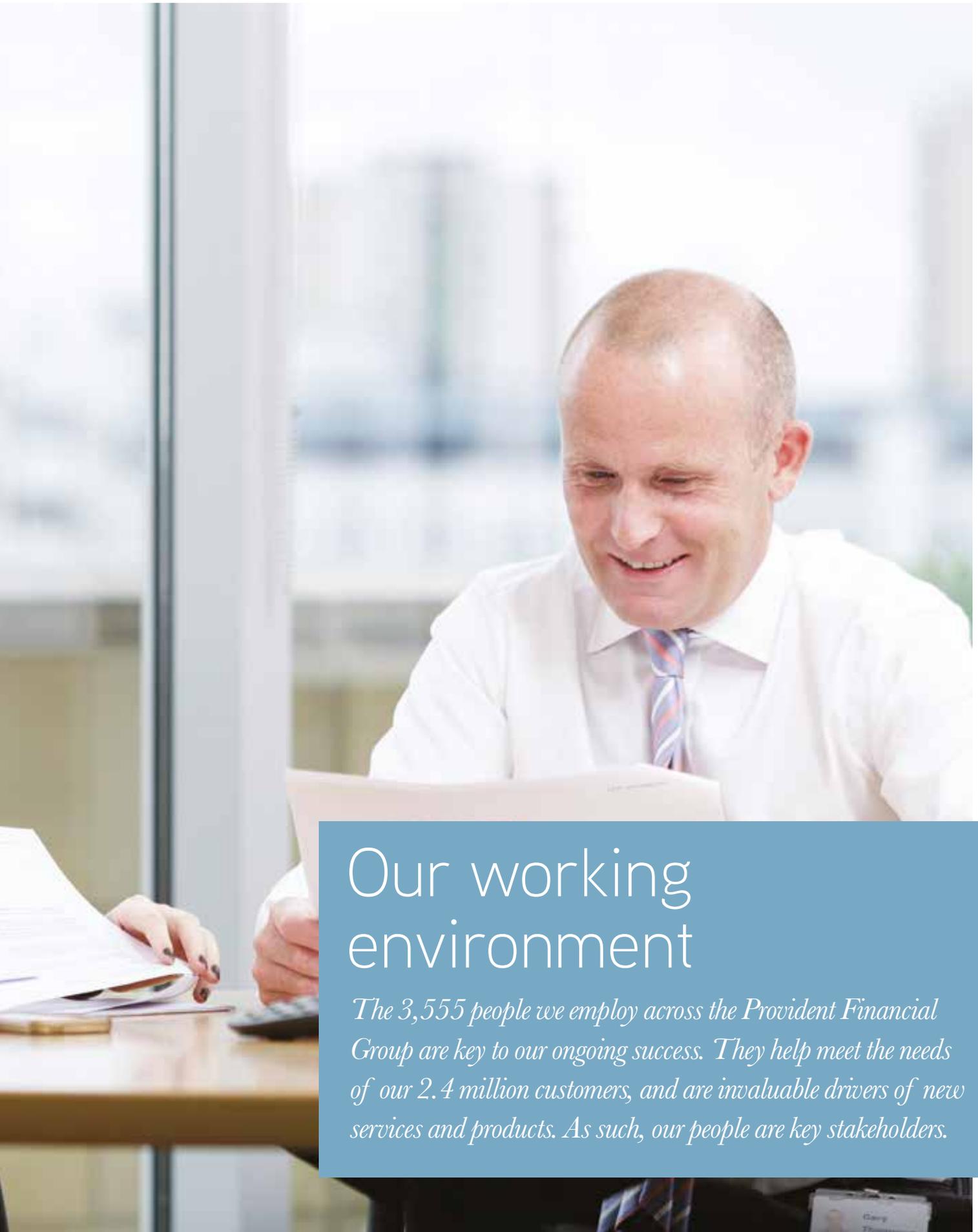
Supporting the money advice sector

We have a long history supporting a range of organisations in the free and voluntary money advice sector. We do this because we recognise the importance of helping consumers who may have problems repaying their debts to us and others. In 2014, we continued to support a range of free and voluntary money advice organisations. Examples of the work we supported in 2014 are included in the table opposite.

^{4 5 6} Restated from last year's report.

Organisation	How we support them
Christians Against Poverty (CAP)	<p>The funding we provided to CAP during 2014 continued to be used to support the work of its Insolvency Team, who make insolvency bursary payments to those clients with a Debt Relief Order. CAP are used by those with low levels of debt but no prospect of paying it off – due to low income and asset levels, and no means to enter bankruptcy. Through our funding, CAP enabled 233 people to go through an insolvency route during 2014, giving them a fresh start and a way out of debt.</p>
Institute of Money Advisers	<p>The funding we gave to the Institute of Money Advisers enabled the Institute to update and improve its office IT infrastructure. This included replacing the Institute’s server to cope with the demands of an increased number of staff and a growing organisation.</p>
Money Advice Liaison Group (MALG)	<p>We continue to fund MALG to run regional meetings to improve communication, understanding and good practice between advisers and creditors.</p>
Money Advice Trust (including National Debtline and Business Debtline)	<p>The funding we provided to the Money Advice Trust was used by their Insight and Engagement function to undertake research into the Trust’s services to ensure they are meeting the needs of the people the Trust serves. This included:</p> <ul style="list-style-type: none"> • Using independent research and data from National Debtline to help understand how the debt landscape today differs from that in 2007, therefore enabling the Trust to respond to their clients’ changing needs. • Carrying out ongoing research to enable the Trust to understand what advice clients of its National Debtline and Business Debtline want, and which channels should be used to deliver this advice. • Supporting the Trust’s Christmas campaign, which included conducting a survey to understand how people manage their Christmas finances, and also launching a campaign to help prevent a post-Christmas debt hangover for households. • Continuing to support the research being undertaken by Professor John Gathergood from Nottingham University into the needs of Business Debtline clients, to improve the service they receive. <p>The funding we provided to National Debtline in 2014 covered the cost of a Specialist National Debtline Adviser. This specialist deals with clients with complex debt problems and helps approximately 1,800 individuals each year. National Debtline receives positive feedback on its services, including 98% of clients feeling clear about the next steps they need to take to deal with their situation following their call to National Debtline.</p>





Our working environment

The 3,555 people we employ across the Provident Financial Group are key to our ongoing success. They help meet the needs of our 2.4 million customers, and are invaluable drivers of new services and products. As such, our people are key stakeholders.

Our working environment



Our continued success relies on having a talented workforce. To recruit and retain the best, it is essential we provide our staff with a safe and inclusive working environment that encourages everyone to reach their potential, and develops them to meet their personal and career goals. Our Human Resources (HR) departments across the group provide diverse training and development to our employees, and ensure our group-wide people-related policies are put into action for all aspects of business conduct, including health and safety, whistleblowing, grievance and harassment, corporate hospitality, bribery and corruption, political donations, and diversity and equality. Our HR departments are also vital to the implementation of our CR strategy across our businesses through their work to promote and communicate initiatives.

2014 targets

Undertake a staff survey across the Consumer Credit Division and disclose key findings.

ACHIEVED – Refer to page 37 of this report.

Continue to develop and deliver leadership and development training programmes to employees across Vanquis Bank and the Consumer Credit Division.

ACHIEVED – Refer to page 40 of this report.

Ensure that the mechanisms that are used to communicate to and engage staff continue to evolve and improve.

ACHIEVED – Refer to page 37 of this report.

Maintain a minimum of 25% of wider senior management roles filled by women.

ACHIEVED – Currently, 30% of senior management roles across the group are filled by women.

Develop and launch a new careers website within the Consumer Credit Division.

ACHIEVED – Information can be found at www.providentcareers.co.uk.

2015 targets

Undertake an assessment of the full range of equality, diversity and inclusion issues across the Provident Financial Group of businesses by 2018, identifying areas for improvement and ways to achieve them.

KPIs: how we performed in 2014

The percentage of women in senior management roles: 30% (2013: 34%)

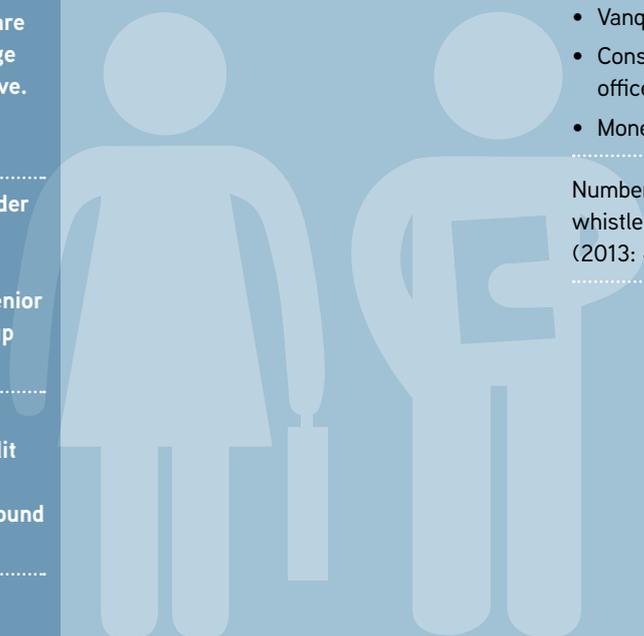
Workplace diversity: 11% of our workforce are from Black, Asian and Minority Ethnic groups (2013: 10%)

Training hours per employee per annum: 20.4 hours average (2013: 17.8 hours)

Average number of days lost to absence per employee per annum:

- Vanquis Bank – 10.6 days (2013: 7.6)
- Consumer Credit Division and corporate office – 9.2 days (2013: 8.5)
- Moneybarn – 2.0 days

Number of calls made to the group-wide whistleblowing hotline per annum: 1 (2013: 4)



Overall group information

Employees by division*

	2014	2013
Vanquis Bank	1,150	909
Consumer Credit Division	2,235	2,869
Moneybarn	115	-
Central	55	55
Total	3,555	3,833

Employees by employment type*

	2014	2013
Full-time	3,089	3,236
Part-time	466	597
Total group-wide	3,555	3,833

* Based on the average monthly number of persons employed by the group.

Our employees include head office and contact centre employees within Vanquis Bank; head office and branch employees within the Consumer Credit Division; Moneybarn employees; and corporate office employees. It does not include the 7,700 self-employed agents within the Consumer Credit Division.

Our employee numbers reflect the changes in our business. Vanquis Bank employee numbers have increased by 27% during 2014 reflecting the growth of the business, particularly at our second contact centre in Bradford. The 22% reduction in Consumer Credit Division employees reflects efficiencies being made and the restructuring of the business.

Employee turnover

Our employee turnover rate of 31.6% is above the median labour turnover rate of 13.6% for the private, public and voluntary sectors⁷. The increase in employee turnover rates in 2013 and 2014 reflect the changes in the Consumer Credit Division (see right).

% employees leaving

2014	31.6
2013	20.6
2012	16.9
2011	13.9
2010	16.7

Organisational change

Following the 520 job losses in the Consumer Credit Division in 2013, a further 225 roles were made redundant across the Division's network of branch offices in June 2014. Whilst jobs losses are not a decision we take lightly, this reduction in 225 clerical and administrative roles was the result of continued investment in new technology. This new technology led to a reduction in the amount of paperwork that the business, self-employed agents and customers have to deal with, corresponding with a reduction in the amount of clerical work in the branch offices.

Before any redundancy decisions were made, collective consultation took place with the Division's Colleague Forum, made up of elected representatives who ensure all employees' opinions are heard through discussing important business decisions with senior management, and USDAW (the Union of Shops, Distributive and Allied Workers), one of the two trade unions that we recognise. The consultation focused on the proposed job roles that would be reduced in number, and lasted for 45 days. During this period, the representatives of those potentially affected were able to give feedback on the proposal, to which the company's senior management responded. Employees made redundant received financial compensation exceeding the statutory minimum level and were offered early retirement where appropriate. They

also received support in the form of paid time off to search for alternative positions or undertake additional training, as well as outplacement support, which included one-to-one coaching, and provision of a suite of online tools and resources. In addition, all those going through redundancy had access to an externally provided Employee Assistance Programme, which offered advice in relation to personal finances, work, health and family life. This confidential service is available 24 hours a day, 365 days a year.

Employee engagement and communication

We continue to invest significant resource and time into communicating with our people. This helps us to ensure that our people are engaged and kept up to date with what the business is doing, including on CR matters. We use a range of mechanisms to do this, from regular newsletters through to more interactive methods, such as the private social network Yammer.

All our subsidiary businesses now conduct regular employee engagement surveys. An employee survey was undertaken this year within the Consumer Credit Division for the first time since 2010. This business currently accounts for 63% of the Provident Financial Group in terms of employee numbers. 91% of the Division's employees responded to the survey in 2014 and the overall employee engagement score, which measures how engaged employees are within the business by their responses to a range of questions, was 65%.

Vanquis Bank, which currently accounts for 32% of the Provident Financial Group in terms of the number of employees, has carried out annual employee feedback questionnaires (EFQ) since 2004. Employee satisfaction is scored on a scale of 1 to 10 (from "not at all satisfied" to "extremely satisfied").

Vanquis Bank employee feedback questionnaire results

Employee satisfaction score (1 to 10)

2014	7.03
2013	7.04
2012	7.52
2011	7.15
2010	7.23

⁷ As reported by the CIPD (Chartered Institute of Personnel and Development) in its 2014 'Resourcing and Talent Planning' survey.



Safecall

'Safecall' is our group-wide whistleblowing policy and procedure, which works in tandem with internal reporting processes. Safecall is a 24-hour, 365 days a year, reporting line, independently operated to allow employees to report confidentially any instances of wrongdoing

During 2014, only one issue was raised via this system; it was a HR-related issue, which was responded to through our HR function. We are pleased that the number of issues being raised through this service remains small.

A safe workplace

Effective occupational health, safety and well-being practices have a positive impact on staff morale and motivation, and have a positive impact on labour costs too, such as through reductions in sickness absence. The initiatives we have in place are linked to a range of KPIs, including those that relate to accidents, other incidents and levels of absenteeism.

Individual subsidiary businesses are responsible for the day-to-day management of Health and Safety (H&S). Our operating divisions also have additional policies on a range of health, safety and well-being issues, available to all employees via our intranet sites, employee handbooks and through induction programmes.

We continue to manage H&S through division-specific steering groups, which plan a range of health and safety activities and initiatives – such as producing H&S guides and delivering personal safety campaigns twice each year. Each divisional board regularly considers H&S issues and produces an annual report on compliance with the group-wide H&S policy. H&S representatives work across our businesses to implement initiatives and manage impacts.

We carry out H&S risk assessments to ensure that all risks to employees, agents,

contractors and visitors are identified and eliminated, or, if that is not possible, reduced. Risk assessments are supported by a comprehensive programme of training and awareness-raising – covering issues from hazardous substances through to display screen equipment.

Well-being

We have programmes to enhance employee well-being, such as through reducing workplace stress. These programmes enable line managers to take the most suitable course of action to resolve issues – such as making temporary or permanent changes to the employee's work pattern or responsibilities, or suggesting confidential and impartial counselling.

In terms of supporting our people's well-being more generally, we offer all employees and their family members access to an Employee Assistance Programme which offers support on personal issues. This service is provided by Legal and General in the UK and the Positive People Company in the Republic of Ireland.

Our subsidiary businesses undertake a range of activities to improve the fitness and well-being of their people. These include making healthy food options available in staff restaurants and raising awareness of relevant health and well-being issues.

Our accident rates

	2014	2013	2012	2011
Total number of reportable accidents	5	1	4	6
Number of reportable accidents, scaled up to per 100,000 employees*	146	28	111	172
Total number of non-reportable accidents	63	100**	106**	120
Number of non-reportable accidents, scaled up to per 100,000 employees*	1,837	2,749**	2,932**	3,446

* The reporting of Injuries, Diseases and Dangerous Occurrences Regulations (RIDDOR) define a reportable accident as either: an injury that is not 'major' but results in the injured person being away from work or unable to do their full range of normal duties for more than three consecutive days; or a major injury or a fatality.

** Restated from last year's report.

one

The number of calls made to the group-wide whistleblowing hotline in 2014

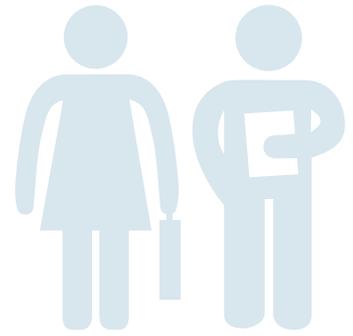
H&S training in the Consumer Credit Division

The Consumer Credit Division's 'Safe & Sound' H&S induction guide has been made into a computer-based training package. The package is available to all customer-facing staff and agents and covers a range of personal safety issues. Relevant employees and agents are required to refresh this training every year.

The Consumer Credit Division also delivers two personal safety weeks each year to raise awareness further of the personal safety issues that might arise from being in a customer's home, driving, or handling sums of money. The Division also communicates a suite of 'Current Best Approach' documents which recommend the best ways of dealing with personal safety issues at work.

Managing absence

Our Consumer Credit Division and Vanquis Bank absence rates exceed the average in the private services sector of 6.6 days⁸. All our subsidiary businesses monitor the underlying causes of absenteeism, and have access to an Occupational Health Practitioner who is able to provide specialist medical advice and support throughout the absence management process.



Average absence days per employee

	Vanquis Bank	Consumer Credit Division and corporate office	Moneybarn
2014	10.6	9.2	2.0
2013	7.6	8.5	-
2012	7.8	7.4	-
2011	7.1	6.7	-



Keeping our people fit

In 2014, we teamed up with Nuffield Health to create a Fitness and Well-being Centre at our head office in Bradford. The Centre offers a variety of benefits and services, including a state-of-the-art gym, where head office employees can use equipment, take part in classes run by a professional fitness instructor and choose from a variety of educational sessions. We also have a gym at our Moneybarn business, while subsidised gym membership is available to staff in other parts of our business.

⁸ The estimate in the CIPD 2014 absence management survey.

An inclusive workplace

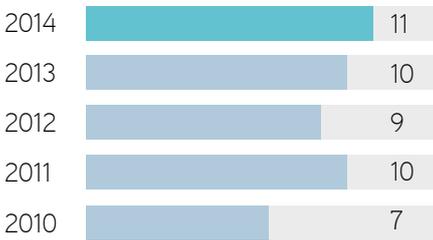
We are committed to creating open and inclusive workplace cultures in which everyone feels valued and respected. Not only does our diverse workforce enable us to deliver existing services, it also helps inform the development of new or enhanced products and services, open up new market opportunities, improve market share, and broaden our customer base.

Workforce statistics

We are enthusiastic about our workforce being representative of the diverse communities we serve because doing so provides a good representation of our customers' requirements. The proportion of our employees from Black, Asian and Minority Ethnic (BAME) communities has increased to 11% (2013: 10%), matching the UK average of 11%⁹. We also aim to enable those with disabilities to work for us – 1.1% (2013: 1.8%) of our employees have declared they have a disability. This is below the 2014 UK statistics, which reveal that 11% of those who work have a work-limiting disability¹⁰.

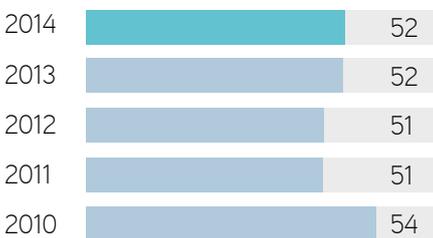
BAME across the workforce

% of employees from BAME groups



Gender proportion across the workforce

% of female employees



The gender split of our workforce remains 52% women and 48% men, meaning we have a slightly higher proportion of women than the UK's overall workforce of 47% women¹¹. In recent years, we have included a focus on ensuring gender diversity is seen at all levels, including the board. We are exceeding Lord Davies' recommendations for female board representation to increase to 25% by the end of 2015¹², having had 28% female representation since 2013. To benchmark this, women's representation on FTSE 100 boards now stands at 23.5%, up from 12.5% in 2011, and in the FTSE 250 has more than doubled to 18%, up from 7.8% in 2011.

Last year, we set a target of having 25% women within the wider senior management group by 2015 and have surpassed this level now. 30% of the Provident Financial Group's senior management are female. Grant Thornton's 2015 International Business Report revealed that the proportion of senior business roles held by women in UK in 2015 was 22%, meaning we compare well with other UK businesses.

A meritocratic workplace

Training and development

The training and development we provide focuses on motivating every employee to reach their full potential. We achieve this by ensuring our employees can carry out their current job effectively and efficiently; creating the opportunity for employees to progress to the next level, fulfilling their potential in line with our business objectives; and developing an environment where every employee can achieve job satisfaction.

During 2014, employees across our group received a total of 69,982 (2013: 64,706) hours of training. This equates to an average number of training hours per employee of 20.4 hours (2013: 17.8 hours). Although we are pleased this has increased, it is still below the median figure for the UK, which stands at 30 hours of training per employee per year¹³.

We have learning management systems in place across the group, and our subsidiary businesses have their own policies and processes. Group-wide, we deliver detailed induction programmes to new starters to introduce them to the business, their legal responsibilities and our CR activities. We also offer group-wide modules covering compliance issues such as personal safety, data protection and anti-money laundering where they are relevant.

Performance management and career development processes are overseen by line managers and take place with all employees. In the Consumer Credit Division, performance is assessed against agreed personal objectives as well as role-specific 'Success Factors' (i.e. competencies or behaviours which describe the personal qualities and behaviours critical to delivering our business goals). In addition to being linked to individual pay as a way to reward success, these processes also give employees the opportunity to identify and discuss training and development needs which are then incorporated into individual personal development plans.

11%

The percentage of employees from Black, Asian and Minority Ethnic (BAME) groups in 2014

⁹ The Office of National Statistics (ONS), the proportion of the UK's population that are aged between 16 and 64 from BAME communities that are currently in employment stands at 11%.

¹⁰ The ONS, the percentage of the UK's population that are aged between 16 and 64, who are in employment but have a work-limiting disability (and/or have disabilities consistent with the core definition under the 2010 Equality Act).

¹¹ The ONS, the gender split of those in full-time and part-time employment in the UK during February-April 2015.

¹² The 'Women on Boards Davies Review Annual Report 2015', published by the Department for Business, Innovation and Skills.

¹³ 2014 Chartered Institute of Personnel and Development (CIPD) survey of learning and talent development.

30%

The percentage of women in senior management roles

Leadership development

Formal leadership training is delivered to managers across the Provident Financial Group which aims to develop the best leaders in the respective management teams of our subsidiary businesses. For example:

- Vanquis Bank's 21st Century Leadership Programme**
 This programme connects the brand, the employee and the customer through exceptional leadership practices. The programme covers successful engagement, leadership traits, understanding yourself as a leader, and uses coaching to apply this learning. The course is aimed at senior and middle managers who have been in the role for some time.
- The Consumer Credit Division's 'Performance through People' Leadership Development Programme**
 Launched in early 2014, this programme contains a mix of interactive workshops and coaching to introduce the Division's Success Factors, and enable delegates to explore leadership styles and look closely at themselves to help them to become the best leader they can.

Salary and benefits

Having competitive salary, benefits and nonfinancial rewards packages across our businesses, helps us to attract and keep hold of the right people for our company. We carefully align these packages with our performance management and appraisal processes to recognise contributions that have had a positive impact on the business. We also offer our people a range of benefits, including childcare vouchers, discounted public transport season tickets, holidays over the statutory requirement, and bonus and incentive schemes

Job Grade	Description	Average salary paid
1	Director and senior executive	£183,712 (2013: £179,547)
2	Senior managers	£90,112 (2013: £84,405)
3	Other managers	£44,267 (2013: £40,912)
4	Other employees	£21,530 (2013: £20,816)
All	All employees	£30,502 (2013: £27,666)

Encouraging saving

We encourage our people to act in a financially-responsible manner and offer them a variety of ways to save for the future:

- Provident Financial Savings Related Share Option Scheme**
 Currently, 1,246 employees (2013: 1,216) are saving money through this scheme, which enables them to save a fixed sum each month for three or five years. At the end of this period, they may then choose to use the savings to buy shares in the company at a discounted price set at the outset of their savings contract.
- HMRC-approved Share Incentive Plan (SIP)**
 This Plan was approved by shareholders at the 2013 annual general meeting. Through the SIP, employees are able to acquire Provident Financial shares in a tax-approved manner and benefit from our offer to match that investment, by the company offering one share for every four shares purchased by the employee as long as certain conditions are met. Currently, 285 (2013: 233) employees are participating in the SIP.

- Two main pension schemes for new employees**

New employees are automatically enrolled into the Provident Financial Workplace Pension Scheme after two months' service. After two years, they are invited to join the PFG Retirement Plan instead, which sees employees contribute 3-8% of their pensionable salary, and the company contribute 5-10%. The plan also allows employees to choose to invest in an ethical fund, incorporating social, ethical and environmental considerations.





Treating our suppliers fairly

However simple our supply chain may be, we recognise that an important part of our CR involves treating these suppliers fairly, and using our purchasing power to make sustainable procurement decisions.

Treating our suppliers fairly



We have a relatively simple supply chain, a feature typical of the financial services sector. As our business is all about the provision of credit to our 2.4 million customers and all of our operations are in the UK and Ireland, we do not have supply chain relationships with organisations in overseas markets (other than in the Republic of Ireland) or which span a number of tiers. Nevertheless, it is important for us to engage with our suppliers to collect data on the greenhouse gas emissions associated with the products and services we procure from them.

2014 targets

Investigate how we might monitor and report the average percentage of suppliers who are paid on time according to their agreed terms of payment.

PARTIAL PROGRESS – During 2014, work was undertaken to determine the percentage of suppliers to Vanquis Bank who are paid on time according to their agreed terms of payment.

Continue to work with Bradford Chamber of Commerce and other partners to encourage small businesses in West Yorkshire to get involved with activities which support the local economy and community.

ACHIEVED – During 2014, we continued to work with the Bradford Chamber of Commerce to deliver the Raising the Bar initiative (see page 45 for more information).

Review and, where appropriate, amend the processes in place to assess the sustainability performance of our suppliers.

PARTIAL PROGRESS – Work commenced during 2014 to review the self-assessment questionnaire and processes used to assess supplier sustainability performance within the Consumer Credit Division. This will be concluded for all our subsidiary businesses during 2015.

2015 targets

Ensure that the Provident Financial Group of businesses are signatories of the Prompt Payment Code¹³.

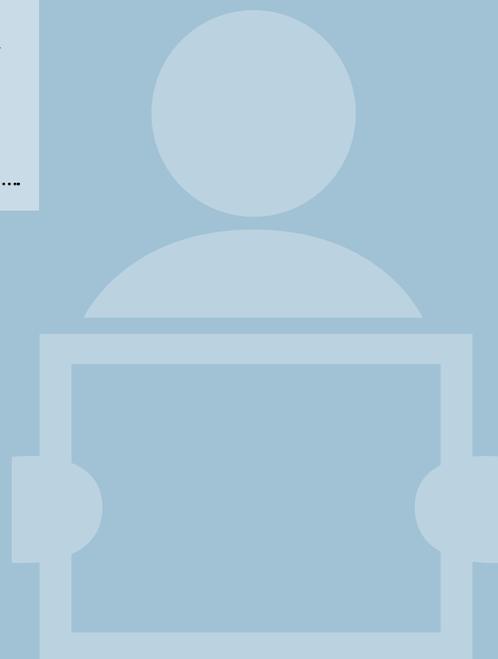
Following creation of the West and North Yorkshire Chamber of Commerce, roll out the Raising the Bar initiative to more of the Yorkshire region.

Continue to review and, where appropriate, amend the processes in place within our subsidiary businesses to assess the sustainability performance of our suppliers and ensure compliance with the requirements of the Modern Slavery Act 2015.

KPIs: how we performed in 2014

Performance information on the percentage of suppliers paid on time in accordance with their terms and conditions is not currently available for the group. We will report the Provident Financial Group's compliance with the Prompt Payment Code in our 2015 CR report.

¹³ The Prompt Payment Code sets standards for payment practices and best practice, and is administered by the Chartered Institute of Credit Management. Compliance with the principles of the Code is monitored and enforced by the Prompt Payment Code Compliance Board. The Code covers prompt payment, as well as wider payment procedures.



Our suppliers

We have a group-wide procurement policy which underlines our commitment to integrate CR considerations into our purchasing decisions and ensure there are no conflicts between our own culture, policies and core values and those of our suppliers. In addition, our corporate equality and diversity policy states our intention to respect all fundamental human rights in the way we do business and to use guidance provided by the UN's Universal Declaration of Human Rights and the International Labour Organisation core standards.

These policies are supported by the procurement procedures and processes within our subsidiary businesses, which ensure that CR risks are identified and managed, and that our procurement decisions favour more sustainable products and services wherever possible.

In 2014, our annual spend on products and services was £143.9 million (2013: £129.2 million). This level of buying power gives us the potential to encourage and support our suppliers to become more sustainable.

The majority of the suppliers we use are based in the UK and Ireland. Two-thirds of group-wide procurement spend is on services such as mailing, marketing, security services, debt recovery, credit scoring and professional services (e.g. legal and accountancy services). Our second-highest spend relates to our information technology infrastructure (i.e. hardware, software and support).

Prompt payment

We are dedicated to making prompt payments to our suppliers as we recognise that late payment can cause serious cash flow problems, especially for small businesses. We endeavour to pay our suppliers in accordance with the payment terms we have agreed with them. Rather than standard payment terms, our businesses have individually-negotiated payment terms with each supplier which

are typical of those in the wider market.

A prompt payment metric was included in our scorecard in 2014. During 2014, 95% of Vanquis Bank's suppliers were paid on time according to their agreed terms of payment.

Assessing our suppliers' CR performance

The process in place across the Provident Financial Group involves using a self-assessment CR questionnaire at the pre-qualification and invitation to tender stages of the procurement process. This questionnaire is also used periodically to assess the CR performance of our existing suppliers, particularly those suppliers we spend most with.

The self-assessment questionnaire covers areas such as governance, environmental performance, and equality and diversity. It also elicits information from suppliers on their sustainability policies, and CR commitments and performance, enabling us to identify any potential risks and to act accordingly, as well as to procure products and services that have positive social and environmental impacts. The sustainability performance information that is elicited from suppliers is then used to produce a score which is factored into the procurement decision-making process.

Supporting local business

We continue to support the work of the Bradford Chamber of Commerce through two initiatives: Eco-Network, and Raising the Bar. In doing this, we are enabling small businesses in the West Yorkshire district to improve their sustainability performance. And, as many of the companies involved are our own suppliers, we are also able to benefit from the positive changes they make.

Eco-Network

We provide financial support to Eco-Network and our group-wide CR Manager continues to chair its steering group. Eco-Network offers a diverse range of

products and services to help companies in the West Yorkshire district to improve their eco-performance, such as through advice, training events and on-site support.

In particular, Eco-Network organises and runs an environmental expo each year, Eco-Fair. This is the only event of its type in the north of England. Eco-Fair inspires businesses to make positive changes and helps them find sustainable solutions to everyday problems. The 2014 Eco-Fair was held at the Leeds United football ground. It attracted over 1,000 delegates and offered over 30 free briefings on sustainability, environmental management, energy management, the circular economy and green buildings.

Raising the Bar

Raising the Bar is an initiative which engages small- and medium-sized enterprises in West Yorkshire on the wider CR agenda, and helps them develop their approach to CR, as well as gain external recognition for their efforts.

In November 2014, 50 businesses from across West and North Yorkshire attended the Chamber's second Raising the Bar Awards. This annual event celebrates the good work being done by local businesses to impact positively on local communities. It was a night of celebration of exemplary CR credentials. This year's winners in each category were:

- Community – The Midland Hotel
- Education – Rex Procter and Partners
- Economy – Naylor Wintersgill
- Environment – Christeyns

The overall winner, for the second year running, was Shipley-based architects Rance Booth Smith. The judges were impressed by the fact that even though they won the award in 2013, they continued to 'raise the bar' in 2014.

“It is amazing and satisfying to see how much businesses put back into the wider community. We want more and more companies next year to take part in the initiative so we can record and celebrate how much we all do as a collective business community.”

Sandy Needham, Chief Executive of the Bradford Chamber of Commerce





Supporting our communities

Put simply, our largest social benefit comes directly from what we do: making financial products and services available to the people who are not well served, or excluded altogether, by mainstream credit providers. However, it is also our duty to be a good corporate citizen by investing in programmes that support the communities where we operate, and our customers and employees live and work.

Supporting our communities



To create sustainable economic conditions for our customers and communities, we are playing an active role in addressing a number of social challenges. We want to promote social inclusion, increasing levels of educational attainment and reducing unemployment, especially for young people. We also support the provision of money advice and financial education to those who need it, as well as aiming to tackle problems related to financial awareness through research into the issues that matter to our customers. To support our communities, we invest a minimum of 1% of profit before tax, as measured under the LBG's (London Benchmarking Group's) guidelines, in relevant community programmes.

2014 targets

Maintain a minimum investment of 1% of profit before tax in community programmes, money advice programmes and social research.

ACHIEVED – During 2014, 1.02% of group profit before tax (£2.4m) was invested in these areas.

Develop and launch an employee engagement strategy to encourage more participation by employees in the group's community investment activities.

ACHIEVED – An employee engagement strategy was launched in 2014 with the aim of providing employees with a wider variety of opportunities to get involved in community involvement activities and to increase awareness of the programme.

Engage with the Directors and other Senior Managers of Vanquis Bank and the Consumer Credit Division to raise awareness of the Vanquis Bank Active Community Programme and the Good Neighbour programmes, respectively.

ACHIEVED – A series of presentations were delivered to subsidiary business management teams in 2014 on the community involvement programmes in place.

Identify new community partners to work with in London and Bradford as part of the Vanquis Bank Active Community Programme.

ACHIEVED – During 2014, community foundations were identified in Bradford, Chatham and London, through which funding will be allocated to community partners in these areas.

2015 targets

Maintain a minimum investment of 1% of profit before tax in community programmes, money advice programmes and social research.

Develop a community involvement programme within Moneybarn.

Increase the number of hours volunteered by Provident Financial Group employees in community involvement activities by 25% by 2018.

Establish and implement a framework to support our Good Neighbour partners' organisational and funding sustainability.

Participate in the Esmee Fairburn Foundation-funded 'Lead the Change' Mentoring Programme to enable our employees to support Bradford-based community organisations and social enterprises.

Expand the scope of Vanquis Bank's financial education work with The Money Charity to include schools in Bradford and London, and workshops for adults.

Establish an Active Community Fund for Vanquis Bank's offices in Bradford, Chatham and London which allocates funding to local community projects through the community foundations we have chosen.





KPIs: how we performed in 2014

The amount of money invested in support of community programmes, money advice and social research: £2.4m (2013: £2.0m)

The number of people who directly benefited from Provident Financial Group's community involvement activities: 31,517

The number of people supported to develop new skills or improve their personal effectiveness: 30,539 people

The number of people who experienced a direct positive impact on their quality of life or well-being: 16,682

The total number of hours volunteered by Provident Financial Group employees in community involvement activities: 1,929

Through our companies and brands, we support local projects helping those living in deprived communities. Our aim is to not only provide financial help, but to get our staff involved in the day-to-day running of these projects too. The benefits of this are twofold: we can further leverage the financial support we are able to give, whilst also helping to motivate and develop our staff.

Our community involvement activities are delivered through two main programmes: 'Good Neighbour' and 'Vanquis Bank Active Community'.

These programmes deliver support in three ways:

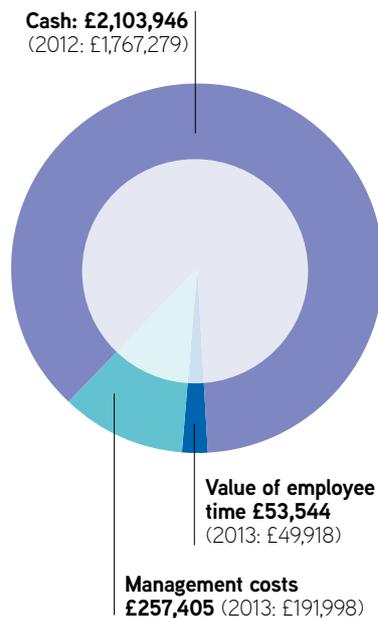
- Identifying and supporting local projects which address the most relevant social exclusion issues, mainly in the communities where our customers, offices and employees are based.
- Encouraging our employees to take part in company-led volunteering initiatives.
- Providing employees with matched-funding for fundraising and volunteering activities undertaken, both inside and outside work.

By the end of 2014, we had committed long-term support (three years or more) to 48 local community partners. We choose potential new partners by seeking out those that operate on a small scale and deliver niche services to address the issues that are relevant to their communities. Because of this, our community involvement programmes support a wide range of organisations including charities and community interest companies. We have chosen this approach despite the trend for businesses to focus their community involvement activities on flagship programmes addressing a single issue. We recognise that the operating environment for smaller community organisations is tough, yet the need for their services and support has never been greater, which has informed our approach.

Our projects are spread throughout communities in the UK and Ireland, as well as in Kenya where we support a local education project. Our involvement can be a one-off investment in a project, or a longer-term investment for three years or more.

The 48 projects we support on a long-term basis are mapped out overleaf.

2014 community investment figures



48

The number of local community partners we have committed to support for three years or more

Our community partners: case studies

Good Neighbour

Yorkshire Dance

Through our Good Neighbour programme, we have supported Yorkshire Dance since 2011. We fund ReBuzz, a grass-roots dance development project for boys in Rotherham, South Yorkshire. Through a series of outreach projects, over 400 boys have had the opportunity to work with inspirational artists in the field of contemporary dance. The project has been able to engage boys who would otherwise not get involved in dance. It has also helped them develop new skills and increased their confidence and aspirations.

The project has had some notable achievements in its first year. ReBuzz was chosen to present work at West Yorkshire Playhouse as part of the Fresh Fringe. The group was also selected by Youth Dance England to perform in the National U.Dance Fringe in Nottingham.

There have already been many individual success stories, echoed in the positive feedback from school teachers and parents alike. Some of the older boys are beginning to focus on developing their leadership skills by running lunchtime dance clubs for their younger peers and taking up shadowing opportunities within the outreach programme.



Oasis at Wallacewell

In late 2014, we began supporting Oasis at Wallacewell, a community-based project in north east Glasgow which helps disengaged young people in the community. The amenities that are currently offered by Oasis at Wallacewell include a food bank, Saturday evening youth café, after-school supported learning sessions, and health and well-being classes.

We are providing funding for three years to support a new role of Project Manager. This role will involve planning, directing and co-ordinating a range of activities – everything from holding parent and child healthy eating sessions, to homework clubs for children who have difficult conditions at home, through to enabling access to training courses at the local Glasgow Kelvin College.

Our Lady of Lourdes St Saviours Boxing Club

Also in 2014, our Good Neighbour programme entered into an agreement with Our Lady of Lourdes St Saviours Boxing Club in Limerick. The club was founded in 2003 and caters for 10 to 17 year-olds, providing boxing training for girls and boys from local communities across Limerick city and the wider county. Through the club's dedicated and experienced coaching team, the young people are able to use their focus on sport to learn discipline, rather than engage in anti-social behaviours.

The Good Neighbour funding will enable the club to buy a mini-bus to transport its members to regional and national competitions. Funding will also be used to improve changing and showering facilities, and to purchase team tracksuits and a portable boxing ring.

Vanquis Bank Active Community

In early 2014, Vanquis Bank began plans to establish an Active Community Fund in each of the areas where it operates in the UK – London, Chatham and Bradford. In 2014, community foundations were identified in all three areas. The aim is that these community foundations will manage the Active Community Fund, which will be formally launched in 2015, to support local, grass-roots projects which will benefit from local knowledge and networks.

Bradford Youth Development Partnership

In January 2014, Vanquis Bank started working with Bradford Youth Development Partnership (BYDP). This partnership fits perfectly with Vanquis Bank's aim of supporting grass-roots organisations whilst developing employees through volunteering opportunities.

Vanquis Bank's work with BYDP is wide ranging. Vanquis is helping develop the strategic direction of the charity by funding a job role to manage the business side of the charity and act as a key contact between Vanquis and other partners. Vanquis Bank has also offered executive expertise to encourage the management team to think more strategically and creatively about how best to support young people in Bradford.

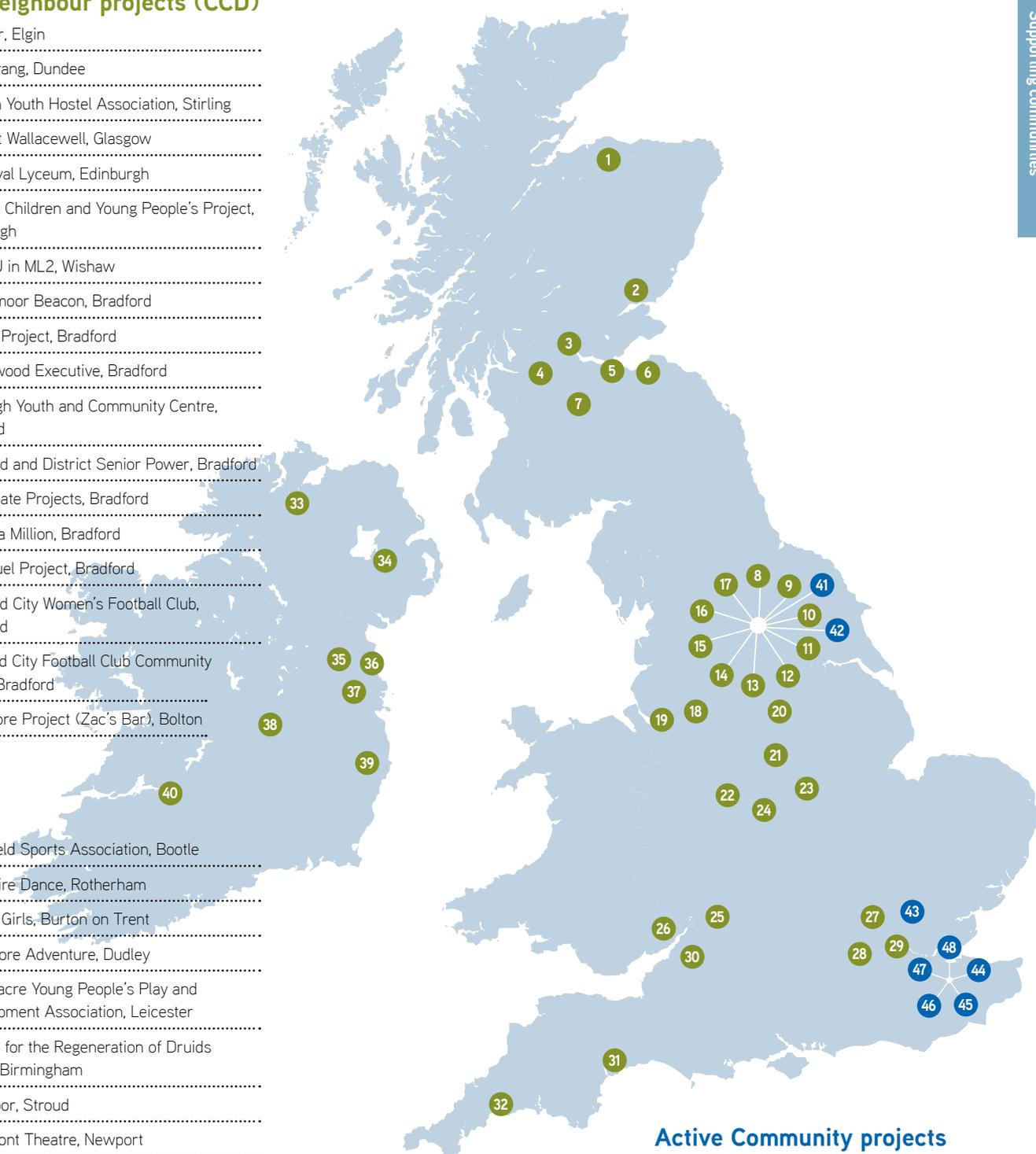
To support BYDP's work, Vanquis has provided funding for them to join the Bradford Chamber of Commerce. This is enabling them to secure additional work experience opportunities for young people not currently in employment, education or training.

To promote the charity's work, Vanquis funded a local community event. 'The Summer Blast' – a pop-up event in the



Good Neighbour projects (CCD)

- 1 Aberlour, Elgin
- 2 Boomerang, Dundee
- 3 Scottish Youth Hostel Association, Stirling
- 4 Oasis at Wallacewell, Glasgow
- 5 The Royal Lyceum, Edinburgh
- 6 Venchie Children and Young People's Project, Edinburgh
- 7 Made4U in ML2, Wishaw
- 8 Scholemoor Beacon, Bradford
- 9 Joshua Project, Bradford
- 10 Holmewood Executive, Bradford
- 11 Sedbergh Youth and Community Centre, Bradford
- 12 Bradford and District Senior Power, Bradford
- 13 Participate Projects, Bradford
- 14 One in a Million, Bradford
- 15 Immanuel Project, Bradford
- 16 Bradford City Women's Football Club, Bradford
- 17 Bradford City Football Club Community Stand, Bradford
- 18 Sycamore Project (Zac's Bar), Bolton
- 19 Northfield Sports Association, Bootle
- 20 Yorkshire Dance, Rotherham
- 21 Harvey Girls, Burton on Trent
- 22 Sycamore Adventure, Dudley
- 23 Mowmacre Young People's Play and Development Association, Leicester
- 24 Project for the Regeneration of Druids Heath, Birmingham
- 25 The Door, Stroud
- 26 Riverfront Theatre, Newport
- 27 Youth Network MK CIC, Milton Keynes
- 28 Battersea Arts Centre, London
- 29 Ahoy Centre, Deptford
- 30 Baggator, Bristol
- 31 St Petrock's, Exeter
- 32 Young People Cornwall, Truro Active Community projects
- 33 REACH Across, Londonderry
- 34 Hostelling International Northern Ireland, Belfast
- 35 Early Focus Project, Dublin
- 36 Solas Project, Dublin
- 37 Ballymun Music Programme, Dublin
- 38 Laois Partnership, Portlaoise
- 39 An Oige, County Wicklow
- 40 OLL St Saviours Boxing Club, Limerick
REACH Across, Londonderry



Active Community projects (Vanquis Bank)

- 41 Bradford Youth Development Partnership, Bradford
- 42 The Outward Bound Trust, Bradford
- 43 Kids Company, London
- 44 Byron Primary School, Gillingham
- 45 New Road Primary School, Chatham
- 46 Sure Start All Saints, Chatham
- 47 Sure Start Lordswood, Chatham
- 48 Phoenix Junior Academy, Chatham

In addition, Vanquis also funds Hatua, a local education project in Kenya



centre of Bradford – was a fun, interactive day for children and parents and provided valuable publicity for BYDP’s work. It also gave Vanquis staff a chance to volunteer their business skills as its communications team produced all the event materials.

Young Kent

Another new Active Community partner is Young Kent. This builds on the work that Vanquis has supported over the past five years with three local primary schools and a children’s centre in the Medway area of Kent. Young Kent offers support programmes for disadvantaged, disengaged or disabled young people aged 8-25 years from across Kent and Medway.

Vanquis Bank supports Young Kent’s ‘How to Save a Life’. This programme is giving around 40 unemployed young people from disadvantaged backgrounds everyday first aid and emergency lifesaving skills through a partnership with the British Red Cross. The programme increases confidence, skills and qualifications whilst also providing valuable work experience. A key element

of the programme is that participants are trained to become first aid ‘Peer Educators’. Once qualified, Peer Educators practise their new skills during work experience, delivering first aid training to other young people across Kent.

Vanquis also supports Young Kent’s ‘Job Club’, which provides open access support for unemployed young people from across the county. Job Club sessions provide access to IT facilities to help young people search and apply for jobs.

Hatua

Hatua – meaning ‘the next step’ in Swahili – is an independent UK-registered charity which sponsors bright children from the slums of Nairobi to enable them to attend the finest Kenyan secondary schools, and eventually, it is hoped, gain places at Kenya’s leading universities. While primary school in Kenya is free, secondary school is not, and is therefore unaffordable to those living in Nairobi’s slums, where a typical daily income for these families is less than one dollar.

Vanquis Bank is one of Hatua’s biggest supporters, having supported the charity since it was set up in 2011, through office fundraising and trips to Kenya to work with the children being helped by the charity.

The five core aims of Hatua are to:

- Motivate all students in their primary schools to do as well as they possibly can
- Identify the best students
- Secure admission for these students to the top secondary schools in Kenya
- Cover the cost of tuition, board, books, uniforms, and any other necessary expenses
- Encourage, monitor and mentor students to help ensure their ultimate success

Hatua is currently supporting 86 young people through secondary education, and Vanquis Bank’s support makes a significant contribution to this.

Employee volunteering and matched giving

Through the programmes that are in place, we continue to encourage our people to participate in community involvement activities through volunteering and matched giving. Our aim in doing this is to encourage staff to get involved in traditional volunteering initiatives such as team challenges, but also to take part in skills-matched volunteering, enabling them to use their business skills to support our community partners and the causes close to their hearts. Such skills-matching was carried out when volunteers from Vanquis Bank's communications team produced materials for BYDP (see page 50).

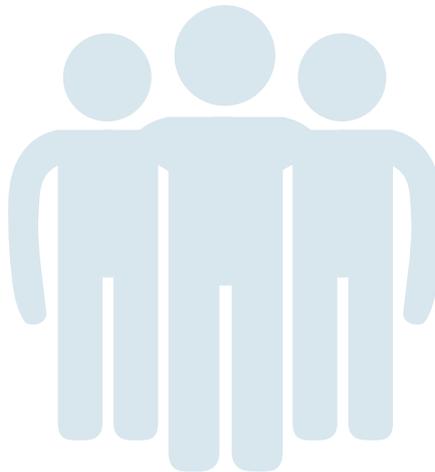
In 2014, twelve volunteers from Vanquis Bank took part in the 'Colour a Child's Life' project that was delivered by the children's charity Kids Company. Through the project, the volunteers helped to renovate the home of a family that was being supported by Kids Company to create a safe and nurturing home environment.

Also during the year, more than 260 employees took part in Good Neighbour team challenges. This included over 30 volunteers from the Provident Financial corporate office who took part in a team challenge at Clayton Primary School in Bradford. The volunteers were involved in painting the detached pebble dash garage next to the allotment and creating a bright mural on the outside, fitting tops to the benches in the story circle, building a storytelling chair, installing musical instruments in the sensory garden and decorating the garage to create a storage space for wellingtons and raincoats.

Supporting responsible finance

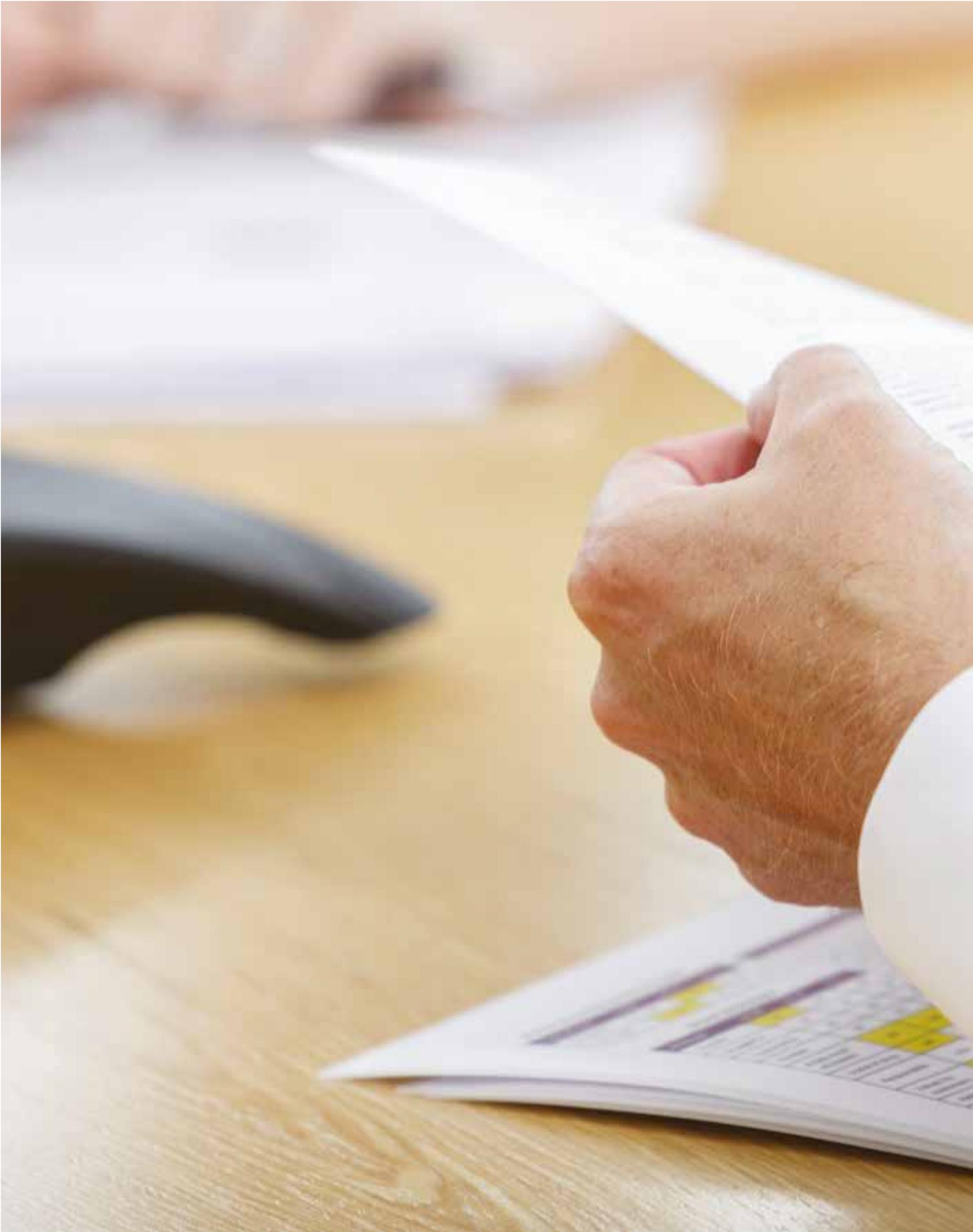
As part of our commitment to help non-standard credit market customers, we work with a wide range of free and voluntary money advice organisations. Our financial support enables them to offer help to those who have problems repaying their debts to us and others, and to increase the quality and availability of free, independent money advice in the UK. We support Advice UK, Citizens Advice, Step Change Debt Charity, Institute of Money Advisers, Money Advice Liaison Group, Money Advice Scotland, Money Advice Trust, and National Debtline (see page 33 of this report for more information).

We also work with specialised providers on a range of further financial education initiatives and help finance publicly-available, independent research to help understand the financial behaviour of those on modest incomes. For example, in 2014, staff at Vanquis Bank continued to work with The Money Charity to deliver responsible spending workshops to 11-16 year-old secondary school pupils in Chatham.



“Community-based team challenges are a fantastic way of helping the communities in which we operate, whilst at the same time offering opportunities for personal and team development.”

Sharon Orr, Community Affairs Manager, Provident Financial



A close-up photograph of a person's hands holding and reading a document. The document is slightly out of focus, showing some text. A semi-transparent blue rectangular box is overlaid on the bottom right of the image, containing white text. The background is a soft, warm-toned blur.

Engaging the investment community

A significant part of our approach to CR is that we share information on our CR performance to provide evidence to our investors and other stakeholders that we are committed to operating in a responsible manner.

Engaging the investment community



We are included in the mainstream sustainability indices and represented on the registers of socially responsible investment (SRI) rating and research agencies. As well as demonstrating our commitment to sustainability, our place in these registers also provides the clients of SRI agencies with the sustainability performance information they need to make decisions about how they should invest.

2014 targets

Maintain our ratings on the mainstream sustainability indices (e.g. Carbon Disclosure Project, Dow Jones Sustainability Indices, FTSE4Good).

ACHIEVED – Refer to page 57 of this report.

2015 targets

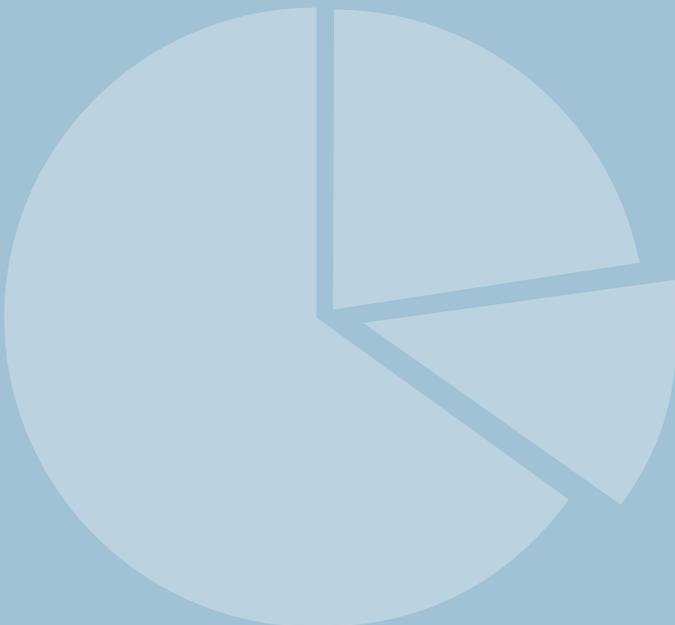
Maintain or improve our ratings on the mainstream sustainability indices (e.g. Carbon Disclosure Project, Dow Jones Sustainability Indices, FTSE4Good).

Review how Provident Financial's CR activities can be built into company-specific, and more general, investor engagement initiatives.

KPIs: how we performed in 2014

Dow Jones Sustainability Indices score: 60% (2013: 61%)

FTSE4Good score: 99 out of 100 (2013: 99 out of 100)



Sustainability indices and research

Every year, we provide information on environmental, social and governance (ESG) performance, and make submissions, to a number of the mainstream sustainability indices and established SRI research and rating agencies. The information we submit to them is independently assessed and considered alongside information from external sources too, such as non-governmental organisations (NGOs), scientific institutions and the media.

An overview of our 2014 performance in these indices and rating agency registers is set out below.

Our sustainability performance

Dow Jones Sustainability Indices (DJSI)

The DJSI are the longest-running global sustainability benchmarks and are used by global investors and asset managers. In 2014, Provident Financial maintained its inclusion in both the Dow Jones Sustainability World Index (DJSI World) and Dow Jones Sustainability Europe Index (DJSI Europe). DJSI World represents the top 10% of the largest 2,500 companies in the S&P Global BMI, while DJSI Europe represents the top 20% of the companies that make up the Dow Jones STOXX 600 European Index. Our overall score in the 2014 Indices was 60% – 15% higher than the average overall score of the other companies in the financial services sector.



FTSE4Good



Carbon Disclosure Project (CDP)

An international, not-for-profit organisation, the CDP is a framework which enables businesses to voluntarily disclose their greenhouse gas emissions and other metrics. We made our ninth annual submission to the CDP in 2014. The transparency of our reporting resulted in us achieving 91 out of 100 points in the Carbon Disclosure Leadership Index.

By making an annual submission to the CDP, we are one of 3,000 companies worldwide who provide an account of the greenhouse gas emissions that result directly and indirectly from our business activities. The disclosure enables us to highlight the measures that we have implemented to reduce the carbon intensity of our business activities and provide our stakeholders, and particularly investors, with evidence that we are a responsible business and committed to minimising our impact on the environment. Further details on our carbon submissions to the CDP can be found at: www.cdp.net.

FTSE4Good Index Series

The FTSE4Good Index Series is designed to measure the performance of companies demonstrating strong CR practices. Following a review by the FTSE4Good Advisory Committee, we continued to be included in the FTSE4Good Index series, and achieved an overall rating of 99 out of 100 (relative to other companies in our sector), matching 2013's score.

Euronext Vigeo Indices

The Euronext Vigeo Indices, as evaluated by the leading European rating agency Vigeo, ranks organisations based on their performance in CR. Vigeo's review of Provident Financial included our policies, processes and performance in the areas of business behaviour, human resources, environment, corporate governance, customer and supplier relations, human rights, and community involvement. We were again included within three of their indices:

- The Vigeo World 120 – the 120 most advanced sustainability performing companies in the European, North American and Asia Pacific regions
- The Vigeo Europe 120 – the 120 most advanced sustainability performing European companies
- The Vigeo United Kingdom 20 – the 20 most advanced UK companies based on their sustainability performance

Our 2014

FTSE4Good score is

99 out of 100

Forum ETHIBEL

Forum ETHIBEL is an independent consultancy which advises banks and brokers offering ethical savings and investment funds. In 2014, we were again included in the Ethibel PIONEER and Ethibel EXCELLENCE Investment Registers. Our place on these registers means that investments in Provident Financial carry a Forum ETHIBEL label to show investors and potential investors that we are an economically, socially and environmentally responsible company, and thus a sound investment opportunity from a CR perspective.

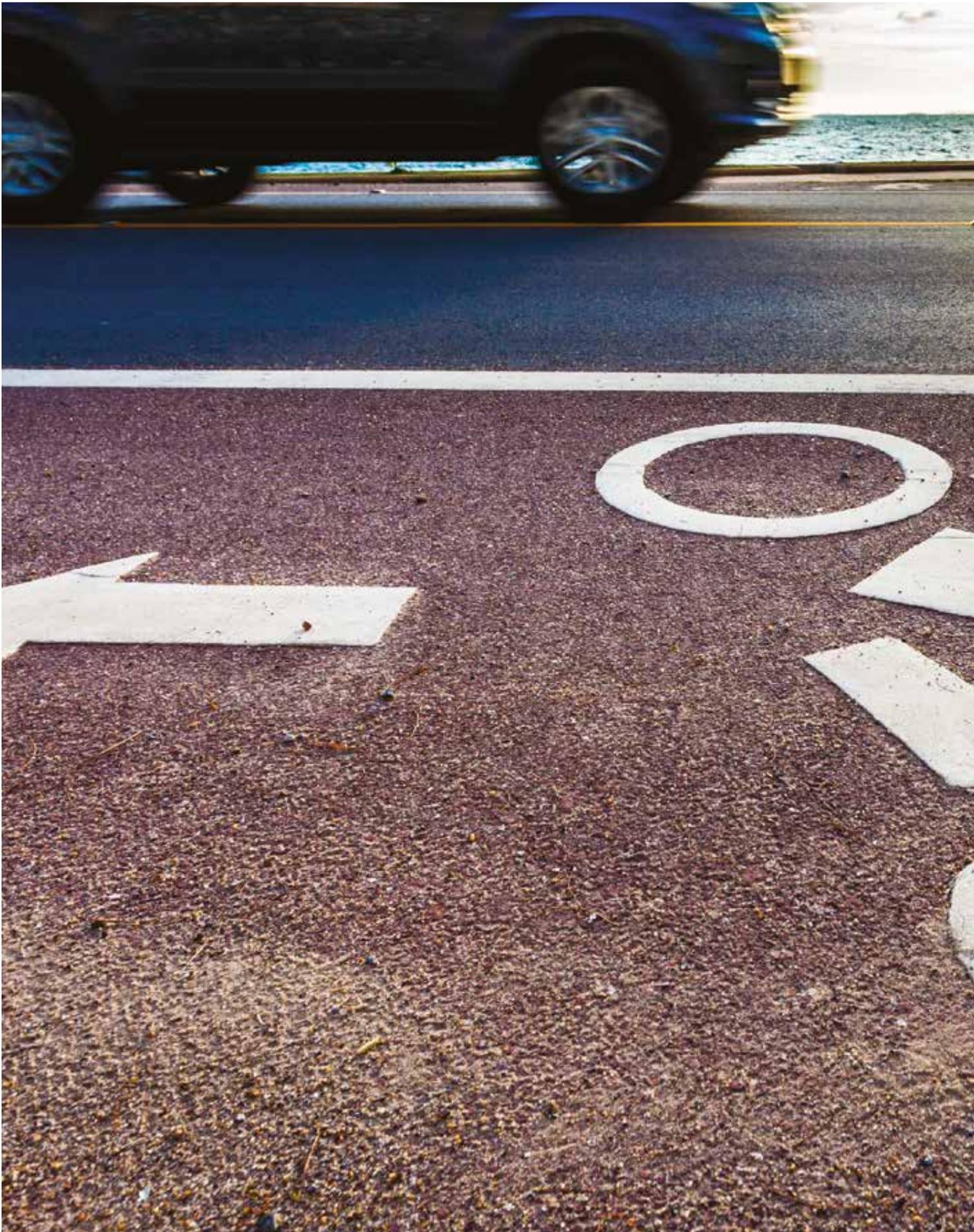
CR within investor engagement

Towards the end of 2014, we started to explore how we could make CR activities an integral part of our company-specific, and more general, investor engagement initiatives. To achieve this, we have been participating in Business in the Community's 'Investor Project', which aims to provide CR specialists and senior decision makers with the tools to communicate to shareholders the competitive advantage afforded by sustainability. The BITC Investor Project report will be published in summer 2015.

Our overall DJSI score is

15%

higher than the average in the financial services sector





Minimising our environmental impacts

By managing our environmental impacts, we are not only complying with legislation, but also reducing the resources we use, which saves our businesses money.

Minimising our environmental impacts



While we may not impact the environment to the same extent as businesses in other sectors, the day-to-day operations of our businesses do have environmental impacts we need to manage. Indeed, we are legally required to manage and report on some of our environmental impacts, particularly in relation to climate change.

2014 targets

GREENHOUSE GAS EMISSIONS

Continue to identify opportunities to offset the greenhouse gas (GHG) emissions associated with employees' business travel activities.

ACHIEVED – During 2014, our business-related journeys accounted for 4,194 metric tonnes of CO₂e. These were offset through the purchase of Gold Standard carbon credits. Go to page 64 for more information.

Continue to disclose information to stakeholders on the GHG intensity of our business activities.

ACHIEVED – This was done via our CDP submission. Go to the following link for more information: www.cdp.net

Explore how viable it is to estimate the GHG emissions that are associated with the activities of self-employed agents while they are on home credit business.

ACHIEVED – Details of these emissions can be found on page 62 of this report.

Develop systems and processes to enable the calculation of the GHG emissions that are associated with the waste that is collected and managed from across our business.

ACHIEVED – Details of these emissions can be found on page 62 of this report.

TRANSPORT

Undertake an annual survey of our Bradford head office staff to understand how they travel to and from work and what the company can do to encourage the use of more sustainable forms of transport.

ACHIEVED – A travel plan survey was undertaken at our head office in May 2014.

Continue to offer a subsidised annual season ticket for public transport to staff at our Bradford head office.

ACHIEVED – An annual season ticket for public transport, which is subsidised by 45%, is available to staff at this location.

WASTE

Reduce the amount of office paper used across the Provident Financial Group of businesses by 20% compared with 2012.

ACHIEVED – The amount of paper used by offices across the group has been reduced by over 40% compared with 2012 data.

Develop systems and processes to enable data to be collected on the amounts of general waste generated at Vanquis Bank's London and Chatham offices.

ACHIEVED – Systems and processes have now been developed to do this.

ENVIRONMENTAL STEWARDSHIP

Ensure environmental improvement measures are integrated into Vanquis Bank's new head office.

ACHIEVED – In 2014, Vanquis Bank relocated its head office into new premises in London. These premises have a Building Research Establishment Environmental Assessment Methodology (BREEAM) rating of 'Excellent', and a 'B' Energy Performance Certificate rating.

Ensure that the environmental management system at the Provident Financial head office is reaccredited to the international standard ISO 14001: 2004.

ACHIEVED – Following a reassessment audit that was conducted in April 2014, the environmental management system in place at our Bradford head office continued to be formally certified to ISO 14001: 2004.

2015 targets

GREENHOUSE GAS EMISSIONS

Following recent acquisitions and organisational change across the business, establish a new GHG emissions baseline for the Provident Financial Group.

Begin to reduce scope 1 and 2 GHG emissions by 30% by 2020, compared with the new 2015 baseline figure.

Continue to offset the GHG emissions associated with employees' business travel activities.

Explore the viability of using the self-employed agents' app to collect data on the GHG emissions associated with home credit agent business activities.

TRANSPORT

Continue to offer staff at our Bradford head office a subsidised annual season ticket for public transport.

Introduce a cycle to work scheme across the Provident Financial Group.

Introduce a car share scheme at Moneybarn's offices in Petersfield, Hampshire.

WASTE

Ensure that the vast majority of group operational waste is diverted away from landfill by the end of 2015.

WATER

Improve our water consumption accounting and reporting.

ENVIRONMENTAL STEWARDSHIP

Ensure that the environmental management system (EMS) at the Provident Financial Bradford head office continues to be accredited to the international standard ISO 14001: 2004.

Ensure that the EMS at the Provident Financial head office meets the requirements of the new international standard ISO 14001: 2015.

Extend the scope of the accredited EMS to include the two Vanquis Bank offices by 2016.

KPIs: how we performed in 2014

Total greenhouse gas emissions:

10,763 tonnes CO₂e
(2013: 10,703 tonnes CO₂e¹⁴)

Scope 1 and 2 emissions: 4,863 tonnes CO₂e (2013: 5,537 tonnes CO₂e)

Scope 3 emissions: 5,900 tonnes CO₂e (2013: 5,166 tonnes CO₂e¹⁴)

Total energy use: 7,653 MWh
(2013: 10,436 MWh¹⁴)

Total waste arising: 1,160 tonnes
(2013: 1,458 tonnes)



¹⁴ Restated from last year's report.

Environmental management

The environmental management system (EMS) that has been in operation across our business for over a decade allows us to systematically manage our impacts on the environment by:

- Identifying and understanding the environmental impacts of our activities
- Defining environmental responsibilities for staff
- Measuring and monitoring our environmental management performance and setting targets
- Identifying opportunities to continually improve

Our EMS is audited on an annual basis against the requirements of the international environmental management standard ISO 14001: 2004. Our head office in Bradford continues to be formally certified to ISO 14001: 2004. In 2015, we will set a target to get the EMS across our Vanquis Bank locations in London and Chatham formally certified to ISO 14001: 2004.

Measuring and reporting GHG emissions

We have measured and reported our GHG emissions for many years. This helps us to identify opportunities to improve the energy efficiency of our businesses and minimise our contribution to climate change. We are also finding that investors are increasingly keen to understand the carbon intensity of our business activities. By measuring and reporting our emissions, we can enable the investment community to become more aware of the climate change risks inherent in their portfolios and achieve better and more sustainable shareholder returns. A key way we engage with the investment community on climate change is through our annual submissions to the CDP. The CDP requests information on GHG emissions, energy use, and the risks and opportunities presented by climate change from thousands of the world's largest companies. CDP then make the information available to investors so that it can be considered when making decisions related to business, investment and policy.

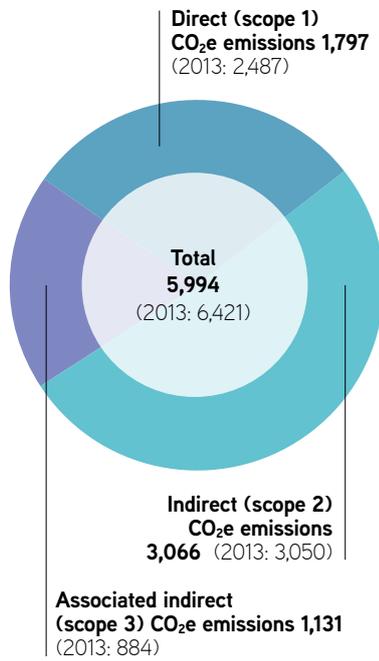
We are now also legally required to disclose the annual amount of GHG emissions generated by our activities. This includes activities for which we are directly responsible (scope 1 emissions); for us, this relates to our fleet of company cars and the gas used at our offices. We are also

required to disclose indirect GHG emissions (scope 2 emissions) from the electricity we purchase. During the year, our scope 1 and 2 emissions accounted for 4,863 tonnes of CO₂e. We have also voluntarily reported some of our scope 3 emissions; in particular, indirect "well-to-tank" emissions from the extraction, refining, distribution, storage, transport and retail of the fuel we use.

We set ourselves a target to extend our reporting of indirect scope 3 emissions relevant to our businesses. This includes reporting the GHG emissions that relate to business travel by the self-employed agents in our home credit business, the business-related travel activities of our employees, and the waste that is collected and managed from across our business.

Mandatory GHG emissions reporting

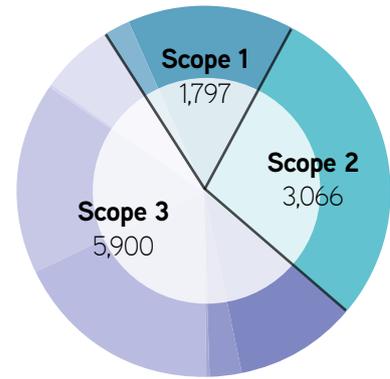
GHG emissions 01 January to 31 December 2014 (tonnes of CO₂e)*



* Our emissions are reported in accordance with the WRI/WBCSD Greenhouse Gas ("GHG") Protocol. We use an operational control consolidation approach to account for our GHG emissions and use emission conversion factors from Defra/DECC's GHG Conversion Factors for Company Reporting 2013. Our GHG emissions are calculated using energy use data accessed via meters and energy suppliers, and from records of fuel use. The emissions associated with Vanquis Bank's pilot credit card operation in Poland are excluded from the data disclosed above.

Overall carbon footprint

(tonnes of CO₂e)



Sub-totals (tonnes of CO₂e)

Scope 1

- Gas use (268)
- Diesel and petrol use (1,529)

Scope 2

- Electricity use (3,066)

Scope 3

- Scope 1 and 2 associated emissions* (1,131)
- Employee air travel (296)
- Employee rail travel (41)
- "Grey fleet" - employee own vehicle travel (1,950)
- Self-employed agent car use (1,776)
- Waste collection and management (32)
- "Well-to-tank" emissions* (674)

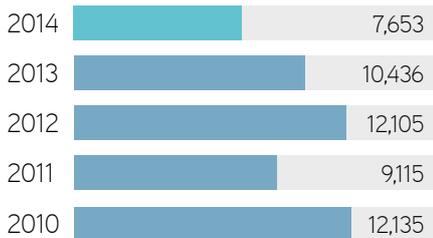
* The GHG emissions associated with the production, transportation and distribution of fuels used by transport and utilities providers in relation scope 1, 2 and 3 emissions.

Energy use

Overall energy use across the Provident Financial Group was 7,653 MWh during 2014 (2013: 10,436 MWh). The significant reduction of 26% compared with the previous year occurred as a result of fewer people working in the Consumer Credit Division's network of branch offices.

During 2015, work will be carried out to enable us to comply with the Energy Savings Opportunity Scheme (ESOS) Regulations 2014. This will involve appointing an ESOS lead assessor to carry out a group-wide energy audit across our buildings, transport and industrial activities, and notifying the Environment Agency of the audit findings by 5 December 2015. In addition to enabling us to comply with the ESOS Regulations, this audit programme will help us to identify areas of significant energy consumption and potentially highlight cost-effective energy saving opportunities.

Group energy use (MWh)

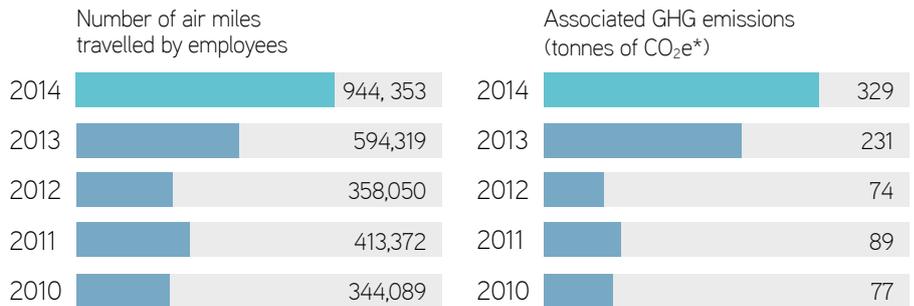


Travel and transport

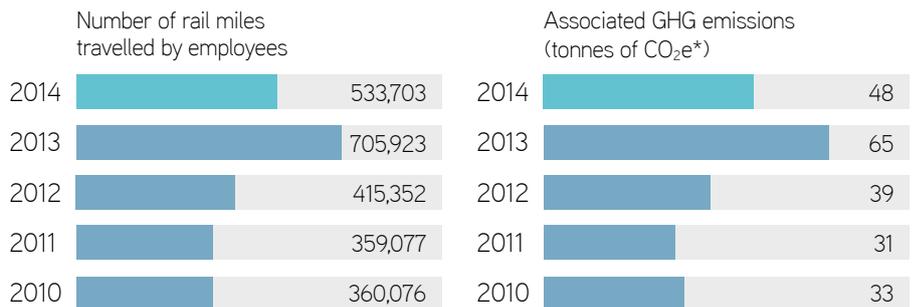
The vast majority of our scope 1 and 3 GHG emissions are from the business journeys our people make by car, plane and train. In addition, and for the first time, we estimated the GHG emissions associated with the journeys made by the home credit business' self-employed agents. This recognises the important role the self-employed agents

play in the home credit business model. To arrive at our estimate, we assumed that the self-employed agents used a car and travelled an average of 12.5 miles per week for 52 weeks. In 2015, we will explore the viability of getting a more accurate estimate of these emissions by replacing these assumptions with real data generated by the apps that the self-employed agents use.

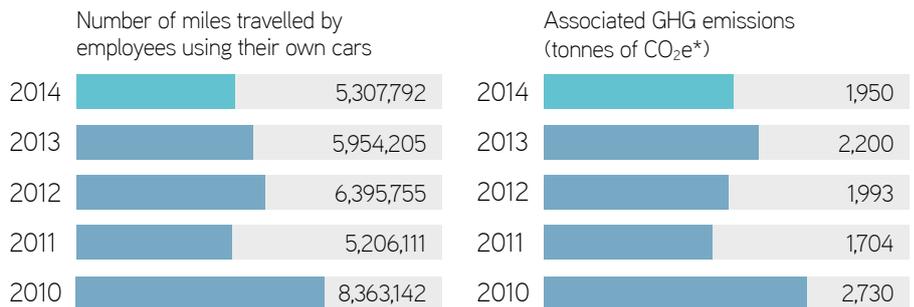
Air travel



Rail travel



Car mileage



* Including "well-to-tank" emissions.



Carbon offsetting

In 2014, we offset our travel emissions through the purchase of Gold Standard carbon credits in the Soma-Polat wind farm project in the Manisa and Balıkesir provinces of Turkey. This project consists of 119 wind turbines and is expected to generate 467,364 MWh of electricity per year, which will save almost 2 million tonnes of carbon emissions during the first seven years of the project. The project also provides a range of environmental and social benefits, including: improved air quality; full-time employment for local people; and planting 2,500 trees to replace the 300 trees removed during construction.

Fuel consumption

	Amount (litres) of diesel and petrol used by employees with company cars		Associated GHG emissions (tonnes of CO ₂ e*)
2014	606,918	2014	1,867
2013	594,277	2013	1,826
2012	700,528	2012	1,764
2011	726,987	2011	1,806
2010	735,794	2010	1,867

* Including "well-to-tank" emissions.

Self-employed agents GHG emissions (estimate)

Number of agents (as on 31/12/2014)	7,438
Average agent mileage	12.5
Weekly agent mileage	92,975
Annual agent mileage	4,834,700
Associated GHG emissions (tonnes of CO₂e)	1,776

There was, yet again, a significant increase in air miles travelled by our employees during 2014. This was due to an increase in flights between the UK and Poland as part of Vanquis Bank's pilot credit card operation. In addition, there was a noticeable increase in the flights between Europe and United States which were associated with investor relations activities.

Train travel decreased slightly compared with last year. This is due to an increased use of video conferencing by Vanquis Bank employees, which has reduced travel between offices. This has also reduced the miles travelled by employees in their own cars, which continued to drop. The redundancies described earlier in the report also contributed to reducing the miles travelled by employees in their own cars. However, the amount of diesel and petrol used in company cars increased slightly for the first time in five years. This occurred as a result of a slight increase in size of the group's fleet of company cars.

We continue to have a travel plan in operation at our head office in Bradford city centre. We are also members of the West Yorkshire Travel Plan Network which, among other benefits, entitles our people to a 15% discount on public transport. On top of this, we provide a further subsidy of 30% to encourage our employees to use public transport for their commute.

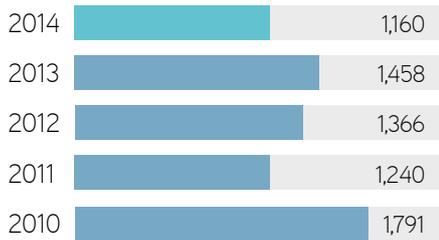
Carbon offsetting

Travel is an important part of how our businesses operate. That said, we recognise that the emissions that result from our business travel activities can be environmentally damaging and so we aspire to keep levels to a minimum. We measure and monitor the business journeys our staff make by plane, train and car, and also the fuel used in our fleet of company cars. We then offset these GHG emissions by investing in renewable energy projects. During 2014, our business-related journeys accounted for 4,194 tonnes of CO₂e.

Waste management and paper use

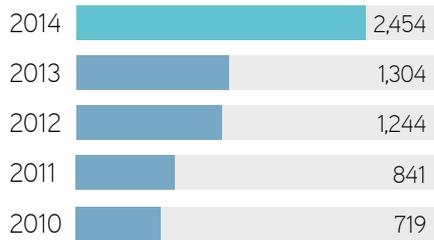
Being an office-based business, the waste we produce typically includes paper and cardboard, food packaging, and some IT equipment and accessories. To minimise the environmental impact of the waste our businesses generate, we try to follow the well-established waste hierarchy of reduce, reuse and recycle. We are pleased to have managed to achieve a reduction in the absolute amount of waste generated in 2014. This was achieved as a result of having new waste management arrangements in place within the Consumer Credit Division's network of branch offices, and introducing new technologies which reduced the amount of paper waste.

Absolute waste arising (tonnes)

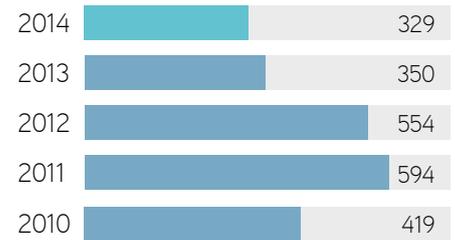


Paper use

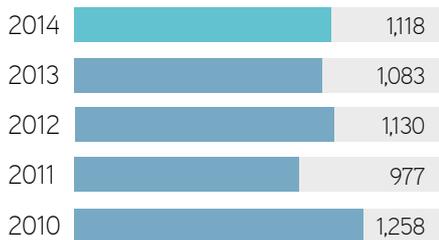
Marketing (tonnes)



Office use (tonnes)



Absolute waste recycled (tonnes)



Our main waste stream is paper – used for photocopying, printing and for marketing activities. To lessen the environmental impact of the paper we use, our businesses continue to make sure that the paper contains a high recycled content or is sourced from trees grown in sustainability managed forests.

The continued reduction in the amount of office paper used by our business is linked to the introduction of technology into the home credit business. Such technology has reduced the amount of paperwork that staff and self-employed agents have to deal with.

The significant increase in the paper that is used for marketing activities is due, in part, to a growth in customer numbers in our Vanquis Bank business; this has resulted in an increase in the amount of paper that is used in marketing material and customer statements.

We reduced absolute waste generated by

298 tonnes





Independent
assurance statement
and commentary



AA1000
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Independent assurance statement and commentary

Assurance statement

Provident Financial has commissioned Corporate Citizenship to provide external assurance and a commentary on its Corporate Responsibility Report 2014.

The scope of our assurance

The assurance provides the reader with an independent, external assessment of the report and, in particular, with how it corresponds with the AA1000 standard. It is intended for the general reader and for more specialist audiences who have a professional interest in Provident Financial's corporate responsibility performance.

Provident Financial has chosen to use AA1000AS (2008) as the standard against which to assure the report. Our assurance is a Type 2 assurance as defined by the standard, in that it evaluates the nature and extent of adherence to the AA1000AS principles of inclusivity, materiality and responsiveness and assures the behaviour of the organisation as reported here. Our assurance used disclosed information as its starting point and then investigated the underlying systems, processes and corporate responsibility performance information to arrive at its conclusions.

We have also assured the agreed performance information in the report. The criteria used are the GRI G4 Principles for Defining Report Quality: Balance; Comparability; Accuracy; Timeliness; Clarity; and Reliability.

The level of assurance offered is moderate as defined by AA1000AS (2008). That is to say, our work obtained sufficient evidence

to support the statement that the risk of our conclusion being in error is reduced. Our assurance does not cover Provident Financial's obligations to government codes, guidelines and regulations covering the financial services sector.

Provident Financial is entirely and solely responsible for the contents of the report, Corporate Citizenship for its assurance. A full version of this statement with methodological notes will be made available on the company website: www.providentfinancial.com.

Opinion and conclusions

In our opinion the Provident Financial Corporate Responsibility (CR) Report 2014 reflects the principles of AA1000 (2008): inclusivity, materiality and responsiveness.

Inclusivity relates to a company's commitment to be accountable to those on whom it has an impact and whether stakeholders are involved in developing a strategic approach. The 2014 CR Report demonstrates its inclusivity by clearly identifying and addressing the aspects of non-financial performance deemed most material to the business and its stakeholders (i.e. customers, communities, employees, suppliers, shareholders and investors, and regulators).

Materiality relates to the issues that really matter to an organisation's corporate responsibility performance and how these are identified by a company. For the first time this year, Provident Financial has published a detailed materiality assessment section within the report, as well as a materiality matrix (further commentary on which is included below). The company also clearly links the material issues identified from its assessment of material issues to the seven commitments made as part of its new CR strategy.

Responsiveness relates to how an organisation responds to stakeholder concerns. As a result of the requirement to continually align its CR approach with stakeholder expectations, Provident Financial has articulated for the first time a statement of social purpose as well as a new CR strategy in this year's report. The company also outlines a number of stakeholder engagement activities conducted on a regular basis to track and respond to stakeholder views.

Based on the work we have done, nothing has come to our attention to suggest that the agreed performance information is not in accordance with the GRI G4 Principles for Defining Report Quality.

Commentary

There have been a number of notable improvements in this year's reporting, including but not limited to, the addition of an estimate for Scope 3 greenhouse gas emissions arising from self-employed agents. This was identified as a gap in prior years, which has now been rectified. However, the most significant improvement has been the inclusion of findings from a recently conducted materiality assessment exercise identifying and prioritising the most important CR issues for the business and its stakeholders. By reporting on the company's materiality assessment findings, Provident Financial has provided a basis for readers to assess the merits of the company's new CR strategy as laid out in this year's report, as well as the completeness and relative importance of the different aspects of its CR reporting.

Notwithstanding the above, we highlight a number of specific recommendations below that would further improve the overall quality of reporting going forward, in line with the principles of AA1000.

Stakeholder voice

The articulation of a social purpose and new CR strategy in this year's report provides an excellent platform for ongoing stakeholder dialogue and external accountability in relation to the company's overall CR performance. Future reports would benefit

from the inclusion of different stakeholder perspectives on how Provident Financial is meeting its commitment to being a responsible business.

Future targets

With the new CR strategy comes a requirement to identify new goals and objectives that drive the company's corporate responsibility performance going forward. This will be critical to the embedding of the strategy within the business and ensuring its credibility. We would hope to see a detailed description of future targets within next year's CR report.

Reporting on impact

Future reporting would also benefit from greater disclosure on the impact of major CR initiatives, including but not limited to its community investment partnerships. We recommend Provident Financial give consideration to how it might measure the benefits of CR activities to key stakeholder groups and how its efforts are making a difference to key stakeholder groups.

Corporate Citizenship

London
30 October 2015

Paper and print specification

This report is printed on Revive 100 offset, which is made from 100% recycled waste and the pulp used is bleached using a Totally Chlorine Free process (TCF). The printing process was waterless, alcohol and alcohol-substitute free, and used vegetable oil-based inks. The report has been printed by Seacourt, an award winning, EMAS, FSC and ISO14001-certified printer.

Seacourt are carbon neutral, use only renewable energy and send zero waste to landfill. They were awarded the Queen's Award for Excellence: Sustainable Development in 2007 and 2011; the Waste Reduction Award at the Environmental Pioneer Awards 2010; the UK Sustainable Business Award at the Environment and Energy Awards 2010; and were winners in the continuous improvement category at the BCE Environmental Leadership Awards 2010.

Designed and produced by Anthesis 01625 501832.

Feedback

Your feedback is important to us. If you have any questions or comments about Provident Financial and corporate responsibility, do not hesitate to contact us at corporateresponsibility@providentfinancial.com and we will be happy to respond.

You can also telephone us on +44(0)1274 351351 or write to the corporate responsibility manager at: Provident Financial,
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You can find out more about Provident Financial by visiting www.providentfinancial.com

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