

2007

Provident Financial
Corporate Responsibility Report





Having such a prominent presence in so many communities in the UK and Ireland, brings with it the added responsibility to ensure that we are a force for good in people's lives.

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introduction

Statement from the Chief Executive

First and foremost, welcome to our 2007 Corporate Responsibility (CR) report, our seventh such report, which is designed to give you, the stakeholder, an account of the way we manage the social, environmental and economic issues that are material to our business.

2007 will go on record as being one of the most significant in Provident Financial's long history, with the sale of Provident Insurance in June and the demerger of the international business as a separately listed company in July. Since then, we have been able to deliver our strategy of continuing to provide high quality products and service to our almost two million customers, and growing our business by focussing on the needs of the 10 million people in the UK who make up the non-standard lending market. It has also provided us with the opportunity to underline our commitment to put CR at the heart of everything we do.

With all the changes that took place throughout 2007, we worked hard to ensure that our CR programme is aligned with the new strategic objectives of our businesses. This included revising our governance structures to reinforce our commitment to high standards in CR management, broadening the scope of the metrics we use to benchmark our social and environmental performance, and changing the way we report our CR performance.

Of course, the main macroeconomic story that dominated 2007, and which looks to be staying with us for the foreseeable future, is the so called 'credit crunch' which was set off by the sub-prime mortgage crisis in the USA and is now affecting markets and companies worldwide. While it's not 100% clear where such a major economic event will lead, it's apparent that an increasing number of interested parties such as investors, consumer groups and employees are looking to financial services businesses to give them confidence that they can operate sustainably throughout these uncertain times.



“2007 will go on record as being one of the most significant in Provident Financial’s long history. It has provided us with the opportunity to underline our commitment to put CR at the heart of everything we do.”

PETER CROOK, CHIEF EXECUTIVE

As I mentioned in our 2007 Annual Report and Financial Statements, there are three main reasons that should give interested parties confidence that Provident Financial is unlikely to be affected adversely by these issues. Firstly, as our focus is now on the UK non-standard market, we have no direct exposure to the problems seen in USA markets, nor have these directly affected our customers in a material way due to their low exposure to mortgage products. Secondly, the group's funding is organised differently to that of organisations currently experiencing 'credit crunch' problems in that we borrow 'long' and lend 'short'. As of 2007, our borrowings had a weighted average period to maturity of 3.9 years with available headroom against current committed facilities in excess of £400m, whereas we typically lend over a period of just over a year on average. Our liquidity, therefore, is strong with sufficient funds to finance the group's medium-term internal growth initiatives. Our prudent and straightforward approach to treasury management means that we have no investments at all in the securities currently causing problems for other lenders. The group is, therefore, to all intents and purposes, unaffected directly by the current crisis in the global credit markets. Finally, there is concern that the 'credit crunch' will lead to higher levels of impairment or bad debt. Our non-standard credit customers react more to life events than

to broad economic changes and so, although our level of impairment is higher than that of mainstream lenders, it tends to be less volatile and so is less of a problem for us.

Part of the increased scrutiny that financial services organisations are now experiencing also relates to the way that credit is issued to customers, and whether the lending practices in place are 'responsible'. The way our products and services are delivered to our customers is the most material CR issue for a company like Provident Financial. This is why we continue to use our CR programme as a framework to demonstrate that we treat our customers in a responsible manner by providing them with products that are easy to understand via a service which is personal, friendly and flexible, and by monitoring and reporting data on customer satisfaction, levels of complaints and impairment.

It goes without saying that our employees will have a key role to play in enabling us to grow and develop our businesses. This means that we have to create a working environment that enables our people to develop and that we work hard to recruit and retain high calibre employees. Throughout 2007, we introduced new performance management processes and communication channels to ensure that our employees are rewarded and remunerated appropriately, and to ensure that they are inspired to go that extra mile for Provident.

Having such a prominent presence in so many communities, often in some of

the most under-privileged parts of the UK, brings with it the added responsibility to ensure that, in addition to making available appropriate credit products, we are a force for good more generally in people's lives too. Our community involvement programme continues to focus on two key areas: addressing the social welfare and education issues that confront children and young people in some of the UK's most deprived communities, and working with the money advice sector on issues that are specifically relevant to our market such as financial education and inclusion. We will continue to ensure that we

provide long-lasting benefits to the communities where we operate.

As was the case last year, environmental considerations, particularly issues relating to climate change and use of natural resources, remain a key focus of our CR programme. This is why we've carried out a significant amount of work this year to determine precisely the size of our carbon footprint and calculate the amount of resources, such as paper and water, we use across our group. Having this more complete understanding of how our activities impact on the environment will enable us to continue to introduce measures to improve further our environmental performance.

Some commentators have argued that the 'credit crunch' and talk of an economic downturn will cause CR issues to fall off the boardroom agenda as businesses tighten their belts. However, I would argue that CR is precisely what's needed when times get hard as it will enable us to provide stakeholders with confidence, differentiate ourselves from our competitors, and, ultimately, to thrive.

Finally, my colleagues and I remain committed to receiving feedback from you, not only on the information contained within our CR report, but more generally on our approach to managing CR. Please email your suggestions or views to corporateresponsibility@providentfinancial.com.



Peter Crook, Chief Executive, Provident Financial

This is our 7th annual corporate responsibility (CR) report. It is designed to provide stakeholders with an account of the way we manage the CR issues that are material to our activities.

All the information included in this report relates to our continuing operations in the UK and Ireland, following the demerger of our international division and sale of our insurance business in the summer of 2007. Where significant changes have occurred in terms of the information and performance data that is presented, explanatory commentary is provided.

If you wish to download this report, or previous years' CR reports, go to www.providentfinancial.com

If you have any queries in relation to the report or our CR programme, please contact our corporate responsibility manager at corporateresponsibility@providentfinancial.com

Our company at a glance

Provident Financial is a financial services group specialising in the provision of personal credit products for consumers in the UK non-standard lending market. We are a FTSE mid-shares 250 company listed on the London Stock Exchange, serving almost two million customers in the UK and Ireland. Our focus is to provide home-collected credit, credit cards and direct repayment loans to the 10 million consumers in the UK non-standard lending market.

Our history

Established in 1880 to provide manageable credit for working class families in industrial West Yorkshire.

2007 has been a hugely significant year in Provident Financial's history with major changes in our organisational structure and focus. In June we sold the motor insurance division and in July we demerged from our international division allowing us to now focus on UK business. Provident Financial and International Personal Finance (our former international division) are now separately listed companies.

We intend to concentrate on broadening our credit offering in the UK non-standard credit market.

Our business now

Consumer Credit Division:

Home Credit (Brands: Provident Personal Credit and Greenwood Personal Credit) – Provident Financial is the largest home credit business in the UK. Every week its local agents visit 1.65 million customers to issue loans and collect payments. The business succeeds by offering simple, transparent financial services to customers on average or below-average incomes, some of whom may find it difficult to obtain or manage other forms of credit. The service is popular because it's personal, friendly, flexible and well suited to the needs of its customers.

Direct repayment loans (Brand: Real Personal Finance) – RPF offers larger loans than traditional weekly-collected home credit and has been set up within the Consumer Credit Division so that it can share the home credit business's resources, in particular its 300-strong branch network. RPF, which is at the market test stage, is still very much a home credit product but with repayments collected by direct debit.

Vanquis Bank:

Vanquis Bank was established in 2003. After a period of market testing, full product launch in the UK commenced in January 2005. The number of cardholders at the end of 2007 was 316,000. Vanquis Bank brings the benefits of credit cards to many people who may otherwise not have access to a credit card, including those with little or no credit history, those who have had credit problems in the past, but are now over them, and those on low incomes. The product is offered in a controlled way, with a relatively low credit card limit and a high level of contact to help customers stay in control.

Why we manage CR

We've long recognised that by taking corporate responsibility (CR) seriously we can continue to operate a profitable business and, at the same time, contribute to sustaining the environment and society. Our CR programme enables us to demonstrate that we are a responsible company

and to be proactive in terms of addressing the social and environmental issues that matter to our stakeholders.

CR plays a key role in enabling us to maintain relationships with the people that matter to the business whether they're

2007 financial performance at a glance

Group results

	2007 (£m)	2006 (£m)	Change (£m)
Consumer Credit Division*	123.5	122.0	1.5
Pension credit	-	5.5*	(5.5)
Total Consumer Credit Division	123.5	127.5	(4.0)
Vanquis Bank	(0.9)	(18.3)	17.4
Yes Car Credit (collect out)	(2.9)	(1.5)	(1.4)
	119.7	107.7	12.0
Central:			
- costs	(6.5)	(6.0)	(0.5)
- interest receivable	2.0	2.4	(0.4)
Total central	(4.5)	(3.6)	(0.9)
Profit before tax from continuing operations	115.2	104.1	11.1
Tax from continuing operations	(34.5)	(30.8)	(3.7)
Profit after tax from continuing operations	80.7	73.3	7.4
Profit after tax from discontinued operations	57.7	51.6	6.1
Total group profit after taxation	138.4	124.9	13.5

*Consumer Credit Division profits in 2006 included the benefit of a one-off £5.5m pension credit in respect of changes to members' commutation rights.

Group highlights

- Profit* and customer number growth in the Consumer Credit Division.
- Significant improvement in impairment in both the Consumer Credit Division and Vanquis Bank.
- Vanquis Bank around break-even for the year.
- Real Personal Finance market test progressing well.
- Full year dividend of 63.50p per share.
- Strong funding and liquidity positions.

During 2007, revenue less impairment was £462 million. Of this, we paid £173 million to brokers and suppliers of goods and services (including agents). The remaining £289 million is value added by Provident Financial which was distributed to employees (£153 million), shareholders (£89 million) and government in the form of taxes (£47 million). A further £1 million was donated to our community partners and a loss of £9 million was sustained by the business.

More information about our financial results and performance is published in our 2007 Annual Report and Financial Statements (go to www.providentfinancial.com for more information).

customers, employees, suppliers, communities or investors. It helps ensure that we reduce our impacts on the environment, take account of the social, environmental and ethical issues that result from our purchasing decisions, and develop a working environment that will enable us

to become an employer of choice. From a customer perspective, our CR programme underlines our commitment to lend responsibly and provide products which meet the needs of our customers. This in turn enables us to maintain stability in terms of levels of impairment.

In short, our CR programme is a cornerstone of our company which enables us to demonstrate that we are a sustainable, well-managed company.



governance and
management
embedding
corporate
responsibility



Governance and management

With all the changes that took place at Provident Financial during 2007, we have worked hard to ensure that CR stays at the heart of all that we do as a business. During the year, we reviewed and changed our CR governance and management processes. This work was undertaken both to underline senior management commitment to our CR programme, and to ensure its delivery. We are now organised so that we can manage effectively the CR issues that are material to our operations, products and services.



Why is governance and management important?

The governance and management structures we have in place for our CR programme ensure that appropriate levels of commitment and internal control are in place across our business to manage our CR performance.

Despite all the changes that took place during 2007, CR continues to be a key priority for Provident Financial, and helps us to run our businesses in a sustainable, well-managed way.

As the Provident Financial group grows, this will enable us to continue to integrate social, environmental and economic issues into our operations, products and services and into the interactions we have with our stakeholders, whether they are our customers, our people, our suppliers or the communities within which we work.

TARGETS

2007

- Agree a champion at board level for Provident Financial's group-wide CR programme
- Develop new CR governance and management structures for the Provident Financial group post demerger
- Identify opportunities to embed consideration of environmental issues into community involvement activities
- Increase CR-related communications to branch staff and agents
- Undertake a review of the CR communication mechanisms currently employed throughout the group
- Establish a group-wide communications strategy/plan and sub-group for all CR activities

Achieved

Achieved

Not achieved

Not achieved

Achieved

Achieved

2008

- Identify opportunities to embed consideration of environmental issues into community involvement activities
- Increase CR-related communications to branch staff and agents
- Review the corporate policies that relate to our CR programme
- Improve our rating on the mainstream sustainability indices (eg BITC CR Index, Dow Jones Sustainability Indices, and FTSE4Good)
- Continue to encourage individual employees to reduce their environmental impacts via an ongoing employee engagement programme
- Develop and disseminate an environmental improvement best practice guide to the Consumer Credit Division branch network
- Develop a strategy to engage with customers on relevant environmental issues (eg energy efficiency)

“With all the changes that took place throughout 2007, we worked hard to ensure that our CR programme is aligned with the new strategic objectives of our businesses. This included revising our governance structures to reinforce our commitment to high standards in CR management.”

PETER CROOK, CHIEF EXECUTIVE

Governance

We are aware that when CR is governed and managed in an effective manner, we can reduce our direct and indirect adverse impacts and increase our positive impacts on the environment and society at large and, at the same time, continue to operate a profitable business. In recognition of this, the Provident Financial board is the accountable body for our CR programme, with Peter Crook, Provident's Chief Executive, representing our programme at board level. At every board meeting, account is taken of the significance of environmental, social and

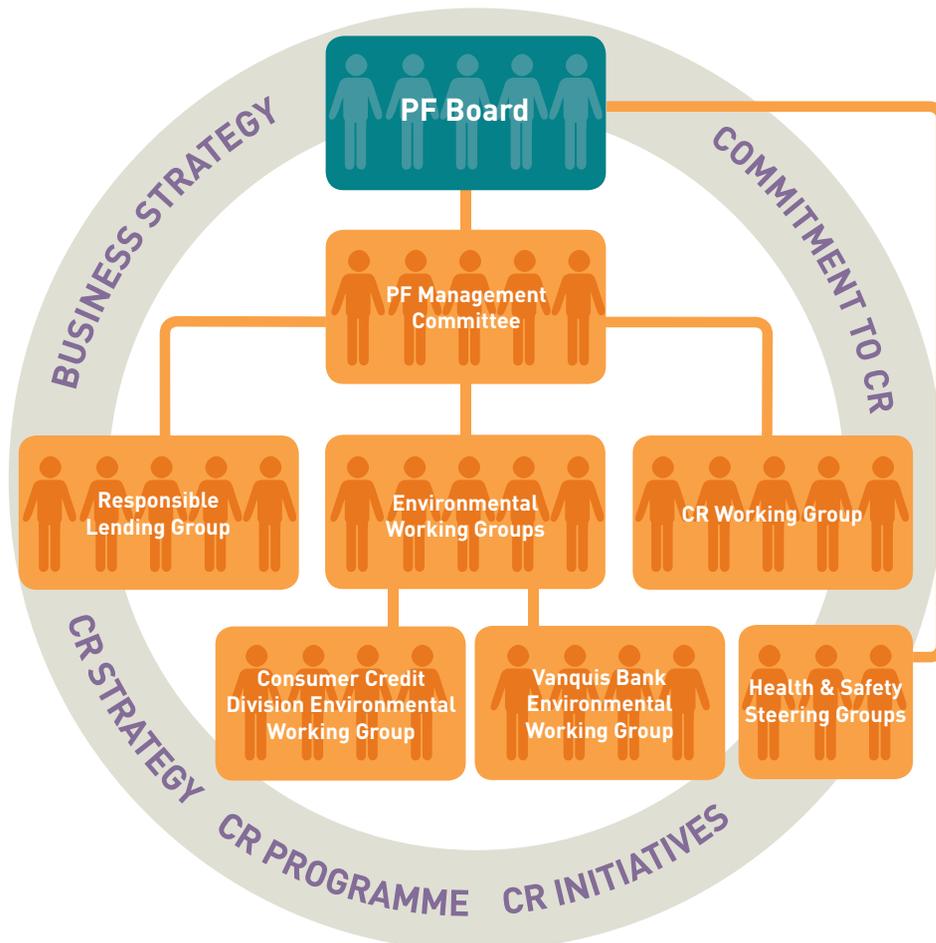
governance matters to the group and both CR and community affairs reports are presented.

The Provident Financial management committee is responsible for reviewing group performance and providing input and direction on cross-group issues. The committee comprises the executive directors of the Provident Financial board (ie the Chief Executive, Finance Director and Managing Director of the Consumer Credit Division), the Managing Director of Vanquis Bank, Provident's Director of Corporate Affairs and Director of Corporate Strategy, and the General Counsel and Company

Secretary. This group meets on a monthly basis and provides oversight on our CR programme.

Under the management committee there are a range of working/steering groups. These are made up of representatives from a variety of functions within the Consumer Credit Division, Vanquis Bank and corporate office. These groups address the social, environmental and economic issues that are material to our operations, products and services. The working/steering groups feed to the Provident Financial board, or via the management committee.

OUR GOVERNANCE FRAMEWORK



CR management

An integral part of our CR programme is the management structure we have put in place which enables group-wide issues to be managed and reported effectively. With this management structure we have good communication mechanisms in place that facilitate both the sharing and dissemination of CR issues to internal and external audiences, and the delivery and evaluation of group-wide CR initiatives.

The CR manager, based at the Bradford headquarters, has overall responsibility for co-ordinating the management of the group's CR programme. Key personnel from across the group are represented on our working groups which effectively embeds CR within our operating divisions. (see illustration opposite). It also enables CR performance data to be more efficiently collected from across the group and division-specific CR initiatives to be developed and delivered.

Policies

Provident's commitment to high standards in CR performance is underpinned by a range of corporate policies. These cover an assortment of issues including environmental management, community involvement, health and safety, and responsible supply chain management. In addition, our operating businesses have developed policies to cover issues such as equal opportunities, diversity and work-life balance.

Mechanisms such as our induction programmes, intranet sites and employee handbooks are used to integrate our policies within our businesses and to

raise staff awareness of our CR commitment to minimise our adverse impacts and maximise any positive impacts on the community, environment, supply chain and workplace.

Our stakeholders

Our stakeholders play a crucial role in the continuing success of our business. By stakeholders, we refer to individuals or groups who affect or are affected by our activities. Our relationships with all these stakeholders have a significant impact on our business. We have identified six key stakeholder groups who affect or are affected by our activities and, therefore, play an integral part in the success of the business. They are communities, customers, employees, regulators, shareholders and suppliers.

(See diagram overleaf)

Communities

Our communities are in the UK and Ireland. With people at the heart of our business, we are committed to providing benefits to the people who live and work in the areas in which we operate, whether they are our customers, agents, employees or the local community, thereby helping to create an environment in which our business can flourish. In recognition of the inextricable link between these communities and the success of our business, we are committed to ensuring that our community investment programme continues to make a positive and sustainable impact.

Customers

Our customers are key to the success of our business. It's therefore essential that we provide products that match our customers' needs, in a responsible manner, and deliver a high quality service.

Employees

Our business will only continue to flourish if we attract and retain high quality employees. It's therefore important that we provide a stimulating and safe working environment that takes account of a range of diversity issues, and offers appropriate levels of remuneration and training, plus career development opportunities.

Regulators

Being a business in the financial sector delivering a range of products and services, our operations are governed by numerous regulatory standards. We run our business in a way that meets or exceeds regulatory and legislative requirements.

Shareholders

Our shareholders are important to us. Our CR programme plays an integral part in ensuring that we deliver long-term shareholder value. Our corporate governance structures and performance in socially responsible investment indices provide confidence to our shareholders that the business can operate sustainably in the long term.

Suppliers

We have a duty to behave responsibly towards our suppliers and ensure that they are paid promptly and communicated with effectively. It's also important that we manage the social and environmental issues which are inherent in a supply chain that includes the 11,600 agents that deliver our products and services, and providers of IT equipment and office stationery.



We are keen at all times to involve and communicate with our stakeholders. It is important that we hear our stakeholders' views, both positive and negative, to assess where and how we can improve the performance of our CR programme. This feedback is taken into account when evaluating our performance.

During 2007, we undertook a series of research activities to collect feedback from our many stakeholders. This included an engagement survey of all our employees, distributing a responsible supply chain management questionnaire to our top 100 suppliers, and carrying out market research with our customers. Details of the information that resulted from this research are set out in the appropriate sections of this report.

We also participated in consultation exercises regarding proposed legislation and regulatory changes, and responded to requests for CR information from a range of institutional investors. This included participating in a consultation exercise facilitated by the Employers' Forum on Disability on the proposals for a Single Equality Bill in the UK and providing feedback on the internationally applicable

product-related carbon emissions reduction framework currently being developed by the Carbon Trust.

How we report our CR commitments and activities is important to us, and we're keen that the overall quality of our CR reports improves year on year. On 06 December 2007, we carried on the tradition of convening an annual stakeholder roundtable meeting to obtain feedback on the efficacy of our 2006 CR report and wider programme. The roundtable meeting was facilitated by the management consultancy Corporate Citizenship and was attended by ten representatives from a range of organisations, including the Association of British Insurers, Credit Action, F&C Asset Management and the FTSE Group. The goal of this consultation exercise is to provide us with feedback on the quality and materiality of our report, with particular reference to issues such as responsible lending, community involvement and governance, so that we can make improvements to how we communicate our CR activities and commitments in future reports.

Membership

To help ensure that Provident's CR programme is in line with best practice, and to access advice and support on issues such as community involvement, diversity and supply chain management, we continue to be members of a range of relevant organisations. For example, we are members of Business in the Community, the Employers' Forum on Disability, and Race for Opportunity. We are also a member of the Chartered

Feedback from independent consultation on 2007 CR Report

The comments generated as a result of the feedback from our independent consultation exercise were varied. The group reported on both areas of excellence and areas for improvement and can be summarised as follows:

Areas of excellence

- Our commitment to engage with our stakeholders on our CR programme was commended
- The way we reported our impacts on the environment and community was praised

Areas for improvement

- More work should be carried out to define a wider range of CR objectives and targets, particularly in relation to our marketplace and workplace impacts
- Key issues should be addressed more thoroughly within the report, such as responsible lending by describing how lending decisions are made and explaining the practices on the ground

Our response

- The results of the consultation exercise will be used during 2008 to help us to shape the content of our next report and ensure that our CR programme continually improves.

Institute of Purchasing and Supply Financial Services Purchasing Forum CSR sub-group, whose purpose is to work to develop a sectoral approach to embedding social, environmental and ethical considerations within

procurement processes.

In addition, and to enable us to contribute to the sustainable development of the West Yorkshire sub-region, we are members of the Bradford Chamber of Commerce 'Better Business Environment Forum', which works to assist the Chamber's members in maximising environmental business opportunities.

Recognising good performance

We continue to be represented on the main global sustainability indices and respond to requests to share information on our CR programme. This is an important facet of our CR programme as it provides investors and other stakeholder groups with demonstrable evidence of our commitment to ensure that our business operates in a responsible manner. It also enables us to show that we are sufficiently organised to manage the social, environmental and ethical risks that are material to our operations, products and services.

For the fifth consecutive year, we have been included in the FTSE4Good index and for the third consecutive year we've been selected as members of both the Dow Jones Sustainability World Index (DJSI World) and Dow Jones STOXX Sustainability Index (DJSI STOXX). In addition, and for the second time, we responded to the Carbon Disclosure Project (CDP) survey. The CDP provides a coordinating secretariat for institutional investors with a combined \$57 trillion of assets under management. On their behalf it seeks information on the business risks and opportunities presented by climate change and



greenhouse gas emissions from the world's largest companies.

We also continued to make submissions to the Business in the Community (BITC) Corporate Responsibility Index. In November 2007, we made our fifth such submission to the Index, which is a voluntary, business-led benchmark of responsible business practice and acts as a management tool to help ensure continuous improvement in CR practices. By being part of the BITC Index, we can benchmark our performance against that of our peers, other participants and CR best practice, with particular reference to community involvement and environmental management.

The results of our involvement in the Index were announced in May 2008. Our performance on the overall CR index increased, with our score rising to 94.5%, up from 89.5% in 2006. We attained particularly strong scores on the community and environmental components of the index, which

increased from 91% to 98% and 90% to 96% respectively. As a result of our efforts, we were again recognised as one of the 'Top 100 Companies that Count' by the *Sunday Times* in its CR supplement on 25 May 2007.

Risk management and internal control

The management of risk is an essential part of CR that must be taken into account and managed. Like most businesses, PF operates a comprehensive risk management framework. This framework addresses a wide range of risks which are material to the business – including social, economic and environmental issues.

The risk management framework is overseen by the Risk Advisory Committee (RAC) on behalf of the board. The RAC comprises Robert Hough (Chairman of the committee), Manjit Wolstenholme and John Maxwell, who are all independent, non-executive directors, and the Finance



**BITC Corporate
Responsibility Index**

Overall performance:

94.5%

Community:

98%

Environment:

96%

Director, Andrew Fisher. Its function is to keep under review the effectiveness of the group's system of internal controls, including operational and compliance controls and risk management, and to report to the board on its work. The RAC maintains the risk registers prepared by the subsidiary companies and considers the most important risks facing the group. It also delegates a number of responsibilities to the Risk Advisory Group (RAG) which comprises the executive directors, the Company Secretary and the group Financial

Controller. The RAG considers the extent and nature of the risks facing the company, the extent and categories of risk which are acceptable to bear, the likelihood of the risk materialising, the company's ability to mitigate any risk, and the costs of operating particular controls relative to the benefits obtained. It reviews risk assessments prepared by the subsidiary companies and corporate office twice a year, challenging and making changes where appropriate. Activity reports, key risk registers and supporting schedules are submitted to the RAC for review.



Provident Financial is subject to consolidated supervision by the Financial Services Authority (FSA) and is required to conduct an annual Internal Capital Adequacy Assessment Process (ICAAP). The key output of the ICAAP is a document which considers the risks faced by the company, considers the adequacy of internal controls in place and ascertains the level of regulatory capital that should be held to cover those risks. The ICAAP was approved by the board and submitted to the FSA for review during 2007.

The key elements of the internal control system which have been established across Provident comply with revised Guidance for Directors on the Combined Code, the Turnbull Guidance. The efficacy of our risk management processes is reviewed on an annual basis by the group's independent internal auditors.

For more information on our risk management processes, please refer to the Directors' Report in our 2007 Annual Report and Financial Statements or go to www.providentfinancial.com.

Audit and assurance processes

Provident Financial remains committed to subjecting its CR programme to processes of independent audit and assurance. The commentary and data contained within this

CR Report is independently assured by the management consultancy Corporate Citizenship. In carrying out this process, Corporate Citizenship has had regard to the principles of materiality, completeness and responsiveness which underpin the international assurance standard AA1000 (go to www.accountability.org.uk for more information).

Our environmental management system continues to be audited against the requirements of the international environmental standard ISO 14001. During 2007, this audit work was carried out by the consultancy SEQM.

For the second consecutive year, our community programme was put through an external assurance review. In 2007, the work was undertaken by Corporate Citizenship. The process concentrated on two main areas: our application of the London Benchmarking Group model, and the effectiveness of the implementation of our community strategy. The London Benchmarking Group model is used as the basis for collecting and reporting our community involvement data.



Refer to the Directors' report in our 2007 Annual Report and Financial Statements for more information on our risk management processes or go to www.providentfinancial.com

'Provident Financial remains committed to subjecting its CR programme to processes of independent audit and assurance.'



legislation
regulating how
we operate



Legislation

A key part of being a responsible business involves complying with the rules and regulations that are relevant to our activities. As such, we are proactive in monitoring policy and legislative developments that relate to the way we operate, and how we deliver our products and services to our customers.

How our businesses are regulated

The Provident Financial group is regulated under the Consumer Credit Act 2006 which updates and adds to the Consumer Credit Act 1974. The 2006 act became law in March 2006 and modernises consumer protection, and enhances fairness and transparency in the marketplace.

In addition, Provident Personal Credit (PPC) and Greenwood Personal Credit (GPC) are members of the Consumer Credit Association (CCA), which represents the majority of businesses in the UK home credit industry. The Association is the focal point for contact by government, local authorities, other finance sector representative bodies, the media and consumer groups who have an interest in the industry. To be accepted as a member each organisation has to undergo evaluation and membership is not confirmed until the Association is satisfied with the company's conduct and competence. As CCA members, both PPC and GPC voluntarily subscribe to the Association's Code of Practice

which, among other things, commits us to conduct our operations lawfully and trade in a fair and responsible manner.

PPC, GPC, Real Personal Finance and Vanquis Bank all hold consumer credit licences. Licensing is operated by the Office of Fair Trading, and supervised at a local level by local authority trading standards departments.

Consumer Credit Act 2006

In revising and amending the Consumer Credit Act 2006, the Department of Business, Enterprise and Regulatory Reform (formerly the Department for Trade and Industry) sought to establish a fairer, clearer and more competitive market for consumer credit, update consumer credit legislation in place since the 1970's and make it more relevant to today's consumers. We welcome the terms of the 2006 Act and support the government's intention to protect consumers by enhancing the fairness and transparency of credit products.

Compliance with the Consumer Credit Act 2006

During 2007

- An 'unfair relationship' test which replaces the 'extortionate credit' test specified under the 1974 Act was introduced.
- An alternative dispute resolution scheme was established to cover any consumer credit complaints that may occur. This entitles customers to refer complaints to the Financial Ombudsmen Service after they have first raised the matter with the company concerned.

In 2008:

- We will be required to comply with two remaining amendments:
 - From April we will be subject to a new consumer credit licensing regime
 - From October we will need to provide customers with annual statements.

Financial Services Authority

Vanquis Bank is also regulated by the Financial Services Authority (FSA). Regulation by the FSA is driven by eleven principles for business each of which sets out, in simple terms, an obligation expected to be achieved by the regulated financial institutions plus the level of high standards to be attained. Principal six of this regulatory regime – the Treating Customers Fairly (TCF) initiative – deals with respect for the interests of the customer and fair treatment. The TCF initiative forms part of the FSA’s wider goal of ensuring that retail customers achieve a fair deal.

Since 2006, Vanquis Bank has made a significant amount of progress in terms of embedding the principle of TCF within its operations, products and service. This includes:

- Establishing a TCF committee which is made up of representatives from across the business and is chaired by one of the Bank’s non-executive directors.
- Undertaking a gap analysis of the Bank’s business processes against the requirements of TCF. This resulted in five individual work streams being identified.
- Developing a TCF strategy document for the company which is signed off at board level and focuses on embedding the TCF programme within the governance and culture of Vanquis Bank.

During 2008, the following further activities will be carried out:

- By March, the introduction of appropriate management information (MI) or other

measures to test whether Vanquis Bank is treating its customers fairly.

- By December, full integration of the TCF framework with the expectation that Vanquis Bank will be able to demonstrate that customers are consistently being treated fairly.

The Competition Commission inquiry into home credit

A key regulatory development in 2007 was our work with the Competition Commission and other parties to implement the four remedies designed to provide increased competition in the home credit market.

All home credit companies will be required to share data with credit reference agencies, to publish their prices on an independent website, to provide statements for customers on request, and to adjust early settlement rebates (ESRs) more in favour of the customer. The cost to Provident of implementing the remedies, including the financial effect of the ESR remedy which applies to all credit agreements written from December 2007, is approximately £10 million in a full year.

The EU Consumer Credit Directive

The European Parliament adopted a new text for a Consumer Credit Directive in January 2008. The directive was formally approved by the European Council of Ministers in April 2008 and will have to be implemented by member states within two years, meaning that it is likely to become law by late 2010. The Directive will harmonise rules on advertising, pre-contract information and the content of credit contracts. There



is also a new obligation to assess the creditworthiness of the customer, a right of withdrawal from any contract and revisions to the calculation of early settlement rebates. The new Directive will replace the existing Directive dating from 1987 that currently applies across the 27 EU member states.

Affordable credit

The Government continues to focus on promoting solutions to prevent financial exclusion. The most recent document on this policy area was published by HM Treasury in December 2007 in the form of a Financial Inclusion Action Plan for 2008-2011. The plan, backed by £135m of funding, set out existing and new initiatives to combat financial



exclusion. Its focus is on three key areas: firstly, to help people to budget day to day; secondly, to help people to plan for the future and manage financial pressures; and lastly, to help people to deal with financial distress.

The majority of 2008-2011 funding has been allocated to provide money advice to financially excluded individuals.

‘The majority of 2008-2011 funding has been allocated to provide money advice to financially excluded individuals. A smaller proportion will be used to increase the supply of small sum credit supplied by credit unions and other not-for-profit lenders.’

A smaller proportion will be used to increase the supply of small sum credit supplied by credit unions and other not-for-profit lenders. This builds on the additional funds that have been directed to not-for-profit lenders from the Department for Work and Pension’s Growth Fund. The HM Treasury plan states that the banking sector has agreed to provide more substantive overall support for third sector lenders.

Currently, credit union lending to financially excluded individuals is on a relatively small scale. The Financial Inclusion Task Force suggested a short-term goal of £60m of social lending to 150,000 financially excluded individuals by 2011. We welcome these efforts to support growing diversity of provision to lower income consumers and the increased choice it aims to offer: we believe all such offers should

compete on their merits. Our experience of providing credit to those on lower incomes is that, in common with other groups, they can benefit from access to credit products which match their requirements and enable them to manage better their personal or household finances.

The HM Treasury plan also said that anti-loan shark teams are to be set up country-wide. These are intended to emulate the example of successful anti-loan shark pilots in Birmingham and Glasgow. We strongly support this development aimed at pursuing illegal lenders, their assets and their associates through the courts. Evidence from 2006 DTI-commissioned research showed how destructive it can be for an individual to get involved with loan sharks. The same research also found that the UK had a lower

incidence of illegal lending than comparable EU states. The research concluded that this was a consequence of the UK regulatory system that makes it possible for the majority of borrowers to access legal, regulated credit.

A research team funded by the Joseph Rowntree Foundation is currently examining the feasibility of developing a not-for-profit version of home credit which might be delivered by third sector providers. The team comprises representatives of the Association of British Credit Unions, the National Consumer Council and the country's leading academic researchers on personal finance and credit. The premise of this research is that home credit offers the right features to lower income customers. The challenge is to find out whether these features (including home collection by an agent network) could be provided successfully by a not-for-profit provider and at what cost. We await the outcome of this research, which should provide useful insights into which models of credit provision best meet the needs of lower income borrowers.

'A research team funded by the Joseph Rowntree Foundation is currently examining the feasibility of developing a not-for-profit version of home credit which might be delivered by third sector providers. We await the outcome of this research, which should provide useful insights into which models of credit provision best meet the needs of lower income borrowers.'



our customers
delivering products and
services to meet their needs



Our customers

The success of Provident Financial depends on our ability to build and maintain long-term relationships with new and existing customers by providing well-suited products and outstanding service. Since 1880, we have been designing and delivering products to meet the needs of customers within the non-standard lending market. As such, we recognise that we have a corporate responsibility to ensure that we continue to deliver products which are well-suited to the needs of our customers by offering high levels of customer service in a personal, friendly and flexible manner. This will in turn enable us to maintain our enviable levels of customer satisfaction.

Understanding our customers

We have almost two million customers, which means that Provident Financial has the largest non-standard customer base in the financial services sector in the UK. An integral part of our CR agenda involves continuing to deliver high quality products and outstanding levels of customer service. This will enable us to address the ten million people in the UK who make up the non-standard credit market and increase our market share.

To ensure that we maintain high standards in product and service delivery, we need to understand

first the varying needs of our diverse customer base. Being a specialist within the non-standard sector and having a good understanding of our customers enables us to price our products appropriately for the risk levels involved and provide the high degree of simplicity and certainty our customers prefer.

With many of our customers living on a modest income, we are keen to ensure that our lending is always conducted in a responsible manner. In practice, that means providing our customers with clear information on our products and their charges and not lending more than our customers can afford, so that they can make informed

choices and not be over-stretched with their repayments.

By having a comprehensive knowledge of our customers, we can offer a range of products that are tailored to their specific needs with a service that is in line with their lifestyles. The products and services we offer to customers are delivered through two business divisions: the Consumer Credit Division and Vanquis Bank.

Consumer Credit Division customers and products

Consumer Credit Division customer profile

70%
of customers are women

81%
have electronic bank accounts

25%
have overdraft facilities

26%
have credit/store cards

35%
have a savings account

13%
have a mortgage

45%
work full or part time

In the Consumer Credit Division our customers are drawn from a range of socio-economic backgrounds with the majority coming from the C, D and E groups (refer to figure to the right for a breakdown).

Home credit

We serve 1.65 million customers in the UK and Ireland which makes us the leading community-based lender. Our home credit product is operated through the Provident Personal Credit (PPC) and Greenwood Personal Credit (GPC) brands which share a network of over 300 branch offices and related administrative facilities. This means that Provident has a presence in every major town and city in the UK and Ireland. The home credit loans we provide to our customers are for small amounts and are unsecured, typically for sums of between £100 and £500.

To offer a high level of personal customer service, lending is done through a nationwide network of 11,600 agents. Loans are delivered to the customer's home by an agent who then calls back on a weekly basis to collect repayments. Unlike other forms of lending, home credit gives customers peace of mind as all the costs are included up front with no extra charges whatsoever, even if the customer misses a repayment. Our customers know that the amount they owe is fixed at the start and will never go up and so can budget accordingly.

Real Personal Finance

In order to serve non-standard customers who require a high level of personal service, but with the convenience of direct debit repayments rather than home collection, we have launched Real Personal Finance (RPF). RPF has been developed to supply the remotely-collected, non standard market and offer larger loans than our home credit loans, ranging from £750 to £4,000. The product has been established within the Consumer Credit Division so that it can share the over 300-strong branch network from which our RPF Personal Finance Managers (PFMs) work. The PFMs are very much part of the home credit area teams, and deal with loan enquiries initiated by home credit agents. Loans are then underwritten by the PFM in the customer's home, with any customer-related issues being dealt with by the PFM in the home too. A decision on the pace and scale of the national roll-out of Real Personal Finance will be taken during the third quarter of 2008.

Source: Target Group Index data (BMRB Research: July 2006 to June 2007)

Socio-economic breakdown of home credit customers compared with UK population

Social group	Consumer Credit Division 2007 (%)	UK population 2007 (%)
A	0	4.04
B	1.24	22.00
C1	15.40	29.30
C2	26.10	20.50
D	33.10	16.00
E	24.20	8.14

Vanquis Bank customers and product

The credit card offered by Vanquis Bank is designed for those people who want to have a credit card but may find themselves excluded by mainstream providers. There can be a number of reasons why people don't qualify for traditional credit cards, including little or no credit history, previous credit problems and low incomes. The Vanquis Bank credit card offers limits which are significantly lower than mainstream lenders' and a high level of customer contact which helps them stay in control. As a result, we are bringing more people into the financial mainstream and allowing customers to benefit from being able to shop conveniently in the high street, by telephone or on the internet.

Around half of our accounts come from direct mail with the other half coming from the www.vanquis.co.uk website, where people apply directly to us, or from various internet-based organisations and suppliers who place our advertisements on their websites.

At the end of 2007, the number of cardholders was 316,000. Our customers are on average to below-average incomes, typically earning between £12,000 and £25,000 per year. Their card usage is the same as mainstream card users with a high percentage of spend in supermarkets and on internet shopping sites.

Understanding our products

The annual percentage rate (APR) of some of our products can appear high when compared with that of some banks and credit card companies. APR was introduced by the Consumer Credit Act 1974 and is intended to provide a benchmark for comparing the cost of different credit products. However we believe that using APR to compare the cost and value for money of home credit with other credit products is not as straightforward as it sounds. There are three reasons in particular why we don't think APR is necessarily a good means of comparing our products with other credit products.

Firstly, it is widely accepted that APR considerably distorts the 'apparent cost' for short-term loans as recognised in The Department for Business, Enterprise and Regulatory Reform (formerly the Department for Trade and Industry) 1999 paper entitled 'Extortionate Credit and the Office of Fair

Trading (OFT)'. And, in 2006, The Office of Fair Trading commented that "given its confusing nature, APRs may not be the best or only comparator for customers."

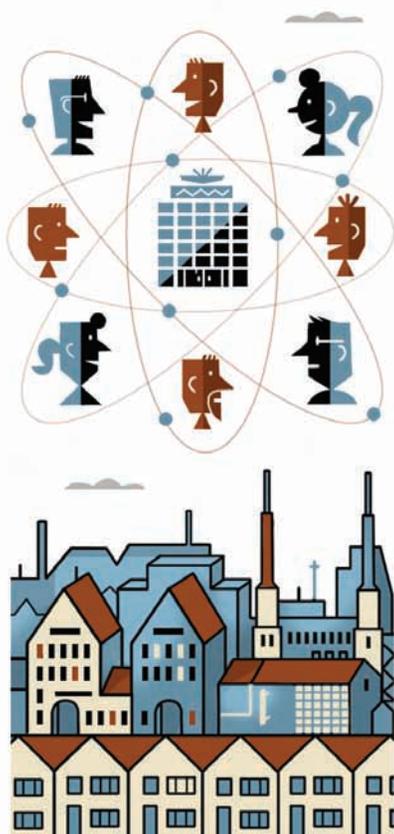
Secondly, by law, certain charges do not need to be included when calculating APR for some credit products, for example, late payment charges and account fees. However, when these additional charges are included, they can substantially increase the cost of credit. Therefore, APRs do not reveal how much consumers will pay in total for credit.

Thirdly, APR is not relevant for benchmarking purposes when, as with mail order, the credit charge is built into the price of goods.

The APRs which relate to Provident's home credit products do not contain any hidden or extra charges, so the customer never pays more than he or she has agreed at the outset of the loan. This includes the service provided to the customer by an agent who collects a weekly repayment from the customer's home.

Our agents

At the heart of our home credit service are 11,600 self-employed agents who play a fundamental role in issuing credit to and collecting repayments from our customers. A typical agent is female, often coming from the same community as her customers, with approximately 130 customers. We find that the local connections help develop good relationships between agent and customer as the agent has a real understanding of their customers' needs and their circumstances. For many of our customers, the agents are the face of the company as they



are the only representative of Provident Financial with whom they have direct interaction. Therefore, the relationship the agent has with the customer is crucial in terms of maintaining a positive impression of the company. The agreement we have with our agents requires that they adhere to our credit control policies, therefore ensuring that they deliver against our commitment to lend in a fair and responsible manner.

Our agent commission scheme

We have designed our agent commission scheme to encourage responsible lending. Commission is only paid on what agents collect, not on what they lend, so the agents have no reason to lend more than their customers can afford to repay. This helps protect both customers and the company's reputation as a responsible lender. Commission paid to the agents is based on an average of around 8% of their collections.

We are constantly reviewing how we can improve our approach to paying commission, and during 2008, we will introduce a new scheme. The new scheme will align agents' behaviour even more closely with the objectives of the company. It will, among other things, pay in line with

collections performance and reward agents who are taking on good new customers. The scheme will also be much easier to understand and therefore be clearer for agents to see what lending practices are required of them and so act and be rewarded accordingly.

Supporting our agents

We recognise that our agents are an important part of our business and that support is essential to empower them and enable them to contribute to our growing business. Support is provided to agents via the area managers and development managers in our extensive network of branch offices. Meetings are held between development managers and agents on a weekly basis and cover issues varying from customer service and product promotions, to personal safety and compliance issues. Agents are also provided with a comprehensive manual which sets out details on a range of issues, including our commitments to minimise our environmental impacts and provide benefits to the communities in which we operate.

11,600

agents visit

1.65m

customers every week

Provident Financial is the largest home credit business in the UK and Ireland. Every week, its 11,600 local agents visit 1.65 million customers (around one in 20 UK households) to issue loans and collect payments.



Real Personal Finance

Customers taking loans from Real Personal Finance are serviced by Personal Finance Managers (PFMs) who work from the branch network. Loans are underwritten in the customer's home using the skills developed in our home credit operation. Repayments are then collected by direct debit. The PFM acts as the face of the business supporting and keeping in touch with the customer and providing assistance and advice if required.

Vanquis Bank

Around half Vanquis Bank's accounts come from direct mail with the other half coming from the www.vanquis.co.uk website, where people apply directly to us, or from various internet-based organisations and suppliers who place our advertisements on their websites.

Responsible lending

The principle of responsible lending continues to be at the heart of our business strategy and our corporate responsibility programme.

Home credit and Real Personal Finance

To support our agents and employees in their lending decisions, the Consumer Credit Division uses a range of credit scoring systems and models. These systems and models, which have been designed to supplement the skills and expertise of our staff and agents, play an increasing role in enabling us to determine whether to accept new customers or to offer further credit to existing ones.

For our existing customers, the lending decision process is underpinned by our System Enhanced Lending (SEL)

Consumer Credit Division

94%

CUSTOMER SATISFACTION

Vanquis Bank

81%

CUSTOMER SATISFACTION

programme. SEL is used to assess the loan applications made by existing customers on the basis of their previous payment history. Following this assessment, a credit score is assigned to the customer which in turn is used to inform our lending decision. If an unacceptable credit score is generated as a result of the assessment, the customer will not be offered an additional loan. The SEL programme enables us to issue loans to existing or previous customers of the right size and at an appropriate time.

For our new customers, we have revised and introduced additional systems to support our lending decisions. The Single View of Customer (SVC) system is applied to customers that come to us direct via our website or contact centre, or are introduced to us by our agents. SVC is used to create a risk profile of new customers using a bespoke risk index scorecard which draws on the data from all the products a customer has with the Provident Financial group of companies. The system is used to inform our lending decisions and ensures we provide the right amount of credit to customers at an appropriate rate and time. The revised systems have already resulted in the Consumer Credit Division turning down around one-third of customer applications in 2007, a number of which we may previously have accepted. As well as filtering out the higher credit risks, the system can also help agents spot the good payers earlier in the relationship and so offer more credit sooner, when that is the right choice for the customer.

OVERALL SATISFACTION WITH PPC/GPC



Vanquis Bank

Though Vanquis Bank is willing to lend to a customer base that most lenders are not prepared to lend to, we do it with risk in mind. We operate a 'low and grow' strategy. To minimise risks, we set a much lower credit limit than that of mainstream credit issuers - as low as £250. We then continue to observe the payment performance on the account with a view to giving a controlled increase in the credit limit when it is appropriate to do so. Our prudent approach to underwriting, both for new customer applications and for increases to existing customers' credit lines, continued to develop during 2007, with around 70% of new customer applications being declined.

Maintaining high levels of customer satisfaction

Maintaining high levels of customer satisfaction is key to ensuring that our business continues to grow. Our understanding of our customer base, allied with our responsible lending processes, enables us to do this.

During 2007, we continued to achieve high levels of customer satisfaction across our business. In the Consumer Credit Division, 94% of customers rate their home credit experience as being either very or quite satisfactory. This compares well with the satisfaction rates we have attained in previous years (see figure opposite). At Vanquis Bank, 81% of customers rated the service they received as being satisfactory or extremely satisfactory. This is the first time we have reported customer satisfaction levels for Vanquis Bank.



Dealing with customer complaints

Provident Financial's aim is to provide a high standard of customer care and satisfaction. We are committed to resolving any customers' problems as quickly as possible, but, like any organisation, sometimes we fail to satisfy the expectations of customers. In these instances our commitment is to attempt to resolve problems in a quick and professional manner with the customer in mind at all times.

Both our Consumer Credit Division and Vanquis Bank have clear complaint handling processes and procedures in place to which our customer relations teams will adhere within the set timescales. The processes involve initial intervention from the agent, in the case of the CCD, and then the company. Finally, if the customer is still dissatisfied following the receipt of a final response from the company to their complaint, they have the option of referring the complaint to the Financial Ombudsman Service.

'Maintaining high levels of customer satisfaction is key to ensuring that our business continues to grow. Our understanding of our customer base, allied with our responsible lending processes, enables us to do this.'



A blurred background image showing a person sitting at a desk with a computer monitor. The person is wearing a dark jacket and is looking towards the camera. The monitor is in the foreground, and the person's face is partially visible. The overall scene is out of focus, emphasizing the text in the foreground.

our people
valuing and supporting
the people who work for us

Our people

The success of the Provident Financial group is dependent on the contribution made by our people. This means that we have to work hard to ensure that our employees are happy, informed and motivated. To have a workforce of the right calibre we have to recruit effectively, be supportive and create a safe, respectful working environment within which employees can work and grow. The engagement of our employees is a key priority within our CR programme.

TARGETS

2007

Work with Race for Opportunity and the Employers' Forum on Disability to improve workplace diversity across the Provident Financial group

Identify opportunities to embed consideration of environmental issues into community involvement activities

Not achieved

Not achieved

2008

Work with Race for Opportunity and the Employers' Forum on Disability to improve workplace diversity across the Provident Financial group

Deliver a campaign to raise awareness amongst all line managers of disability issues

Work with Race for Opportunity and the Employers' Forum on Disability with a view to increasing the percentage of staff from black and minority ethnic communities and ensuring that we continue to provide equality of opportunity

“When it comes to delivering our business objectives, we recognise that our employees are our single most important asset. This is why we work hard to attract and retain the best people, and provide them with opportunities to develop and fulfil their potential within the business.”

Why our people are important to us

When it comes to delivering our business objectives, we recognise that our employees are our single most important asset. This is why we work hard to attract and retain the best people, and provide them with opportunities to develop and fulfil their potential within the business. We employ over 3,100 people across the UK and Ireland and we are committed to providing them with a motivational and safe working environment.

Retaining quality staff

The retention of high calibre staff is a key component of our overall HR strategy. It takes money and time to develop good people to take our business forward, so when we have good people we want to keep them. We recognise that each member of our team is important, the longer they are with us the more history they have with us and therefore the more understanding of our business, products and customers they have. This inside knowledge is crucial for our business and is lost when staff leave. Taking a proactive approach on staff retention not only enables us to retain those employees who are committed to delivering quality products and outstanding service, but it makes good business sense as it reduces recruitment and training costs. Research undertaken by the Chartered Institute of Personnel and Development (CIPD) in 2007 found that the cost of turnover was on average £7,750 per employee, rising to £11,000 for senior managers or directors. Further to recruitment and training costs

Number of Employees In Group

3,100

for new starters there is also an inevitable loss of productivity sometimes combined with lower levels of motivation and morale within the workforce, all of which can be avoided by having good employee retention strategies.

In 2007, we placed people development at the heart of our business strategy and throughout the year both the Consumer Credit Division and Vanquis Bank introduced a range of new mechanisms to appraise, reward and communicate with staff. The Provident Financial group as a whole managed to reduce staff turnover by 2.4% this year, lowering the percentage from 19.5% to 17.1%. In our 2006 report, we stated that we would review our workplace strategies to improve our staff retention, the new initiatives and strategies that have been developed have proved to be successful and

our staff turnover is now under the national average. The CIPD reported in its 2007 annual survey that the average labour turnover rate for all sectors is 18.1% (compared with 18.3% in 2006), and the private sector 22.6% (compared with 22.9% in 2006). Addressing the issue of staff retention will continue to be a key priority for the Provident Financial group.

Developing policies to benefit our people

We have in place a comprehensive policy dealing with health and safety issues, which is discussed elsewhere in this section, and in 2007 we introduced additional policies addressing a range of employee-related issues, including flexible working, sickness absence and positive health. These policies are designed to enable our employees, where appropriate, to organise their working life around their family and other commitments, to help promote the well-being of staff in the workplace and to reduce absenteeism through ill health.

% of staff turnover throughout the Provident Financial group

Year	% Staff turnover
2007	17.1
2006	19.5*
2005	20.0*
2004	22.0*

*The data reported here has been restated to reflect that the international division and Provident Insurance are no longer part of the Provident Financial group.



We recognise the importance of providing our employees with a working environment where their health, safety and well-being is protected, and within which they can succeed and satisfy their personal goals and objectives.

We are committed to promoting a climate of openness across the group, where staff are free to raise any concerns without fear of recrimination or victimisation. Concerns might be related to issues such as harassment, grievance, impropriety, unethical behaviour, and more. Although we make every effort to avoid any form of malpractice and mismanagement, we have in place a group-wide whistle-blowing policy which enables our people to raise concerns and issues at the highest level. This is supplemented with an external whistle-blowing hotline operated by an independent third party which can be used as an alternative by staff choosing, for whatever reason, not to use the

internal systems. This external hotline is a 24 hour free-call telephone line. It is important that our people are able to bring issues to our attention, express their views and be heard. In addition, we have established rigorous policies across the group for those wishing to raise an employment grievance or to complain about harassment.

Details of all our policies are made available to staff via our employee handbooks and intranet sites.

Recognising trade unions

The Consumer Credit Division continues to recognise two trades unions, which are Unite (formerly Amicus) and USDAW (the Union of Shop, Distributive and Allied Workers). There are two agreements with Unite, one being a recognition agreement for area managers and the second being a consultation and negotiation agreement for development managers. There is a consultation and negotiation agreement in place with USDAW. We recognise that trades unions play an important role in supporting employees and maintaining working standards.

Managing health and safety

Having over 3,100 people employed across the Provident Financial group, some based in offices and some working in the field, we have a variety of environments and risk factors to consider when attending to their health and safety. We recognise that it is our corporate responsibility to ensure not only that our people are safe and secure at work, but also that we look after their health and well-

being. We give a high priority to ensuring that all reasonable steps are taken to do this. Failure to address health, safety and well-being issues in the workplace can have a significant cost burden on business, and impact upon staff retention and loss of productivity due to sickness.

In 2006, the Health and Safety Executive (HSE) reported that the cost of sickness absence to the British economy was estimated to be around £12 billion per year, with absenteeism in the private sector making up around £8 billion of the total. The HSE also estimated that 36 million days were lost overall during 2006/07 with 30 million due to work-related ill health and 6 million due to workplace injury.

To ensure that we deliver against the commitments set out in our health and safety policy, both the Consumer Credit Division and Vanquis Bank have health and safety working groups that report directly to the Provident Financial board. These groups oversee the implementation of the policy and provide strategic direction of its management.

In 2007, we continued to introduce measures to ensure that the environment in which our employees and agents operate is safe and secure. This included completing delivery of a health and safety awareness training package. The programme was based on the 'Safe & Sound' personal safety guide which was published during 2006 and developed with advice and support from the Suzi Lamplugh Trust. The outcome was a computer-based training module covering a range of personal safety issues, including those

Mental health issues such as stress, anxiety or depression cost the UK economy over:

£10bn

that might arise from being in a customer's home, driving, or handling sums of money. The awareness package was delivered to all agents and employees during two personal safety weeks.

During 2007, we also undertook a considerable amount of work to look at health and safety and well-being issues that go beyond regulatory requirements; for instance, absenteeism and stress. We delivered a series of workshops to our managers which focussed upon these high profile issues. Stress is one of the biggest health and safety problems confronting workers, and ultimately employers, in the UK. In March 2007, the research organisation, Oxford Economics, reported that mental health issues such as stress, anxiety or depression cost the UK economy over £10 billion per year. By helping people to identify, reduce and manage their stress levels within their work, absenteeism can be reduced and well-being can be improved. Our stress policy commits us to take all reasonable steps to identify the causes of stress and to eliminate or control the risk of stress. The workshops for our managers covered how to manage and lessen absenteeism within their departments, how to conduct return to work interviews and how to handle long-term sickness.

Our commitment to equal opportunities

We are committed to ensuring that equality and diversity are embedded within our company culture throughout our business. We work hard to ensure that our workforce is representative of the many communities in which we operate. We aim to operate in a meritocratic and inclusive working environment where employees can fulfil their potential and develop regardless of their race, nationality, gender, marital status, age, disability, religious belief, sexual orientation or political opinion.

We continue to be corporate members of the Employers' Forum on Disability, and Race for Opportunity, which enables us to access best practice advice and support on the management of a range of diversity issues and improve our performance in this area.

A report published by the Equalities and Human Rights Commission (formerly the Disability Rights Commission) in 2004, found that there are around 10 million disabled people in

Britain with an estimated annual spending power of £80 billion. In addition, research undertaken by the think tank Demos in 2007 reported that 'the combination of declining birth rates and greater longevity means that by 2030, the number of people aged 50 and over will have reached 46% of the total UK population, rising from 33% in 2002'. The same research suggested that by 2020 women will account for 80 per cent of workforce growth.

We realise that it is of strategic importance and benefit to Provident Financial to attract and retain a diverse workforce and ensure that equal opportunities underpin our recruitment, employment, training and remuneration practices. Having a diverse workforce will help to draw more customers from diverse communities, help us to understand better the needs of our existing and future customers, improve productivity by enhancing job satisfaction, show us to be fully inclusive and reduce exposure to risks associated with legislative compliance.

HEALTH AND SAFETY PERFORMANCE 2007

	No of accidents/ incidents affecting employees across the group
Accident: Death/major injury	0
Accident: Reportable major injury	2
Accident: Reportable >3 day absence	3
Incident: Death/major injury	0
Incident: Reportable major injury	0
Incident: Reportable >3 day absence	0

WOMEN IN MANAGEMENT



Our gender breakdown

The gender profile of the Provident Financial group workforce remained the same as last year with 49% women and 51% men. This is the same as the split for the UK population which, according to the Office of National Statistics in February 2008, states that 49% of the UK workforce is female.

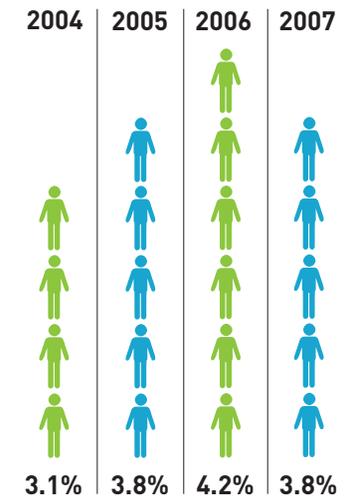
During 2007, we saw an increase in the number of female managers employed across the Provident Financial group, with 27% of women now occupying these roles, compared with 24% in 2006. The data reported here for 2006 has been restated to reflect the fact that the international division and Provident Insurance are no longer part of the Provident Financial group.

Our ethnicity profile

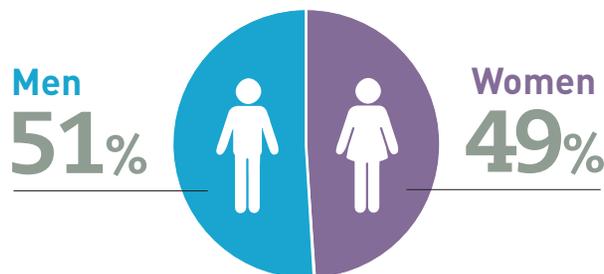
During 2007, the proportion of our employees from black and minority ethnic (BME) groups decreased slightly to 3.8%, compared with 4.2% in 2006. This contrasts with the proportion of the UK economically active population from black and minority ethnic (BME) communities which, according to the Office of National Statistics most recent Annual Population Survey, stands at 8.9%.

*The data reported here has been restated to reflect that the international division and Provident Insurance are no longer part of the Provident Financial group.

STAFF FROM ETHNIC MINORITIES



“We realise that it is of strategic importance and benefit to Provident Financial to attract and retain a diverse workforce and ensure that equal opportunities underpin our recruitment, employment, training and remuneration practices.”

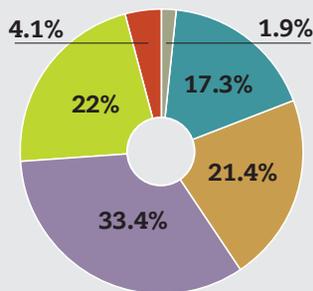


Our age profile

The age profile of our business is similar to that of the profile for economically active people in the UK. 26.1% of our staff are in the 'over 50' age group. This is similar to the percentage of employed people in the UK who are 50 years of age and over. The Labour Force Survey results generated by Eurostat indicate

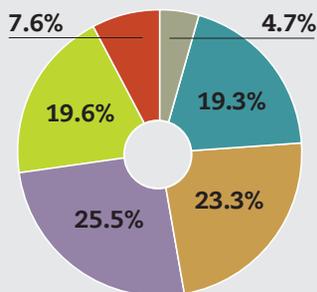
AGE BREAKDOWN THROUGHOUT GROUP

Provident Financial



UK labour force

(source: Eurostat, Labour Force Survey)



- Under 20 yrs
- 20-29 yrs
- 30-39 yrs
- 40-49 yrs
- 50-59 yrs
- 60+ yrs

that 27.2% of employed people in the UK are 50 years of age and over.

Disability

Our commitment to ensure that disabled people are able to access and make the most of opportunities available within the group continues. In 2007, staff declaring disability is recorded at only 0.03%. We recognise that this is a very low percentage and consider that it may not reflect the true percentage within our people as it relies upon people declaring that they have a disability and our current systems may not adequately capture this information. According to the then Disability Rights Commission in June 2005, there were 6.8 million disabled people of working age in Britain, representing one fifth of the total working age population. During 2008, we will review the systems we have in place to improve the capture of disability-related information and will work with the Employers' Forum on Disability to raise awareness of disability issues amongst line managers.

The importance of training and development

Training and development are an essential part of our CR commitment to our people and to the long-term success of our business. We recognise that by providing opportunities to our staff to learn and improve their skills, our workforce becomes more able to offer a better service, we improve our reputation as a good employer, and our people can fulfil their potential. We offer a range of opportunities, including comprehensive induction courses

for new starters, skills modules on subjects such as team leadership, counselling and IT, and specialist training courses.

Advancements have been made in the way our operating businesses provide training to staff and record the training given, whether in our branch network or in our call centres. In 2007, both the Consumer Credit Division and Vanquis Bank launched new learning management systems (LMS) which will enable all employees to access a range of role-related computer-based training (CBT) courses that will be accessed via the intranet. The systems are now intranet-based which will make it possible for us to compile accurate data regarding staff training in the Consumer Credit Division and Vanquis Bank. In 2007, CBT courses were delivered to staff to update them on changes to the Consumer Credit Act 2006, Treating Customers Fairly, Data Protection Act and complaint handling processes.

The total number of training days delivered to employees across the Provident Financial group was 7,854. The average amount of formal training days received per employee in 2007 was 2.7 days, compared with 2.1 days in 2006. According to the 2007 annual training and development survey of the Chartered Institute of Personnel and Development, the national UK average for training days per employee stands at 4.7 days. While our average is below that of the UK average, it should be noted that our figure does not currently take account of the considerable amount of informal and on the job training that is delivered to employees across our business.



Our benefits package

Profit sharing

We continue to operate a savings-related share option scheme which is very popular. During 2007, 2,482 employees were saving to buy shares in the company under this scheme.

Pensions

We recognise that preparing for retirement by having the opportunity to put adequate pension arrangements in place is an important part of a person's salary and benefits package and can play a key role in attracting and retaining high calibre employees.

As with the majority of companies, the pensions we offer reflect the general trend of moving away from final salary pension schemes. These have declined in popularity in recent years as a result of increased costs caused, in part, by legislative interference and a growing ageing population.

In January 2003, the final salary schemes we had in place were closed to new employees and replaced by a stakeholder pension plan. Under the Provident Financial Stakeholder Pension Plan the company contributes 8% to the plan, and members contribute at least 6%,

with the option of contributing more if they choose. The plan also includes a range of other benefits including life assurance and long-term disability cover.

Following a review and consultation exercise that was undertaken in 2005, cash balance sections to the final salary scheme were introduced in April 2006. Remaining members of the scheme could choose to pay a higher contribution and remain in the final salary section of the scheme or a pay a lower contribution and switch to a cash balance section of the scheme. The cash balance section provides members with a 'credit' of at least 20% of salary each year to a retirement account which is re-valued each year. At retirement, the member's retirement account is used to purchase an annuity, with the option to take a cash lump sum of up to 25% of their retirement account.

Under the Stakeholder Plan, employees can choose to incorporate social, ethical and environmental considerations into their pension investment arrangements. The plan's 'ethical fund' has been established to reflect the performance of those FTSE 350 Index companies that adhere to a range of social, ethical and environmental criteria.

We keep our people up-to-date on their pensions with regular newsletters and benefit statements.

Keeping our people informed

With our workforce of over 3,100 employees spread over a wide geographical area, it is imperative that we have good

communication channels in place for our people and for the business. We are committed to maintaining a strong and positive relationship with all of our people. We work hard to ensure that our communication is effective, that our people connect with group and divisional strategies, and that all understand the part they play in delivering our business objectives. Our aim is to, through successful communication, foster a culture where people feel valued and are willing to perform at their best.

We regularly communicate with our people through a variety of methods and media, raising awareness of our various initiatives, campaigns and schemes, including those that relate to our CR programme. Regular communication can encourage employees to become involved in company activities and build motivation. Some of the ways we communicate with our people include monthly

leadership briefings, team talk bulletins, team meetings, intranet sites and staff magazines. Vanquis Bank produces a staff magazine, *The Link*, which is published on a bi-monthly basis, and our Consumer Credit Division staff receive a quarterly magazine called *Inspire*.

It is important that we make it possible for our people to contribute their comments and suggestions. This is very useful for the business and helps us to improve our service to staff and to our customers. To enable this we have set up channels for feedback. For instance, at Vanquis Bank, employee forums are held quarterly and attended by elected representatives from all business areas to discuss issues raised by employees. Within the Consumer Credit Division, a consultation group made up of a group of 25 representatives from across the Division convene on a quarterly basis to consult on a range of employee-related issues.

‘It is important that we make it possible for our people to contribute their comments and suggestions. This is very useful for the business and helps us to improve our service to staff and to our customers.’



our supply chain
working responsibly
with our suppliers



Our supply chain

Responsible sourcing continued to be an important component of our CR programme during 2007. We recognise that by procuring products and services in a responsible manner, we not only contribute to the reduction of global and local social, environmental and ethical impacts, but also help manage direct and indirect risks to our business. By integrating CR issues into our procurement process we can proactively deal with supply chain risks, as well as creating opportunities for cost savings, innovation and enhanced relations with suppliers.

TARGETS

<p>2007</p>	<ul style="list-style-type: none"> Undertake a Responsible Supply Chain Management (RSCM) survey of the UK businesses' top 50 suppliers Establish a RSCM champion for each UK division Develop a local sourcing briefing note for the UK catering department 	<p>Achieved</p> <p>Acceptable progress</p> <p>Achieved</p>
<p>2008</p>	<ul style="list-style-type: none"> Continue to review the social and environmental performance of our suppliers Develop a 'Green Branch' guidance and specification document for use when refitting/ refurbishing our branch network 	<p>"The purchasing choices we make can have a knock-on effect on local communities, the environment and the global economy."</p>

Managing our supply chain impacts

Management of our supply chain impacts plays an important role in enabling us to embed social, ethical and environmental considerations within our procurement processes. It also plays an integral role in enabling us to improve the efficiency of our business processes, to manage risks and to enhance our reputation as a responsible company.

Though we do not have direct responsibility for managing the corporate responsibility impacts of our suppliers and the way they work, the purchasing choices we make can have a knock-on effect on local communities, the environment and the global economy. We recognise that by being responsible in the management of our supply chain and in the choice of those businesses that we work with, we can reduce impacts such as those caused by the inefficient use of natural resources and the contravention of internationally accepted labour standards. In addition, we can reduce costs, manage risks and enhance our reputation.

In 2006, we introduced our Responsible Supply Chain Management (RSCM) policy which guides our supply chain management approach. Both buyer and supplier have responsibilities and expectations. As buyers we can demand high ethical standards and as suppliers they can expect fair treatment from us. Our RSCM policy underlines our commitment to upholding professional and responsible supplier relationships, our

Insert from RSCM policy

‘We recognise that we have a responsibility to manage the whole of our business in a way that makes a positive impact on society. This means we have to think responsibly about the ethical, social and environmental impacts that arise from our purchasing decisions.’

intention to adhere to the payment of suppliers according to their terms and conditions, and our responsibility to keep suppliers informed of our expectations. It also sets down and embeds our commitment to assess the social, environmental and ethical performance of our supply chain.

High performance in supplier payment

We recognise that a critical issue for our suppliers, particularly the small to medium enterprises, is prompt payment in line with their terms and conditions.

During 2007, we continued to assess whether we pay our suppliers promptly. The average time taken to pay suppliers of products and services across the entire Provident Financial group in 2007 was 24 days. This continues to compare well with UK averages in this area. Research by the information solutions company Experian, published in July 2007, found that organisations within the financial services sector had taken on average of 64 days (the same as in 2006) to pay their creditors, whereas UK businesses had taken on average 61 days (compared with 60 days in 2006) and larger companies had taken 81 days.

Embedding CR into the supply chain

Throughout 2007, the procurement team within the Consumer Credit Division initiated work to assess the CR performance of their top 100 suppliers. These suppliers were sent a copy of our RSCM self-assessment questionnaire to complete. The questionnaire had two purposes: first, to raise supplier awareness of Provident’s



‘We we have extended the range of Fairtrade products on offer in our coffee bar at our Bradford head office complex.’



Local sourcing

Provident has a good track record in terms of sourcing local food for its Bradford-based restaurant. The majority of the fruit and vegetables, fish, meat and sandwiches used and sold in the restaurant are sourced from local suppliers in the Bradford and surrounding areas.

Six benefits of sourcing food locally:

Economic

- Improves the local economy by supporting small businesses and community enterprises

Environmental

- Reduces greenhouses gas emissions and our carbon footprint through the reduction in food miles and creates less waste and landfill usage by minimising convenience packaging

Financial

- Generates cost savings resulting from sourcing seasonal produce

Health

- Improves freshness and increases nutrient levels in food by buying more local fresh food and less processed food, which in turn reduces pollution from transport and decreases the necessity for prolonged delivery and storage times

Social

- Enhances local distinctiveness and community cohesion, plus supports local enterprise and helps build skills within communities, which in turn creates more jobs and employable people

Business

- Improves Provident’s reputation, promotes Provident as an ethical company and demonstrates our commitment to invest in the communities where our customers, employees and agents live and work



Group-wide average creditor days

Year	Days
2007	24
2006	14*
2005	17*
2004	22*
2003	18*

* The data has been restated to reflect the demerger with the international division and the sale of Provident Insurance

Sectoral approach to supply chain management

During 2007, we became a member of the Chartered Institute of Purchasing and Supply Financial Services Purchasing Forum CSR sub-group. This group is working to develop an approach to embedding corporate responsibility considerations within the procurement processes of financial services sector organisations. Provident see this membership as an opportunity to gain new knowledge, share ideas and influence responsible policies within the financial services sector.

RSCM commitments, and second, to elicit social and environmental information on the products and services we procure. To date, we have received and analysed 41 returns from our suppliers. This initial piece of CR work with our supply chain will enable us to understand the social, environmental and ethical issues that are material to the products and services we procure, and, where appropriate, take steps to ensure that our impacts are minimised. We will report on the findings from our analysis in our 2008 CR Report.

We have continued to embed social, ethical and environmental considerations within the documents used in the pre-qualification stages of supplier selection which enables us to assess prospective suppliers' CR commitments and performance at an early stage. An additional briefing note for our catering suppliers was produced which increased awareness of issues such as local sourcing and Fairtrade products. As a result, we have extended the range of Fairtrade products on offer in our coffee bar at our Bradford head office.



community
working together to
make a difference

Community

Our aspiration is to be the UK's leading community-based lender. This means that we have a duty to ensure that we are a model corporate citizen and have positive impacts on the natural environment and on the people within the communities in which we operate. The focus of our community programme very much addresses the issues that are material to our activities, such as financial inclusion and providing benefits to the communities where our agents, customers and employees live and work. Our programme enables us to provide sustainable benefits to a range of stakeholder groups, as well as creating an operational environment where our business can continue to grow and flourish.



TARGETS

2007

Introduce additional new experiences for young people participating in our arts education project

Achieved

Encourage partner venues to include training opportunities for teachers

Achieved

Ensure that the majority of young people participating in the project are from inner-city communities

Achieved

Produce an independent interim research project to monitor the progress of our arts education project, Spark

Achieved

Each partner venue to receive venue-specific reports which will include feedback from participants, parents and schools

Achieved

Expand the number of breaks available to young people in Ireland

Achieved

Increase the number of participants in our Give Us A Break project in Scotland

Achieved

2008

Strive to introduce additional new experiences for young people participating in our arts education project

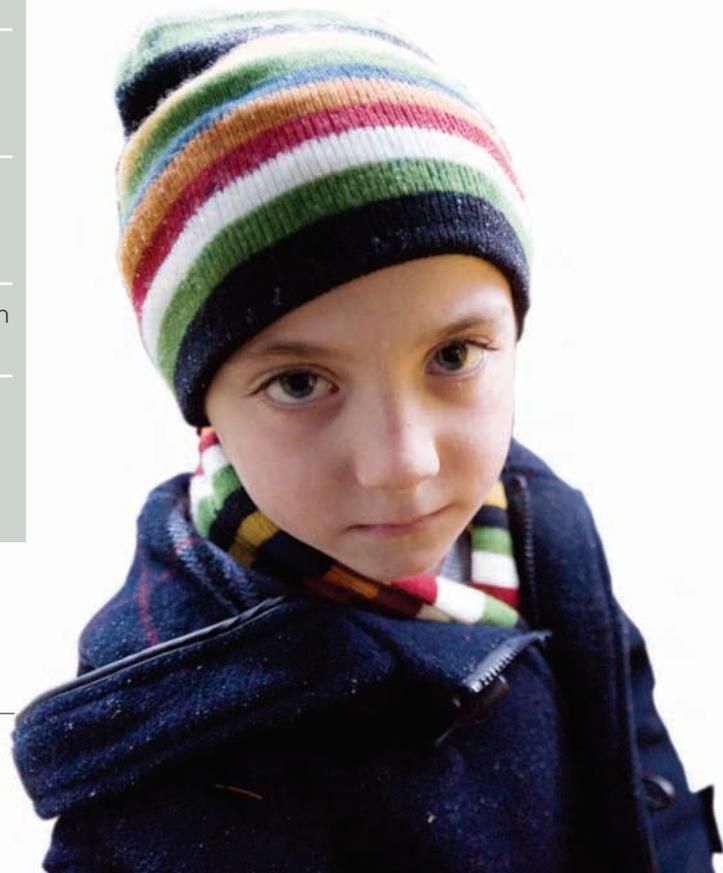
Ensure that the majority of young people participating in the project are from inner-city communities

To produce an independent interim research project to monitor the progress of our arts education project, Spark, through year two

Each partner venue to receive venue-specific reports which will include feedback from participants, parents and schools

To hold a minimum of six feedback sessions within these communities

Use feedback sessions to identify problem areas faced by inner-city communities and to help us formulate selection criteria for a pilot project in 2009



Our approach to community involvement

A key part of our aspiration to be the UK's leading community-based lender involves designing products which match the needs of our customer base and providing high levels of customer service. However, it also involves providing sustainable benefits to the communities in which our agents, customers and employees live and work. The focus of our work is twofold: to help address the education and social inclusion issues of young people who live in less privileged communities, and to work with the money advice sector on issues such as financial education and inclusion. By investing time and resources in the communities in which we operate, we are able to contribute to the sustainable development of these areas and at the same time create an environment in which our business can flourish.

We are committed to playing an active role in benefiting communities and have developed a group-wide policy to help us achieve this. The policy underpins all of our community involvement activities and the way we work with our partners in the communities where we operate. The aim of our work is to contribute to the well-being of our communities by focussing our contributions on the causes that are viewed as being important by our customers, employees, agents and community representatives. Our involvement in the community goes beyond financial; we work in partnership to provide in-kind support and to harness the enthusiasm, creativity and skills

of our employees and agents. In addition, we are committed to achieve results that are significant, and to continually measure and improve what we do.

Sustainable community involvement

Our community involvement work is not just a gesture of goodwill, we want to 'do our bit', be a responsible citizen and make a difference to the lives of people who live and work in the communities in which we operate. To achieve this, we need to be sure that what we are involved in is beneficial to our communities and to the business. We do not get involved in projects to be seen as 'do gooders', nor do our dedicated staff and agents who give their time. We do it because we are serious about providing long-lasting benefits to our communities.

“Our community programme operates across the UK and Ireland and we have seen first hand the positive effects that our activities can have on young people. Our wide ranging projects have given the participating children the opportunity to try something out of the ordinary and enhance their confidence and self-esteem.”

PROVIDENT FINANCIAL COMMUNITY AFFAIRS MANAGER

Our approach to community involvement is very much informed and structured around what the people in those communities tell us is needed.

In May 2006, we commissioned Swift Research to undertake research to identify the types of issues our community involvement activities should focus on. This research involved engaging both with people living in our communities and representatives already delivering community involvement schemes and initiatives in those communities. The work enabled a range of stakeholders to provide us with feedback on the community project we were involved in at the time, and more importantly, to help shape our programme going forward. Using the feedback generated as a result of this research, we developed a community involvement programme which focuses on improving the levels of education and social inclusion for young people, particularly those from less privileged areas. This work enabled us to develop and deliver community projects which address the specific local needs and gave rise to Spark, our current flagship community project.

Cultivating learning in our communities

Spark, which started in 2006, is the main strand of Provident Financial's community involvement programme. Spark brings together theatres, artists and schools to cultivate learning and development through the arts. Provident has supported arts projects for nearly 40 years, providing creative and education opportunities for young people, especially within deprived

“We already help our local communities by providing a financial service that is tailored to their needs, but it’s nice to put something extra in too. And some of the children’s parents are our customers so it’s especially nice to be helping them. We used to sponsor children’s football teams, but this is giving something much more valuable to many more children, and we are giving it to those that don’t get that many chances.”

DEVELOPMENT MANAGER, PROVIDENT PERSONAL CREDIT, DUNDEE

communities. We believe that engaging with people, especially with children, through art-related activities is an effective way to help them find their strengths and abilities, and thereby develop their confidence and self esteem. Spark is managed throughout the UK and Republic of Ireland in partnership with the West Yorkshire Playhouse, the Leeds-based repertory theatre which has a reputation for innovation in its community outreach



work. Together, Provident and the Playhouse are working in partnership with seven other leading regional theatres and art centres in Dublin, Edinburgh, Dundee, Bolton, Birmingham, Newport and Battersea. Each of the regional theatres works with a minimum of six schools in its local area, delivering a series of five-week courses of stimulating arts activities to children aged 7 to 11, covering Key Stage 2.

The children taking part in Spark generally have few chances to encounter the arts and their schools are in the former Education Action Zones or Excellence In Cities schemes and, as such, are often in the most deprived parts of the UK and Ireland. Teachers and pupils choose from a wide variety of visual and performing arts activities, focussing on art forms that not only inspire the children but also motivate the teachers to try new ways of engaging children through contact with the arts. At the end of the five-week course, the schools come together to celebrate their achievements with a showcase event. These typically take place in the theatre or arts centre, or in the participating schools.

Although available throughout the UK and Ireland, Spark is essentially a local project providing schools with unique access to the highest quality arts experience. It gives the

**More than
5,500**
schoolchildren from more than
50 schools participated in the
Spark project during 2007.

EDINBURGH

Two of the Spark schools in Edinburgh – the Roman Catholic St Joseph’s Primary School and non-denominational Broomhouse Primary School – share the same grounds but had never come together to work on a project. Spark enabled both schools to join forces on a celebration event – a first for each school.

“I think it’s [Spark] very important, especially in this kind of area. We are in a Positive Action Area so our type of children don’t and won’t have puppet experience or theatre experience. For many, the trip to the [Edinburgh] Lyceum was the first time they had visited a theatre.”

Teacher, St Joseph’s Primary School, Edinburgh

BATTERSEA

In addition to the six schools initially chosen for Spark, Battersea Arts Centre also carried out activities in Gatton Primary School – a local primary school for Muslim children. The work with Gatton provided the Arts Centre with an entirely new learning experience in terms of how it delivered arts education projects in the community. Teachers at Gatton, artists, and the Battersea Arts Centre team worked closely together to ensure the production of Rapunzel was sympathetic to Muslim culture.

“The children really enjoyed it [Spark] and you could clearly see them enjoying it. They were talking and so involved. Some of my children have special needs but with this activity it was all gone – everyone could do it all.”

Teacher, Gatton Primary School, Battersea

opportunity for the local partners and individuals in the communities to work together and develop long-term relationships beyond the life of Spark. It fosters good relations and is an initiative that maximises the skills and knowledge of all partners involved. The theatres have good working relationships with many local artists and creative people who they bring in and introduce to the schools. The theatres and arts centres have the opportunity to share ideas and best practice. Schools develop relationships not only with a local theatre or arts centre, but also strengthen their ties with local specialists and other schools in the area. Spark also enables the arts, education and business sectors to learn from one another and find new ways of

working together. The children’s knowledge and development is enhanced by being exposed to new ideas, creative channels and challenging experiences. For some children, their involvement in Spark initiates their interest in the arts. The overall result is that children from some of the most underprivileged areas of the UK and Ireland are given the opportunity to use the arts to learn and develop, and at the same time, increase their confidence and self-esteem.

Tackling social exclusion for young people

We are also involved in working with underprivileged children and young people from inner-city communities in Scotland and Ireland through our

Give Us A Break project. This project aims to tackle social exclusion among a wide variety of people in Scotland and Ireland including school children and teenage and youth groups, and gives them the chance to enjoy days out and residential breaks within a youth hostel setting. By introducing new ideas and developing self-confidence, we aim to equip participants with the knowledge and skills to break the cycle of exclusion and to enjoy a better quality of life. We provided this programme to 510 children in total during 2007, with 354 of them in Scotland and 156 in Ireland. The participants, who are aged between 11 and 16, are put into relatively small groups each with allocated leaders. In Scotland we have run 45 groups and in Ireland 10 groups.

This project is delivered in partnership with, and managed by, the Scottish Youth Hostel Association and An Óige, the Irish youth hostel association. It provides funded opportunities for those most at risk of disadvantage in society to experience a multitude of benefits from participation in educational, social, cultural and recreational activities within a youth hostel setting. The name, Give Us A Break, means just that. It is designed to give children and young people a break; a chance to get out of the inner-city environment in which they live and experience some outdoor activities, which to most of them, because of their home circumstances, would normally be out of reach. Also, it is a chance for them to try something they normally wouldn't have the opportunity to do, feel valued, make friends, and gain confidence. Groups

In 2007

354

young people from Scotland, in 45 groups with leaders, and 156 young people from Ireland, in 10 groups with leaders, participated in this project.

have the option of taking part in fun activities such as mountain biking, gorge-walking, canoeing, raft-building as well as team building and problem solving exercises with programmes tailored to meet the needs of all ages and abilities.

The wide range of activities and outward bound adventures that are made available via the residential breaks, and supported by trained professionals, provide opportunities for personal development and active citizenship. The exciting challenges and new environments offered by the breaks help the children involved to build their confidence and develop new skills.

Financial education and money advice

We have long recognised that people who have difficulty managing their personal finances should have access to free, independent and quality assured financial advice to help them to be able to make educated choices and improve their circumstances. A key component of our community involvement programme focuses on the issues of financial education and money advice.

We actively support, through

financial contributions and other means, the delivery of a programme of advice and education by the money advice sector across the UK and Ireland. Our long-standing relationship with this sector in the UK enables us to be able to access important feedback from people who are experiencing problems with credit. Despite the fact that the number of our customers who experience financial problems with our products is low, we remain actively involved in discussion groups on a range of credit issues. Our staff regularly participate in regional and local forums attended by creditors and consumer representatives, and we also attend and provide financial support for money advice sector annual national conferences. This part of our community involvement activity is an important part of our CR programme as it informs how we treat our customers. It enables us to pick up on any financial issues that are being experienced by our customers at an early stage, and also allows us to keep up to date with any customer-related issues that are impacting on the wider financial services sector.

The vast majority of our work in this area involves supporting organisations that deliver advice as part of the Government's joined up network of agencies. During 2007, this continued to involve supporting mainstream money advice organisations such as Citizens Advice, National Debtline and Money Advice Scotland, and working with more specialised providers, including Credit Action, Debt Cred and Christians Against Poverty.

MONEY ADVICE ORGANISATIONS SUPPORTED BY PROVIDENT FINANCIAL:

Organisation	Nature of support
Advice UK	This is the UK's largest support network of free, independent advice centres and has many large organisations in its membership as well as many small, community-based agencies, many of which offer mainly face-to-face advice services. Our funding helps support the training and skills development of such front-line advisors.
Citizens Advice	We provide support for second tier advisors. These are the advisors who provide back up and/or a reference point for front line advisors on complex or unusual money advice issues. The ongoing contribution of such advisors is essential, and even more so at a time when a many new advisors have been recruited into the sector.
Institute of Money Advisors	Formerly the Money Advice Association, this is the professional organisation for money advisors in England, Wales and Northern Ireland. We provide financial support for the IMA's annual conference.
Money Advice Liaison Group	Meetings take place at regional level, offering a forum for creditors and consumer representatives to meet. Discussions often centre on how best to respond to statutory and regulatory change. Regular contact enables members to appreciate better each others' working practices. Efforts are also made to develop voluntary good practice - often in areas of emerging concern not yet covered by legislation or in response to concerns raised by group members. The expertise of both creditors and consumer representatives is invaluable in such cases. For the second year running, we provided support for a regional MALG conference which took place in the South West of England in 2007.
Money Advice Scotland	This is the umbrella organisation representing individuals and agencies involved in money advice in Scotland. We also provide financial support for Money Advice Scotland's core activity of training and professional development for advisors as well as for its annual conference.
Money Advice Trust	The Money Advice Trust (MAT) is a charity which aims to increase the quality and availability of free money advice in the UK. It acts as an umbrella organisation for the free money advice sector and has been instrumental in steering the sector towards a national joined-up strategy of free money advice provision. This year we have provided funding to support the development of MAT's research activities.

SPECIALIST PROVIDERS
 SUPPORTED BY PROVIDENT FINANCIAL:

Organisation	Nature of support
<p>Christians Against Poverty</p>	<p>Christians Against Poverty is a national debt counselling charity. From an initial base in Bradford it has now expanded to work through a network of 68 centres based in local churches in the UK. It provides face-to-face and telephone-based support for individuals. We have supported this Bradford headquartered charity from its inception and are delighted that in the last three years it has won national awards for best charitable/small business employer.</p>
<p>Credit Action</p>	<p>Credit Action is a national money education charity. Our funding supports the full range of their work, including:</p> <ul style="list-style-type: none"> • the production of 'money manuals' – self-help guides targeting specific groups or individuals at key points in their lives eg students, single parents • training for voluntary and charitable organisations, and church and community groups who want to support their clients or those in their community in budgeting, money management and how to get out and stay out of debt. Our funding means these can be provided free of charge • innovative financial education outreach projects.
<p>Debt Cred</p>	<p>Debt Cred aims to prepare students in their final years at school or college for employment or university life by educating them about the sensible use of credit and personal financial management. Essentially, it aims to teach students the life skill of financial literacy. Our support enables schools in England and Wales to have free access to financial literacy classes provided by Personal Finance Education Group (PfEG) approved tutors.</p> <p>A highlight in 2007 was the funding we provided to enable the charity to run a successful all-day event for schools in Wolverhampton during Enterprise Week. For the second year running, schools took part in a financial literacy themed Enterprise Challenge which included a local Provident manager as part of the judging panel. We intend to extend this successful model elsewhere in the UK in 2008.</p>

Employee involvement

We encourage our employees to get involved in fundraising activities and are keen that they are given the opportunity to offer their time or skills to local community projects. This enables our employees to play an active role in providing benefits to their local communities. It is also a critical factor in maintaining high levels of motivation and morale across our workforce, as it enables the company to demonstrate that it is committed to supporting the causes that matter to our people.

In 2007, staff at our head office in Bradford raised over £12,500 for a range of local organisations, including Calder Valley Search and Rescue, the Yorkshire Air Ambulance, and Bosom Friends. The fund-raising activities included 'dress down days', selling redundant IT equipment and charitable giving.

In addition, over 30 employees volunteered from our Bradford head office to take part in Business in the Community's 'Right to Read' scheme. Under the scheme, volunteers deliver one-to-one reading sessions to children aged 7–11, with a view to raising standards of literacy. During 2007, almost 700 reading sessions were delivered by our staff to pupils from three Bradford primary schools. As a result, we enabled pupils to improve their reading skills, with some improving their reading age by as many as five years.

Evaluating the contributions and effectiveness of our community work

During 2007, we made donations for charitable purposes amounting to £566,723, in comparison with 2006 in which we donated £667,816. The group also invested a further £413,531 (2006: £1,303,360) in support of community programmes. The reduction in the contributions we make to our community programme reflects the fact that we demerged our international division and sold our insurance business during 2007. This meant that we reduced the scale of our operations and the number of communities in which we operated.

The measurement of resources we invest in our community involvement programme is based on the London Benchmarking Group (LBG) model guidelines. The LBG model provides a comprehensive and consistent set of criteria to enable companies to determine their

contribution to the community, including cash, employee time and in-kind donations, as well as management costs. We also use the model to capture the outputs and longer-term impacts our community involvement projects have on society and the business itself. This process of evaluation is an important part of our community involvement programme, as it enables us not only to account for the wide range of contributions we make, but also to determine the benefits our interventions bring to the local areas, partners and business itself.

As members of the LBG, we provide annual submissions of our community involvement performance data which enables us to benchmark our programme against other organisations and, more importantly, evaluate how much we contribute and how effective these contributions are in achieving our objectives.

The table set out opposite shows the LBG analysis of the Spark project.



Subject focus	Arts education and young people
<p>Description of activity</p>	<p>Spark links theatres with schools in their local areas and encourages children to succeed through stimulating arts activities. The project, currently in its second year, will run over three years, delivering more than 1,000 workshops to over 5,500 children per year.</p> <p>Eight theatres across the UK and Ireland are taking part in the project, which involves children in primary schools. Freelance artists are engaged to work with four classes in each school, running sessions in subjects as wide-ranging as street dance, rap, puppet-making, drama, ballet, musical theatre and sculpture.</p>
<p>Contribution by the company</p>	<p>Cash contributions: £550,000 over two years to date Cash value of employee time contributed: £60,000 In-kind contributions: £45,000 – Spark-branded giveaways Total cash value of contribution: £655,000</p>
<p>Outputs</p>	<p>Benefits to the community:</p> <ul style="list-style-type: none"> • All the participating schools were selected from disadvantaged, inner-city communities • Over 5,500 pupils from more than 50 schools participate in Spark each year • Over 2,000 workshops delivered • The project has provided pupils with access to art forms that most schools don't have the facilities/ skills to teach • 37 different art forms covered by workshops • In-service education and training (Inset and Continuing Professional Development) sessions delivered to teachers • Teachers reported that the project has made pupils more confident • Some theatres have achieved matched funding in order to further increase arts education in their area <p>Business benefits:</p> <ul style="list-style-type: none"> • Improved reputation among local communities • Feel good factor among staff • Local and regional press coverage
<p>Inputs</p>	<p>Longer term impacts of the activity on both the community and the company:</p> <ul style="list-style-type: none"> • Children have an increased awareness of, and interest in, the arts • Provident staff have developed a more positive opinion of the company • The company's reputation has been improved and schools and teachers have a greater understanding of what the arts can achieve

We will continue to assess the value of our commitments and look for more ways to contribute to local needs.



environment
reducing our impact
on the natural world



Environment

As a responsible business, employer and provider of credit, we believe we have a duty to minimise our impact on the environment. By ensuring that our operations, products and services are delivered in an environmentally responsible way, we can grow our business in a way that helps safeguard the environment.

TARGETS

2007

Energy

Develop and implement sustainable energy policy for Provident Financial's operations

Achieved

Develop and implement two new energy conservation projects and calculate cost savings by the end of 2007

Acceptable progress

Develop a strategy for reducing energy use in branch offices

Achieved

Transport

Establish a baseline for fuel consumption and associated CO₂ emissions for company car use

Achieved

Report the CO₂ emissions associated with flights and train use

Achieved

Roll out Provident's Green Travel Guide to Vanquis Bank

Acceptable progress

Develop metrics to measure the effectiveness of Provident's Green Travel Guide

Acceptable progress

TARGETS

2007

Paper use

Establish paper use baselines associated with Consumer Credit Division marketing activities

Establish systems to measure printer/copier paper use

Reduce total paper consumption levels across Provident by 10%

Introduce a KPI which shows paper recycling rates as a proportion of paper purchased across Provident

Waste

Undertake an audit of the waste streams in the staff restaurant at Head Office to establish a baseline for catering waste generated

Develop and implement recycling initiatives for two waste streams by the end of 2007

Investigate the opportunities to use the plastic cups recycled by Provident in the production of company-branded stationery items

Not achieved

Achieved

Achieved

Achieved

Achieved

Acceptable progress

Achieved

2008

Energy

Establish an energy consumption baseline for the Consumer Credit Division branch network

Identify opportunities to embed consideration of energy efficiency measures into the group IT infrastructure

Continue to identify opportunities to offset carbon dioxide emissions associated with our operations, products and services

Explore the feasibility of commissioning the Carbon Trust, Energy Saving Trust, London Remade, etc, to undertake reviews at Vanquis Bank

“Provident Financial’s commitment to manage its impacts on the environment has become a central business issue and core management activity. We recognise that the choices we make as a business do not only have an impact on our local environment but also on a global scale.”

“Our long-term objective is to ensure that our operations become increasingly compatible with the principles of sustainable development.”



TARGETS

2008

Paper

Establish paper use baselines associated with Consumer Credit Division marketing activities

Increase the use of recycled/Forest Stewardship Council approved paper in group-wide marketing activities

Increase paper recycling across the Consumer Credit Division branch network

Establish a paper use baseline associated with all marketing activities in the Consumer Credit Division and Vanquis Bank

Pilot the introduction of a 'no personal waste paper bin' policy in the Provident Financial head office

Water

Reduce water consumption across Provident's head offices to 9,000 litres per employee by 2009

Liaise with our water supplier to identify opportunities to further reduce levels of water consumption at our main offices

Waste

Continue to maintain a downward trend in total waste generated (excluding one-off events such as office refurbishment/closure)

Continue to identify opportunities to increase recycling/reuse rates across the Provident Financial group

Undertake a review to determine the feasibility of establishing recycling rates at Vanquis Bank

Communication and advocacy

Develop and disseminate an environmental improvement best practice guide to the Consumer Credit Division branch network

Develop a strategy to engage with customers on relevant environmental issues (eg energy efficiency)

Good business sense

Provident Financial's commitment to manage its impacts on the environment has become a central business issue and core management activity. We recognise that the choices we make as a business do not only have an impact on our local environment but also on a global scale. We have been developing our approach to environmental management over the past seven years, embedding a systematic approach to improving environmental performance and implementing new initiatives. Our long-term objective is to ensure that our operations become increasingly compatible with the principles of sustainable development.

Tackling climate change

Scientists, politicians and economists alike now accept that climate change is one of the biggest challenges to face the global community. There is also widespread recognition that radical action is required to

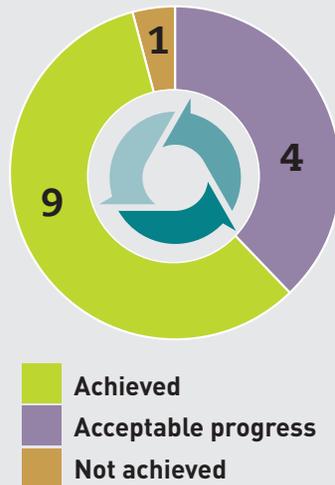
External recognition of environmental issues

Our score in BITC's Environment Index increased from:

90%
in 2006 to:
96%
in 2007

TARGETS AND ACHIEVEMENT IN 2007

14 environmental targets were set for 2007



avert the threat of catastrophic climate change. During 2007, the United Nation's influential Intergovernmental Panel on Climate Change reported that the evidence for global climate change was 'unequivocal' and that global warming is 'almost certainly' man-made. This is a developing world phenomenon; it touches people everywhere irrespective of geographical location, culture, status or wealth.

In November 2007, the Government introduced its Climate Change Bill to the House of Lords, setting down long-term goals and legally binding targets to reduce emissions, which is anticipated to become law by mid-2008. While our direct contribution to climate change is low when compared with other sectors, we recognise that

indirectly we have an impact and therefore need to take action.

We remain committed to minimising our impact and welcome the introduction of legislation in this area.



OUR LOW CARBON STRATEGY

Objectives:

- Demonstrate commitment and leadership in ensuring that Provident works towards achieving significant reductions in carbon dioxide emissions
- Continue to measure and benchmark our energy usage and carbon dioxide emissions to ensure that Provident adheres to best practice in carbon management and reduction
- Establish challenging targets to encourage us to be more energy efficient and to reduce the emission of greenhouse gases that arise from our operations, products and services
- Influence our customers, employees and suppliers to take action on climate change and reduce their carbon footprints
- Engage with stakeholders to ensure that the voice of business is heard in the debate on climate change

Managing our environmental impacts

To ensure that we are able to manage the environmental issues that are relevant to our businesses, we have embedded structures and processes that enable us to be proactive in the way we minimise our impact on the environment and at the same time improve efficiency and productivity, and therefore save money.

Provident has had a group-wide environmental policy in place since 2000 with the focus on energy and resource consumption, and waste, water and transport use minimisation. Our Environmental Management System (EMS) is a practical tool that enables our divisions and

departments to understand their impact on the environment, manage these in a structured way, and to evaluate and improve their environmental performance. It has also proven to be a good tool for improving our ability to communicate with employees, shareholders and other stakeholders on environmental issues.

Ensuring compliance with environmental legislation is a key component of our EMS. Our system comprises a register of environmental legislation which is updated on an annual basis and therefore enables us to comply with legislation as it is introduced. It also enables

us to keep a watching brief on proposed legislation. Updated legal information is regularly reported to the board's Risk Advisory Committee, the General Counsel, the Head of Central Services and senior management. Compliance with environmental legislation, along with the requirements of ISO 14001, is evaluated on an annual basis through an independent, internal audit.

Measuring our performance - KPIs

We have eight environmental key performance indicators (KPIs) that are reported upon regularly. These are set out in the table below:



Indicator	Unit
Energy use	Kilowatt/hour
Business travel	Miles
Carbon dioxide emission	Tonnes
Other pollutants (eg sulphur dioxide)	Tonnes
Water use	Metres cubed
Waste	Kilograms
Reuse/recycling	Kilograms
Paper use	Kilograms

The KPIs are used to monitor and report our environmental performance in a meaningful way and are also used as the basis for setting objectives and targets. They play a fundamental role in ensuring that our environmental programme continually improves.

CHANGES TO EMS IN 2007

- Following the demerger of our international division and sale of Provident Insurance, we took the decision to carry out a comprehensive review of our EMS
- The review was undertaken to ensure that our EMS took account of all the environmental issues that are relevant to our business activities and that adequate processes and procedures were in place to manage these impacts
- As a result of this review, we have been able to produce an EMS manual which is streamlined and much more accessible for those personnel who have environmental management responsibilities

'Carbon footprinting'

Over the last two years, we have come under increasing pressure to account for the carbon dioxide emissions that result directly or indirectly from our activities. The pressure to understand the size and nature of our 'carbon footprint' has come from a range of audiences, including environmental campaign bodies, institutional investors and consumer groups.

Using the Greenhouse Gas Protocol, the measurement of the footprint is calculated in three sections: one covers our direct impact to the environment from fuel combustion, fugitive emissions (ie emissions not caught by a capture system which are often due to equipment leaks, evaporative processes and windblown disturbances) and company vehicles; the second covers our indirect impact from purchased electricity for our own use; and the third covers the our indirect impact from contractors vehicles, employees business travel, waste disposal and the production of purchased materials and outsourced activities.

The following sections within this chapter will indicate our strategy and activities.

The overall size of our 'carbon footprint' was

6,542

tonnes of carbon dioxide

Energy

The combustion of fossil fuels such as coal, gas and oil have been identified as significant contributors to a wide range of environmental problems, most notably climate change. This makes the need to reduce the carbon intensity of energy use, through the implementation of energy efficient measures, a key priority. The cost of energy in the UK has increased significantly over the past five years, therefore by becoming more energy efficient we can improve the business bottom-line.

During 2007, energy consumption across Provident Financial rose to 6,627MW from 5,224 MW in 2006. The reason for this increase has been the development of our IT infrastructure. For example, during 2007, additional IT capacity was introduced in the Consumer Credit Division to accommodate the delivery of our new business, Real Personal Finance. In addition,

we are currently changing the division's core accounting and processing system. This new system, called Focus, will provide a platform from which we can launch a series of business improvement initiatives, including a new commission scheme for agents, hand-held computers for agents, improved management information, better compliance record keeping, launching new products, improving collections performance and building better customer relationships. Focus is already in use in 20% of the branch network and will be rolled out progressively in 2008. In the short-term, the roll-out of Focus is likely to cause energy consumption to increase.

The data presented in this report excludes the energy consumed by our Consumer Credit Division network of branch offices, as these offices are not owned by Provident and energy bills are either not itemised separately within service level agreements and/or the information we receive is based on estimates only and therefore not accurate. We will be working to change this in 2008 so that we are able to report accurately on branch energy consumption in the future.

In 2007, we entered into an agreement to purchase energy from 'Good Quality Combined Heat and Power (CHP)' schemes to reduce the carbon intensity of the energy we use. The CO2 emissions associated with our



'Carbon footprint' is 'The total set of greenhouse gas emissions caused directly and indirectly by an [individual, event, organisation, product]' THE CARBON TRUST

electricity use have reduced from 0.430 kg of CO2 per kilowatt hour, to 0.295 kg of CO2 per kilowatt hour. As result of our use of electricity from 'Good Quality CHP' schemes, the net CO2 emissions associated with our use of energy during 2007 was 2,080 tonnes (compared with 1,969 tonnes in 2006). In addition, during 2007 we continued to introduce energy efficiency measures within our office infrastructure; for example, low energy lighting and motion sensors were installed as part of the refurbishment of two floors at our Bradford head office.

Bradford head office and Vanquis Bank energy consumption

Year	Energy use (MW)
2007	6,627
2006	5,224*
2005	3,844*
2004	3,572*
2003	2,973*

Energy use = gas and electricity

*The data has been restated to reflect the demerger of the international division and sale of Provident Insurance

Bradford head office and Vanquis Bank CO₂ emissions

Year	CO ₂ emissions (tonnes)
2007	2,080
2006	1,969*
2005	1,383*
2004	1,219*
2003	1,032*

*The data has been restated to reflect the demerger of the international division and sale of Provident Insurance



Transport

Use of fuel produces carbon dioxide which is a major contributor to global climate change and can cause adverse health impacts such as respiratory problems due to poor air quality through the emission of other pollutants such as oxides of nitrogen.

Following the publication of our green travel guide in 2006, we continued in 2007 to promote the use of more sustainable forms of transport and reduce the environmental impacts of our transport activities. We also undertook a considerable amount of work to establish business mileage baselines for our company which will enable us to calculate the carbon dioxide emissions associated with car, train journeys and flights we make in the course of delivering business activities.

'Greening' our company fleet

During 2006, we made our company car fleet more environmentally friendly, by offering more fuel efficient company cars, including those using hybrid technology, to reduce carbon dioxide emissions. We commissioned the Energy

Saving Trust to undertake a 'green review' of our fleet in order to highlight any areas where we could improve our environmental performance. Among other things, the review found that the average carbon dioxide emissions for our company car fleet was 137 g/km, which is considerably lower than the UK average for new vehicles, which stands at 167 g/km. We developed a range of new systems that now enable us to understand the fuel consumption of our company car users and determine business mileage made by employees using their own cars. The data collected is: in 2007, the total amount of fuel used by company car users was 840,356 litres, including both diesel and petrol, and business mileage made by employees using their own vehicles was 6,867,005 miles. These figures account for 2,128 tonnes and 2,294 tonnes of carbon dioxide respectively. Establishing these baselines has enabled us to get a clearer understanding of the environmental impacts associated with business-related car use.

Train journeys and flights

2007, was also the first year we have tried to calculate the

number of miles travelled by employees using trains and flights. Transport-related data was collected from across the corporate office, Consumer Credit Division and Vanquis Bank. The system we developed to collect data from the Consumer Credit Division was introduced in July 2007 and has enabled us to gather data for the period August to December 2007. In total, the number of miles travelled by employees on train journeys was 150,988 and the number of air miles travelled by staff was 122,984. These figures account for 14.6 tonnes and 25.7 tonnes of carbon dioxide respectively.

This information establishes baselines for the number of business miles travelled and associated carbon dioxide emissions for employees across the Provident Financial group. This data will be used in subsequent years to benchmark our performance in these areas.



Bradford head office use of water

Year	Water use (litres 000s)
2007	5,451
2006	5,110*
2005	7,780*
2004	8,474*
2003	4,491*

*The data has been restated to reflect the demerger of the international division and sale of Provident Insurance

Water use

Although the summer of 2007 will go down in history as being one of the wettest, the threat of more frequent drier winters and hotter summers means that water scarcity will become a problem in the UK, particularly in South East England. We continue to manage and monitor water use at our Bradford head office. However, during 2007 we entered into discussions with our provider which meant we were only able to collect water use data for the period January to September 2007. This resulted in us having to estimate water use for the period October to December 2007. According to the actual and estimated data we have for 2007, 5,451,000 litres were used (compared with 5,110,000 litres in 2006).

Water use data is not currently collected for the Consumer Credit Division branch network and for Vanquis Bank, as the offices we have in these areas of the business are not owned by Provident and, as such, information on how much water we use is not readily available.

Waste management

Waste minimisation is an important environmental issue. It can enable more efficient use of natural resources and energy, as well as reducing incidents of pollution to land, air and water which result from disposal to landfill. To help reduce the amount of waste put into landfill in the UK and to promote the reuse and recycling of waste, and research into waste, the Landfill Tax was introduced in 1996. The current (2007/08) standard rate of landfill tax is £24 per tonne. 2007's budget announced annual increases in the standard rate of

landfill tax of £8 per tonne from 2008/09 until at least 2010/11, by which time it will have reached £48 per tonne. Taking care to manage the waste we generate as a business therefore makes sense from both a financial and environmental perspective.

During 2007, the Consumer Credit Division generated 379 tonnes of waste (compared with 261 in 2006). Waste data is currently not available for Vanquis Bank. This is because Vanquis Bank's offices are not owned by Provident and, as such, the information is not readily available.

We will continue to identify opportunities to introduce further waste reuse and recycling across our business. For example, during 2008, we will improve facilities we have in place to recycle paper, cardboard and vending machine cups, and will provide additional facilities to recycle tins and cans, and batteries.

In 2007, Provident donated around 80 items of IT equipment, including PCs, monitors and printers, to charities such as Bosom Friends and MacMillan Cancer Support. During 2007, we recycled 147 tonnes of waste. The majority of this is accounted for by paper and is broadly in line with the 148 tonnes of waste we recycled in the previous year. Due to our Vanquis Bank offices being leased, we are not currently able to collect data on how much waste has been recycled.



“We will continue to identify opportunities to introduce further waste reuse and recycling across our business. For example, during 2008, we will improve facilities we have in place to recycle paper, cardboard and vending machine cups, and will provide additional facilities to recycle tins and cans, and batteries.”

GENERAL WASTE PRODUCED: CONSUMER CREDIT DIVISION

Year	Waste produced (tonnes)	Tonnes of waste/employee
2007	379.1	0.13
2006	260.8	0.09
2005	261.5	0.09
2004	263.4	0.09
2003	258.2	0.09

PAPER RECYCLED

Year	Paper recycled (tonnes)	Tonnes of recycling/employee
2007	146.8	0.05
2006	147.9	0.05
2005	109.2	0.04
2004	117.3	0.04
2003	74.9	0.02

Paper use

Paper is by far our most significant waste stream. In 2007, we established a paper use baseline for Vanquis Bank. The 443 tonnes of paper used across the Vanquis Bank operations include all the paper used in printers and photocopiers, and the paper used in its marketing activities. Paper use in the Consumer Credit Division and corporate office increased significantly during 2007 from 566 tonnes to 1,220 tonnes. This increase was as a result of the Division being able to establish a paper use baseline for all its marketing activities and that paper being included in the total for the first time. Throughout the year, 667 tonnes of paper was used to market our Greenwoods Personal Credit,

Provident Personal Credit and Real Personal Finance products. All the paper used to market these products is derived from sustainable sources. To reduce the environmental impacts associated with the use of virgin paper, we aim to use increasing amounts of recycled paper and paper derived from sustainable sources. For example, recycled paper is used in all printers and photocopiers across the group and paper sourced from sustainable forests is purchased for standard documents used by employees and agents in our Consumer Credit Division, including collection lists and credit agreements. In addition, during 2007, Vanquis Bank started to use recycled paper in the terms and conditions sent to customers.

Priorities for 2008

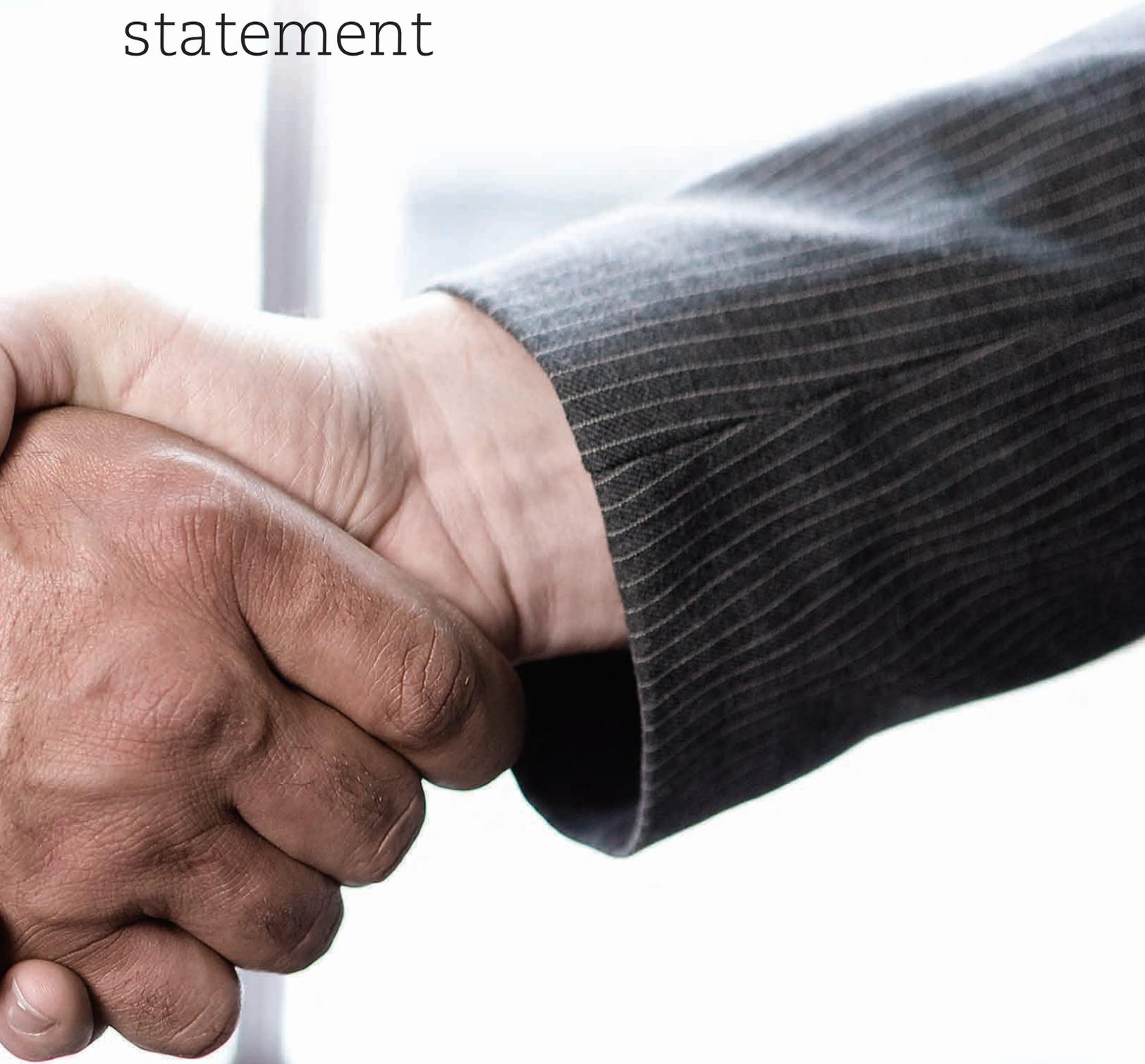
To ensure that our environmental management programme continues to improve, we have set ourselves a range of challenging targets for 2008. These are set out in the table on pages 65 and 66. In recognition of the fact that we can play a role in influencing our stakeholders to reduce their impacts on the environment, we have developed targets which will encourage our agents, customers and employees to take positive action to reduce their impacts too.

GROUP PAPER USE

Year	Paper use CCD (tonnes)	Paper use Vanquis (tonnes)
2007	1,219.9	442.8
2006	565.9	-
2005	578.8	-
2004	599.8	-
2003	633.7	-



assurance
statement



Assurance statement

External assurance statement and commentary

Introduction

Provident Financial has commissioned Corporate Citizenship to provide it with external assurance and commentary on its Corporate Responsibility Report 2007. Provident Financial's management has prepared the report and is responsible for its contents. Our objectives were to review and advise on aspects of its contents and presentation, to conduct selected checks to underlying corporate records, and to provide this statement for which we have sole responsibility.

Corporate Citizenship is a specialist management consultancy advising corporations that seek to improve their economic, social and environmental performance around the world. A detailed note describing our relationship with Provident Financial and the assurance process we have adopted appears at the end of this statement. Further information about our company, our key personnel and our clients is available on our website (www.corporate-citizenship.com).

Our opinion

In our opinion, this year's report provides a fair and balanced representation of the progress Provident Financial is making in living out its commitments to corporate responsibility. We have examined the strategies, frameworks and processes Provident Financial has in place

for identifying, understanding and managing issues related to corporate responsibility as they arise. Where we believe material gaps in performance data and stakeholder views on significant issues exist, they are identified below.

In forming our opinion and making our comments, we have had regard to the principles underlying the international assurance standard AA1000 (www.accountability21.net) notably concerning materiality, completeness and responsiveness. We have also had regard to the reporting guidance for content and the principles for defining quality contained in GRI's G3 sustainability reporting guidelines (www.globalreporting.org).

Commentary

Corporate responsibility reports should explain how a company impacts on society, taking account of the key economic, social, and environmental concerns of its stakeholders. Reports should show how crucial decisions are made and differing interests balanced. They should be honest about shortcomings and demonstrate how a company is responding to stakeholder concerns by listening, learning and improving.

Against this goal, we believe that this report demonstrates a further step forward in Provident Financial's reporting of corporate responsibility performance.

The report continues to highlight those issues that our assessments show to be most material to the company and its stakeholders. It is balanced, containing a mix of data, commentary and examples that show how policies are lived out.

Our detailed commentary below focuses on the three principles of the AA1000 assurance standard.

Materiality

Does the report include the information about performance that stakeholders need?

This year's report covers many of the material aspects of Provident Financial's business well.

The Chief Executive's statement provides a good introduction, placing the report in its business context. In particular, it clearly explains the business implications of the demerger in 2007 and more recently of the 'credit crunch'.

The report identifies governance as a material issue and provides a good overview of management systems. The use of national and sector statistics to support report content allows the reader to place corporate responsibility performance in relevant context.

Information on Provident Financial's approach to responsible lending is more thorough in this year's report. The explanation of The Single View of Customer system, in particular, provides extra insight on an issue of central importance

to many stakeholders where expectations remain high.

The role of agents (who are self-employed and not direct employees) is intrinsic to the business. Reporting has stepped forward from last year, especially with additional detail on agent commissions and the new scheme planned for 2008. We believe more in-depth information on aspects such as agent briefings and data on turnover and health and safety would strengthen stakeholders' understanding.

The crucial importance for a financial services company of relations with regulators is highlighted in this report, with an account of topics addressed during the year. Going forward, we believe Provident Financial should be more explicit about the principles underlying its approach to lobbying of government and legislators.

Likewise, Provident Financial's corporate values and business principles are not explicitly addressed. Their inclusion would enhance stakeholders' understanding of how policies are determined and the business behaviours that are encouraged.

Completeness

Has Provident Financial identified and understood all aspects of its performance?

The report is more complete than last year, addressing a wider range of performance related issues.

Objectives and targets are now included for Supply Chain and also People, adding to those previously reported for

Community and Environment. Next year's report should give an account of progress and explain more fully if targets are not achieved.

The increased focus on employee training and development is a highlight this year, as is reporting figures for the number of employees declaring disability. A more complete picture next year would include information on work to address below national average levels of employees from minority ethnic communities and with disabilities.

This year's report is enhanced with the addition of a Supply Chain section and going forward further information would provide a more complete picture of performance.

The Community section now includes stakeholder feedback from key staff members and community partners, and an account of the commercial rationale for doing this activity. The report could be strengthened with a further discussion of the benefits derived by the business, as identified in the formal stakeholder consultation process.

The Environment section is strengthened, particularly in using metrics to assess impacts and setting baselines for transport CO2 emissions and paper usage for the first time. This also responds to stakeholder consultation, and the commitment to report energy usage in the Consumer Credit Division network of branch offices (which are not owned by Provident Financial) will mark a further step forward.

Responsiveness

How has Provident Financial responded to stakeholder concern, policies and relevant standards?

Provident Financial has a variety of stakeholder engagement mechanisms in place, including the independent stakeholder consultation process on reporting. This year's report responds to many of the recommendations from that exercise.

Going forward, we believe an account of the major issues raised at the employee forums should be included and a full account of employee attitudes given. Likewise, although figures for customer complaints and satisfaction are given, details of the issues raised and Provident Financial's response should be included to ensure the report demonstrates full responsiveness.

Looking forward

As companies increasingly discuss in their reports the challenge of sustainable development, we recommend that Provident Financial consider how its future reporting should evolve to meet the expectations of its stakeholders.

Corporate Citizenship

www.corporate-citizenship.com
 9 May 2008

Note on our relationship with Provident Financial and on the assurance process

Our relationship with Provident Financial

Since 2001, we have provided advice and support to Provident Financial on corporate responsibility matters, principally on responding to external expectations. In 2004, Provident Financial also joined LBG, the London Benchmarking Group, which we manage on behalf of LBG's approximately 100 UK-based members. Over the last four years our work has concentrated on providing external insight, assurance and commentary for Provident Financial's corporate responsibility reports.

The assurance process

As there are no statutory guidelines for social reporting, we have formed our judgements based on emerging best practice among other companies, including the principles of the assurance standard AA1000, the approach of the Global Reporting Initiative (GRI), the stated views of principal stakeholders, and our own professional expertise and experience.

A team of three, led by a director, undertook the assurance and commentary process. A second director acted as adviser to the group. The team has extensive relevant professional and technical competencies and experience. For a fuller description please refer to our website. The work was commissioned in February 2008 and was completed on 9 May 2008. Detailed records were kept of meetings, assurance visits and correspondence relating to the materiality, completeness and

responsiveness of the report, as well as to technical matters relating to the accuracy and presentation of data.

In particular our approach to external assurance and commentary of Provident Financial's 2007 Corporate Responsibility report has involved the following:

- An analysis of best practice among other companies, the principles of the GRI (G3) and AA1000AS, notably regarding the reliability, materiality, completeness and responsiveness of the report's contents.
- Detailed discussions with Provident Financial's Corporate Responsibility Manager about reporting the company's approach, policies, performance measures, benchmarks, stakeholder relations and future plans.
- A review of published sources of information about the views and opinions of external stakeholders, including government agencies, media, academics and special interest groups.
- An appraisal of Provident Financial's additional stakeholder engagement activity, principally employee surveys and customer opinion research.
- Conducting a structured consultation process involving representatives of key stakeholders groups, looking at how Provident Financial's reporting meets their needs.
- A review of external assessments made, notably Dow Jones Sustainability Index, FTSE4Good and BitC's Corporate Responsibility Index.

- Benchmarking against peers, competitors, best practice and internationally recognised standards to identify the basis on which to judge Provident Financial's performance.
- An assessment of the internal assurance process, notably the procedures adopted to ensure responsiveness, completeness, materiality and data accuracy.
- Examination of the report at set stages in its development and testing of the assertions throughout on a section-by-section basis, drawing from evidence and supporting documentation, reporting mechanisms, frameworks and processes.
- Meetings and discussions with a cross section of Provident Financial managers and staff about its approach to corporate responsibility, its policies and performance, its future challenges and its relations with stakeholders.
- Site visits to Provident Financial's three main offices in Bradford, London and Chatham.

Our work did not extend to a complete audit of the report's contents. We have not been responsible for the preparation of the 2007 report nor in devising the internal management and reporting systems that yielded the data contained therein.

The opinions expressed in this external assurance statement and commentary are intended to extend understanding of Provident Financial's non-financial performance and should not be used or relied upon to form any judgements, or take any decisions, of a financial nature.

Paper and print specification

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FEEDBACK

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

You can also telephone us on +44(0)1274 731111 or write to the corporate responsibility manager at: Provident Financial, Colonnade, Sunbridge Road, Bradford BD1 2LQ, UK.

You can find out more about Provident Financial by visiting www.providentfinancial.com.



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