



Provident Financial
**CORPORATE
RESPONSIBILITY
REPORT**
2012



**ABOUT
THIS
REPORT**

Welcome to our 2012 CR report. This is our twelfth such report. To access our past reports go to www.providentfinancial.com.

The purpose of the report is to provide our stakeholders with a balanced account of our CR activities, progress and goals. It relates to the non-financial aspects of Provident Financial plc and its subsidiary businesses, the Consumer Credit Division and Vanquis Bank in the UK and Ireland, and our six key stakeholders. The scope of the report does not extend to the pilot credit card operation in Poland.

This report is based on the CR activities, performance and achievements for the year
1st January – 31st December 2012.

The data and accompanying commentary are externally assured by the management consultancy Corporate Citizenship. Please see the assurance statement on pages 62 to 66 of this report for more information.

Full details of Provident's financial results, governance and risk management practices are set out in our 2012 Annual Report and Financial Statements. This can be accessed at www.providentfinancial.com.

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"AS A LEADING NON-STANDARD LENDER IN THE UK AND IRELAND, OUR MOST IMPORTANT CORPORATE RESPONSIBILITY IS TO LEND RESPONSIBLY TO OUR 2.7 MILLION CUSTOMERS."



CEO STATEMENT

Welcome to our 2012 Corporate Responsibility Report. At Provident Financial, we have long recognised that being a successful and sustainable business requires more than generating strong financial results and returns for our shareholders. We believe our continued success cannot be separated from the responsibilities we have to our customers, employees and other stakeholders.

We recognise that this involves taking account of the issues that are relevant to the many communities from which our customers are drawn, and the impacts that our business activities have on the environment. As such, the approach we take to managing and reporting on our corporate responsibility (CR) impacts plays an important part in how we operate.

Our commitment to being a responsible corporate citizen is reflected in our mission and values statement. It is also reflected in one of the four strategic aims we have set for our business to ensure that we deliver our mission and live our values. This commitment makes clear that by addressing the social, environmental and economic issues that are relevant to our activities and key stakeholders, we can continue to be a successful, responsible and sustainable business.

As a leading non-standard lender in the UK and Ireland, our most important corporate responsibility is to lend responsibly to our 2.7 million customers. We do this by providing our customers with simple and transparent products, and making a point of maintaining close contact with them throughout their relationship with us. But our approach to CR extends beyond this; it guides how we treat our 3,786 employees and the suppliers we engage with, it commits us to play a positive role in the communities we serve and to manage our environmental impacts.

Our mission makes clear that we will play a positive role in the communities we serve. As such, I am particularly proud of the work that has been delivered through our community involvement activities, the vast majority of which is delivered through our Good Neighbour programme. This successful

programme has, to date, supported 112 community initiatives across the UK and Ireland that have delivered socio-economic benefits to over 81,100 people. We also continue to work with, and provide financial support to, money advice organisations in the UK to address issues such as financial education and to carry out research into matters relevant to our sector.

During 2012, we continued to achieve recognition for the CR information that is disclosed to stakeholders. This included attaining a maximum rating score of 100 for the second consecutive year in the FTSE4 Good Index; retaining our platinum rating in the 2013 Business in the Community CR Index for the fourth year running, with a score of 95%; and receiving the 'Tax Reporting in the FTSE 250' award at PwC's Building Public Trust Awards. This award recognised the transparency of our approach to disclosing information on our tax strategy, tax performance and the wider impact of tax. I am pleased with these achievements. They not only recognise our commitment to transparent reporting of our management of CR, they also recognise our staff's efforts in the role they play in embedding CR across all areas of our business.

I trust that you find this, our twelfth annual CR report, useful and that it enables you to see the progress we've made to date in ensuring that Provident remains a successful, responsible and sustainable business.

As ever, we welcome any views you have on the content of the report and, more broadly, the programme that underpins it. Please email these to us at: corporateresponsibility@providentfinancial.com.

Peter Crook
Chief Executive



OUR PURPOSE IS TO ENSURE THAT PEOPLE WHO LIVE IN THE REAL WORLD OF LOW INCOMES, UNCERTAIN EMPLOYMENT AND RISING FOOD, FUEL AND LIVING COSTS, HAVE ACCESS TO RESPONSIBLE, SUSTAINABLE LENDING THAT MEETS THEIR NEEDS.

OUR BUSINESS AT A GLANCE

WE ARE THE UK'S LEADING SUPPLIER OF PERSONAL CREDIT PRODUCTS TO THE NON-STANDARD LENDING MARKET.

WE ARE A FTSE MID-SHARES 250 COMPANY LISTED ON THE LONDON STOCK EXCHANGE.

WE EMPLOY ALMOST 3,800 EMPLOYEES AND SERVE OVER 2.7 MILLION CUSTOMERS IN THE UK AND IRELAND.

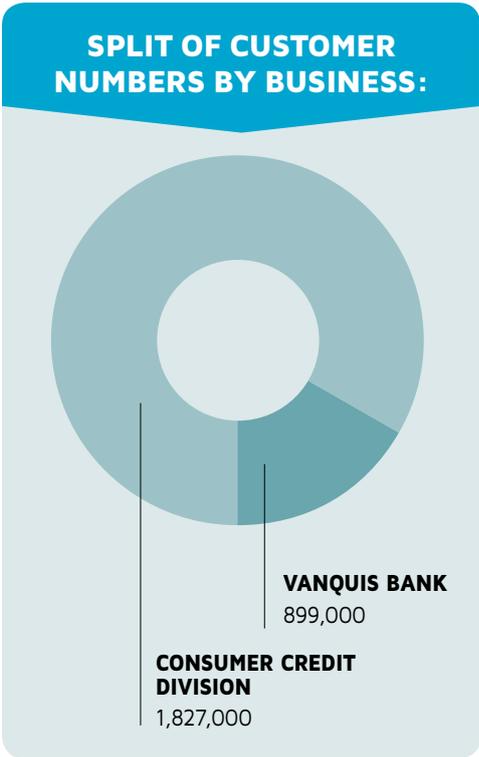
OUR MISSION IS TO BE THE LEADING NON-STANDARD LENDER IN THE UK, ACTING RESPONSIBLY IN ALL OUR RELATIONSHIPS AND PLAYING A POSITIVE ROLE IN THE COMMUNITIES WE SERVE.

OUR HOME CREDIT BUSINESS HAS BEEN PROVIDING SMALL LOANS, ISSUED IN THE HOME AND COLLECTED WEEKLY, SINCE 1880.

VANQUIS BANK ISSUES CREDIT CARDS TO PEOPLE OFTEN EXCLUDED BY MAINSTREAM CARD ISSUERS. THE BANK ALSO PROVIDES COMPETITIVE RETAIL DEPOSIT ACCOUNTS FOR SAVERS.

OUR CUSTOMERS AT A GLANCE

We lend to customers who others find it difficult to serve. There are around 10 million non-standard credit customers who demand credit products tailored to their very real needs. That means tailor-making credit products that supply smaller amounts of credit such customers find useful and lending to them in a way that makes it possible for them to pay back without too much difficulty. This often means maintaining close contact with them over the period of the loan.



DIVISION	CONSUMER CREDIT DIVISION	VANQUIS BANK
	The Consumer Credit Division offers home credit loans, typically of a few hundred pounds, through a network of local agents and offices across the UK and Ireland. 9,800 self-employed agents call on our 1.8 million customers, serving around one in 20 households in the UK.	Vanquis Bank, our credit card and savings business, serves 899,000 UK credit card customers and has 9,000 savers through its retail deposits offering. The business is also conducting a pilot credit card operation in Poland where it has 9,000 customers.
PRODUCTS	<p>CASH LOANS Small cash home credit loans, typically of a few hundred pounds, with repayment over periods from 14 to 110 weeks.</p> <p>LOVE2SHOP VOUCHERS Shopping vouchers typically repayable over periods from 22 to 50 weeks.</p> <p>GOLD CARD The Gold Card is a pre-loaded plastic card offered to our best customers, which can be used at over 60 online and high street retailers.</p> <p>ONE CARD The One Card is a plastic card which is loaded with £210 - a £200 loan plus a £10 bonus. The card can then be used in retail stores and on the Internet just like other plastic cards.</p>	<p>CREDIT CARDS Visa credit cards.</p> <p>SAVINGS PRODUCTS 1-, 2-, 3- and 5-year high-yield, fixed-rate deposit accounts for savers.</p>

TOTAL OUTSTANDING UK PERSONAL DEBT AT THE END OF 2012 (trn):



■ Personal debt: secured
■ Personal debt: unsecured

UK BORROWING DURING 2012 (bn):



■ Secured
■ Unsecured

THE NON-STANDARD LENDING MARKET EXPLAINED

We focus on the non-standard part of the UK consumer credit market in which around £66bn was lent in total during the year.

The UK non-standard credit market remains the domain of specialists. Generalists with more mainstream lending models, which are not really tailored to the needs of non-standard customers, largely withdrew at the start of the credit crisis. There are no signs that these lenders will return to this market. In the meantime, new specialist lenders have established themselves and grown in their place, supplying a range of new and existing tailored non-standard credit products.

Non-standard consumers concerned about getting into too much debt prefer to borrow just what they need for a particular situation and no more. Therefore, product offers have been designed to serve the need for as little as £50 for a small purchase like a new pair of school shoes, up towards £100,000 where consumers are offered the right to buy their social housing.

Affordability is key for those on tight incomes and therefore the amount of time that customers have to repay their loans tends to increase with the size of the loan; from the immediacy of small, unauthorised overdrafts to a period of up to 25 years to pay for a home.

“WE BELIEVE OUR CONTINUED SUCCESS CANNOT BE SEPARATED FROM THE RESPONSIBILITIES WE HAVE TO OUR CUSTOMERS, EMPLOYEES AND OTHER STAKEHOLDERS.”



OUR MARKET AND CUSTOMERS

TYPICAL CUSTOMER TRAITS, EXAMPLE COMPETITORS AND ESTIMATED RELATIVE ANNUAL UK NON-STANDARD LENDING BY PRODUCT

	TYPICAL CUSTOMER TRAITS	EXAMPLE COMPANIES	
A. CREDIT CARDS	Employed, salaried, banked with low credit score, renting	Capital One, Barclaycard, Vanquis Bank, SAV, Compucredit	
B. OVERDRAFTS	Around half of all bank account holders across all income levels	Lloyds, HSBC, Barclays, RBS, Santander	
C. MAIL ORDER	Wide range, mostly online shoppers, mostly female with brands targeted at C, D and E socio-demographic groups	ShopDirect, Otto, N Brown	
D. PAYDAY LENDING	Wide range, banked, debit card holders, employed, reasonable credit score	The Money Shop, Cheque Centre, Payday UK, QuickQuid, Wonga	
E. MORTGAGES	Home owners with lower credit scores	Blemain, a range of bridging providers	
F. HOME CREDIT	Mostly employed, hourly paid, female, renting, low income	Provident Personal Credit, Greenwood Personal Credit, S&U, Shopacheck, Morses, Mutual, around 500 local operators	
G. PAWNBROKING	Mostly female, modest incomes, valuable items to pawn – usually jewellery	Albermarle & Bond, H&T, The Money Shop, Ramsdens	
H. 2ND CHARGE	Home owners with lower credit scores	Blemain, a range of bridging providers	
I. UNSECURED DIRECT REPAYMENT LOANS	Similar to payday loans	Pounds to Pocket, Cash Converters, Secure Trust Bank, Lending Stream	
J. RENT-TO-OWN	Live within three miles of store, do not own cars. Credit impaired, low income	BrightHouse, PerfectHome, Buy As You View	

FINANCIAL HIGHLIGHTS

GROUP RESULTS – YEAR ENDED 31 DECEMBER 2012

	2012 (£M)	2011 (£M)	CHANGE (%)
CONSUMER CREDIT DIVISION	125.1	127.5	(1.9)
VANQUIS BANK	68.0	44.2	53.8
CENTRAL			
- costs	(12.0)	(10.2)	(17.6)
- interest receivable	-	0.6	n/a
Total central	(12.0)	(9.6)	(25.0)
TOTAL GROUP PROFIT BEFORE EXCEPTIONAL ITEMS	181.1	162.1	11.7
Exceptional items	15.6	-	n/a
Profit before tax, including the exceptional items	196.7	162.1	21.3

GROUP HIGHLIGHTS

During 2012, revenue less impairment was £654 million. Of this, £317 million was paid to brokers and suppliers of goods and services (including agents). The remaining £337 million is value added by Provident Financial which was distributed to employees (£124 million), shareholders (£96 million) and government in the form of taxes (£74 million). A further £2 million was donated to our community partners and a profit of £41 million was retained by the business.

A more detailed account of Provident's financial performance is published in our Annual Report and Financial Statements 2012. Go to www.providentfinancial.com for more information.

WHY MANAGING CR IS IMPORTANT TO US

An important part of how we operate relates to being a good corporate citizen, which is why we have a serious commitment to CR.

We believe that our continued success cannot be separated from the responsibilities we have towards our customers, employees and other stakeholders. This includes addressing the issues that are relevant to the communities we serve and our wider environmental impacts.

As a financial services company that has a long and proud history of serving customers

in the non-standard credit market, the CR issues that are most material to our business activities relate to:

- **LENDING RESPONSIBLY** – ensuring that we provide our customers with simple and transparent credit products with high levels of personal contact is our most important corporate responsibility.
- **HAVING A POSITIVE IMPACT** in the many communities we serve – we have customers, offices and agents in communities across the UK and Ireland, which means we are ideally placed to help address a wide range of local community issues.
- **MINIMISING** our environmental and supply chain impacts – with over 400 branches across the UK and Ireland, and a procurement spend of £118m in 2012, we have the opportunity to have a significant impact environmentally and through our supply chain.
- **BEING AN EMPLOYER OF CHOICE** – we want our 3,786 employees to be proud to work for Provident.

Any queries which relate to this report should be directed to Rob Lawson, Provident Financial's Corporate Responsibility Manager at corporateresponsibility@providentfinancial.com.



OUR COMMITMENT TO CR MANIFESTS ITSELF IN:

GOOD CORPORATE GOVERNANCE.

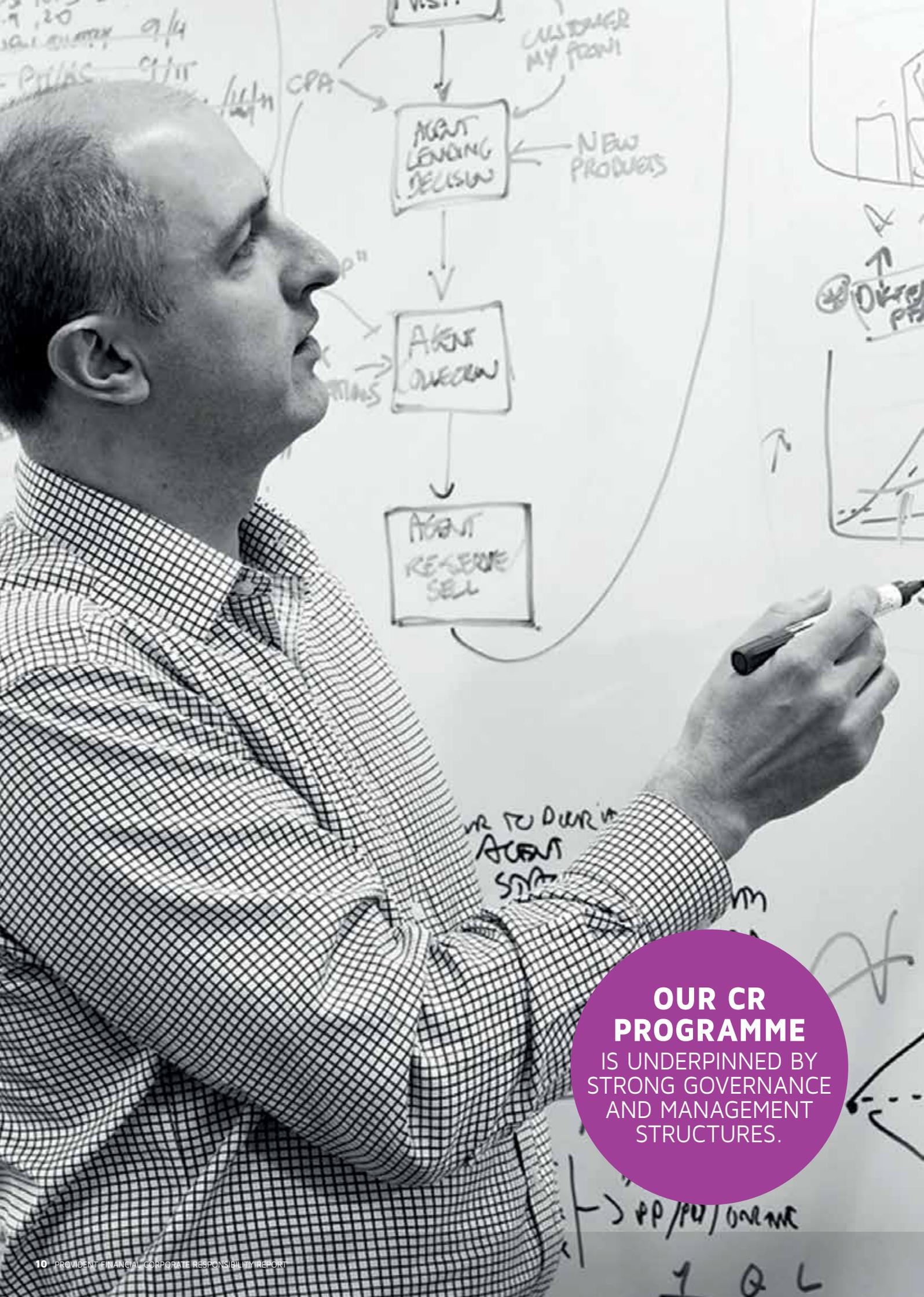
LENDING RESPONSIBLY TO OUR CUSTOMERS.

BEING A GOOD EMPLOYER.

TREATING OUR SUPPLIERS FAIRLY.

PUTTING SOMETHING EXTRA INTO THE COMMUNITIES THAT WE SERVE.

LOOKING AFTER THE ENVIRONMENT.



OUR CR PROGRAMME

IS UNDERPINNED BY STRONG GOVERNANCE AND MANAGEMENT STRUCTURES.

GOVERNANCE AND MANAGEMENT

Our commitment to managing our CR impacts and embedding this commitment into the fabric of our business activities comes from the very top of the company. Our commitment to deliver value to our customers, shareholders and other stakeholders in a responsible and sustainable way is enshrined in our mission and values (see box p.12).

“WE HAVE ESTABLISHED RIGOROUS GOVERNANCE AND MANAGEMENT STRUCTURES THAT COMMIT US TO IDENTIFY AND MANAGE THE CR AND SUSTAINABILITY ISSUES THAT ARE MATERIAL TO OUR KEY STAKEHOLDERS.”

Over the past decade, we have established rigorous governance and management structures that commit us to identify and manage the CR and sustainability issues that are material to our key stakeholders.

This section relates solely to the governance and management of our CR programme. Further information on how we have applied the principles and provisions set out in the UK Corporate Governance Code and on directors' remuneration is disclosed in our Annual Report and Financial Statements 2012 that can be found at www.providentfinancial.com.

OUR STAKEHOLDERS

To understand whether we are delivering against our mission and living our values, we engage with our key stakeholders on an ongoing basis. We have identified six main stakeholder groups that have an interest in, or are affected by, our activities and we continue to develop positive relationships with all of them. They are: customers, communities, employees, suppliers, shareholders, and regulators.

2012 TARGETS

MAINTAIN OR IMPROVE OUR RATING ON THE MAINSTREAM SUSTAINABILITY INDICES (BITC CR INDEX, DOW JONES SUSTAINABILITY INDICES, FTSE4GOOD, ETC).

ACHIEVED - SEE PAGE 17 OF THIS REPORT FOR MORE INFORMATION.

ENSURE THAT THE PROVIDENT FINANCIAL PLC BOARD COMPRISES 25% WOMEN BY 2015.

ONGOING - CURRENTLY 14% OF THE BOARD IS FEMALE.



TWO HEADLINE KEY PERFORMANCE INDICATORS ARE USED TO MEASURE THE DELIVERY OF OUR CR STRATEGY:

- PERCENTAGE OF CUSTOMERS SURVEYED WHO ARE SATISFIED WITH THE SERVICE THEY HAVE BEEN GIVEN.
- THE AMOUNT OF MONEY INVESTED IN SUPPORT OF COMMUNITY PROGRAMMES AND DONATED FOR CHARITABLE PURPOSES.

2013 TARGETS

MAINTAIN OR IMPROVE OUR RATING ON THE MAINSTREAM SUSTAINABILITY INDICES (BITC CR INDEX, DOW JONES SUSTAINABILITY INDICES, FTSE4GOOD, ETC).

ENGAGE WITH THE COMPANY'S EXECUTIVE DIRECTORS AND OTHER SENIOR MANAGEMENT TO RAISE AWARENESS OF OUR CR PROGRAMME.

ENGAGE AND SUPPORT VANQUIS BANK IN ORDER TO IMPROVE THE WAY THAT ITS CR ACTIVITIES ARE REPORTED.

ENSURE THAT THE PROVIDENT FINANCIAL PLC BOARD COMPRISES 25% WOMEN BY 2015.

MISSION AND VALUES

Our mission is to be the leading non-standard lender in our chosen markets, acting responsibly in all our relationships and playing a positive role in the communities we serve.

To assist in the delivery of our mission, we have a number of core values that are embedded in the business. These values help us to run our business in a sustainable, responsible way, to the benefit of our customers, our shareholders and our other stakeholders.

1. FAIR

WE ARE FAIR AND REASONABLE IN OUR DEALINGS WITH STAKEHOLDERS.

2. RESPONSIBLE

WE CONDUCT OUR BUSINESS DEALINGS RESPONSIBLY AND ENSURE THAT WE HAVE A POSITIVE IMPACT ON THE ENVIRONMENT AND COMMUNITIES WE SERVE.

3. ACCESSIBLE

WE PROVIDE OUR CUSTOMERS WITH ACCESS TO PRODUCTS THAT MEET THEIR NEEDS.

4. STRAIGHTFORWARD

WE ARE STRAIGHTFORWARD, OPEN AND HONEST IN ALL OUR DEALINGS.

5. PROGRESSIVE

WE ANTICIPATE AND RESPOND TO THE CHALLENGES OF A CHANGING WORLD.

Our stakeholder engagement activities during 2012 included:

- Conducting regular surveys with customers to obtain feedback on the products and services we provide to determine their levels of satisfaction with them.
- Continuing to engage with our community partners and employee volunteers in order to enable us to evaluate the efficacy of our community involvement programme.
- Engaging with government and regulators through meetings and by responding to consultation exercises. This helps us to understand how changes to national and supranational legislation will impact on our businesses and ensure that our views are understood.

TAKING A STRATEGIC APPROACH TO CR

Our CR strategy is simple and straightforward with a practical focus.

It is organised around the following themes:

1. Earning high levels of customer satisfaction.
2. Meeting or exceeding regulatory requirements on responsible lending.
3. Following our corporate mission and values in the treatment of our stakeholders.
4. Investing in the communities in which our customers and agents live and in which our staff work.
5. Maintaining a system to manage wider corporate responsibility issues.

By adopting a strategic approach to CR management we are able to address the CR issues that are material to our business activities.

CR GOVERNANCE AND MANAGEMENT

Overall responsibility for our CR programme rests with Peter Crook, our Chief Executive. Our CR activity is reviewed by our management committee, which is authorised by the board and includes the executive directors and senior management and is chaired by Peter Crook.

This committee is supported by a number of working groups, which are responsible for ensuring that our subsidiary businesses embed our CR strategy within their operations, products and services.

These working groups include:

- Corporate responsibility working group.
- Environmental working groups within the CCD and Vanquis Bank.
- Vanquis Bank active community programme board.
- Head office travel plan steering group.

Day-to-day management of the CR programme is undertaken by Provident's CR Manager, Community Affairs Manager and Community Affairs Executive. Where appropriate, advisers are used to support the ongoing management of the CR programme.

Further information on the governance structures that are in place regarding our CR programme is available at: www.providentfinancial.com.

POLICIES

Our work to embed our CR strategy is supported by a range of corporate policies and our code of ethics. These policies set out the codes of conduct, controls, processes and requirements of all our employees, for both divisions and at the corporate office.

Our policies cover a wide range of CR-related issues including treating customers fairly, environmental management, community involvement, procurement, health and safety, and whistleblowing. All our corporate policies are reviewed annually, with any changes approved by our board.

Both operating divisions have a range of committees to manage specific issues that relate to their operations such as Vanquis Bank's treating customers fairly committee.

The divisional boards and senior management within the corporate office are responsible for ensuring that they and their businesses comply with the corporate policies.

To demonstrate compliance, each divisional managing director and relevant senior

management within corporate office must certify compliance with the group's corporate policies biannually. The certification must be supported by evidence that a due process has been followed in completing the certificate. The status of compliance, along with all the supporting information, is then reported to the board.

MANAGING OUR RISKS

Our board is responsible for maintaining a sound system of risk management and internal controls.

Our risk management process and systems are designed to manage, rather than eliminate, risk. Our risk management framework is firmly embedded within our corporate governance structure and incorporates a five-stage process as detailed in the diagram overleaf.

This risk management framework is overseen by the risk advisory committee on behalf of the board. It reviews the key risk registers, considers the most important risks facing the group and is responsible for reviewing the group's Internal Capital Adequacy Assessment Process (ICAAP) prior to submission to the board.

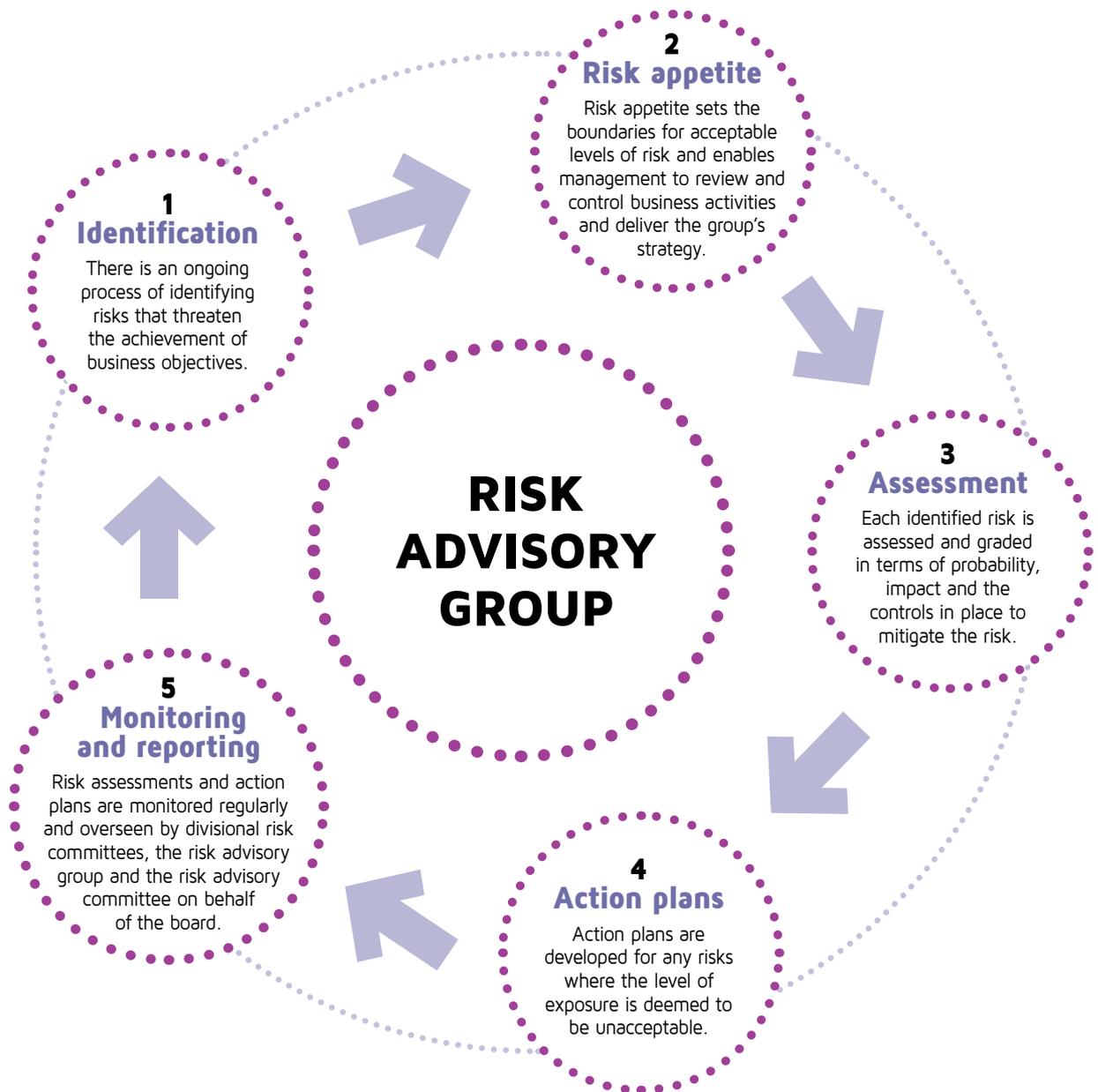
The risk advisory committee delegates a number of responsibilities to the risk advisory group, which comprises the executive directors, the Company Secretary, the Group Financial Controller, the Head of Audit & Risk and the Group Treasurer.



SINCE 2007, OUR CR WORK HAS BEEN GUIDED BY TARGETS THAT HAVE BEEN SET AT BOTH THE GROUP LEVEL AND FOR THE INDIVIDUAL SUBSIDIARY BUSINESSES.

THE GOVERNANCE AND MANAGEMENT STRUCTURES DESCRIBED ARE RESPONSIBLE FOR SETTING THESE TARGETS AND FOR ENSURING THAT WORK PROGRAMMES ARE DEVELOPED TO ACHIEVE THEM.





The risk advisory group:

- Considers the extent and nature of risks facing the group.
- Considers the risks that are acceptable to take.
- Considers the likelihood of any risk materialising.
- Considers the cost of operating controls in relation to the benefits obtained.
- Reviews the key risk registers prepared by the group and the divisional risk committee three times a year.
- Submits a schedule of key risks, the group and divisional key risk registers and the ICAAP to the risk advisory committee.

Our CR programme is one of the controls that help to mitigate the risks to the company's reputation.

For more information on our approach to risk management and a summary of the group's key risks together with the controls and procedures in place to mitigate the risks, please refer to the governance section of our 2012 Annual Report and Financial Statements at www.providentfinancial.com.

TAX

TAX STRATEGY

Our tax strategy, approved by our board and shared with HMRC, sets out our overall approach to tax. This includes our governance framework on tax, how we embed tax risk management within our overall corporate governance structure, and how we ensure compliance with our tax obligations in the territories in which we operate.

Our strategy follows our corporate mission and values. We are committed to being a fair and responsible tax payer, operating in an open, honest and straightforward way in all our dealings with tax authorities. This includes having a regular and constructive dialogue with HMRC and being progressive in all tax matters. We seek to manage our tax liabilities and we structure our operations in a way that complies with applicable laws and regulations but which also protects shareholder value and safeguards our reputation as a responsible taxpayer.

In 2012, we worked together with HMRC to agree a number of outstanding corporation tax matters, building on the progress made on these in 2010. In keeping with our strategy of working constructively with HMRC, we sought advance clearance in a number of instances and our Consumer Credit Division participated in HMRC's Real Time Information (RTI) pilot from September 2012. We have continued to build on work carried out in 2011 by further improving and embedding

procedures that seek to ensure that the agents engaged by the Consumer Credit Division are self-employed. We've also kept HMRC informed of business developments that could potentially impact on this area. We continued to work with Revenue Ireland in relation to reporting on commissions paid to agents engaged in the Republic of Ireland.

TAX CONTRIBUTION

We seek to ensure that we comply fully with all tax rules and regulations and that we pay the tax we are legally required to pay in all the territories in which we operate. We operate primarily in the UK and generate most of our profits from UK operations therefore most of the tax we pay is UK tax. In 2012, our total direct and indirect tax contribution was £110 million, of which £106 million was UK tax and £4 million was tax paid in the Republic of Ireland.



"WE ARE IMMENSELY PROUD TO HAVE RECEIVED AN AWARD WHICH RECOGNISES OUR COMMITMENT TO REPORTING THE WAY WE MANAGE OUR TAX AFFAIRS IN A TRANSPARENT MANNER. THIS RECOGNITION DEMONSTRATES TO OUR STAKEHOLDERS THAT OUR APPROACH TO CORPORATE RESPONSIBILITY EXTENDS TO BEING A RESPONSIBLE TAXPAYER, ACTING IN A STRAIGHTFORWARD, OPEN AND HONEST MANNER IN ALL TAX MATTERS, AND BEING FAIR AND REASONABLE IN ALL OUR DEALINGS WITH TAX AUTHORITIES."

ANDREW FISHER
Finance Director

TAX AWARD

In December 2012, we received the 'Tax Reporting in the FTSE 250' award at PwC's Building Public Trust Awards. The award recognises the transparency of our reporting on our tax strategy, tax performance and the wider impact of tax. A panel of PwC's tax experts judged the award based on the tax information we disclosed in our 2011 Annual Report and Financial Statements and 2010 Corporate Responsibility Report. The judges praised us for providing a concise summary of tax risk management, a description of our tax strategy, details of our interactions with HM Revenue & Customs and an overview of our total tax contribution.

DIRECT TAX CONTRIBUTION	£'M	INDIRECT TAX CONTRIBUTION	£'M
Corporation tax	46.3	Income tax and employees' national insurance (PAYE)	34.8
Employer's national insurance and equivalent	14.2	Tax deducted from interest paid on Vanquis Bank deposits	1.3
Irrecoverable VAT	11.2		
Business rates	2.4		
	74.1		36.1

DIRECT TAX CONTRIBUTION

Our direct tax contribution is the tax we, as an organisation, pay or incur on our operations. It includes corporation tax, employer's national insurance and irrecoverable VAT. Most of our direct tax contribution comprises corporation tax that we pay on the profits we generate in the UK and the Republic of Ireland. In 2012, the corporation tax that we paid amounted to £46.3 million of which £45 million was UK tax and £1 million was corporation tax paid on the profits generated by our Consumer Credit Division in the Republic of Ireland.

In 2012, we employed, on average, 3,786 employees, for whom we pay employer's national insurance (or equivalent). In 2012, this comprised £14.2 million of our direct tax contribution.

As a provider of loans and other credit products, we are unable to recover VAT on most of the costs we incur. In 2012, £11.2 million of our direct tax contribution comprised irrecoverable VAT incurred by our businesses.

The remaining £2.4 million of our 2012 direct tax contribution comprised business rates payable on the various business premises we occupy.

INDIRECT TAX CONTRIBUTION

Our indirect tax contribution represents the tax we collect on behalf of the UK and Irish governments from income we pay to employees and depositors. In 2012, this amounted to £36.1 million and comprised £34.8 million of income tax and national insurance on employees' pay and £1.2 million of tax deducted from interest paid on Vanquis Bank deposits.

ACCOUNTING FOR THE DIRECT TAX CONTRIBUTION

With the exception of corporation tax, our direct tax contribution was accounted for as administrative costs in arriving at profit before taxation. Corporation tax is accounted for through the tax charge which is explained in Note 5 to the 2012 Annual Report and Financial Statements, which can be found at www.providentfinancial.com.

The £46.3 million of corporation tax we paid in 2012 was higher than the current tax charge for 2012 of £43.9 million shown in Note 5 of the 2012 Annual Report and Financial Statements. The higher figure is primarily due to the payment of the tax and related interest on overdue tax from concluding some historic corporation tax issues with HMRC which had been accounted for in previous years. This was coupled with the impact of the timing of corporation tax instalment payments in the UK.

MEMBERSHIP

We continue to be an active member of a number of organisations and groups that enable us to access and share best practice on a range of social and environmental issues. These include:

- Associate Parliamentary Corporate Responsibility Group
- Business in the Community
- Eco-Network
- Employer's Forum on Disability
- Opportunity Now.

SUSTAINABILITY ASSESSMENTS

We continue to engage with the socially responsible investment (SRI) community through our participation in the main global sustainability indices and by responding to SRI analysts' enquiries.

In 2012:

- We achieved a maximum rating score of 100 in the FTSE4Good Index for the second consecutive year. This makes us one of the highest scoring companies in the global financial services sector.
- We were included in both the Dow Jones Sustainability World Index (DJSI World) and the Dow Jones Sustainability Europe Index (DJSI Europe) for the eighth successive year. These list the top 10% and 20% respectively of companies for sustainability from the mainstream indices.
- We were included on three new CR indices that have recently been developed by Vigeo, a European rating agency, in partnership with the global financial markets operator, NYSE Euronext:
 - Vigeo World 120 index, which comprises the 120 most advanced sustainability performing companies at the global level.
 - Vigeo Europe 120 index, which comprises the 120 most advanced sustainability performing European companies.
 - Vigeo United Kingdom 20 index, which includes the 20 most advanced UK companies based on their sustainability performance.
- We submitted our seventh response to the Carbon Disclosure Project, which provides over 722 institutional investors representing US\$87 trillion in assets with information relating to carbon management.

- We achieved a score of 95% in the Business in the Community CR Index and retained our platinum performance rating for the fourth year in a row.

ASSURANCE AND AUDIT PROCESS

The commentary and data contained within this report is independently assured by Corporate Citizenship.

Assurance is provided to reassure stakeholders of our CR management systems, processes and procedures. The assurance provided to our CR report follows the AccountAbility AA1000 Assurance Standard (AA1000AS) which is based on the principles of inclusivity, materiality and responsiveness. The scope and details of the assurance, the techniques used and its conclusions are given on page 63. Corporate Citizenship also evaluate the report for compliance with the Global Reporting Initiative's G3 sustainability reporting guidelines.

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

95%

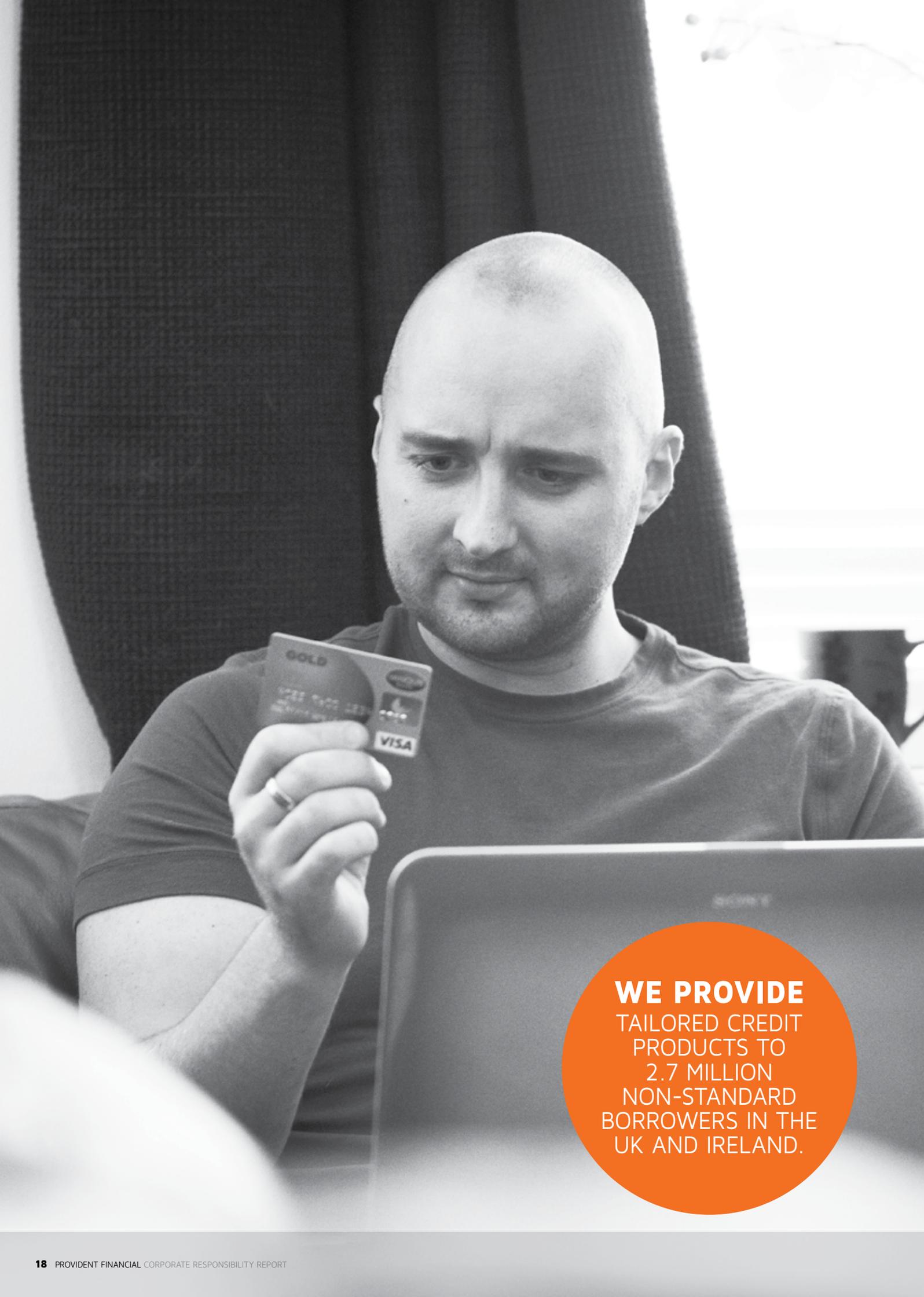
WE ACHIEVED A SCORE OF 95% IN THE BUSINESS IN THE COMMUNITY CR INDEX...

AND RETAINED OUR PLATINUM PERFORMANCE RATING FOR THE

4TH YEAR

IN A ROW.





WE PROVIDE
TAILORED CREDIT
PRODUCTS TO
2.7 MILLION
NON-STANDARD
BORROWERS IN THE
UK AND IRELAND.

OUR CUSTOMERS

We provide tailored credit products to 2.7 million non-standard borrowers in the UK and Ireland. Our home credit business has been providing small loans, issued in the home and collected weekly, since 1880. Vanquis Bank issues credit cards to people often excluded by mainstream card issuers and also provides competitive retail deposit accounts for savers.

“FOR OVER 130 YEARS OUR CUSTOMERS HAVE BEEN DRAWN FROM COMMUNITIES OF PEOPLE LIVING ON MODEST INCOMES. OUR PRODUCTS ARE DELIVERED IN A FAIR AND RESPONSIBLE MANNER AND TAKES ACCOUNT OF OUR CUSTOMERS’ NEEDS.”

OUR HOME CREDIT PRODUCTS HAVE THE FOLLOWING CHARACTERISTICS, WHICH DIFFERENTIATE US FROM OTHER FORMS OF CREDIT:

- Weekly home visit – the weekly agent visit to the customer’s home enables agents to collect repayments and meet any future credit needs. This is an invaluable part of the home credit service. The routine of the visits helps encourage our customers to make their repayments.
- Small-sum credit – our customers’ credit needs are limited because their family income is limited. With home credit, our customers can borrow the few hundred pounds they need.
- Amount to repay is fixed – being on a low income, it is particularly important to our customers that the total amount they agree to repay never rises. Even if they miss some repayments, there are no extra charges whatsoever.
- Credit history – some of our customers have, in the past, had problems with credit, which means they have an imperfect credit history. Despite this, we are able to lend to them where others may not be able to.

2012 TARGETS

CONTINUE TO ENSURE THAT AT LEAST 90% OF HOME CREDIT CUSTOMERS AND 80% OF VANQUIS BANK CUSTOMERS ARE EITHER ‘VERY SATISFIED’ OR ‘QUITE SATISFIED’ WITH THEIR EXPERIENCE.

DURING 2012 92% (2011:91%) OF HOME CREDIT CUSTOMERS AND 89% (2011:84%) OF VANQUIS BANK CUSTOMERS WERE EITHER VERY OR QUITE SATISFIED WITH THE SERVICE PROVIDED TO THEM.

2013 TARGETS

ENSURE THAT AT LEAST 90% OF CONSUMER CREDIT DIVISION AND 80% OF VANQUIS BANK CUSTOMERS ARE EITHER 'VERY SATISFIED' OR 'QUITE SATISFIED' WITH THEIR EXPERIENCE.

OUR VANQUIS BANK CREDIT CARD HAS THE FOLLOWING CHARACTERISTICS, WHICH DIFFERENTIATES US FROM OTHER CREDIT CARD PROVIDERS:

- Sensible credit limits – our customers appreciate the relatively low credit limit Vanquis Bank allows them; it helps them to keep in control of their finances. A credit limit of typically under £1,000 means that they don't over-extend themselves and the monthly payments are manageable.
- High level of contact – as busy people, our customers like the high level of telephone contact Vanquis Bank maintains with them and the texts they receive to remind them to make repayments.
- Potential to rebuild a credit history – some of our customers have had credit problems in the past but are now over them. Therefore, they appreciate the fact that Vanquis Bank are more interested in their current circumstances and are prepared to help them rebuild a good credit profile.

WE LEND RESPONSIBLY

Having over 2.7 million people use our home credit and credit card products means that being a responsible lender is our most important corporate responsibility.

For over 130 years, our customers have been drawn from communities of people living on modest incomes. As such, our products are structured in such a way that takes account of their needs and are delivered in a fair and responsible manner.

HOW WE EMBED RESPONSIBLE LENDING

Both our operating businesses have rigorous processes and systems in place that underpin the lending decisions that they make. This ensures that we issue credit to new and existing customers at the right time and for the right amount. We maintain high levels of contact with our customers through face-to-face meetings or telephone contact. This means we can discuss any difficulties or queries that they may have at an early stage and agree a course of action to resolve them.

WHAT DO WE MEAN BY RESPONSIBLE LENDING?

For us, responsible lending is about delivering products that meet the needs of our customers, whilst ensuring that we do not lend in a way that they cannot afford to repay. We do this by offering simple and transparent financial products delivered through a friendly, personal and flexible service.





CONSUMER CREDIT DIVISION

CUSTOMER CONTACT

When the self-employed agent meets the customer in their home, it gives them a good understanding of the customers' attitude to credit and what they can afford. We call this the '3 C's':

- Character: the customer's intent to repay the loan.
- Capacity: the customer's ability to repay the loan.
- Conditions: the stability of the customer's circumstances.

LENDING DECISION PROCESSES AND SYSTEMS

The underwriting process uses the System Enhanced Lending (SEL) programme, for existing and previous customers, and Single View of Customer (SVC) system for new customers. These tools support agents' lending decisions by filtering out higher credit risks.

VANQUIS BANK

CUSTOMER CONTACT

The relationship we have with our Vanquis customers is much closer than those in the mainstream lending market. All customers receive a welcome call as part of the acceptance process – this is unique in the UK credit card industry. The call provides the opportunity to gather additional information which is useful to help manage their account at a later date and establish a more personal relationship. It is also an important element of completing our underwriting and Vanquis will turn down an application if it cannot engage in a satisfactory dialogue with a potential customer.

LENDING DECISION PROCESSES AND SYSTEMS

Vanquis operates a 'low and grow' strategy – customers are typically given a credit limit of just £250. This allows us to observe and understand our customers' behaviour before extending limits in a responsible and sustainable manner. We won't increase the credit of customers who have fallen behind in making payments. When appropriate, we will increase credit limits in small, manageable steps.

80%

AND
76%

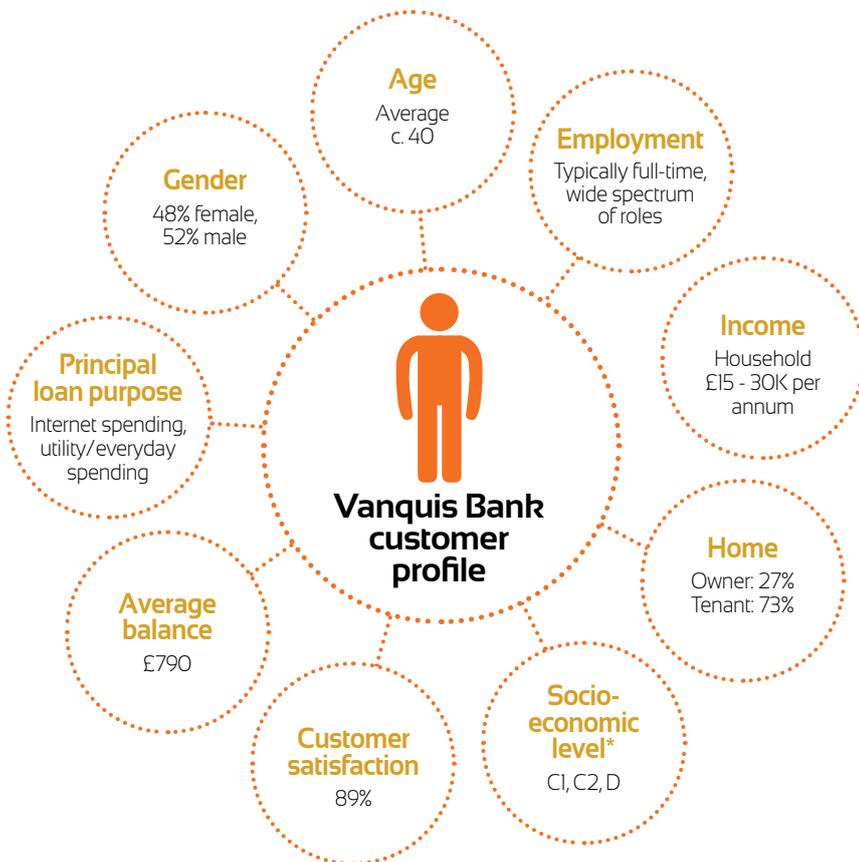
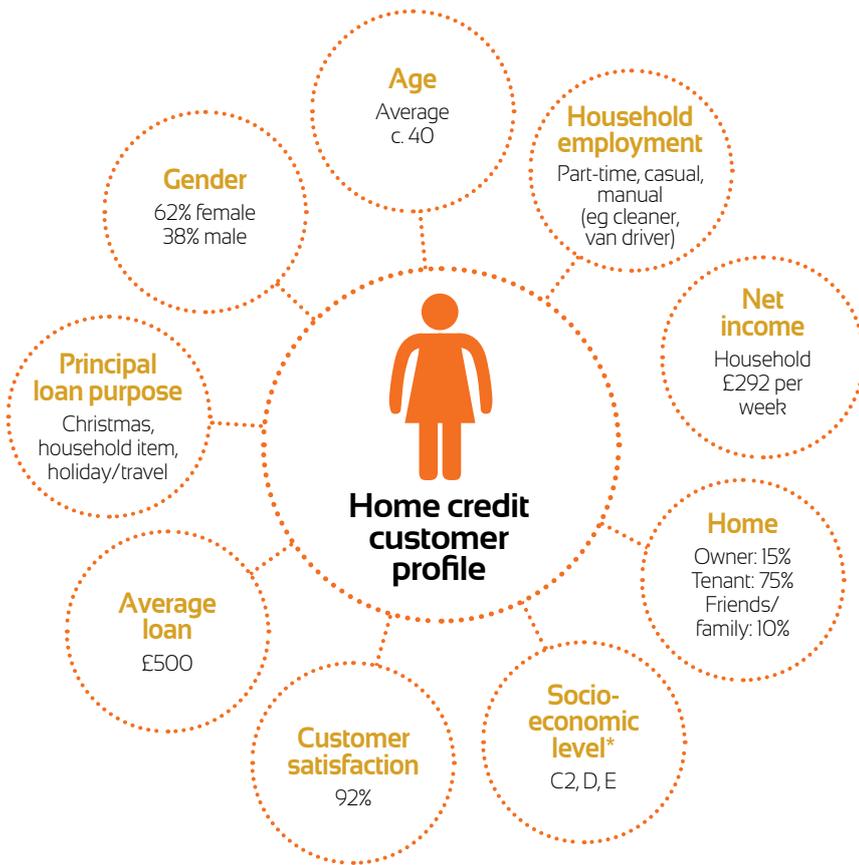
THE PERCENTAGE OF CREDIT APPLICATIONS DECLINED BY OUR HOME CREDIT BUSINESS AND VANQUIS BANK RESPECTIVELY.

THE CUSTOMERS WE SERVE

Typically, our customers are hardworking people living on modest incomes. They borrow relatively small amounts, but it is a big commitment. They need it to be easy to make repayments and they like the flexibility to adjust those payments if their circumstances change.

OUR CUSTOMERS:

Home credit customers are not always the main breadwinners, but they often control the household budget. Just under half of our customers (49%) are in receipt of non-universal benefits. Home credit customers value the discipline of the weekly visit and appreciate having flexibility on repayments. Vanquis Bank customers use their credit cards in a similar way to users of mainstream cards; on the high street and for internet shopping. Growth in online shopping and changes in merchants' payment policies have made everyday tasks increasingly difficult without a payment card. The card therefore has a high utility value and offers useful additional consumer protection – it is often the only credit card they have.



*These socio-economic levels are derived from a classification system that is based on occupation. It enables a household and all its members to be classified according to the occupation of the chief income earner.

SOCIAL GRADE

SOCIAL GRADE	DESCRIPTION
A	Higher managerial, administrative or professional
B	Intermediate managerial, administrative or professional
C1	Supervisory, clerical and junior managerial, administrative and professional
C2	Skilled manual workers
D	Semi and unskilled manual workers
E	State pensioners, casual or lowest grade workers, unemployed with state benefits only

OUR PRODUCTS EXPLAINED:

HOME CREDIT

We are the UK and Ireland's leading home credit lender, operating through the Provident Personal Credit and Greenwood Personal Credit brands. PPC and GPC provide small, unsecured loans, typically for sums of around £500. These are usually delivered to customers' homes by self-employed agents who then call every week, or in some cases every month, to collect repayments.

HOME CREDIT EXPLAINED:

Our home credit service is straightforward, face-to-face and flexible. We tailor our products to suit our customers.

We gain a detailed understanding of our customers' circumstances through the face-to-face service delivered by our agents, which helps protect our customers from taking on too much credit. It is in no one's interest for us to lend to people who cannot afford it.

Many of our customers have incomes that are less predictable than those of borrowers in the mainstream market. We allow for that in the way we structure our loans. There may be weeks when customers cannot afford to keep up their payments, or need to make a

reduced payment. We will respond flexibly to these situations and never charge extra fees or interest.

BRANCH NETWORK – Over 400 PPC and GPC branch offices, providing coverage of virtually every postcode in the country, make us the only home credit provider with nationwide coverage in the UK and Ireland. Local branch managers support agents to manage payments and arrears.

LOCAL AGENTS – A network of 9,800 self-employed agents advance credit and collect payments in the communities they serve. Crucially, agents generate commission primarily on amounts repaid; so it is in their interest to lend responsibly. Many are former customers themselves and generally live in the communities where they operate. As a result, they are able to build up strong, professional relationships with their customers.

CREDIT MANAGEMENT – We are focused on monitoring cash collections, which allows us to manage impairment effectively. Every week we update our risk assessment of every customer, using behavioural scoring that assesses customer payment patterns and utilises credit bureau data. We can identify trends early on, allowing the appropriate action to be taken on lending and collections.

SIMPLE REPAYMENTS – An agent will call at the customer's home to collect the weekly, or monthly, fixed repayment and when the need arises, consider any further requests for an additional loan.



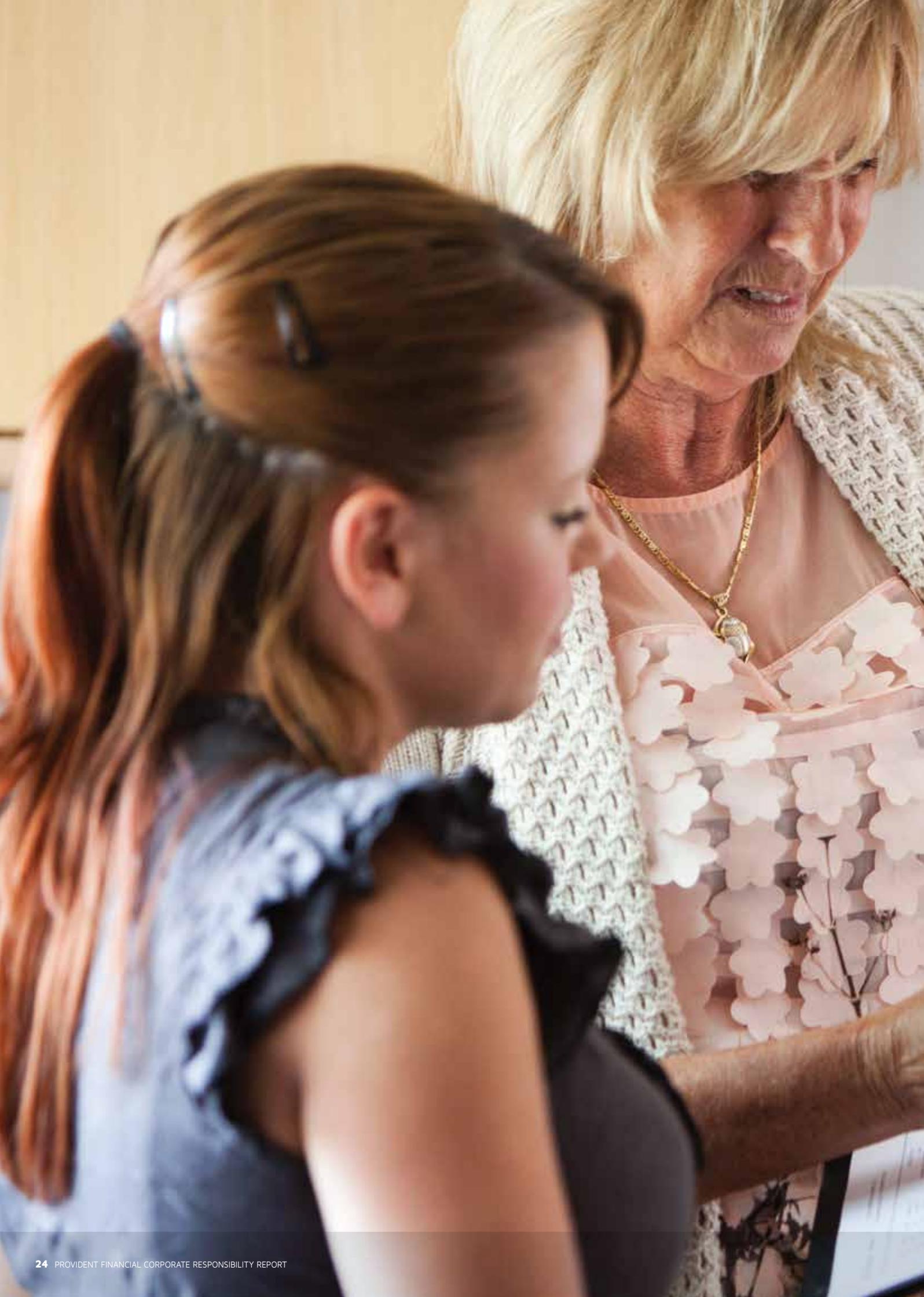
HOME CREDIT CASH LOANS

TYPICALLY OF A FEW HUNDRED POUNDS WITH REPAYMENTS OVER 14 TO 110 WEEKS.

ONE CARD, A PRELOADED CARD THAT PROVIDES £210 TO SPEND IN OVER 35 ONLINE AND HIGH STREET RETAILERS WITH REPAYMENTS MADE OVER 32 OR 52 WEEKS.

LOANS OF £50 - £500 CAN BE TAKEN IN THE FORM OF LOVE2SHOP SHOPPING VOUCHERS, WHICH ARE ACCEPTED IN OVER 85 HIGH STREET RETAILERS. REPAYMENTS CAN BE MADE OVER 22 TO 50 WEEKS.





THE HOME CREDIT LOAN APPLICATION PROCESS:

1

FIRST CONTACT

MANY CUSTOMERS HEAR ABOUT US THROUGH A RECOMMENDATION. MUCH OF OUR NEW BUSINESS COMES FROM WORD OF MOUTH, DIRECT MAIL OR IS SOURCED THROUGH OUR NETWORK OF SELF-EMPLOYED AGENTS. WE ARE INCREASINGLY RECRUITING CUSTOMERS THROUGH ONLINE AND TELEVISION ADVERTISING.

2

THE AGENT'S VISIT

AFTER RECEIVING A REQUEST TO CALL AT THE CUSTOMER'S HOME, THE AGENT WILL VISIT TO DISCUSS THE VARIOUS PRODUCTS WE OFFER AND MAKE AN APPOINTMENT TO CALL BACK.

3

TRANSPARENT TERMS

THERE ARE NO HIDDEN CHARGES. THE MAXIMUM AMOUNT TO BE REPAYED IS CLEAR AND FIXED AT THE START, EVEN IF A CUSTOMER MISSES PAYMENTS.

4

APPLYING FOR A LOAN

AN AGENT WILL VISIT THE CUSTOMER IN THE CUSTOMER'S OWN HOME TO CONDUCT AFFORDABILITY AND CREDITWORTHINESS CHECKS, COMPLETE THE PAPERWORK REQUIRED, AND AGREE A SUITABLE LOAN AMOUNT, HAVING FULLY EXPLAINED THE LOAN TERMS AND DETERMINED IT TO BE SUITABLE. THEY WILL THEN AGREE AN APPROPRIATE COLLECTION ROUTINE TO SUIT THE CUSTOMER AND DELIVER THE LOAN IN THE CUSTOMER'S HOME.

5

BUILDING TRUST

WE OPERATE A 'LOW AND GROW' POLICY. FIRST-TIME BORROWERS TYPICALLY GET SMALLER, SHORTER-TERM LOANS. THOSE ABLE TO MANAGE THEIR REPAYMENTS, AND WHOSE CIRCUMSTANCES WARRANT IT, BECOME ELIGIBLE FOR LARGER AMOUNTS OVER LONGER PERIODS.

THE HOME CREDIT AGENT'S WEEKLY ROUTINE

Agents typically collect payments two to four days per week (Friday and Monday are the most popular days).

Collections are 'paid-in' on either Tuesday or Wednesday. This enables reconciliation and compliance checks to be carried out, and customer payment data to be collected.

Wednesday is processing day, when all customer behavioural score data is updated and refreshed. This helps inform discussions at the agent's weekly interview with a development manager on Thursday so that agents can plan the next week's activity.

Development managers provide support to between 8 and 10 agents on a range of issues including products, arrears activities, compliance and agency development. Daily performance data, at the individual agency level, is produced at 11am each day, which helps us to manage the business on a day-to-day basis.

THE ROLE PLAYED BY THE AGENT

The vast majority of our home credit customers use a self-employed agent to receive and repay their loans. Agents therefore play an important role in the home credit business model and are integral in our approach to responsible lending.

A network of 9,800 self-employed agents advance credit and collect payments in the communities in which they serve.

Through the home visits, agents develop an intimate knowledge of their customers' circumstances, which informs their lending decisions. This is good for the customer and also allows the business to closely manage impairment.

The agent's regular visit also acts as a useful reminder to put the money aside for the repayment. If customers get into difficulty, they know they'll get a sympathetic response from their agent.

All agents receive an Agent Starter Pack which includes an Agent Manual, brochures on anti-money laundering and data protection, and an agent safety pack. All the legal and regulatory requirements that agents must comply with are included in the manual. Whilst agents are responsible for their own personal safety, the agent safety pack we provide contains a personal safety brochure, a personal alarm, a personal safety DVD and emergency contact cards.

AGENT COMMISSION

As agents are paid commission primarily on what they collect and not what they lend, they have every reason to only lend what the customer can afford to repay. During the last quarter of 2012, we announced further enhancements to the agents' commission scheme. The new scheme separates agencies into three categories; agents with better performing agencies are now rewarded with a higher commission rate on collections. The scheme has been introduced during the first quarter of 2013 and is expected to benefit the performance of agencies in both sales and collections.

VANQUIS BANK

Vanquis Bank brings the advantages of credit cards to non-standard customers, many of whom are excluded by mainstream card issuers. The Bank has established itself as the leading specialist provider of Visa credit cards to customers in the non-standard segment of the UK market.

Our 'low and grow' approach to extending credit and high levels of customer contact underpin a business model that is generating sound, sustainable returns. Based on our expertise and success in the UK, we are now testing the potential of expanding into overseas markets.

The 560 staff at our UK contact centres at Chatham and Bradford, stay in close contact with our 0.9m customers.

VANQUIS BANK EXPLAINED:

We operate in the non-standard sector of the UK credit card market. Some of our customers have been refused credit by mainstream lenders and would like to repair their credit rating. Not every lender is happy to work in the non-standard market but we enjoy taking care of our customers, providing them with high levels of service and products that genuinely meet their needs.

The relationship we have with our customers is much closer than those in the mainstream lending market. Maintaining a high level of contact with our customers helps us to understand their needs and to provide support when they are struggling to make payments.

The Bank's employees are trained to manage the accounts of customers that are identified as vulnerable and to support them accordingly. It also develops new channels for collections, with the introduction in 2011 of services to allow customers to pay online and via SMS.

HOW DOES THE VANQUIS BANK CREDIT CARD DIFFER FROM OTHER CREDIT CARDS?

Vanquis Bank has much smaller credit limits than mainstream card issuers, which match the needs of non-standard customers.

Vanquis Bank will judge a customer's application on the basis of their current circumstances. We will not turn down a customer just because they may have had money troubles in the past, which they are now over.

Vanquis Bank will maintain a much higher level of contact, through phone conversations and text message, than mainstream card issuers. In this way, any problems can be addressed quickly, averting any potential longer-term problems.

HOW THE VANQUIS CREDIT CARD WORKS:

1

FIRST CONTACT

IN 2012, 46% OF NEW CUSTOMERS CAME FROM ONLINE CHANNELS, 47% FROM DIRECT MAIL AND 7% FROM OTHER CHANNELS.

2

APPLYING FOR A CARD

ONLINE APPLICANTS GET A PROVISIONAL RESPONSE WITHIN MINUTES. THE BANK INTERVIEWS CUSTOMERS BY PHONE BEFORE MAKING A FINAL DECISION.

3

TRANSPARENT TERMS

EVERY NEW CUSTOMER RECEIVES A 'WELCOME PACK' OUTLINING THEIR RIGHTS AND RESPONSIBILITIES AND OFFERING TIPS ON MANAGING FINANCES AND IMPROVING THEIR CREDIT RATING. THE BANK'S WEBSITE PROVIDES DETAILED ADVICE TOO.

4

PAYMENT CHANNELS

PAYMENTS CAN BE MADE ONLINE THROUGH INTERNET ACCOUNT SERVICING (EVANQUIS) OR DIRECTLY AT WWW.VANQUIS.CO.UK. DEBIT CARD PAYMENTS CAN BE MADE BY PHONE (THROUGH THE INTERACTIVE VOICE RESPONSE SYSTEM OR WITH A CALL CENTRE REPRESENTATIVE), OR A STANDING ORDER OR DIRECT DEBIT CAN BE ESTABLISHED TO MAKE PAYMENTS ON A REGULAR BASIS. CUSTOMERS CAN ALSO PAY OVER THE COUNTER AT THE POST OFFICE OR A BANK, OR SEND A CHEQUE BY POST.

5

BUILDING TRUST

WITH THE BANK'S 'LOW AND GROW' LENDING POLICY, NEW CUSTOMERS TYPICALLY RECEIVE A £250 INITIAL CREDIT LIMIT. WE THEN REVIEW THE ACCOUNT AFTER FOUR MONTHS FOR POTENTIAL CREDIT LINE ADJUSTMENTS. WE WILL ONLY PROVIDE CREDIT LINE INCREASES TO ACCOUNTS BEING MANAGED APPROPRIATELY. IN NO CIRCUMSTANCES WILL WE INCREASE THE CREDIT LINES OF CUSTOMERS WHO ARE BEHIND IN MAKING PAYMENTS. WHEN APPROPRIATE, WE INCREASE CREDIT LINES IN SMALL, MANAGEABLE STEPS.

THE APR OF OUR PRODUCTS

The representative APR of our products are as follows:

- PPC or GPC loan – 399.7%.
- Vanquis Bank credit card – 39.9%.

The APR of our products can appear high when compared with other products.

However, APR is not a good measure for small-sum lending. Therefore, it is not a useful reflection of our charging structure.

In the case of home credit, our charging structure takes into account the interest charge for the money as well as the charge for the weekly collections from the customer's home and the reassurance that there will be no extra or hidden charges, even if the customer misses or makes a late payment.

Although APR was introduced to help people compare the cost of loans, it doesn't always work: some lenders' APR includes all the costs of lending, while other lenders' do not. For some lenders, the cost to a borrower can be expressed as the interest rate a borrower will pay (literally only the cost of the money). Mainstream lenders such as high-street banks, which tend to quote lower APRs, are often reluctant to lend to higher risk borrowers. They also don't provide the small-sum loans that these borrowers want and could afford to repay. Where they do lend, the loans tend to be of higher value and additional fees and penalties are often imposed over and above the quoted APR.

PRODUCTS

VANQUIS BANK
VISA CREDIT CARDS.

VANQUIS BANK
1-, 2-, 3- AND 5-YEAR
TERM HIGH-YIELD, FIXED-
RATE DEPOSIT ACCOUNTS.

LOWER-INCOME BORROWERS

Lending to those on lower incomes differs from lending to those on average or higher than average incomes, which is reflected in the APR of the products offered to these consumers. There is a higher risk that lower income borrowers: will default on payments (because their circumstances are much more likely to change); will prefer to repay weekly and in cash; and will want to borrow relatively small amounts over short periods of time.

MAINTAINING HIGH LEVELS OF CUSTOMER SATISFACTION

The success of our business depends on ensuring that we provide our customers with an excellent product proposition and service. As such, both our businesses are committed to continuing to earn extremely high levels of customer satisfaction for the products and services they deliver.

This commitment is underpinned by the key performance indicator (KPI) on customer satisfaction that we have set to monitor the delivery of our business strategy. This KPI

commits us to measure the percentage of customers surveyed who are satisfied with the service they have been provided with.

We measure our performance against this KPI by conducting regular surveys to determine rates of satisfaction among customers.

DEALING WITH CUSTOMER COMPLAINTS

As well as ensuring that our customers are satisfied with our products and service, both our businesses are committed to making sure that customer complaints are kept to an absolute minimum. Where complaints do occur, we ensure that they are taken seriously and resolved in a professional and timely manner.

We monitor and report the numbers of complaints we receive; in the case of Vanquis Bank, which is regulated by the Financial Services Authority, we publish the information relating to complaints.

Both the Consumer Credit Division and Vanquis Bank have clear complaint-handling processes and procedures in place. Our customer relations teams adhere to these within set timescales.

Our focus is to deal with customers' grievances sympathetically and seek to resolve them as soon as possible. If this isn't possible, further procedures are set in motion to resolve the complaint.

During 2012, the actual number of complaints received by both our businesses was 57,447. This figure translates into 2.1% of our 2.7 million customers.

Where a customer's complaint is not resolved to their satisfaction, they may refer the complaint to the Financial Ombudsman Service (FOS), the contact details of which are provided to all customers.

During 2012, our subsidiary businesses recorded that 2,046 complaints were referred to the FOS. Of these complaints, 1,940 were not taken forward by the FOS, with 106, or 5% (2011:7%), being upheld in favour of the complainant.



ENGAGING WITH CUSTOMERS TO COLLECT DEBT

From time to time, some of our customers experience difficulty in making payments through no fault of their own; their income may change as a result of reduced hours, redundancy, illness or death of a partner, for example.

For our home credit customers, the relationship that the agent has with the customer is important. It means the agent tends to know whether the customer has a long- or short-term problem and therefore what the appropriate response should be. In most cases, the customer misses a couple of repayments until their financial situation has improved. Because our products include all charges upfront, this is done at no extra cost to our customer.

In Vanquis Bank, employees are trained to manage the accounts of customers that are identified as vulnerable and support them accordingly.

There are cases, however, where our customers, in spite of all efforts to assist them, either cannot or will not co-operate with our efforts. Both our operating divisions have systems and processes in place to deal with these situations.

CONSUMER CREDIT DIVISION

For home credit customers, if the agent is not able to assist a customer, because they will not engage or communicate with the agent, we transfer their account to the Central Debt Recovery (CDR) department at head office. The CDR department includes a firm of solicitors, CK Edrupt, who undertake work to contact the customer and re-establish payment.

In seeking to re-establish payment by the customer, the CDR team's focus is to be fair, responsible and straightforward and treat our customers with courtesy. The CDR team let the customer know what they must do to either pay the balance in full or in instalments. In some instances the department accepts repayment instalments of as little as one or two pounds a week.

If correspondence has been sent and payments have not been made or maintained, the Consumer Credit Division will take legal action, providing several criteria have been met, for example, suitable employment or residency information has been confirmed.

DEBT AGREEMENT PLANS

When a home credit customer authorises a non-fee charging money advice provider to deal with their financial affairs, we transfer their account to CDR. Our correspondence with the customer ends and is instead directed to a money advice agency, such as Citizens Advice, Step Change or Christians Against Poverty. Typically the money advice agency completes and submits an income and expenditure assessment of the customer and gathers other relevant information about the customer's personal circumstances. This enables the customer to enter into debt agreement plans with the agency.

It is our policy to accept the offers of payment made after the customer has sought advice and a financial assessment has been made. Through the 'Fairshare' agreements we have with these charities, we contribute almost 12% of any payment we receive from a customer who has entered into a debt agreement plan with them.

By making 'Fairshare' contributions to Step Change and Christians Against Poverty (CAP), we ensure that our subsidiary businesses, rather than the debtor, pay for the debt advice, thus allowing the charities to operate independently of taxpayer support.

During 2012, the Consumer Credit Division paid £153,192 (2011: £134,335) to Step Change and £26,486 (2011: £13,545) to CAP in 'Fairshare' contributions. This helps to enable both organisations to continue to provide free, independent advice to people in financial difficulty.

VANQUIS BANK

The processes at Vanquis Bank with credit card customers who fall into arrears are different.

The collections strategy is designed to help customers stay on track with a combination of letters, telephone calls, SMS text messages and emails to engage with them.

Our internal collections team, called Impact Collections Services, engage with customers who are in arrears for up to four months. They use a range of innovative channels to enable customers to make payments, including facilities that allow payments to be made online or via SMS text.

92%
AND
89%

THE PERCENTAGE OF CUSTOMERS WHO ARE SATISFIED WITH THE SERVICE THEY HAVE BEEN GIVEN BY OUR HOME CREDIT BUSINESS AND VANQUIS BANK RESPECTIVELY.



CURRENT REGULATORY FRAMEWORK

We are subject to various regulatory and supervisory regimes:

- **OFFICE OF FAIR TRADING (OFT) AND THE CONSUMER CREDIT ACT 1974 (CCA)** – The CCA and the supporting regulations and guidance made under it, cover all aspects of credit transactions from advertising to debt recovery. Our home credit business and Vanquis Bank hold consumer credit licences issued by the OFT who also ensure compliance with the CCA.
- **FINANCIAL SERVICES AUTHORITY (FSA)** – As Vanquis Bank holds a banking licence, it is also regulated by the FSA. The FSA's regulation of Vanquis Bank covers a number of areas, comprising:
 - (i) code of conduct;
 - (ii) treating customers fairly;
 - (iii) regulatory capital requirements;
 - (iv) liquidity requirements, including the requirement to hold a liquid assets buffer; and
 - (v) monthly and quarterly reporting.

Provident Financial plc, as the parent company of a regulated bank, is itself the subject of consolidated supervision by the FSA and is subject to regulatory capital requirements and half-yearly reporting to the FSA.

- **THE DEPARTMENT FOR BUSINESS, INNOVATION AND SKILLS (BIS) AND HM TREASURY (HMT)** – Although not regulatory in function, policy recommendations made by BIS and HMT frequently relate to and affect the financial services sector. They recently consulted on proposals to restructure the regulatory regime for financial services. They also conducted a joint review of consumer credit and personal insolvency during 2011.

- **CENTRAL BANK OF IRELAND (THE BANK)** – The Bank is the licensing authority for consumer credit in the Republic of Ireland and Provident Personal Credit Limited, a subsidiary within CCD, holds a moneylender's licence issued by the Bank. The legislation applicable in the Republic of Ireland includes the Consumer Credit Act 1995, the European Communities (Consumer Credit Agreements) Regulations 2010, the provisions of the Consumer Protection

USING DEBT COLLECTION AGENCIES

If, having used our internal processes to engage with the customer, it is still not possible to secure payments, both our operating businesses will appoint a debt collection agency (DCA) to pursue the debt.

DCAs only claim commission on the payments they collect. Both the Consumer Credit Division and Vanquis Bank place accounts with a DCA and if they have not been able to make an arrangement for repayment, the accounts are passed to a second DCA for further recovery action.

Our operating businesses only use DCAs whose track record is known to them and who are members of the DCA trade body, the Credit Services Association. The activity that the DCAs undertake on our behalf is contractually based. Their performance is reviewed and scrutinised on an ongoing basis and we formally audit their activity every six months. These audits focus on all aspects of work that the DCAs undertake on our behalf, including ensuring that their activities are responsible and comply with our processes and procedures.

Code for Licensed Moneylenders and the Central Bank Reform Act 2010.

- **EU REGULATION** – The European Union institutions comprising the Commission, Council and Parliament initiate and enact legislation which applies to the EU Member States. The majority of UK and Republic of Ireland legislation now involves the implementation of EU legislative acts. A recent example was the implementation of the EU Consumer Credit Directive 2008, which took full effect in the UK in February 2011.

UK FUTURE REGULATORY LANDSCAPE

FINANCIAL SERVICES REGULATION –

The Government has been reviewing the way financial services are to be regulated. The outcome will be the creation of three key institutions: the Financial Policy Committee (FPC), as part of the Bank of England, with responsibility for 'macro-prudential' regulation; the Prudential Regulation Authority (PRA), with responsibility for 'micro-prudential' (or firm-specific) regulation; and the Financial Conduct Authority (FCA), with responsibility for conduct of firms and markets' regulation.

On 27 January 2012, the Government published a Financial Services Bill which includes provisions enabling the transfer of responsibility for consumer credit regulation from the OFT to the FCA, whilst retaining the existing consumer rights and protections contained in the CCA. The Government has stated that it will exercise these powers if, and when, it has identified a mode of FCA regulation that is proportionate for the different segments of the credit market.

ENSURING COMPLIANCE

To ensure that our businesses comply with the various supervisory and regulatory regimes, the following measures are in place:

- A central, in-house legal team monitors legislative changes and supports divisional compliance functions. Expert third-party legal advice is taken where necessary.
- Divisional compliance personnel monitor compliance and report to divisional boards.
- Long relationships with key regulators recognise the different dynamics of the home credit and credit card sectors,

compared with, say, the payday lending model.

- Constructive dialogue with regulators.
- Full and active participation in all relevant regulatory review and consultation processes in the UK and EU.
- All relevant employees receive compliance training on a range of regulatory issues. This ensures that marketing and lending practices are conducted in a responsible manner. This training is delivered to employees via our intranet-based learning management system or formal training sessions.

PREVENTING MONEY LAUNDERING AND FRAUD

We are committed to guarding against the risk of financial crime within all our operations.

We do this by training our employees and having policies, controls and procedures in place to anticipate and prevent money laundering or the financing of other criminal activities.

We have a nominated Money Laundering Reporting Officer (MLRO) in place within both CCD and Vanquis Bank. The MLROs receive and consider internal disclosures of suspicious activity from within the businesses, and deliver activity reports to the Serious Organised Crime Agency (SOCA).

Training in money laundering awareness is regularly provided to employees and other business stakeholders, including agents.

Both businesses also have teams in place who deal with first- and third-party fraud, financial crime, and disputed transactions. Each has systems and procedures in place to identify and block unusual transaction patterns.



SUPPORTING THE MONEY ADVICE SECTOR

Our approach to responsible lending also involves working with and supporting a wide range of free and voluntary money advice organisations to help consumers who may have problems repaying their debts to us and others.



MONEY ADVICE ORGANISATIONS SUPPORTED DURING 2012:

ORGANISATION	NATURE OF SUPPORT
ADVICE UK	<p>Our funding continues to support the post of Advice UK's National Money Advice Co-ordinator who, in 2012, was responsible for dealing with over 400 consultancy enquiries from Advice UK members, organising Advice UK's fifth annual conference and having responsibility for Advice UK's Sustainable Debt Advice Project, which won the Best New Initiative Award at the Institute of Money Advisers' 2013 Performance Awards.</p> <p>Funding was also used by Advice UK's Development Consultant for South West England, South Central England and Wales to support members to improve their access to services, and address issues relating to money advice regulation, human resources and making funding bids.</p>
CHRISTIANS AGAINST POVERTY AND STEP CHANGE	<p>We make 'Fairshare' contributions to both Step Change and Christians Against Poverty. Please refer to page 29 for more information.</p>
CITIZENS ADVICE	<p>The funding we provide to Citizens Advice is used, along with funding provided by other organisations in the financial services sector, to support the work undertaken by its Specialist Support money advice team. This team, and their partners, deal with the most complex money advice cases through the provision of telephone and online consultancy on legislation, case law and the court process. During 2012, this team dealt with 3,999 of the most complex cases that clients brought to Citizens Advice Bureaux, AdviceUK agencies, Legal Services Commission contracted agencies and members of the Institute of Money Advisers. The team also facilitated or had specialist input into 54 networking events for money advisers; delivered 92 training courses; published Arian, a debt advice bi-monthly newsletter with a readership of 2,156; and contributed to <i>Adviser</i> magazine.</p>

INSTITUTE OF MONEY ADVISERS	<p>The funding provided to the IMA in 2012 was used to develop its new website. The new interactive site, which is now maintained by the Institute itself allowing information to be updated on a real time basis, includes a 'Members Zone' which hosts a range of essential adviser resources and a range of portals which allow members to engage directly with the Institute.</p>
MONEY ADVICE LIAISON GROUP	<p>With our funding, MALG runs regional meetings to improve communication, understanding and good practice between advisers and creditors.</p>
MONEY ADVICE SCOTLAND	<p>The funding we provided to MAS in 2012 was used to support its annual conference which was attended by 200 delegates from the credit, money advice and insolvency industry.</p> <p>In addition, our funding helped MAS maintain its 'Approved Centre' status as a provider of a money advice programme that is accredited by the Scottish Qualifications Authority and start to develop a new qualification called the 'Certificate in Money Advice Practice'.</p>
MONEY ADVICE TRUST (INCLUDING NATIONAL DEBTLINE)	<p>The funding we provide to MAT covers the cost of National Debtline's Triage Adviser who is responsible for dealing with the simpler money advice cases it receives, allowing more complex debt problems to be referred to specialist advisers.</p> <p>Funding was also used by MAT to commission the University of Nottingham to carry out research on demand and capacity for debt advice with a specific concentration on MAT's own services. The findings of this research will help inform MAT's three-year planning of what services will be required from 2013 onwards.</p>

We also work with more specialised providers on a range of financial education initiatives. Please see page 53 for more information.

We continue to support publicly available, independent research to help understand the financial behaviour of those on modest incomes and increase the quality and availability of free, independent money advice in the UK.

For example, we supported research undertaken by the Social Market Foundation which led to the publication of the report 'Sink or Swim? The Impact of Universal Credit' in September 2012.

This research, carried out under the guidance of an expert group, interviewed low-income families. It explored whether the families were coping with the current financial squeeze and to what extent potential

recipients of Universal Credit would be able to adapt to the reforms to the benefits system. The research found that many current and potential benefit recipients devote considerable time and energy to budgeting and have quite sophisticated budgeting techniques. It also indicated that they will need help and support, particularly dealing with monthly payments and housing benefit paid to claimants direct in the social rented sector. The report made recommendations regarding what more the government could do as it rolls out Universal Credit to help people prioritise, plan for the future and to budget, save and use credit effectively.



OUR PEOPLE

PLAY A KEY ROLE IN MEETING THE NEEDS OF OUR 2.7 MILLION CUSTOMERS.

OUR PEOPLE

All of the 3,800 people that we employ across the UK and Ireland are important to us. They play a key role in developing and delivering products that meet the needs of our 2.7 million customers, so they are one of our key stakeholder groups. By creating a working environment that helps our employees to achieve their potential, we also help our businesses flourish.

"WE ARE COMMITTED TO SUPPORTING DIVERSITY AND CREATING A CULTURE WHERE ALL OUR PEOPLE CAN CONTRIBUTE TO OUR SUCCESS."

HR MANAGEMENT

Our HR departments deliver and develop training, manage recruitment, support employees to fulfil their potential, and develop and implement policies. They also play a prominent role in helping to embed our CR programme within our businesses.

THE AVERAGE MONTHLY NUMBER OF PEOPLE EMPLOYED BY THE GROUP:



2012 TARGETS

INVESTIGATE HOW MANAGEMENT PRACTICES AND HR PROCESSES CAN BE IMPROVED TO IDENTIFY AND ENCOURAGE MORE WOMEN TO PROGRESS TO SENIOR ROLES WITHIN THE BUSINESS.

ACHIEVED - SEE PAGE 36 OF THIS REPORT FOR MORE INFORMATION.

REVIEW RECRUITMENT PRACTICES TO ATTRACT A MORE DIVERSE MIX OF APPLICANTS - TO INCLUDE BAMEs AND YOUNGER CANDIDATES IN PARTICULAR, AND MORE WOMEN INTO SENIOR ROLES.

PARTIAL PROGRESS - SEE PAGE 36 OF THIS REPORT FOR MORE INFORMATION.

2012 TARGETS

ESTABLISH LINKS WITH THE BRADFORD METROPOLITAN DISTRICT COUNCIL, LOCAL EDUCATION INSTITUTES AND TRAINING PROVIDERS TO SUPPORT YOUNG PEOPLE TO DEVELOP EMPLOYABILITY SKILLS.

ACHIEVED – SEE PAGE 38 OF THIS REPORT FOR MORE INFORMATION.

WORK WITH LOCAL PARTNERS TO ATTRACT YOUNG PEOPLE TO THE ORGANISATION THROUGH APPRENTICESHIPS, WORK EXPERIENCE AND GRADUATE PLACEMENTS.

ACHIEVED – SEE PAGE 38 OF THIS REPORT FOR MORE INFORMATION.

THE AVERAGE MONTHLY NUMBER OF PEOPLE EMPLOYED BY THE GROUP ANALYSED AS:



MANAGING DIVERSITY

We are committed to supporting diversity and creating a culture where all our people can contribute to our success.

We have policies and processes in place throughout our businesses that are designed to ensure that every applicant and employee is treated equally. We strive to ensure no applicant or employee receives less favourable treatment due to race, nationality, gender, sexual orientation, marital or civil partnership status, gender reassignment, pregnancy and maternity, age, disability and religion or belief.

The gender profile of our workforce is 51% (2011: 51%) women to 49% (2010: 49%) men. The proportion of women within our workforce is higher than in the UK overall workforce.

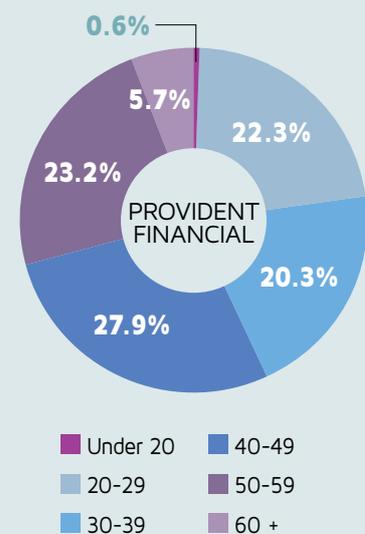
According to the Office of National Statistics (ONS), the gender split of those in employment in the UK during the period December 2012 to February 2013 was 54% men to 46% women.

THE PROPORTION (%) OF FEMALE EMPLOYEES:

YEAR	FEMALE EMPLOYEES
2012	51
2011	51
2010	54
2009	50
2008	50

In 2012, we set ourselves a target to ensure that 25% of the wider senior management group are women by 2015. Currently, women represent 22% of senior management across our business. Over the next two years we will continue to strive towards reaching this target, with particular emphasis on the Consumer Credit Division's branch network. According to the Grant Thornton International Business Report 2012, 20% of the UK's senior management are women.

THE AGE PROFILE OF OUR WORKFORCE:



The proportion of our employees from Black, Asian and Minority Ethnic (BAME) groups currently stands at 9.3% (2011: 9.5%).

This is in contrast to the figure for the proportion of the UK's population that are aged between 16 and 64 and in employment from BAME communities, which according to the ONS Annual Population Survey (April 2012 to March 2013), stands at 16%.

YEAR	% OF ETHNIC MINORITY STAFF
2012	9.3
2011	9.5
2010	7.4
2009	5.2
2008	5.2

Across the group, 1.9% (2011: 2.2%) of employees have a declared disability. Employees who have a disability are encouraged to discuss their requirements for reasonable adjustments in their working environment with their line manager and our HR officers.

During 2012, we commenced work to develop diversity training that will be rolled out to employees in the Consumer Credit Division. This will be finalised during 2013 and incorporated into the Division's modernisation programme.

DEVELOPING OUR PEOPLE

To run our business successfully, we need to attract talented individuals and provide a working environment that trains and develops them.

We provide our staff with training and development opportunities. This enables our people to meet their own personal goals as well as to continue to respond to the needs of our customers.

We have performance management and career development processes in place, giving employees the opportunity to identify and discuss training and development needs.

These processes function by identifying development opportunities to improve individual performance in line with their current role, their future roles and future business requirements.

These processes are supported by comprehensive learning and development programmes that enable employees to understand our businesses, do their jobs and develop new skills. This includes delivering induction training to all employees, which among other things, provides an overview of our CR programme, and role-specific training.

Both the Consumer Credit Division and Vanquis Bank have learning management systems in place. These enable employees to access learning modules on compliance issues such as personal safety, data protection and anti-money laundering. These systems enable all relevant staff to access training on the legal requirements we are obliged to adhere to.

The Consumer Credit Division delivers leadership and management programmes that are accredited to the Chartered Management Institute. Vanquis Bank programmes are approved by the Institute of Leadership and Management.

During 2012, employees across the group received a total of 74,484 training hours. This equates to 20.6 hours (2011:25.3 hours) of training per employee.

According to the 2012 Chartered Institute of Personnel and Development (CIPD), the UK average is 24 hours of training per employee per year.



2012 TARGETS

FINALISE DIVERSITY TRAINING CONTENT AND UPDATE EXISTING TRAINING PROGRAMMES FOR NEW STARTERS AND THOSE WHO HAVE BEEN PROMOTED.

PARTIAL PROGRESS – INITIAL WORK HAS BEEN UNDERTAKEN TO PRODUCE DRAFT DIVERSITY TRAINING CONTENT. THIS CONTENT WILL BE FINALISED DURING 2013 AND INCORPORATED INTO THE CONSUMER CREDIT DIVISION'S MODERNISATION REVIEW.

ENSURE THAT 25% OF THE WIDER SENIOR MANAGEMENT GROUP ARE WOMEN BY 2015.

PARTIAL PROGRESS – CURRENTLY, 22% OF THE WIDER SENIOR MANAGEMENT GROUP ACROSS THE BUSINESS ARE WOMEN.

2013 TARGETS

REVIEW RECRUITMENT PRACTICES TO ATTRACT A MORE DIVERSE MIX OF APPLICANTS - TO INCLUDE BAMES AND YOUNGER CANDIDATES IN PARTICULAR, AND MORE WOMEN INTO SENIOR ROLES.

FINALISE DIVERSITY TRAINING CONTENT AND UPDATE EXISTING TRAINING PROGRAMMES FOR NEW STARTERS AND THOSE WHO HAVE BEEN PROMOTED.

ENSURE THAT 25% OF THE WIDER SENIOR MANAGEMENT GROUP ARE WOMEN BY 2015.

SUPPORTING THE DEVELOPMENT OF EMPLOYABILITY SKILLS

During 2012, our Consumer Credit Division established links with Bradford Council, the Ahead Partnership, National Apprenticeship Service, apprenticeship training providers, other local employers and educational institutions, including Bradford University, Shipley College and Buttershaw School.

This has resulted in:

- The recruitment of 5 apprentices at Head Office in Catering, People Development, Contact Centre, Agent Services and Business Change;
- The appointment of 10 'Centre of Excellence for Business' work placements through Shipley College in IT, Business Risk, Customer Contact, People Development, HR Operations, Head Office Facilities, and Finance; and
- A commitment to supporting students from Bradford Studio School for International Food and Tourism by providing work experience opportunities in our catering facility during 2013.

REWARDS AND RECOGNITION

The salary, benefits and rewards packages that we offer our employees help us to attract and retain the right people for our company. The average salaries paid across the different job grades during 2012 in our operating businesses are set out in the table below:

In addition to the salaries we pay, we also provide our employees with a range of benefits. These include childcare vouchers, holidays over the statutory requirement, discounted public transport season tickets and bonus and incentive schemes.

There are currently 1,393 employees (2011: 1,356) saving money through our savings-related share option scheme.

Salary, rewards and benefits are linked to appraisals and performance management. We recognise contributions that have had a positive impact on the business through reward and recognition schemes.

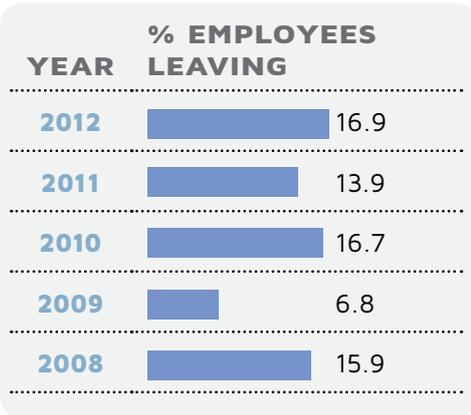
We have two main pension schemes: the final salary and cash balance sections of the Provident Financial Staff Pension Scheme, and the PFG Retirement Plan.

All new employees are invited to join the PFG Retirement Plan. Under the plan, employees contribute 3-8% of their pensionable salary while Provident Financial contributes 5-10%. The plan allows employees to incorporate social, ethical and environmental considerations into their pension arrangements by choosing to invest in an ethical fund.

JOB GRADE	DESCRIPTION	AVERAGE SALARY PAID
1	Director and senior executive	£201,680 (2011: £214,950)
2	Senior managers	£87,724 (2011: £79,244)
3	Other managers	£41,918 (2011: £39,903)
4	Other employees	£21,382 (2011: £20,532)
All	All employees	£27,872 (2011: £26,174)

EMPLOYEE TURNOVER

The costs associated with high levels of employee turnover can be significant, not only in monetary terms but also in terms of loss of skills and knowledge, consequent reduction in productivity, as well as the costs of recruitment. Low levels of employee turnover can be a good indicator of employee satisfaction. We therefore try and keep employee turnover rates at an absolute minimum.



According to the CIPD, the UK average labour turnover rate in 2012 for the private sector was 16.1% (2011: 13.8%).

HEALTH, SAFETY AND WELL-BEING OF OUR PEOPLE

Our health and safety policy underpins our commitment to all aspects of health and safety, including operating within current legislation and maintaining a healthy and safe working environment for our employees. This commitment is further supported through division-specific policies that relate to a range of health, safety and well-being issues. These policies are available to all employees via our intranet sites, employee handbooks and through our induction programmes.

We have specific steering groups responsible for overseeing the management of the health and safety of our business. Health and safety is considered regularly at divisional board meetings and each divisional board produces a formal written report on compliance with the group-wide health and safety policy and framework which is reviewed annually by the board at its meeting in February. Representatives are in place across our businesses to ensure initiatives are implemented to manage any health and safety impacts.



AJAZ HAMID
Customer
Contact Manager

"I STARTED WORKING AT PROVIDENT AS A CALL CENTRE OPERATIVE 11 YEARS AGO AND I'M PROUD TO HAVE WORKED MY WAY UP WITHIN THE COMPANY. AS CUSTOMER CONTACT MANAGER, I ENJOY BEING ABLE TO WORK FOR A COMPANY THAT SUPPORTS NOT JUST ITS EMPLOYEES BUT THE LOCAL COMMUNITY TOO."

ABSENTEEISM AND ILL HEALTH

We also have a range of policies and processes in place to promote positive health and well-being of employees and to reduce absenteeism through ill health.

AVERAGE NUMBER OF DAYS LOST TO ABSENCE PER EMPLOYEE

CONSUMER CREDIT DIVISION AND CORPORATE OFFICE

7.4

(2011: 6.7)

VANQUIS BANK

7.8

(2011: 7.1)

PROVIDENT FINANCIAL ACCIDENT RATES

	2012	2011
TOTAL NUMBER OF REPORTABLE ACCIDENTS	4	6
NUMBER OF REPORTABLE ACCIDENTS PER 100,000 EMPLOYEES*	110.6	172.3
TOTAL NUMBER OF NON-REPORTABLE ACCIDENTS	166	120
NUMBER OF NON-REPORTABLE ACCIDENTS PER 100,000 EMPLOYEES*	4,591.0	3,446.1

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

We carry out a range of activities throughout the year to raise awareness of health and safety issues. We publish guides for employees and agents, provide 'Current Best Approach' documents which recommend the best ways of dealing with health and safety issues at work, deliver biannual personal safety campaigns, and require staff and agents to carry out computer-based training on an annual basis.

We provide our employees with an Employee Assistance Programme that covers a range of well-being issues. The programme operates through an external company and is open to all employees and their family members. It provides support on matters relating to bereavement, legal matters, medical information and stress.

Our insurers carry out an annual audit of our health and safety policies to review the health and safety standards adopted at a number of locations across the business. This audit draws on the requirements of the standard OHSAS 18001. In addition, our health and safety teams are responsible for regular internal audits across our locations.

MANAGING ABSENCE

We have policies and procedures in place to enable us to monitor and measure rates of absenteeism. These are supported by guidelines and training is provided to all line managers enabling them to manage absenteeism and monitor any underlying causes.

According to the CIPD, the UK average absence level in 2012 for the private sector stands at 5.7 days per employee per year.



WHISTLEBLOWING

A whistleblowing policy and procedure called 'Safecall' is operated across our businesses. Safecall provides employees with a mechanism to raise concerns or complaints in relation to any matters of business conduct or malpractice. It is a last resort for employees who feel unable to raise concerns via the normal channels.

Safecall is a 24-hour whistleblowing helpline operated by an independent third party to ensure impartiality and confidentiality. Details relating to Safecall are communicated to staff via our intranet sites and on posters positioned on notice boards. All calls received via Safecall are reported to the board's Audit Committee.

In the course of 2012, 7 calls (2011: 2 calls) were received via our whistleblowing policy and procedure. All have been investigated and resolved internally.

TRADE UNION RECOGNITION

The Consumer Credit Division recognises the trade unions Unite and USDAW.

We have two agreements with Unite. The first is a recognition agreement in place for Area Managers, and the second is a consultation and negotiation agreement for Development Managers.

We also have a consultation and negotiation agreement in place with USDAW. Trade union representatives are consulted and negotiated with by the company where applicable.

Details about trade union membership and rights are provided to employees during the induction process, in a clause in their contracts of employment, and in employee handbooks.

EMPLOYEE COMMUNICATIONS

Communications play a key role in ensuring that our employees are engaged and informed about what the business is doing, and that they are committed and motivated to do their best.

We continue to use a range of channels to communicate with our employees across our businesses. These include company intranet sites and e-bulletins.

We also use formal employee representation structures to ensure that the views of our employees are passed on to management and included in the decision-making processes of our businesses. Our formal structures are:

- **THE CONSUMER CREDIT DIVISION'S BUSINESS CONSULTATION GROUP (BCG)** – The BCG is made up of 25 elected representatives from across the Division.
- **VANQUIS BANK'S EMPLOYEE FORUM** – Seven forum representatives are elected every two years by their colleagues.



THE SUPPLIERS

WE ENGAGE WITH
TO PROVIDE US WITH
PRODUCTS AND SERVICES
ARE AN IMPORTANT
STAKEHOLDER.

OUR SUPPLIERS

The suppliers we engage with to provide us with products and services are an important stakeholder. In 2012, our annual procurement spend was £118.0 million (2011: £100.3 million). Of this, £52.3 million relates to the procurement spend of the Consumer Credit Division, £63.5 million to Vanquis Bank and £2.2 million to the Provident Financial corporate office.

“WE WILL CONTINUE TO ASSESS THE CR PERFORMANCE OF OUR SUPPLIERS. IT HELPS US TO IDENTIFY BEST PRACTICE EXAMPLES IN TERMS OF SUPPLY CHAIN MANAGEMENT.”

SUPPLIER CR PERFORMANCE ASSESSMENTS

CR performance of suppliers is assessed by our procurement teams at the pre-qualification or invitation to tender stages of the procurement process.

At Vanquis Bank this is through our vendor vetting guidelines, while our Consumer Credit Division uses a self-assessment CR questionnaire. The questionnaire assesses the supplier’s performance in business integrity, governance, environmental performance, equality, diversity and health and safety.

During 2009, we initiated work to assess the performance of a selection of the Consumer Credit Division’s top suppliers. This was to enable us to understand better the social, environmental and ethical issues that are relevant to the products and services we procure.

The findings from this assessment show that, of the suppliers that have been assessed so far, all have policies, processes and procedures in place. These processes and procedures not only address managing their environmental impacts but also social and ethical issues relating to labour standards, trade union membership, health and safety, and diversity. This gives us confidence that many of our suppliers are proactively managing the social, environmental and

2012 TARGETS

CONTINUE TO GATHER INFORMATION ON THE CR PERFORMANCE OF THE CONSUMER CREDIT DIVISION’S TOP 100 SUPPLIERS.

ACHIEVED – WE CONTINUE TO GATHER CR PERFORMANCE FROM OUR SUPPLIERS AND, DURING 2012, WE ANALYSED THE SPEND OF THE DIVISION’S TOP 100 SUPPLIERS. SEE PAGE 44.

REDUCE TOTAL ANNUAL THIRD-PARTY COURIER MILEAGE BY 5% BY THE END OF 2012 THROUGH LOCATION ANALYSIS AND THE USE OF COMBINED COLLECTION POINTS.

NOT ACHIEVED – THIS TARGET WAS NOT PROGRESSED DURING 2012 BECAUSE OF COMPETING PRESSURE ON THE CONSUMER CREDIT DIVISION’S NETWORK OF BRANCH OFFICES. IT WILL BE CARRIED OVER INTO 2013.

2012 TARGETS

ADD CAR MODELS TO THE CONSUMER CREDIT DIVISION'S FLEET LIST WHICH EXTEND THE CHOICE OF VEHICLES WITH EMISSIONS OF <160 G/KM.

ACHIEVED - ALL VEHICLES ON THE CONSUMER CREDIT DIVISION'S FLEET LIST EMIT <160 G/KM OF CO₂.

LAUNCH AN EMPLOYEE VEHICLE SCHEME WHICH OFFERS A COST-EFFECTIVE METHOD OF OBTAINING NEW, LOWER-EMISSION CARS FOR OUR NON-FLEET DRIVERS.

ACHIEVED - THIS SCHEME HAS BEEN LAUNCHED. HOWEVER, TAKE UP OF VEHICLES BY EMPLOYEES HAS, TO DATE, BEEN LOW.

"'RAISING THE BAR' REFLECTS OUR DESIRE TO REACH OUT TO THE SMALLER BUSINESSES IN BRADFORD AND SUPPORT THEM TO CONTINUE TO MAKE A CONTRIBUTION TO CREATING A SUSTAINABLE LOCAL ECONOMY. SMALL BUSINESSES DON'T ALWAYS RECOGNISE THAT WHAT THEY DO IN THEIR EVERYDAY ACTIVITIES MAKES A SIGNIFICANT DIFFERENCE TO THEIR LOCAL COMMUNITY AND WIDER ECONOMY."

Rob Lawson
Provident's CR manager

ethical issues that are material to the products and services we use.

We will continue to assess the CR performance of our suppliers. It helps us to identify best practice examples in terms of supply chain management and also enables us to flag up the suppliers that we view as a higher risk in terms of the management of social, ethical and environmental issues.

PROMPT PAYMENT

We recognise that ensuring our suppliers are paid promptly is a priority, as late payment can cause serious cash flow problems, especially for small businesses.

Our subsidiary businesses do not have standard payment terms. We endeavour to ensure that suppliers are paid in accordance with the payment terms that have been agreed between ourselves and the individual supplier.

REDUCING THE CARBON INTENSITY OF OUR ACTIVITIES

Assessing the CR performance of our suppliers helps us to identify opportunities where we can purchase products and services that have high sustainability credentials.

Through these assessments, we have been able to select a new energy provider that will be able to provide the network of branch offices within the Consumer Credit Division with electricity derived from renewable sources. This not only reduces the carbon intensity of our business activities, it means that we are exempt from having to pay the Climate Change Levy.

We have engaged with our fleet management company to ensure that more hybrid technology and fuel-efficient vehicles are made available to employees eligible for company cars. We are also launching a scheme with our fleet management company so that eligible employees can purchase new, lower-emission cars.

CONTINUING TO SUPPORT LOCAL BUSINESSES

Throughout 2012, we continued to provide support to Bradford Chamber's Eco-Network (formerly known as the Better Business Environment Forum).

The Eco-Network offers a wide range of products and services to help any company in the West Yorkshire district, many of which are part of our supply chain, to try and improve their eco-performance.

Following on from this, we are aiming to work with the Bradford Chamber of Commerce on other projects for local SMEs around the CR agenda. Our current target is to work with them on their 'Raising the Bar' initiative. This aims to help companies receive accreditation and official recognition of their efforts to support the local economy and their corporate social responsibility activities.

As CR is becoming increasingly important to win tenders, it is hoped the initiative will not only boost companies' corporate reputation but also help them win contracts. Businesses that participate in the 'Raising the Bar' initiative will be assessed on their contribution in four categories: community, economy, education and environment.

Through our corporate procurement and outsourcing policy, we are committed to have procurement processes in place. These processes should "involve due consideration for the ethical management processes, the environment policies and other corporate social responsibility of the supplier to ensure that there are no conflicts with group culture, relevant policies and core values."

Our group code of ethics also states that "all fundamental human rights should be respected and, in the conduct of our business, should be guided by the provisions of the United Nations Universal Declaration of Human Rights and the International Labour Organisation core standards."

These policies were reviewed and amended during 2012 to ensure that they complied with the provisions of the Bribery Act 2010.

The procurement functions within our subsidiary businesses are responsible for ensuring that social, environmental and economic considerations are factored into our procurement processes. We do this by having individuals from our procurement functions sit on our Corporate Responsibility Working Group and Environmental Working Groups. This helps ensure that our businesses take account of a range of social, environmental and economic issues when making procurement decisions.

CONSUMER CREDIT DIVISION'S PROCUREMENT SPEND

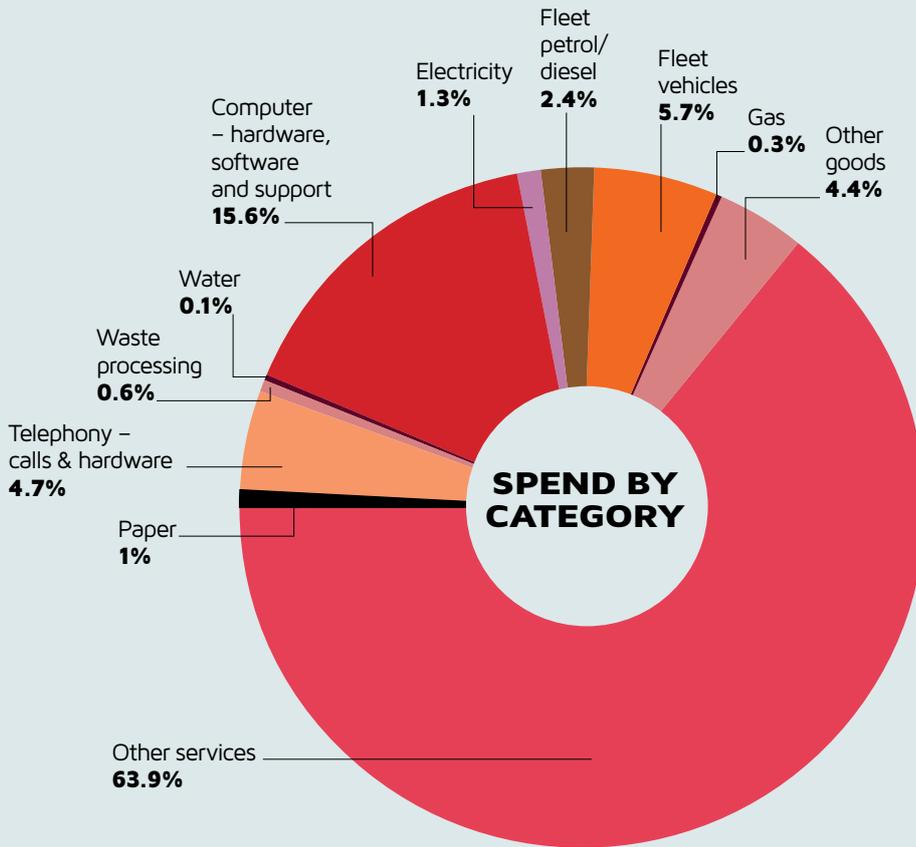
During 2012, we analysed Consumer Credit Division's procurement spend. This analysis breaks down a proportion of the Division's procurement spend by supplier type and provides an insight into our supply chain.

The pie chart, below, shows CCD's procurement spend split into supplier type. The 63.9% of "other services" represents the various services not covered by the other categories listed, including mailing, couriers, marketing, security services and debt recovery for example. Also, our analysis shows that a significant proportion (71%) of our first tier suppliers are based in the UK and Republic of Ireland.



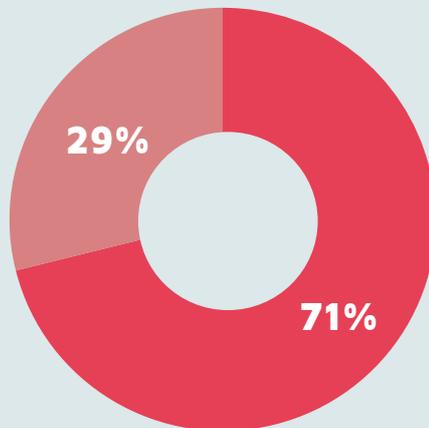
REDUCE TOTAL ANNUAL THIRD-PARTY COURIER MILEAGE BY 5% BY THE END OF 2013 THROUGH LOCATION ANALYSIS AND THE USE OF COMBINED COLLECTION POINTS.

WORK WITH BRADFORD CHAMBER OF COMMERCE AND OTHER PARTNERS TO DEVELOP AN INITIATIVE TO ENCOURAGE THE DISTRICT'S BUSINESSES TO GET INVOLVED IN ACTIVITIES THAT SUPPORT THE LOCAL ECONOMY AND THE COMMUNITIES THEY SERVE.



CCD SPEND BY SUPPLIER PARENT COMPANY COUNTRY OF ORIGIN

- UK & ROI
- International



Could you be a Number Partner?

456789

How can you help the children?

Good Neighbour
Provident's Community Partnerships

COMMUNITY

The new Good Neighbour portal site is now up and running...

The site contains information on all the activities of the Good Neighbour community commitment programme including:

- All the supported projects in care of the Directors and Head Office
- Company staff volunteering
- Employee fundraising and volunteering events

Take a look at what's going on in your area and for details of how you can get involved.

Just click on the Good Neighbour logo on the external home page.

Community Affairs

Want to get involved? ...contact:

President



Good Neighbour
Provident's Community Partnerships

COMMUNITY

44

A team from the I.T. department recently took on a challenge to support the staff and children of E Primary School and did a lot of work improving the school grounds.

Want to get involved? ...contact:

WE BELIEVE
WE HAVE A DUTY
TO BE A MODEL
CORPORATE CITIZEN
AND A POSITIVE FORCE
IN PEOPLE'S LIVES.

COMMUNITY

We have a long history of community involvement; it's where our CR journey began. Our founder, Joshua Waddilove, well regarded as a philanthropist in West Yorkshire, was even knighted for his work with charities. As we serve customers in so many communities across the UK and Ireland, we believe we have a duty to be a model corporate citizen and a positive force in people's lives. We seek to address the issues that affect the communities we serve, as well as the wider issues that are material to our business activities, and have done so for many years.

"OUR EMPLOYEE VOLUNTEERING TEAM LEADER TRAINING IS NOW ACCREDITED BY THE INSTITUTE OF LEADERSHIP AND MANAGEMENT."

In 2008, we formally underlined this commitment by publishing a group mission and values statement. This statement makes clear that we will deliver value to our customers, shareholders and other stakeholders, and that we'll play a positive role in the communities we serve.

OUR COMMUNITY INVOLVEMENT STRATEGY

The strategy behind our community involvement activities has stood the test of time and comprises two strands:

- Helping to address the social inclusion needs of people who live in deprived communities.
- Supporting the money advice sector to address issues such as financial education and carrying out research into matters that relate to our customers.

2012 TARGETS

TRIAL A NEW METHODOLOGY TO DETERMINE THE LEVEL OF ALIGNMENT OF THE GOOD NEIGHBOUR PROGRAMME TO THE COMPANY MISSION STATEMENT AND VALUES.

PARTIAL PROGRESS – OUR COMMUNITY INVOLVEMENT METHODOLOGICAL APPROACH HAS BEEN ADAPTED TO ENSURE OUR ACTIVITIES ARE HAVING POSITIVE BENEFITS IN THE COMMUNITIES WE SERVE.

OBTAIN EXTERNAL ACCREDITATION FOR OUR EMPLOYEE VOLUNTEERING TEAM LEADER TRAINING.

ACHIEVED – OUR EMPLOYEE VOLUNTEERING TEAM LEADER TRAINING IS NOW ACCREDITED BY THE INSTITUTE OF LEADERSHIP AND MANAGEMENT.

2012 TARGETS

EXPAND OUR EXTERNAL MEASUREMENT AND EVALUATION PROGRAMME TO INCLUDE FINANCIAL EDUCATION AND 'NUMBER PARTNER' PROGRAMMES.

ACHIEVED – THE FINANCIAL EDUCATION AND 'NUMBER PARTNER' ELEMENTS OF OUR COMMUNITY INVOLVEMENT PROGRAMME ARE NOW SUBJECT TO EVALUATION. GO TO PAGE 53 FOR MORE INFORMATION.

2013 TARGETS

TO MAINTAIN A MINIMUM INVESTMENT OF 1% OF PROFIT BEFORE TAX IN COMMUNITY PROJECTS.

TO ACHIEVE A MINIMUM OF 25% OF OUR PEOPLE ENGAGED IN VOLUNTEERING AND FUNDRAISING ACTIVITIES.

CONTINUE TO PROVIDE, AND ENCOURAGE OPPORTUNITIES FOR, COLLABORATIVE WORKING ACROSS OUR COMMUNITY PARTNERS.

BEING A GOOD NEIGHBOUR

The majority of our community involvement activities are delivered through our Good Neighbour programme. Established in 2009, Good Neighbour delivers support in three ways:

- Identifying and supporting projects in the communities where our offices and employees are based to address issues that are relevant to the needs of those communities.
- Encouraging our employees to take part in company-led volunteering initiatives.
- Providing employees with matched-funding for the fundraising and volunteering activities they undertake outside work.

Vanquis Bank runs a separate 'Active Community Programme' to encourage employee volunteering and provide support to local charities in London and Chatham, and through the international charity 'Hatua' in Nairobi, Kenya.

INVESTING IN OUR COMMUNITIES

During 2012, Provident Financial plc made donations for charitable purposes of £1,385,928 (2011: £1,291,459). Provident Financial's subsidiary companies invested a further £223,167 (2011: £377,888) in support of community programmes (based on the London Benchmarking Group's guidelines) and, in addition, made a further donation of £315,403 (2011: £nil) for charitable purposes.

OUR GOOD NEIGHBOUR THREE-YEAR PROJECTS

DURING 2012, WE ENTERED INTO THREE-YEAR FUNDING AGREEMENTS WITH THE FOLLOWING NEW COMMUNITY PARTNERS:

ABERLOUR IN ELGIN

Aberlour is a children's charity that provides help to over 6,000 of Scotland's most vulnerable children, young people and their families each year.

Our funding will be used to re-establish its Moray Youth Action programme. Specifically, the programme will work in partnership with Bike Revolutions, a social enterprise which recycles and sells bicycles, to deliver accredited employability training programmes to young people aged 16-19 years.

HARVEY GIRLS IN BURTON ON TRENT

Harvey Girls offers support to young mums and pregnant girls aged 14 to 21 years old.

Our funding will contribute to the opening of a new centre, fund a new role to help expand the support that is provided to young parents, and contribute to the overall organisation development and management.

ONE IN A MILLION IN BRADFORD

One in a Million works with Bradford City FC to help children and young people, many of whom are from disadvantaged backgrounds. It does this by providing education in and out of school through sports, arts and enterprise programmes.

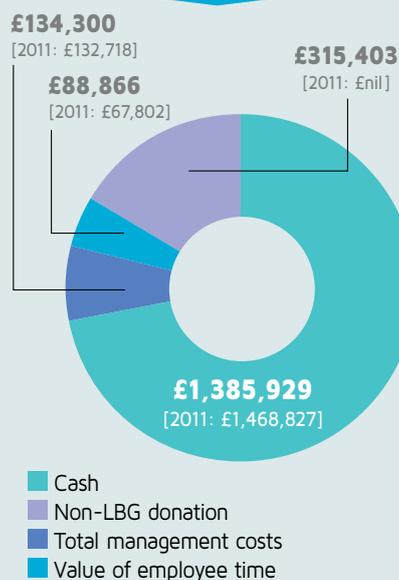
Our funding will support the salary costs of the community workers and the continuation of after-school youth sessions.

PARTICIPATE PROJECTS IN BRADFORD

Participate Projects supports organisations, projects and individuals in the most disadvantaged communities of Bradford. Participate Projects helps participants to implement their ideas and tackle issues of multiple deprivation by supporting them to access support from the private sector.

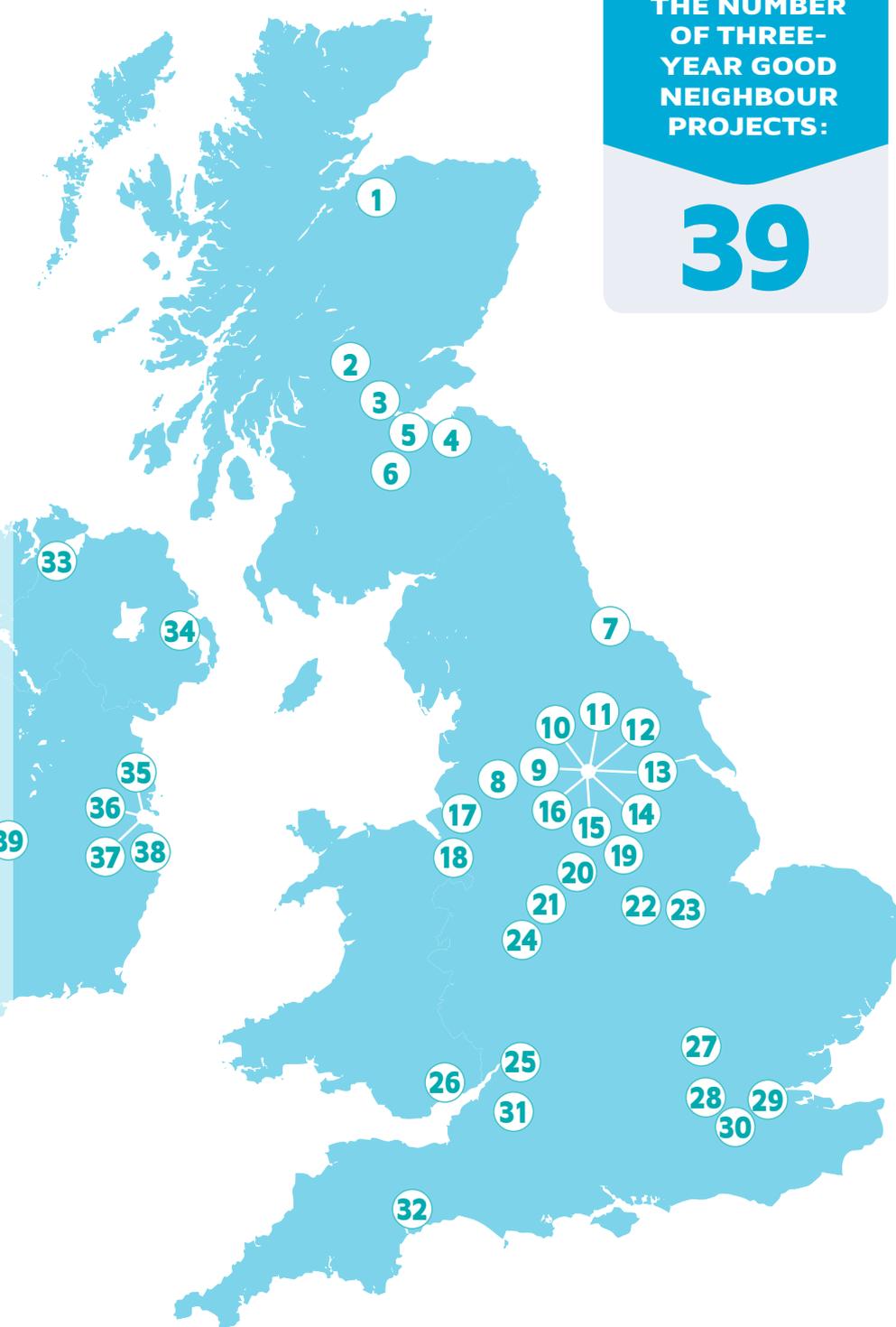
Participate Projects also organise activities to enable businesses to contribute to the social and economic regeneration of Bradford District.

2012 COMMUNITY INVOLVEMENT IN NUMBERS:



MAP OF OUR THREE-YEAR PROJECTS

- 1 Aberlour, Elgin
- 2 Boomerang, Dundee
- 3 Scottish Youth Hostel Association, Stirling
- 4 The Venchie Children and Young People's Project, Edinburgh
- 5 The Royal Lyceum, Edinburgh
- 6 Made4U in ML2, Wishaw
- 7 Stockton Borough Council, Stockton-upon-Tees
- 8 Sycamore Project (Zac's Bar), Bolton
- 9 Be Involved, Bradford
- 10 Scholemoor Beacon, Bradford
- 11 Joshua Project, Bradford
- 12 Holmewood Executive, Bradford
- 13 Sedbergh Youth and Community Centre, Bradford
- 14 Bradford and District Senior Power, Bradford
- 15 Participate Projects, Bradford
- 16 One in a Million, Bradford
- 17 Northfield Sports Association, Bootle, Merseyside
- 18 Sefton Enterprises Ltd, Sefton, Merseyside
- 19 Yorkshire Dance, Rotherham
- 20 Harvey Girls, Burton on Trent
- 21 Sycamore Adventure, Dudley
- 22 New Parks Club for Young People, Leicester
- 23 Mowmacre Young People's Play and Development Association, Leicester
- 24 Project for the Regeneration of Druids Heath, Birmingham
- 25 The Door, Stroud
- 26 Riverfront Theatre, Newport, Wales
- 27 Youth Network MK CIC, Milton Keynes
- 28 Battersea Arts Centre, London
- 29 Ahoy Centre, Deptford, London
- 30 CEN8, New Cross, London
- 31 Baggator, Bristol
- 32 St Petrock's, Exeter
- 33 REACH Across, Londonderry
- 34 Hostelling International Northern Ireland, Belfast
- 35 Early Focus Project, Dublin
- 36 Solas After School Project, Dublin
- 37 Ballymun Music Programme, Dublin
- 38 An Oige, County Wicklow
- 39 Laois Partnership, Portlaoise, County Laois



THE NUMBER OF THREE-YEAR GOOD NEIGHBOUR PROJECTS:

39

Our funding will support the post of the Project Manager and will help to buy materials required for the team challenges our staff take part in.

YOUTH NETWORK MK CIC IN MILTON KEYNES

Youth Network MK CIC exists to create environments that are safe, fun and supportive for children and young people, including those with multiple needs.

They aim to provide positive activities for children and young people aged 8–21 in disadvantaged areas of Milton Keynes.

Our funding will contribute to the setting-up costs of the Youth Network MK CIC. This will enable the charity to set up workshops and classes in sports and arts, residential and holiday projects and make use of facilities in the local area.

BALLYMUN MUSIC PROGRAMME IN DUBLIN

The Ballymun Music Programme provides an entry to the world of music-making for primary school children. The programme's aim is to provide an introduction to music through free music lessons in a community that has almost no access to music education.

Our funding will be used on a project that aims to introduce children in Ballymun to musical activity in an accessible and

sustainable way. This will enable children to build self-esteem, confidence and to learn new skills. Originally established in St Joseph's Senior School, funding has allowed the project to expand into another three schools, creating the Ballymun Youth Orchestra. Through the project, children will attend early morning orchestral sessions five days a week, as well as a session on a Monday evening.

OTHER PROJECTS

We also renewed the funding agreements we have with a number of existing community partners, including Boomerang in Dundee, Sedburgh Youth and Community Centre in Bradford and Baggator in Bristol. This means that the number of three-year community projects we are supporting stands at 39.

HATUA

Hatua means "the next step" in Swahili and is a UK-registered charity, supported by Vanquis Bank. The selection of an international charity partner is part of Vanquis Bank's overall Active Community Programme, which also supports local and national charities linked primarily to the well-being of children. Hatua helps talented children from Nairobi's slums, typically from families living on less than \$1 a day. Every Vanquis Bank employee has the opportunity to support the initiative, be it by fundraising in the UK or through a direct visit to schools in Nairobi.



NOAH'S STORY – KEEN TO PROGRESS

Noah comes from a very poor family but thanks to Hatua he now goes to the prestigious Alliance Boys School. He is in the top quartile of his peers and his amazing enthusiasm has made him a firm favourite with Vanquis Bank employees. The Hatua team hope that Noah will proceed to university and eventually help to run the charity, using his talent for motivating others to encourage other children from his background to believe in themselves.

ARE WE BEING A GOOD NEIGHBOUR?

A key component of our approach to community involvement is evaluating the community and business benefits of the initiatives we support and the activities our employees engage in. This enables us to ensure that the support we provide through the Good Neighbour programme and other activities is invested in the right places. It also helps to ensure that we continually improve how we work with our many community partners.

This evaluation helps us to understand and identify the community and business benefits of our work.

MATTHEW MILNES
Community Sports and Activities Development Worker at Scholemoor Beacon



EXAMPLES OF OUR GOOD NEIGHBOUR PROJECTS INCLUDE:

ST PETROCK'S This organisation supports and encourages people who are homeless or inadequately housed to improve their circumstances and take more control of their lives. Our funding has helped to set up Project Petrock, an independent Co-operative Community Interest Company. This project helps people who are, or have recently been, homeless get back into employment, education or training by offering volunteering opportunities, improving confidence and self-esteem, and giving additional support.

PROJECT HIGHLIGHTS:

- **THE PROJECT HAS EMPLOYED AN EXPERIENCED BUILDER WHO HAS TRAINED A TEAM OF SIX VOLUNTEERS WHO ARE HOMELESS TO DELIVER A RANGE OF HOUSING AND GARDEN MAINTENANCE ACTIVITIES THROUGH THE PROJECT PETROCK SOCIAL ENTERPRISE.**
- **PROJECT PETROCK IS CURRENTLY PROVIDING ITS VOLUNTEERS WITH 20-30 HOURS OF VOLUNTEERING OPPORTUNITIES PER WEEK.**

SCHOLEMOOR BEACON We have supported the Scholemoor Beacon, a sports and community centre on Bradford's Scholemoor estate, since 2004. We currently part-fund the Beacon's Community Sport Development Officer and Community Neighbourhood Worker who deliver a range of initiatives to promote education, health and social welfare amongst residents of the estate. Over the past nine years, a considerable amount of work has been carried out which has seen the derelict land on which the community centre stands be transformed into an outdoor recreation and sports facility.

PROJECT HIGHLIGHTS:

- **SCHOLEMOOR BEACON HAS DELIVERED A RANGE OF SERVICES OVER THE PAST 12 MONTHS, INCLUDING STREET HOCKEY, HEALTHY LIVING CLASSES AND SCHOOL HOLIDAY PROJECTS WHICH HAVE DIRECTLY BENEFITED 494 LOCAL RESIDENTS.**
- **THE PROJECT RUNS A WEEKLY JOB CLUB WHICH PROVIDES RESIDENTS WITH HELP ON JOB APPLICATIONS, INTERVIEW SKILLS AND CV-WRITING, WHICH HAS ENABLED THREE PEOPLE TO GAIN EMPLOYMENT.**

"THE PARTNERSHIP WORK WITH PROVIDENT ON SCHOLEMOOR IS AN EXAMPLE OF HOW BUSINESS CAN REALLY HELP IMPROVE THE LIVES OF PEOPLE LIVING IN COMMUNITIES AND HAVE A LONG-TERM IMPACT."

COMMUNITY INVOLVEMENT IN 2012 IN NUMBERS

NUMBER OF PEOPLE WHO BENEFITED DIRECTLY FROM THE SUPPORT PROVIDED BY THE PROJECTS WE FUNDED THROUGH OUR GOOD NEIGHBOUR PROGRAMME:

36,409

NUMBER OF PEOPLE WHO ACCESSED NEW SERVICES AND ACTIVITIES DELIVERED THROUGH OUR GOOD NEIGHBOUR-FUNDED PROJECTS:

18,523

NUMBER OF PEOPLE WHO DEVELOPED NEW SKILLS AS A RESULT OF THEIR INVOLVEMENT IN PROGRAMMES SUPPORTED BY GOOD NEIGHBOUR:

10,961

THE NUMBER OF TALENTED CHILDREN FROM NAIROBI'S SLUMS WHO HAVE BEEN HELPED BY HATUA TO GET SECONDARY SCHOOL PLACES:

34



SYCAMORE PROJECT (ZAC'S BAR)

This project engages young people in long-term constructive activities that develop positive attitudes, self-esteem, aspiration and facilitate personal development. Our funding is supporting a gap year scheme for post-A-level or post-degree students that provides them with opportunities to work with young people. The funding is also allowing the project to maintain and further develop its work rather than reduce provisions in response to funding cuts.

PROJECT HIGHLIGHTS:

- SINCE 2011, THE PROJECT HAS RECRUITED EIGHT GAP YEAR STUDENTS TO PROVIDE MENTORING, ARTS AND SPORTS SESSIONS, AND AFTER-SCHOOL SUPPORT TO YOUNG PEOPLE.
- THROUGH THE PROJECT, THE EIGHT GAP YEAR STUDENTS HAVE ENGAGED THE YOUNG PEOPLE THAT USE ZAC'S BAR IN ACTIVITIES THAT DEVELOP POSITIVE ATTITUDES, SELF-ESTEEM, ASPIRATION AND CONFIDENCE.

EMPLOYEE VOLUNTEERING

We continued to encourage employees from across our businesses to participate in their communities through volunteering and fundraising.

In September 2012, more than 80 members of the Consumer Credit Division's finance and IT departments took part in a team challenge at the Gateway Community and Children's Centre on the Ravenscliffe estate in Bradford. Over two days, the volunteers improved the centre's grounds by constructing an interactive play area, weeding the gardens and paths, and removing overgrown vegetation.

2012 EMPLOYEE VOLUNTEERING IN NUMBERS

- **262** team challenge volunteers.
- **31** reading and number partner volunteers.
- **95%** The percentage who felt that team challenges improved employee morale.
- **99%** The percentage of team challenge volunteers who felt their work improved the reputation of the company.
- **97%** The percentage of team challenge volunteers who would like to do another team challenge.

SUPPORTING THE DELIVERY OF FINANCIAL EDUCATION

Our community involvement programme continues to support a number of organisations in financial education. These include:

- **CREDIT ACTION** – In 2012, Credit Action worked with us to deliver training to some of the community partners we support through the Good Neighbour programme. The focus of the training was to empower the community partners to be able to communicate effectively with young people in the 16-20 age range on money matters by enabling them to run short, activity-based sessions on financial planning and budgeting. The funding we provide is also used by Credit Action to cover the costs associated with the production and distributions of its annual 'Debt Statistics' report which give an overview of debt and finance in the UK. For more information, go to: www.creditaction.org.uk/debt-stats.
- **DEBTCRED** – The funding we provide contributes to enabling DebtCred to deliver financial education workshops in schools. During 2012, this enabled them to deliver 150 of the 647 workshops they delivered to approximately 4,650 students. Specifically, the funding enables DebtCred to develop and deliver the workshops and cover costs associated with using freelance presenters, recruiting participants and evaluating the efficacy of the material that is used.

"I'VE BEEN A TEAM LEADER ON A NUMBER OF GOOD NEIGHBOUR TEAM CHALLENGES AND NOW I'M PASSIONATE ABOUT SUPPORTING THE COMMUNITIES THAT WE WORK IN. BEING ABLE TO SEE THE POSITIVE IMPACT WE HAVE ON LOCAL PEOPLE IS FANTASTIC AND GIVES ME A GREAT DEAL OF SATISFACTION ALONGSIDE MY DAY JOB."

JENNA POWELL
Business Assurance Officer



Boomerang, Dundee



WE RECOGNISE
THE IMPORTANCE
OF MINIMISING THE
ENVIRONMENTAL
IMPACTS OF
OUR BUSINESS.

THE ENVIRONMENT

We recognise the importance of minimising the environmental impacts of our business activities and ensuring that we contribute to building a more environmentally sustainable society.

We seek to do this through an environmental management programme which enables us to reduce the energy and natural resources we use, and the waste we generate. It also enables us to avoid or minimise the use of hazardous or toxic material or products, and prevent pollution from our operations and facilities.

“OUR MAIN ENVIRONMENTAL IMPACTS RELATE TO THE ENERGY WE USE TO POWER OUR BUILDINGS; BUSINESS TRAVEL; WASTE, IN PARTICULAR PAPER; AND THE CO₂ EMISSIONS ASSOCIATED WITH ALL OF THESE.”

ENVIRONMENTAL MANAGEMENT

We manage the impacts we have on the environment through the environmental management system (EMS) we have in place across our business.

Our EMS is used to:

- Identify and prioritise the environmental issues that are relevant to our business activities.
- Ensure that we are kept up to date with developments in environmental legislation.
- Implement measures to manage the environmental issues that are most material to our business activities.

Our EMS is reviewed on a regular basis to ensure that we are dealing with the most material issues.

We have environmental working groups in place that play a key role in managing our EMS. Their close management and evaluation ensures that our EMS continues to improve and also helps set our annual environmental targets.

2012 TARGETS

ENERGY

REDUCE ENERGY CONSUMPTION BY 15% BY 2013 BASED ON 2008 LEVELS.

ONGOING – OUR ENERGY USE CAN BE FOUND ON PAGE 57.

CONTINUE TO ROLL OUT AUTOMATIC METER READING ('SMART METER') SYSTEMS TO THE CONSUMER CREDIT DIVISION'S BRANCH OFFICES.

PARTIAL PROGRESS – SO FAR WE'VE INSTALLED SMART METERS IN APPROXIMATELY 50 BRANCH OFFICES.

INTRODUCE A NEW ELECTRICITY SUPPLY CONTRACT ACROSS THE CORPORATE OFFICE AND CONSUMER CREDIT DIVISION NETWORK OF BRANCH OFFICES USING RENEWABLE SOURCE ENERGY.

ACHIEVED – DETAILS ON ENERGY USE CAN BE FOUND ON PAGE 57.

2012 TARGETS

GREENHOUSE GAS EMISSIONS

CONTINUE TO IDENTIFY OPPORTUNITIES TO OFFSET THE CARBON DIOXIDE EMISSIONS ASSOCIATED WITH OUR TRANSPORT ACTIVITIES.

ACHIEVED – THE CO₂ EMISSIONS ASSOCIATED WITH 2012 TRAVEL HAVE BEEN OFFSET. GO TO PAGE 58 FOR MORE INFORMATION.

CONTINUE TO DISCLOSE INFORMATION TO STAKEHOLDERS ON THE CARBON INTENSITY OF OUR BUSINESS ACTIVITIES.

ACHIEVED – SEE PAGE 59 FOR MORE INFORMATION.

REDUCE TOTAL ANNUAL THIRD-PARTY COURIER MILEAGE BY 5% BY END 2012 THROUGH LOCATION ANALYSIS AND COMBINED COLLECTION POINTS.

NOT ACHIEVED – THIS TARGET WAS NOT MET DUE TO PROBLEMS ENCOUNTERED IN COLLECTING THE DATA FROM THE COURIERS WE USE, AND WILL BE CARRIED FORWARD INTO 2013.

Our EMS enables us to reduce our impacts on the environment and mitigate risks associated with environmental legislation. It also provides us with opportunities to generate cost savings through improving energy and resource efficiency and reducing waste.

A third party audits our EMS on an annual basis. The audit covers the business activities of our Bradford-based head office, a small sample of the Consumer Credit Division's branch offices, and Vanquis Bank's business premises in London and Chatham, Kent. The audit includes asking the area managers in our branch offices to complete an environmental audit questionnaire.

The aim of the audit is to verify our performance against the requirements of the international environmental standard ISO 14001 and to assess our compliance with environmental legislation.

In addition, the audit provides us with practical help and assistance on how we can improve the effectiveness of our environmental programme and verifies the accuracy, completeness and relevance of the data that underpins our EMS.

In 2012, our head office in Bradford continued to be formally certified to the international standard to ISO 14001: 2004.

MONITORING AND REPORTING OUR CARBON EMISSIONS

As a company listed on the London Stock Exchange, we are affected by The Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013 that will come into force on 1 October 2013. These regulations require all listed companies to measure and report their greenhouse gas emissions in the directors' report section of their Annual Report and Financial Statements. We have measured and reported our energy usage and associated carbon emissions data for over a decade. This helps us to minimise our contribution to climate change, improve our energy efficiency and reduce the carbon intensity of our business activities. We do this by purchasing electricity from renewable sources; making use of energy-efficient fixtures and fittings; offering more fuel-efficient vehicles and those that use hybrid technology in our company car fleet; and offsetting our carbon dioxide emissions.

We continue to disclose information that relates to our carbon management via our submissions to the Dow Jones Sustainability Indices and Carbon Disclosure Project (CDP). Details of our CDP submissions can be found at: www.cdproject.net.

ENERGY CONSUMPTION

YEAR	HEAD OFFICE AND VANQUIS BANK ENERGY CONSUMPTION (MWh)	CCD BRANCH ENERGY CONSUMPTION (MWh)
2012	5,195	6,910
2011	4,229	4,886
2010	5,410	6,725
2009	6,331	8,572
2008	6,677	7,309

ENERGY USE

Managing our energy consumption is an important issue for us. Ensuring that we are as energy efficient as possible underlines our commitment to reduce our environmental impacts. This also provides us with opportunities to reduce costs.

Energy use across the group appears to have increased 33% to 12,104 MWh (2011: 9,115 MWh). The data we collect on energy use comes direct from meter readings, where we have access to them, and via actual and estimated electricity and gas bills we receive. This apparent increase is due in part to delays in the billing information that is sent in respect of our premises, some of which is based on estimates. As such, we cannot be completely confident of the energy use data we receive for our office locations. It is anticipated that our programme to roll out automatic meter reading ('smart meter') systems to our branch offices will partly address this issue.

During 2012, we entered into an arrangement with a new energy provider, who will provide us with electricity from renewable sources. This arrangement exempts us from paying the Climate Change Levy.

TOTAL CO₂ EMISSIONS ASSOCIATED WITH ENERGY CONSUMPTION

YEAR	TONNES OF CO ₂
2012	5,051
2011	4,226
2010	5,236
2009	6,236
2008	5,279

2012 TARGETS

TRANSPORT

UNDERTAKE AN ANNUAL SURVEY OF HEAD OFFICE STAFF TO UNDERSTAND HOW THEY TRAVEL TO AND FROM WORK AND WHAT THE COMPANY CAN DO TO ENCOURAGE THE USE OF MORE SUSTAINABLE FORMS OF TRANSPORT.

ACHIEVED – A TRAVEL PLAN SURVEY WAS UNDERTAKEN AT NO.1 GODWIN STREET IN APRIL 2012.

PAPER

ENSURE THAT 100% OF THE DIRECT MARKETING MAIL AND TRANSACTIONAL MAIL IS PRINTED ON SUSTAINABLY SOURCED PAPER BY END 2012.

ACHIEVED – THE MARKETING DEPARTMENTS IN BOTH THE CCD AND VANQUIS BANK NOW HAVE CONTRACTS IN PLACE WITH MAILING HOUSES THAT USE SUSTAINABLY SOURCED PAPER.

**2012
TARGETS**

WASTE

REDUCE CONSUMER CREDIT DIVISION BRANCH OFFICE WASTE TO LANDFILL BY 20% BY END 2012 THROUGH IMPLEMENTATION OF DRY MIXED RECYCLING (DMR) PROCESSES.

NOT ACHIEVED - IT WAS ANTICIPATED THAT A NEW WASTE MANAGEMENT CONTRACT WOULD BE INTRODUCED DURING THE AUTUMN OF 2012, HOWEVER, THIS DID NOT HAPPEN. THIS WILL NOW BE DONE IN Q1 OF 2013.

COMMUNICATIONS AND STEWARDSHIP

INTRODUCE AN INTRANET SITE THAT ENCOURAGES INDIVIDUAL EMPLOYEES TO REDUCE THEIR ENVIRONMENTAL IMPACTS.

PARTIAL PROGRESS - INFORMATION TO ENCOURAGE EMPLOYEES TO REDUCE THEIR TRAVEL-RELATED CO₂ EMISSIONS IS MADE AVAILABLE TO THEM VIA THE TRAVELSMART INTRANET SITE.

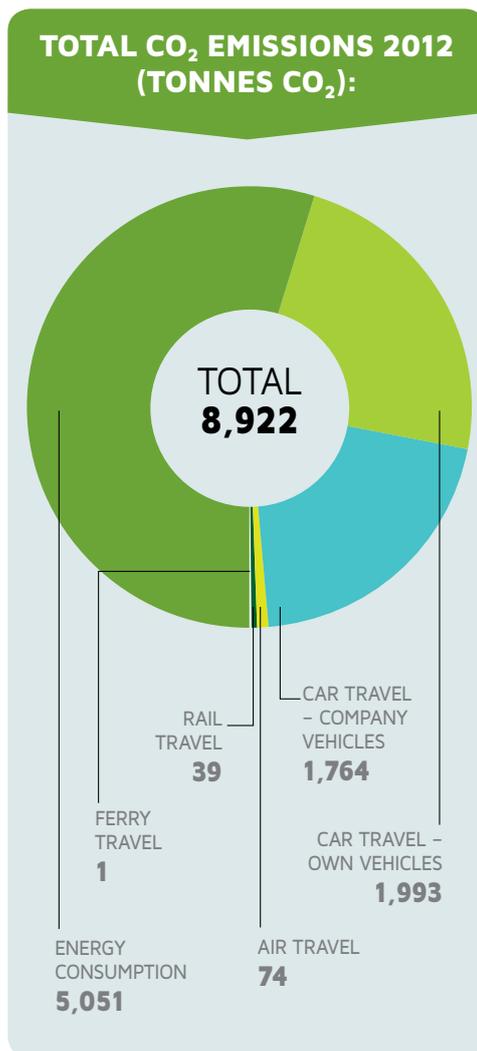
TRAVEL AND TRANSPORT

As we have a presence in so many towns and cities across the UK and Ireland, business travel is an important part of our business model. We aspire to keep business travel to a minimum and measure and monitor flights, train journeys, car journeys made by staff and the fuel used by company car drivers.

During 2012, for the first time, we were able to capture data on the ferry journeys made by staff between the UK and Republic of Ireland. 3,473 miles of ferry journeys were made during 2012, which accounted for 0.74 tonnes of CO₂.

The data we capture relates solely to the business-related activities of employees. It does not include data that relates to the network of 9,800 self-employed agents.

Overall, the CO₂ emissions associated with business travel during 2012 were 3,870 tonnes (2011: 3,654 tonnes).



AIR TRAVEL

YEAR	NUMBER OF AIR MILES TRAVELLED BY EMPLOYEES
2012	358,050
2011	413,372
2010	344,089
2009	358,950
2008	338,410

RAIL JOURNEYS

YEAR	NUMBER OF MILES TRAVELLED BY EMPLOYEES ON RAIL JOURNEYS
2012	413,352
2011	359,077
2010	360,076
2009	312,340
2008	255,984

CAR MILEAGE

YEAR	NUMBER OF MILES TRAVELLED BY EMPLOYEES USING THEIR OWN CARS
2012	6,395,755
2011	5,206,111
2010	8,363,142
2009	8,512,014
2008	7,802,046

FUEL CONSUMPTION

YEAR	AMOUNT (LITRES) OF DIESEL AND PETROL USED BY EMPLOYEES WITH COMPANY CARS
2012	700,528
2011	726,987
2010	735,794
2009	1,097,218
2008	1,035,872

There continued to be reductions in the fuel used by company car drivers and a reduction in the miles flown by staff.

Our travel plan for our new head office has continued to be monitored by the travel plan management group that was established in 2011. The group ensures that travel plan activities are resourced and makes changes to the travel plan to ensure that it meets the needs of the company and our employees. It also oversees the delivery of the individual elements of the travel plan, for example, a public transport season ticket scheme. The group coordinates an annual staff travel survey in order to understand staff travel behaviour and any barriers that impact on the delivery of the travel plan.

During 2012, we continued to offer a subsidised annual season ticket for public transport to staff at our head office. We already receive a 15% discount on annual season tickets by virtue of being a member of the West Yorkshire Travel Plan Network. We provide a further subsidy of 30%.

CARBON OFFSETTING

During 2012, we offset the carbon emissions associated with the company's business travel. These business-related journeys accounted for 3,870 metric tonnes of carbon dioxide emissions.

Our emissions were offset through a Verified Carbon Standard (VCS) Fuel Switch project in Brazil. The project reduces global carbon emissions through switching from using heavy fuel oil in ceramics factories to renewable biomass and waste products. The projects provide a range of social and environmental benefits such as improving air quality, reducing greenhouse gas emissions and investing in employee personal development.

By offsetting our greenhouse gas emissions, we can ensure that our environmental programme continues to follow best practice in terms of carbon management, provide tangible evidence to our stakeholders of the measures we have introduced to reduce the carbon intensity of our operations, and further underline the relevance of our core values to the business.



ENERGY

REDUCE ENERGY CONSUMPTION BY 15% BY THE END OF 2013 BASED ON 2008 LEVELS.

GREENHOUSE GAS EMISSIONS

CONTINUE TO OFFSET THE THE CARBON DIOXIDE EMISSIONS ASSOCIATED WITH OUR TRANSPORT ACTIVITIES.

CONTINUE TO DISCLOSE INFORMATION TO STAKEHOLDERS ON THE CARBON INTENSITY OF OUR BUSINESS ACTIVITIES.

REDUCE TOTAL ANNUAL THIRD-PARTY COURIER MILEAGE BY 5% BY THE END OF 2013 THROUGH LOCATION ANALYSIS AND COMBINED COLLECTION POINTS.

2013 TARGETS

TRANSPORT

UNDERTAKE AN ANNUAL SURVEY OF HEAD OFFICE STAFF TO UNDERSTAND HOW THEY TRAVEL TO AND FROM WORK AND WHAT THE COMPANY CAN DO TO ENCOURAGE THE USE OF MORE SUSTAINABLE FORMS OF TRANSPORT.

CONTINUE TO OFFER A SUBSIDISED ANNUAL SEASON TICKET FOR PUBLIC TRANSPORT TO STAFF AT OUR BRADFORD HEAD OFFICE.

WASTE

REDUCE CONSUMER CREDIT DIVISION BRANCH OFFICE WASTE TO LANDFILL BY 20% BY THE END OF 2013 THROUGH IMPLEMENTATION OF DRY MIXED RECYCLING (DMR) PROCESSES.

COMMUNICATIONS AND STEWARDSHIP

ENSURE THAT OUR HEAD OFFICE CONTINUES TO ATTAIN FORMAL CERTIFICATION TO ISO 14001.

WASTE MANAGEMENT AND PAPER USE

By continuing to monitor and measure the waste we generate and the paper we use, we can minimise how much waste we produce. This enables us to reduce our impact on the environment and make cost savings.

Our aim is to reduce our use of materials that end up as a waste stream and to recycle as much as possible, thus reducing the amount of waste that is sent to landfill sites for disposal.

Our biggest waste stream continues to be paper, which is used in photocopiers and printers and for our marketing activities. During 2012, our businesses used 1,798 tonnes (2011: 1,434 tonnes) of paper for marketing and office use purposes. This 25% increase in paper use is due in part to a growth in customer numbers which has, in turn, resulted in an increase in the paper that is used in marketing material and customer statements.

The paper we use either contains a high recycled content or is manufactured from trees on sustainably managed plantations.

ABSOLUTE WASTE RECYCLED (TONNES)

YEAR	WASTE RECYCLED
2012	1,130
2011	977
2010	1,258
2009	1,308
2008	1,055

GROUP PAPER USE (TONNES)

YEAR	PAPER USED
2012	1,798
2011	1,434
2010	1,138
2009	1,022
2008	2,412



ABSOLUTE WASTE PRODUCTION (TONNES)

YEAR	HEAD OFFICE	CCD BRANCH NETWORK	VANQUIS BANK
2012	200	1,126	40
2011	148	1,053	39
2010	227	1,222	39
2009	201	1,562	28
2008	294	923	-



**ASSURANCE
STATEMENT AND
COMMENTARY**

ASSURANCE STATEMENT AND COMMENTARY

Provident Financial has commissioned Corporate Citizenship to provide external assurance and a commentary on its Corporate Responsibility Report 2012.



THE SCOPE OF OUR ASSURANCE

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

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

We have also assured the agreed performance information in the report. The criteria used are the GRI G3 Reporting Principles for Defining Quality.

The level of assurance offered is moderate as defined by AA1000AS (2008). That is to say, our work obtained sufficient evidence to support the statement that the risk of our conclusion being in error is reduced.

Our assurance does not cover Provident Financial's obligations to government codes, guidelines and regulations covering the financial services sector.

Provident Financial is entirely and solely responsible for the contents of the report, Corporate Citizenship for its assurance. A detailed note of our assurance methodology appears at the end of this statement.

OPINION AND CONCLUSIONS

In our opinion the Provident Financial Corporate Responsibility Report 2012 reflects the principles of AA1000 (2008): inclusivity, materiality and responsiveness.

Inclusivity relates to a company's commitment to be accountable to those on whom it has an impact and whether stakeholders are involved in developing a strategic approach. Provident Financial recognises, and reports in relation to, its key audiences. Activities such as the online stakeholder forum are evidence that Provident Financial uses stakeholder feedback to identify priorities and shape its corporate responsibility strategy.

Materiality relates to the issues that really matter to an organisation's corporate responsibility performance and how these are identified by a company. Provident Financial has developed a balanced approach

to defining materiality, which includes engaging key audiences, such as through its annual issues survey, and participating in assessments against external standards.

Responsiveness relates to how an organisation responds to stakeholder concerns. The continued development of initiatives such as Good Neighbour and transparency about corporate tax arrangements show that Provident Financial is responsive to stakeholder issues.

Based on the work we have done, nothing has come to our attention to suggest that the agreed performance information is not in accordance with the GRI G3 Reporting Principles for Defining Quality.

COMMENTARY

Provident Financial has reported externally on its corporate responsibility performance since 2003. This year's report shows further progress, with Provident Financial taking into account feedback received last year. Our commentary below singles out points of special note, as well as areas where we believe future reporting can be strengthened.

POINTS OF NOTE

Provident Financial has made significant progress on providing information on tax and we highlight the disclosure of its principal contributions in an easily accessible manner.

Debt management remains an important issue for many of Provident Financial's stakeholders and we welcome improvements to the arrears management system, such as longer induction training and more regular refresher training for contact centre staff. As last year, we recommend the disclosure of the percentage of accounts that are handed over to the debt collection agencies at the end of the arrears process, as a way of demonstrating that this outcome is very much the exception for customers.

Maintaining high levels of customer satisfaction is demonstrably important to a business like Provident Financial where personal relationships underpin the business model. Meeting customer expectations, especially around lending responsibly, helps ensure low levels of complaints. So this year's even clearer statement of what

responsible lending means to Provident Financial is a positive step.

The reporting of Provident Financial's risk management process has continued to improve. To continue on this journey we recommend that this section moves to discussing actual material risks faced. This will help forge links between corporate responsibility and its mainstream business context, and also strengthen the discussion of materiality.

Given Provident Financial's pre-eminent status in the non-standard credit market, its support for the money advice sector and for research into debt is encouraging. This year (2013) is proving to be a decisive year in terms of changing the UK legislative approach to the credit market. The fullest possible reporting on how the business is interacting with government consultations, such as through its industry bodies, would reinforce the business leadership position in its sector.

Efforts to improve the capture of carbon emissions within the business have progressed with the inclusion of ferry journeys. However, as in the previous year we strongly recommend moving towards recording the Scope 3 emissions from Provident Financial supply chain, notably the emissions produced by the vehicles of its 9,800 self-employed agents while on the job.

The reporting of the impacts and benefits of the Consumer Credit Division's Good Neighbour programme is commendable. Going forward it is natural for stakeholders to expect the same good reporting practice for Vanquis Bank where concerted efforts to boost reporting scope and robustness to the levels of the Consumer Credit Division remain at an early stage.

FUTURE REPORTING

In our previous statement we recommended further stakeholder involvement in the report. Although outside the period covered by this report, during 2013 Provident Financial convened a three month online stakeholder forum. This has proved a helpful way of enhancing reporting, in particular by offering pointers to improving accessibility and the use of channels such as video and

social media. We are encouraged that several suggestions from the forum are gaining traction within the business and may be implemented going forward.

We believe that 2013 will be a watershed year for Provident Financial, with an online offering launched by Consumer Credit Division and near parity (at least in terms of customer numbers) between it and Vanquis Bank. Looking forward, the challenge of extending Consumer Credit Division's corporate responsibility approach into an 'impersonal' internet channel will require exceptional care to avoid the pitfalls highlighted by the Office of Fair Trading in its review of payday loan providers. With a higher profile for Vanquis Bank, greater emphasis on specific banking issues and on the role of credit cards in the sub-prime market will become more material, and so demand further discussion.

Corporate Citizenship

London

10 October 2013

METHODOLOGICAL NOTES

The assurance work was commissioned in January 2013 and was completed on 30 September 2013. Detailed records were kept of meetings, assurance visits and correspondence relating to the inclusivity, materiality and responsiveness of the report, as well as to technical matters relating to the accuracy and presentation of data. A team of three, led by a Director, undertook the assurance and commentary process. The team has a variety of professional and technical competencies and experience. For further information please refer to our website www.corporate-citizenship.com.

Our external assurance and commentary process for Provident Financial's Corporate Responsibility report has involved, but not been limited to, the following elements:

- Understanding Provident Financial and its value chain, its own culture and the broader social contexts in which it operates; its approach to and understanding of corporate responsibility; and how it identifies issues material to its operations.
- Benchmarking against peers, competitors, best practice and internationally recognised standards to identify the basis on which to judge Provident Financial's performance.
- Establishing, facilitating and managing a structured online stakeholder forum involving representatives of key stakeholders groups, looking at how Provident Financial's responsibility management and reporting could be bettered.
- Analysis of Provident Financial's stakeholder engagement activity, including findings from employee and customer opinion research.
- Review of national and international published sources of information about the views and opinions of external stakeholders.
- Examination of the report at set stages in its development and testing of the assertions throughout, drawing from evidence and supporting documentation, reporting mechanisms, frameworks and processes.

- Examination of management and reporting systems, notably for environmental management and community investment.
- Interviews of members of staff including: Corporate Responsibility Manager (PFG), Head of Public Affairs (PFG), Community Affairs Manager (PFG), Community Affairs Executive (PFG), Value Management Director (CCD), Head of Central Debt Recovery (CCD), People Policy Manager (CCD), Contact Centre Manager (CCD), Head of Training and Competence (Vanquis), Customer Relations Manager (Vanquis). We also convened a one hour Employee Forum at Vanquis Bank's Chatham offices attended by six employees from across the division.
- Site visits to Provident Financial's three main offices in Bradford, London and Chatham, and three of the Consumer Credit Division's branches in Bradford, Leeds, and Heckmondwike, West Yorkshire.
- Accompanying a Consumer Credit Division agent at work in Leeds, observing interactions with customers and collection of money in homes.

- Checks on an agreed sample basis of elements of the report's contents to underlying records, particularly of the numerical data within the report.

Our work did not extend to a complete audit of the report's contents. We have not been responsible for the preparation of the 2012 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 give an understanding of Provident Financial's non-financial performance and should not be used or relied upon to form any judgments, or take any decisions, of a financial nature.

Corporate Citizenship is a leading assessor of corporate responsibility reports and an AA1000 licenced assurance provider.

In addition to our work on assurance and stakeholder engagement, Provident Financial is a member of the LBG (www.lbg-online.net), an evaluation framework for corporate community involvement which we manage on behalf of its members and adherents.

Paper and print specification

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

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

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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 351351 or write to the corporate responsibility manager at: Provident Financial, No.1 Godwin Street, Bradford BD1 2SU.

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

Provident Financial plc

No. 1 Godwin Street
Bradford
BD1 2SU
United Kingdom

telephone: +44(0)1274 351351
email: enquiries@providentfinancial.com
website: www.providentfinancial.com

Company number 668987

