

ABOUT THIS REPORT

Welcome to our 2016 Corporate Responsibility (CR) Report, which gives an account of Provident Financial Group's performance in 2016 across a range of social, ethical and environmental issues. The purpose of the report is to provide our stakeholders with a balanced account of our CR activities, goals and progress. Our past reports and other information on our CR programme can be accessed at www.providentfinancial.com.

The report relates to the non-financial aspects of Provident Financial plc and its businesses – Vanquis Bank, Consumer Credit Division (CCD) and Moneybarn – in the UK and Ireland, and our six key stakeholders: customers, communities, employees, suppliers, shareholders and investors, and regulators. It provides information and updates on our CR activities, performance and achievements for the year 1st January – 31st December 2016.

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

The report has been prepared in accordance with the 'Core' Global Reporting Initiative's (GRI) G4 sustainability reporting guidelines. An assurance statement is set out on page 63 of this report. Our GRI Index is available at www.providentfinancial.com.

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MESSAGE FROM THE EXECUTIVE CHAIR



I am pleased to introduce you to Provident Financial Group's 2016 CR report.

This is my first such introduction, so I'd like to use this opportunity to elaborate on some of the challenges we've faced in the year to date in developing Provident Financial Group. I'd also like to underline Provident Financial Group's steadfast commitment to our stated Social Purpose and reflect on some of the achievements that have been made by our business during 2016 in delivering against this purpose.

2017 has proved to be a difficult year for Provident Financial Group. Early in the year, we announced plans to make significant changes to the operating model of the Provident home credit business which we hoped would deliver a more effective and efficient business. This involved employing full-time Customer Experience Managers (CEMs) to serve customers rather than self-employed agents. The introduction of this new model involved a period of collective and individual consultation with employees, the recruitment and training of approximately 2,500 CEMs, a reduction in our field management workforce, and using new technology including routing and scheduling software to manage our CEMs customer rounds enabling the business to enhance control and regulatory compliance.

Unfortunately, the home credit business has experienced significant problems in making the transition to a new operating model, particularly in terms of the roll out of the routing and scheduling technology, which has negatively impacted the ability of the CEMs to deliver the high level of service that our customers expect. This resulted in both collections performance and sales showing substantial underperformance against the comparable period in 2016. As a consequence, on 22 August 2017, we announced a forecasted pre-exceptional loss for CCD likely to be in a range of between £80m and £120m.

We also announced on 22 August 2017 that Vanquis Bank is co-operating with an investigation by our regulator, the Financial Conduct Authority (FCA), into the Repayment Option Plan (ROP) ancillary product that is offered to customers. ROP is an optional part of a customer's account which is available for a monthly charge and comprises a number of features which can be used by the customer if they experience difficult financial circumstances. The FCA has indicated that it has concerns about the ROP product and is investigating the product during the period from 1 April 2014 to 19 April 2016. Vanquis Bank voluntarily agreed with the FCA that it would suspend all new sales of the ROP in April 2016 and conducted a customer contact exercise, which was designed to remind customers who had opted into ROP of the features of the product, its cost and how they could cancel ROP if they no longer wished to have it. This exercise has now been completed.

In view of the challenges we face in implementing the new home credit business model and the FCA's investigation at Vanquis Bank, the Provident Financial board took the decision to withdraw the interim dividend declared in July 2017. In the circumstances, Peter Crook decided to step down as Chief Executive with immediate effect and I have assumed the role of Executive Chair.

I am very disappointed to have to report that our business is in this position and apologise to the customers, employees and shareholders who will feel let down by what's happened. I also know that the first step in repairing our relationships with these important stakeholders is to assure them that I and the rest of the board and senior management team are getting to the bottom of what went wrong and that we are putting

plans in place to turn the business around. An important first step was to withdraw the interim dividend and in October 2017 we also announced that the full year dividend would not be paid. This is so the group's capital base and financial flexibility is protected, as is the value in our Vanquis Bank, Moneybarn and Satsuma businesses.

In assuming the role of Executive Chair, I initiated a strategic review of how the transition to the new home credit business model has been executed. My priority in this regard was to put a plan in place in order to improve the performance of the home credit business and reconnect with our customers. My first course of action since I started this review has been to introduce a new management structure within CCD. I will also be keen to see that the FCA's investigation at Vanquis Bank is concluded in a timely manner.

As part of the strategic review, I will ensure that the group's Social Purpose is at the forefront of our minds. This is the promotion of financial inclusion for those who are not well served by mainstream credit products or who may otherwise be excluded altogether. It means continuing with our primary role of supplying credit in a responsible manner to non-standard credit customers – those with lower incomes, those with no credit history yet or a very limited credit history, and those who have had problems with credit in the past but are now over those problems. This will help us to re-establish relationships with the customers in our home credit business and ensure that businesses within Provident Financial Group continue to: ensure that the terms and conditions of our products are designed to meet our customers' particular needs; provide customers with appropriate amounts of credit and maintain close contact with them throughout the term of their loans; ensure that our products are transparent and that we work with customers sympathetically if they experience difficulties; and make rigorous checks to ensure that our customers can afford their repayments.

It is also important that we understand that our Social Purpose extends beyond lending responsibly to our customers, and that we continue to take account of the wider impacts that our business has. I and the rest of the Provident Financial board know that it is an important part of our "licence to trade" to provide a comprehensive

account of the impacts that relate to the internal governance of our business; the way we treat our employees, our suppliers, local communities, wider society, and the environment; and how we deal with regulators and tax authorities.

Throughout 2016, we undertook work to review Provident Financial Group's approach to community outreach investment to ensure that it is more closely aligned to the Group's Social Purpose. This saw us invest in the many communities we serve across the UK and Ireland to help address a range of issues including: unemployment or under-employment; low, uncertain or fluctuating incomes; low educational attainment; and physical or mental health issues. We also made progress in working towards the National Equality Standard (NES), the first industry-recognised standard for equality, diversity and inclusion (EDI) in the UK, which we signed up to in 2015. This involved undertaking an initial self-assessment review and gap analysis against the NES framework, and hosting assessor visits from EY to carry out interviews with key employees in order to validate the findings made during the self-assessment phase in both CCD and Moneybarn. The initial self-assessment stage of the NES took place at Vanquis Bank earlier this year and the final report has now been returned to us. Now we have received the final reports for all our businesses, we will develop an action plan which will enable us to address EDI issues that are group-wide or specific to our operating businesses and help us to create a diverse, open and inclusive place to work, where everyone feels like a valued member of the team.

2017 has presented the Group with significant challenges but I and the board are determined to address these issues while continuing the good work on corporate responsibility that has been laid down over the past 15 years. I would welcome any feedback you may have on this report and the priorities that have been set out for the year ahead. Please get in touch at corporateresponsibility@providentfinancial.com.

Manjit Wolstenholme Executive Chair

PROVIDENT FINANCIAL GROUP AT A GLANCE

OUR SOCIAL PURPOSE AND THE MARKET WE SERVE

Provident Financial Group's social purpose is financial inclusion for those who are not well served by mainstream credit products or are excluded altogether.

The UK non-standard market is made up of around 12 million people who, for a variety of reasons including a relatively low income or a poor credit history, are not well served by the mainstream credit market's products and services.

Our customers look for products and services that have the following characteristics:

SMALLER SUMS

Typically less than a mainstream provider would lend.

HIGH LEVELS OF CONTACT WITH THEIR LENDER

Our customers like someone to talk to about their loan or credit.

UNDERSTANDING

Our customers usually have little leeway in their income, so if they experience problems during the term of their loan, they want to talk to someone who understands their situation and can offer a solution. This can include the ability to reschedule repayments at no extra cost.



2.4M

Number of customers

3,550

Number of employees

£3.1M

Community investment

8,435

METRIC
TONNES
OF CO₂e

Greenhouse gas emissions offset

£156M*

Total tax contribution

*Comprises both direct and indirect contribution for 2016.

PROVIDENT FINANCIAL GROUP

Provident Financial Group				
Provident Financial Group	Vanquis Bank	Non-standard credit cards		<p>Vanquis Bank is the leading supplier of credit cards in the non-standard credit market. We provide new customers with a low credit limit and only increase it when we have sufficient experience of the customer handling their account responsibly. We maintain a high level of contact with customers, from the initial call welcoming the customer to Vanquis Bank and continuing throughout our relationship.</p> <p>Est. 2002 1.5m Customers 1,516 Employees £204.5m Adjust profit before tax¹ £250 - £4,000 Range of credit limits</p>
	Consumer Credit Division	Home credit		<p>Provident offers home credit loans, typically of a few hundred pounds, to consumers on low incomes and tight budgets who require affordable credit to manage the household budget or for one-off items. Customers value the face-to-face relationship of home credit as well as the simple, flexible and transparent nature of the product which include fixed weekly repayments and no extra charges, even if payments are missed.</p> <p>Est. 1880 0.8m Customers 1,925 Employees² £115.2m Adjust profit before tax^{1,2} £100 - £2,000 Loan range</p>
		Online lending		<p>Satsuma is our online instalment loan product. We give new customers a small-sum, short-term loan and collect repayments by continuous payment authority either weekly or monthly, on a day agreed with the customer. Our UK-based call centre is always there to discuss any issues customers may have and, just like our home credit product, the total amount repayable is fixed at the outset, so there are no extra charges.</p> <p>Est. 2013 (start up) 55,000 Customers £100 - £1,000 Loan range</p>
	Moneybarn	Non-standard vehicle finance		<p>Moneybarn is the market leader in providing vehicle finance for people in the non-standard credit market. Moneybarn helps those who may have had problems with credit in the past but who are now overcoming them to buy vehicles to get to work, take their children to school and live their lives.</p> <p>Est. 1992 41,000 Customers 195 Employees £31.1m Adjust profit before tax¹ £4,000 - £25,000 Loan range</p>

¹ Before exceptional items and, in respect of Moneybarn, prior to the amortisation of acquisition intangibles.

² Represents CCD as a whole.

FINANCIAL HIGHLIGHTS

At year end: 31st December 2016

	2016 (£m)	2015 (£m)	Change (%)
Vanquis Bank profit before tax and exceptional items	204.5	183.7	11.3
CCD profit before tax and exceptional items	115.2	105.4	9.3
Moneybarn profit before tax and exceptional items	31.1	21.3	46.0
Central costs	(16.7)	(17.5)	4.6
Profit before amortisation of acquisition intangibles and exceptional costs	334.1	292.9	14.1

During 2016, revenue less impairment was £884 million. Of this, £324 million was paid to brokers and suppliers of goods and services (including self-employed agents). The remaining £560 million is value added by Provident Financial which was distributed to employees (£186 million), shareholders (£181 million) and government in the form of direct taxes (£108 million). A further £3 million was donated to our community partners and a profit of £82 million was retained by the business.

A more detailed account of our financial performance is published in our Annual Report and Financial Statements 2016. Go to www.providentfinancial.com for more information.

OUR CR APPROACH AND STRATEGY

INTRODUCTION

CR is a strategic priority for us and it is included in our group corporate strategy. Our CR strategy outlines our CR priorities and what we are committed to achieving. For us, this means continuing to serve our 2.4 million customers in a responsible manner at every stage of our relationship, and acting dutifully and with integrity with all our other stakeholders. It is only through doing this that we can deliver our mission.

PROVIDENT FINANCIAL GROUP'S STRATEGY

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.

OUR SOCIAL PURPOSE IS...

...financial inclusion for those who are not well served by mainstream credit products or are excluded altogether.

OUR CR STRATEGY INVOLVES...

...operating our core business of lending to our customers in a responsible manner, and acting responsibly and sustainably in all our other stakeholder relationships.

OUR STRATEGIC OBJECTIVES

1

Growing high-return businesses in non-standard markets

2

Generating high shareholder returns

3

Maintaining a secure funding and capital structure

4

Acting responsibly and with integrity in all we do



We measure progress towards our strategic objectives through a number of key performance indicators (KPIs), both financial and non-financial. Performance relating to key strategic objectives 1 to 3 is reported on pages 18 to 21 of the Provident Financial plc 2016 Annual Report and Financial

Statements (see www.providentfinancial.com for more information).

The fourth strategic objective is delivered by our CR strategy. Two key metrics, relating to customer satisfaction and community investment contributions, are monitored at Group level. These KPIs can be found on

page 21 of the Annual Report and in the balanced scorecard below.

The balanced scorecard supports our CR strategy, covering a range of qualitative and quantitative metrics to help monitor our progress in delivering our CR strategy.

OUR BALANCED SCORECARD FOR 2016

CR strategy commitment	Key metrics	Page
Operate in a responsible and sustainable manner		
Be transparent in how we do business	Information on products (e.g. APRs), the role played by self-employed agents, tax and governance.	12-20
Treat our customers responsibly throughout their journey with us	The percentage of customers surveyed who are satisfied with the service with which they have been provided.*	22-30
	Total number and nature of complaints.	
	Total number and nature of complaints referred to the Financial Ombudsman Service and the proportion which are upheld in favour of customers.	
	Impairment as a percentage of revenue.	
	Total number of accounts handled by debt collection agencies per annum.	
	Total customer-focused training hours undertaken by employees and agents.	
Act responsibly in all our other stakeholder relationships		
Create a working environment that is safe, inclusive and meritocratic	Workplace diversity.	32-38
	The percentage of women in senior management roles.	
	Average number of days lost to absence per employee per annum.	
	Number of calls made to the group-wide whistle-blowing hotline per annum.	
Treat our suppliers fairly	Percentage of suppliers paid in accordance with their terms and conditions.**	40-42
Support our communities	The amount of money invested in support of community programmes, financial advice and social research.*	44-50
	The number of people who directly benefit from Provident Financial's community involvement activities.	
	The number of people supported to develop new skills or improve their personal effectiveness as a result of Provident Financial's community affairs programme.	
	The number of people who experience a positive impact on their quality of life or well-being through Provident Financial's community involvement activities.	
	Total number of hours volunteered by employees in community involvement activities.	
	Number of projects/partnerships we supported on a longer-term basis.**	
Engage with the investment community on sustainability matters	Dow Jones Sustainability Indices/FTSE4Good/CDP scores, presence within Euronext Vigeo and Forum ETHIBEL indices, and information on investor engagement activities.	52-54
Minimise the environmental impacts of our business	Total greenhouse gas emissions (reduce Scope 1 and 2 emissions and increase the reporting of Scope 3 emissions).	56-62
	Total energy use (MWh).	
	Total waste arising from our activities (tonnes).	

* Two of the metrics from this scorecard – customer satisfaction and charitable contributions – are reported in the Annual Report on pages 57-67.

** New or different metric for 2016.

PROVIDENT FINANCIAL GROUP'S KEY STAKEHOLDERS

Our key stakeholders are our customers, employees, suppliers, communities, shareholders and investors, and regulators. These individuals and groups have an interest in, or are affected by, the activities of our businesses.

We continue to engage with these stakeholders on a regular basis to listen to their views and concerns, and gather feedback on our activities. This means we can take account of different perspectives as we deliver on our mission, social purpose and strategy.

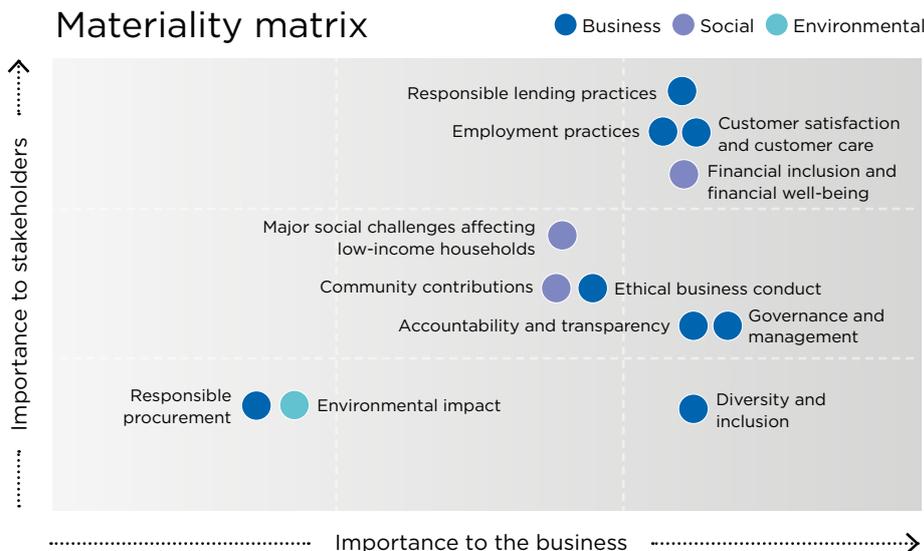
During 2016, our stakeholder engagement activities included:

- **Reviewing our approach to community investment** – we convened a forum of stakeholders so that we can include their views and recommendations in our reviewed approach to community investment (see page 46 for more information).
- **Customer engagement** – we conduct surveys and focus groups to determine levels of customer satisfaction with our products and services, and gather information on the profiles of our customers. Our operating businesses also use online review and feedback systems, such as Feefo and Trust Pilot, which allow their customers to review their services and products (see page 26 for more information).
- **Employee engagement** – we carry out staff surveys to monitor levels of engagement and gather feedback on our business strategies and communication methods, as well as training and development activities (see pages 35 & 36 for more information).
- **Community engagement** – we engage with our community partners and the employees that take part in community volunteering activities. From this we collect feedback which enables us to assess the impacts of our activities and evaluate the efficacy of our community programmes.
- **Supplier engagement** – we engage with our suppliers on CR issues to assess CR performance and conduct due diligence.
- **Regulators** – we engage in ongoing dialogue with regulators and play a full and active part in all relevant regulatory reviews and consultation processes (see page 25 for more information).

MANAGING THE RIGHT CR ISSUES

We also consult with our key stakeholders to ensure that we manage and report on CR issues that matter most to our business and stakeholders. We reviewed our material CR issues in 2017, carrying out an exercise to identify and prioritise these issues (see materiality assessment below). This materiality assessment informs our CR strategy and influences the content of this report.

Materiality matrix



CR REPORTING AND ASSURANCE

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

The assurance evaluates the nature and extent of adherence to the AccountAbility AA1000 Assurance Standard (AA1000AS) principles of inclusivity, materiality and responsiveness. Corporate Citizenship also

evaluate the content and quality of the information against the Global Reporting Initiative's G4 sustainability reporting guidelines. Next year, we will start our transition from the GRI G4 reporting framework to the GRI Standards.

In addition, the London Benchmarking Group model is applied across the group's community programmes. This enables us to measure the totality of our community contributions and more importantly, to understand the outputs and longer-term community and business impacts of our community involvement projects.

We also audit the environmental management systems (EMS) we have in place at each of our offices against the requirements of ISO 14001, which will see the EMS in place at our Bradford head office certified to ISO 14001:2015 in 2017.

DOING BUSINESS TRANSPARENTLY

INTRODUCTION

Our commitment to transparency includes being open and clear about all our products and the terms and conditions that underpin them (see page 7). It also extends beyond this, to other relevant aspects of how we operate, which includes management of risks, payment of taxes and prevention of corruption and money laundering.

Transparency is embedded into our corporate culture and how we are governed. It is also essential to the way we engage with our stakeholders and has a positive impact on employee engagement and productivity, customer loyalty, and our reputation.

2017 TARGETS

Update and publish the Provident Financial plc tax strategy on the Provident Financial Group corporate website.

Introduce the benefits of subscription to the Institute of Business Ethics to the Provident Financial plc board.

Continue to identify opportunities where members of the Provident Financial plc board and directors of the group's operating businesses can demonstrate leadership on CR matters.

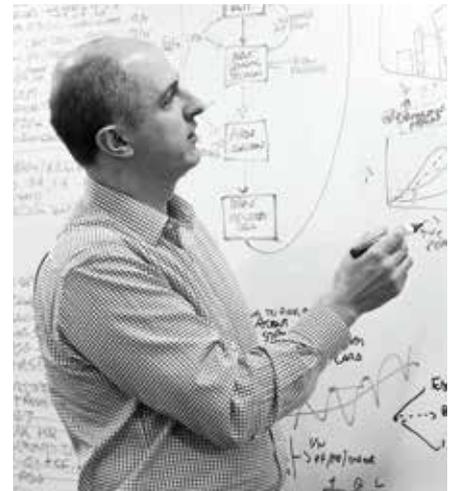
2016 TARGETS

Formally engage with members of the Provident Financial plc board of directors and other senior managers from across Provident Financial Group as part of the review of the group's community investment programme.

Achieved: During 2016, the board of Provident Financial plc and board members of its operating businesses were engaged and updated on the group's community investment programme (see page 46 for more information).

Identify opportunities where members of the Provident Financial plc board of directors can continue to demonstrate leadership on CR matters.

Achieved: During 2016, our then chairman, Manjit Wolstenholme, participated in a panel discussion at the UK Ethnic Diversity Forum on the representation of minority ethnic groups in business. During the discussion, Manjit underlined the importance of a company's reputation, its ethics and what



it stands for to the new and increasingly diverse employees that are recruited and engaged. In addition, our former Chief Executive, Peter Crook, delivered a keynote speech at the opening night dinner of the 2016 Bradford Literature Festival, which we sponsored. The speech looked at securing a pipeline of future talent and our work with the National Literacy Trust to improve literacy skills in Bradford.

KPIs: OUR 2016 PERFORMANCE

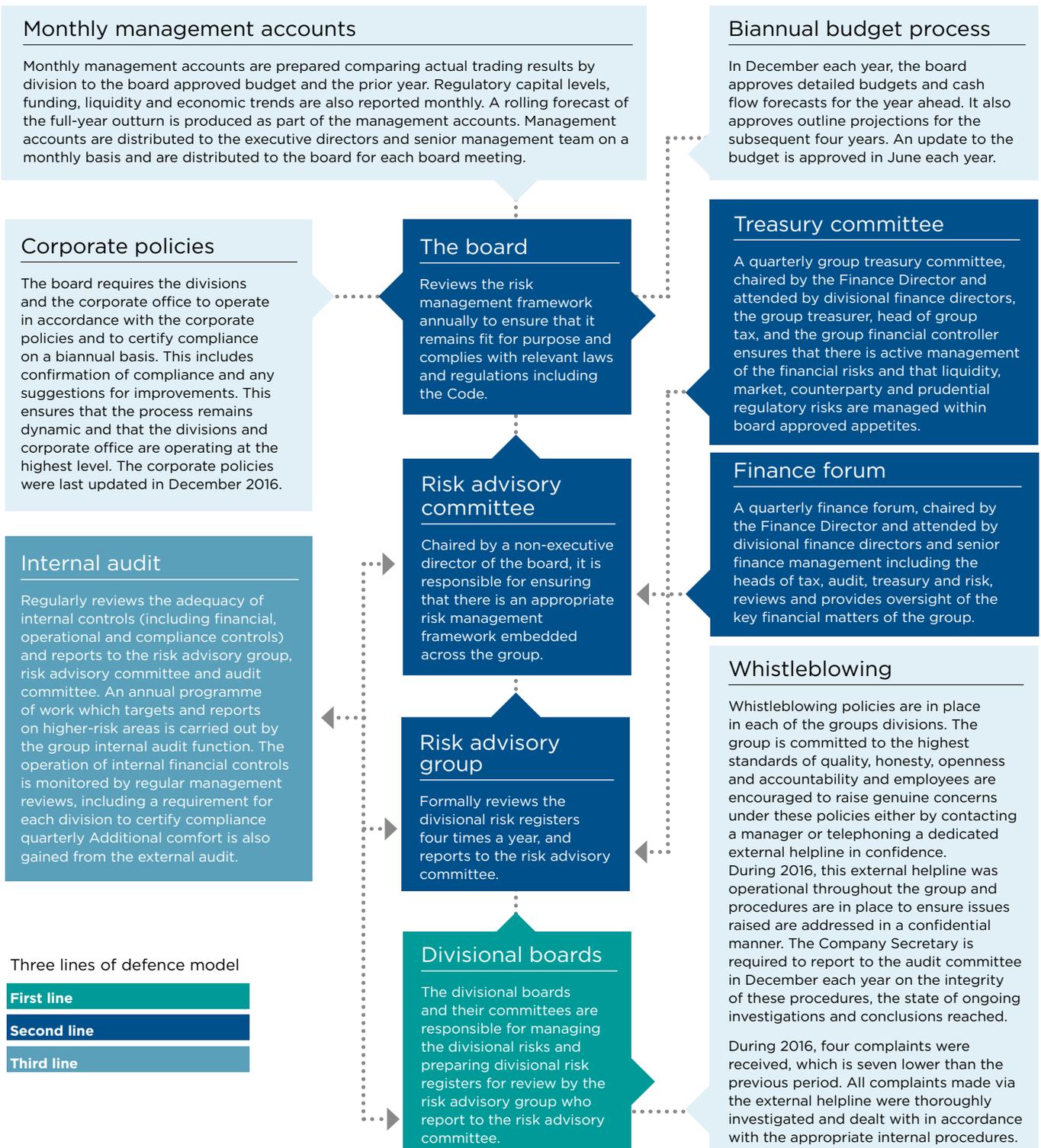
- Information on products (e.g. APRs): this is set out on page 7 of this report.
- The role played by self-employed agents in the Provident home credit business model: this is set out on page 26 of this report.
- Information on CR governance: set out later in this section, pages 13-15.
- Information on tax: set out later in this section, pages 15-20.

CR GOVERNANCE AND MANAGEMENT

Good corporate governance is an integral part of our CR programme. It ensures that CR continues to be integrated into the strategic decision-making of the business. This in turn, enables us to be committed and organised to understand and respond to the short and long-term CR issues that are material to our businesses and stakeholders. CR themes are regularly considered by the

board and a corporate affairs activity report is presented at each board meeting. The group's Executive Committee, which includes the executive directors and senior management and is chaired by Manjit Wolstenholme, reviews and approves the CR programme and budget. Our CR team are responsible for the CR programme and are supported by several working groups made up of representatives from the subsidiary businesses. We underpin our governance and management structures with a range of corporate and division-specific policies.

These policies set out the codes of conduct, controls, processes and requirements of all employees and divisions within the group, as well as at the corporate office. The policies cover a wide range of issues that are relevant to our CR programme, including treating customers fairly, environmental management, community involvement, procurement, health and safety, equality, diversity and inclusion, and whistleblowing.



RISK MANAGEMENT AND PRINCIPAL RISKS

Our CR programme plays an important role in our framework to manage principal existing and emerging risks.

The board has ultimate responsibility for the corporate governance framework. This includes ensuring a strong governance structure, and determining the nature and extent of principal risks it is prepared to accept to meet strategic objectives. It is also the board's responsibility to ensure the

appropriate system of risk management and internal controls are in place, in accordance with 2014 FRC Corporate Governance Code.

Provident Financial Group operates a 'three lines of defence' model of internal control to manage risk:

1. Identification and evaluation of risks.
2. Independent review and challenge of the actions taken to address risks and compared to the established risk appetite.
3. Independent assurance.

A diagram of how this 'three lines of defence' model of internal control works in practice is set out on the previous page.

RISK OVERVIEW

Our net risk map (left) reflects the principal risks and uncertainties that faced the group in 2016. These 21 risks represent those that are the most pertinent to the business and the company's strategy based on a quarterly assessment within the divisions and at group level.

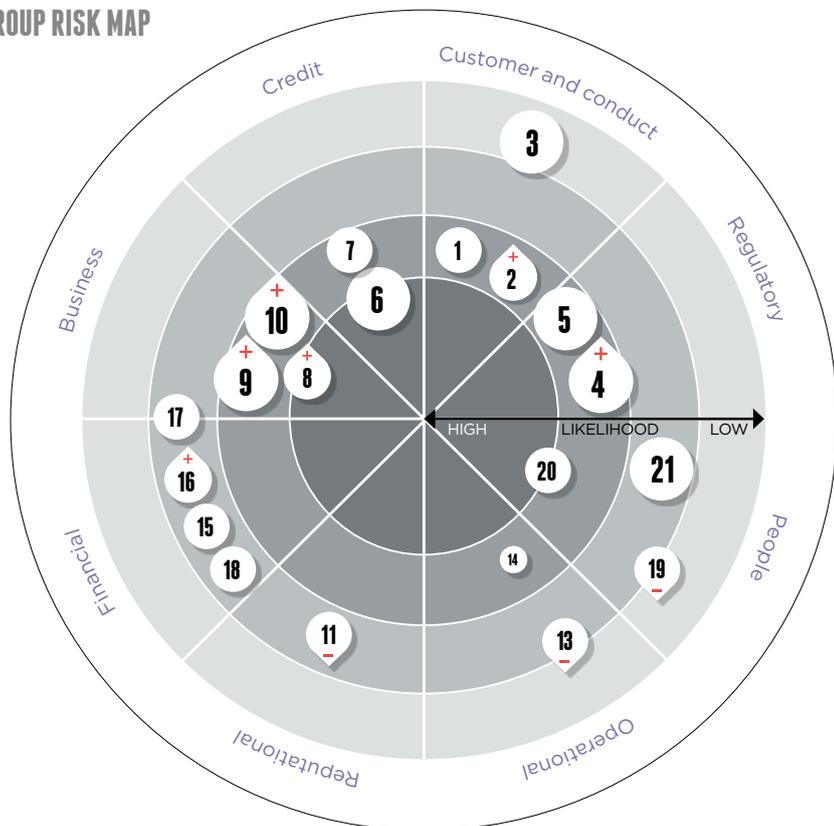
We consider risks within both the regulatory and political environment, and in relation to our strategic objectives to broaden our product offer and to meet consumers' digital expectations.

We have not identified Brexit as a separate or principal risk. However, we recognise that we will be exposed to indirect impacts of Brexit, such as macroeconomic market and regulatory uncertainty. These are reflected in risks such as credit capital, liquidity and EU regulation.

A number of principal and emerging risks have been identified as being material to our CR programme. These include:

- Conduct – the risk of poor outcomes for customers in any of the group's divisions.
- Responsible lending – the risk that our customers are harmed though irresponsible lending practices.
- Agent/customer relationship – the risk that our agents do not provide our customers a trusting and responsible service.
- Recruitment and retention – the risk that the group is unable to recruit and/or retain key management and staff impacting business performance.
- Publicity and political – the risk that an event or circumstance could adversely impact on the group's reputation, including adverse publicity from the activities of legislators, pressure groups and the media.

PROVIDENT FINANCIAL GROUP RISK MAP



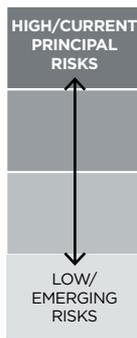
PRINCIPAL AND EMERGING RISKS

1 Conduct	11 Publicity and political
2 Responsible lending	12 Information security
3 Agent/customer relationship	13 Supplier
4 UK regulation	14 IT change management
5 EU regulation	15 Capital
6 Credit	16 Liquidity
7 Home credit collections	17 Pension
8 Competition	18 Tax
9 New initiatives	19 Remuneration
10 Change management	20 Recruitment and retention
	21 Self-employment status

IMPACT



LIKELIHOOD



FOCUS ON CYBER AND INFORMATION SECURITY

Cyber security has become a major concern for both individuals and businesses over the past few years as we live in an increasingly networked world. Banking institutions, energy companies, local and national government agencies, hospitals, educational establishments and others, increasingly rely on an online presence which means they need to handle and store financial and personal data. This means that there is scope for more and more of our financial and personal data to be compromised and used for everything from bank card fraud to extortion.

The quality and integrity of our data and systems is of paramount importance to safeguard our customers' interests, especially as they increasingly access our products and services using technology.

We need to continually protect our data and systems against cyber-attack, and have strong procedures to identify, contain and resolve any issues. Failure to do so could result in loss of confidentiality, integrity or availability of information. This may adversely affect our customers and lead to regulatory penalties, loss of revenue and competitiveness and damage to reputation.

Although each of our divisions have a separate cyber security strategy, our cyber security governing practices are top-down, and division strategies share similar attributes. The cyber security risk mitigation and control measures in place include:

- Dedicated internal teams supported by external providers, which assess and monitor cyber and information security risk.

- Internal and external testing of human and system/automated cyber and information security defences and vulnerabilities.
- Divisional and group risk committees oversee cyber and information security risks, monitoring and managing plans in relation to industry accepted practices and standards.
- Internal audit and external third party review and assessment of cyber and information security status across all businesses.
- Aim to minimise cyber and information security risks of breach occurring and maintain procedures to tightly manage any issues should they arise.

In the event of a successful cyber-attack, the group would act as quickly as possible to identify and address the source, keeping all stakeholders fully informed, and acting to redress any customer detriment appropriately and in a timely fashion.

TRANSPARENCY ON TAX

OUR APPROACH TO TAX

Paying tax is a key part of how our business contributes to society. We are committed to ensuring that we pay the tax we are legally required to pay in all of the territories in which we operate, complying with all tax rules and regulations in those territories and safeguarding our reputation as a responsible taxpayer. However, we recognise that we also have a responsibility to protect shareholder value by controlling and managing our tax liabilities.

OUR TAX STRATEGY

Our approach to tax is aligned with our mission, our core values and our overall CR strategy and is set out in our board approved tax strategy which has been in place since 2009. We are committed to being a responsible taxpayer, being straightforward and transparent on all tax matters and acting fairly, responsibly and with integrity in all our dealings with tax authorities.

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

Our tax strategy, which was last updated and approved by our board in early 2017 and published on our website in April 2017, can be accessed at www.providentfinancial.com/the-bigger-picture/cr-governance/our-approach-to-tax. It has the following key components:

- I. Tax objectives.
- II. Tax policies - how we achieve our tax objectives.
- III. Tax risk management framework - how we identify and report on tax risk.

It is supported by our tax procedures manual which sets out how the objectives and policies set out in our tax strategy are achieved, as well as setting out further details of our tax risk management framework.

The key features of our tax strategy are summarised on page 16.



TAX STRATEGY

TAX OBJECTIVES

- To ensure we pay the tax we are legally obliged to pay and comply fully with our obligations in all territories in which we operate
- In a manner commensurate with the group's appetite for risk, to minimise the group's liability to taxes
- To safeguard the group's reputation as a responsible tax payer

TAX POLICIES

Calculation and payment of taxes, tax returns and other tax obligations

All taxes should be correctly calculated in accordance with the law and paid when due; statutory tax returns should be correct, contain accurate information and be filed on a timely basis. All other tax obligations in the territories in which we operate should be fully complied with.

Managing and controlling tax liabilities

Ordinary commercial transactions should be structured, with clear and unambiguous legislative support, so that tax liabilities are controlled and minimised.

Artificial structures designed to save tax but with no commercial or economic substance or which give a result which is inconsistent with the underlying economic position will not be considered unless there is specific legislation designed to give that result and this is not contrary to the intentions of Parliament. Where there is any doubt on this, an approach should be made to HMRC to confirm the position prior to the transaction being undertaken. Tax structuring should not be in conflict with operational goals and tax structuring that might reasonably be expected to have a negative impact on the group's reputation will not be considered.

Dealing with tax authorities

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

Mitigating and controlling tax risk

Our tax strategy sets out how tax risk is mitigated and controlled by:

- Developing robust, documented systems, processes and internal controls to ensure the correctness and completeness of data which needs to be captured and treated correctly in the various tax reporting and payment of taxes that the group is required to make. Such systems, processes and internal controls are subject to regular review, including review by the internal audit function.
- Setting principles for the involvement of the in-house group tax function in transactions, business developments and day to day business operations, the allocation of responsibilities between group tax and the business units, principles for the involvement of external advisers and group tax organisation, responsibilities and reporting lines.

These are embedded into our corporate policies and the documented systems, processes and internal controls underpinning the reporting and payment of taxes, and ensure that tax implications are fully considered on corporate transactions and business developments.

- Developing policies and procedures which support the management, mitigation and control of key tax risks.

TAX RISK MANAGEMENT FRAMEWORK

Our tax strategy also sets out our tax risk management framework which identifies and reports on tax risk across the group. It is embedded into the group’s overall risk management framework and governance structure and operates a “3 lines of defence” model: the first line involves the operational identification, assessment and management of risk; the second line involves independent review and challenge of first line actions against established risk appetites; and the third line is independent assurance.

In relation to tax risk it involves the following:

- (a) The identification, evaluation and management of tax risk by the in-house group tax function working with the Finance Director and the business units.
- (b) Independent review and challenge of first line actions by (a) the quarterly finance forum chaired by the Finance Director and attended by the divisional finance directors and the heads of tax, internal audit, treasury and risk; (b) the risk advisory committee; and (c) twice yearly by the audit committee; and (d) the board.
- (c) Independent assurance provided through an annual review by the internal audit function of the processes and internal controls underpinning the reporting and payment of UK taxes.

The group has a regular and constructive dialogue with HMRC across all taxes.

TAX RISK MANAGEMENT

Insight into the principal risks and uncertainties facing the group in 2016 is set out on pages 45 to 50 of the Annual Report and Financial Statements 2016. A summary of tax risk, mitigation of tax risk and progress made in managing tax risk in 2016 is set out to the right.



RISK 18 – TAX:

The risk that the group suffers a loss as a result of unexpected tax liabilities

Risk mitigation	Change and progress in 2016
<p>The group has a regular and constructive dialogue with HMRC across all taxes. This regularly includes advance discussion of transactions with HMRC and keeping HMRC informed of key business developments.</p>	<ul style="list-style-type: none"> • In keeping with our strategy of early notification where it becomes apparent errors or mistakes have been made, we made a voluntary disclosure on home to permanent workplace travel and accommodation where it had become apparent that processes for tracking such spend had not kept up with changes in working practices. We also made a voluntary disclosure on a legacy employment tax issue in Moneybarn. • In keeping with our strategy of keeping HMRC informed of key issues affecting the business in 2016 and early 2017, we discussed various business developments potentially impacting the self-employed status of agents engaged in the home credit business, as well as the proposed changes to the UK home credit operating model which would see home credit customers in the UK no being longer served by self-employed agents. • We highlighted key features in the 2015 corporation tax returns and we discussed ongoing projects, including the rationalisation of the group structure and the crystallisation of capital losses on investments which had declined in value. • We worked collaboratively with HMRC enabling them to carry out a group-wide review of employment taxes, incorporating agent self-employed status. • We discussed in detail the processes we have in place for ensuring that VAT is accounted for wherever we import services or goods from overseas.

Continued overleaf...

Risk mitigation	Change and progress in 2016
Policies and procedures are in place which support the management of key tax risks, including policies and procedures which seek to ensure that agents engaged by the home credit businesses in the UK and Ireland maintain their self-employed status.	<ul style="list-style-type: none"> The home credit fraud and insurance function carried out testing to provide assurance that policies on the self-employed status of agents were being complied with.
We place considerable importance on having in place robust processes and internal controls to ensure the correctness and completeness of data which needs to be captured and treated correctly in the various tax returns that the group is required to make. As well as allowing the annual Senior Accounting Office certification to be made, these processes are a key control in our overall tax governance framework, providing assurance that taxes are being correctly calculated. These processes are subject to regular review, including annual review by the internal audit function.	<ul style="list-style-type: none"> We agreed with HMRC a new method for recovery of input VAT at Moneybarn and implemented a new VAT coding system which provides better visibility over VAT. The internal audit function carried out reviews of the operational effectiveness of processes and internal controls over UK corporation tax, UK VAT returns and UK employment taxes, as well as the governance framework for managing self-employed status risk in relation to home credit agents.
An experienced central in-house tax function is in place, supported by tax aware personnel in the businesses, which deals with, or has oversight of, all of the group's tax matters.	<ul style="list-style-type: none"> In early 2017, the Head of Tax presented to the board on key tax developments and progress on risks. At each quarterly Finance Forum, the Head of Tax provided an update on legislative changes, key tax risks and progress on managing those risks.
Expert third party tax advice is obtained on all material transactions and wherever the necessary expertise is not available in-house.	<ul style="list-style-type: none"> Advice was obtained on a range of issues, including a potential acquisition opportunity, funding and the disposal of Vanquis Bank's shareholding in Visa Europe Limited.
The group carries a current tax provision which is sufficient to cover all legacy outstanding corporation tax matters not agreed with tax authorities, as well as a provision for other possible tax audit and enquiry issues based on assessment of the probability of such liabilities falling due.	<ul style="list-style-type: none"> In common with previous years, we have continued to carry a prudent tax provision to cover legacy corporation tax matters as well as other possible tax audit and enquiry issues.

OUR TOTAL TAX CONTRIBUTION IN 2016

We operate predominantly in the UK and the Republic of Ireland. We no longer operate in, or generate income in any other territory.

Our total tax contribution comprises not only the direct tax we, as a business, contribute to governments out of our own financial resources. It also comprises the tax we collect on behalf of governments, such as employment taxes deducted from payments to employees. Over the last five years, our total tax contribution, which predominantly comprises taxes paid to the UK and Irish governments, has shown sustained growth, increasing to £156m in 2016.

OUR DIRECT TAX CONTRIBUTION

Our direct tax contribution is the tax we, as an organisation, incur on our operations. It is made from our financial resources and has a direct impact on our financial position. It includes the following:

- **Corporation tax**

This is the tax that we pay on the profits we generate in the UK and the Republic of Ireland. On profits generated in 2016, we paid tax in the UK at 20% (2015: 20.25%) and in the Republic of Ireland at 12.5% (2015: 12.5%).

- **Bank corporation tax surcharge**

With effect from 1 January 2016, a bank corporation tax surcharge of 8% applies to the profits of Vanquis Bank above £25m. In 2016, we paid bank corporation tax surcharge of £8m representing 50% of

the bank corporation surcharge liability for 2016, which was paid in quarterly instalments during the year.

- **Employer's national insurance contributions**

In 2016 we employed, on average, 3,550 (2015: 3,667) employees in respect of whom we pay 13.8% employer's national insurance contributions in the UK and the equivalent in the Republic of Ireland. In 2016, this comprised £18m (2015: £16m) of our direct tax contribution.

- **Irrecoverable VAT**

As the loans and credit we provide are exempt from VAT, we are unable to recover VAT on the vast majority of the costs we incur. In 2016, £22m (2015: £21m) of our direct tax contribution comprised irrecoverable VAT incurred by our businesses.

	2012 £m	2013 £m	2014 £m	2015 £m	2016 £m
Direct tax contribution					
Corporation tax	46	40	45	48	57
Bank corporation tax surcharge	-	-	-	-	8
Employer's national insurance and equivalent	14	14	15	16	18
Irrecoverable VAT	11	12	17	21	22
Business rates	<u>3</u>	<u>3</u>	<u>3</u>	<u>3</u>	<u>3</u>
Subtotal	<u>74</u>	<u>69</u>	<u>80</u>	<u>88</u>	<u>108</u>
Indirect tax contribution					
Employees' income tax and national insurance (through PAYE)	34	38	42	44	46
Tax deducted from interest paid on Vanquis Bank deposits	<u>2</u>	<u>2</u>	<u>3</u>	<u>3</u>	<u>2</u>
Subtotal	<u>36</u>	<u>40</u>	<u>45</u>	<u>47</u>	<u>48</u>
Total tax contribution	110	109	125	135	156

• Business rates

The remaining £3m of our 2016 direct tax contribution (2015: £3m) comprised business rates payable on the various business premises we occupy.

Irrecoverable VAT on operating and administrative costs, employer's national insurance contributions and business rates are included in administrative costs and are taken into account in arriving at profit before tax. Irrecoverable VAT on capitalised costs is accounted for as part of the cost of the underlying asset.

Corporation tax and bank corporation tax surcharge is accounted for through the tax charge as explained in Note 5 to the Annual Report and Financial Statements. The corporation tax we paid in 2016 of £65m differed from the current tax charge for the year of £80m due partly to the impact of corporation tax for prior years and partly to the timing of quarterly instalment payments in the UK whereby 50% of the estimated corporation tax and bank corporation tax surcharge liability for the year is payable in the year concerned with the remaining amount in the subsequent year.

We are not within the scope of the UK bank levy which only applies to larger banking

groups, but Vanquis Bank is within the scope of the 8% bank corporation tax surcharge which applies to the profits of Vanquis Bank over £25m. This placed an additional tax cost on the group for 2016 of £16m and increased the group's effective tax rate for 2016, prior to the amortisation of acquisition intangibles and exceptional items, to 23.20% (2015: 20.25%). Effective tax rates in 2017 and subsequent years will depend, in part, on the mix of profits between Vanquis Bank and the rest of the group.

OUR INDIRECT TAX CONTRIBUTION

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

• Employees' income tax and national insurance contributions

This represents the income tax and employees' national insurance contributions and the equivalent taxes in ROI that we deduct from amounts paid to employees through PAYE. In 2016 it amounted to £46m (2015: £44m).

• Income tax on interest

Vanquis Bank pays interest on its retail deposits. Until the change of law in

April 2016, there was a requirement to withhold basic rate tax from those interest payments. In the first three months of 2016, we withheld £2m (2015: 12 months - £3m) of basic rate income tax and paid this across to the UK Government.

The self-employed agents engaged by our home credit businesses in the UK and the Republic of Ireland in 2016 are responsible for paying their own tax and national insurance contributions (and equivalent) on the commission we pay them for running their agencies. We recognise that this has the potential to result in non-compliance when it comes to paying the right amounts of tax. We therefore seek to ensure that all agents properly account for taxes on the commission we pay them by providing guidance on their tax obligations and ensuring that agents receive statements of their commission showing the amounts they need to report for tax purposes. We also fully comply with our reporting obligations and work collaboratively with the relevant tax authorities to ensure that commission payments paid to agents are reported to the tax authorities in the UK and the Republic of Ireland.

OUR TAX CONTRIBUTION IN THE REPUBLIC OF IRELAND

Our home credit business operates as a branch in the Republic of Ireland. In 2016, it generated revenue of £50m (2015: £43m) and profits of £4.7m (2015: £6.1m) and had, on average, 130 (2015:124) employees. Of our total tax contribution for 2016 of £156m (2015: £135m), £4.0m (2014: £3.8m) was tax paid to the Irish Government and comprised the following:

	2015 £m	2016 £m
Direct tax contribution		
Corporation tax at 12.5% net of repayments related to prior years	0.8	0.7
Employer's national insurance equivalent	0.7	0.7
Irrecoverable VAT	0.5	0.8
Indirect tax contribution		
Employees' income tax and national insurance equivalent (through PAYE)	1.8	1.8
Total tax contribution	3.8	4.0

OUR CORE BUSINESS: SERVING OUR CUSTOMERS IN A RESPONSIBLE MANNER



OUR CORE BUSINESS: SERVING OUR CUSTOMERS IN A RESPONSIBLE MANNER

Our core business is to provide non-standard credit market customers – that is, those who are not well served by mainstream credit products or are excluded altogether – with opportunities to borrow a sensible amount in a transparent, responsible and sustainable way. This is our Social Purpose. To do this, it is essential that we provide our customers with appropriate amounts of credit, maintain close contact with them throughout the term of their loan, and support them sympathetically if they experience difficulties.



2017 TARGETS

Maintain or improve customer satisfaction levels in Vanquis Bank, Satsuma and Moneybarn and to re-establish relationships with customers in CCD.

Develop a partnership with IncomeMAX, a social enterprise that helps people to maximise their household income, and arrange for them to provide a dedicated support service for our Vanquis Bank customers and develop advice resources for staff, community partners and other stakeholders.

Enhance the work with money advice organisations, charities and other stakeholders to improve the way that frontline staff recognise the signs of potential vulnerability, so that they can more easily refer customers to specialist support teams.

2016 TARGETS

Maintain or improve customer satisfaction levels in Vanquis Bank, CCD and Moneybarn.

Achieved: Customer satisfaction levels remained the same or increased. See page 23 for more information.

Work in partnership with money advice organisations, charities and other stakeholders to improve the way that frontline staff recognise the signs of potential vulnerability, so that they can more easily refer customers to specialist support teams.

Achieved: During 2016, support was provided to staff through our partnerships with Macmillan, Shelter, Samaritans, StepChange and IncomeMAX, as well as guidance from the Financial Conduct Authority and the British Banking Association's Financial Services Vulnerability Taskforce.

KPIs: OUR 2016 PERFORMANCE

Customers surveyed who are satisfied with the service they have been provided with:

89%

of Vanquis Bank (2015: 88%)

93%

of Provident home credit
(2015: 93%)

89%

of Moneybarn (2015: 89%)

Total number and nature of complaints:
48,651 (2015: 36,307). For nature of complaints, see page 27.

Total number and nature of complaints referred to the Financial Ombudsman Service: 1,914 (2015: 1,030); the proportion which were upheld in favour of customers: 27% (2015: 23%).

Impairment as a percentage of revenue: 25% (2015: 25%)

Total number of accounts handled by debt collection agencies:
210,523 (2015: 530,776)

Total customer-focused training hours (employees and agents):
48,390 (2015: 96,507)

OUR MARKET AND OUR PRODUCTS

The focus of our business is to serve the 12 million consumers that are not well served by mainstream credit products and services.

We address this by providing our customers with products with the following characteristics:

- Smaller sums – typically less than mainstream providers would lend;
- High levels of contact – our customers like someone to talk to about their loan; and
- Understanding that our customers usually have little leeway in their income, so, if they experience problems during the term of their loan, they want to talk to

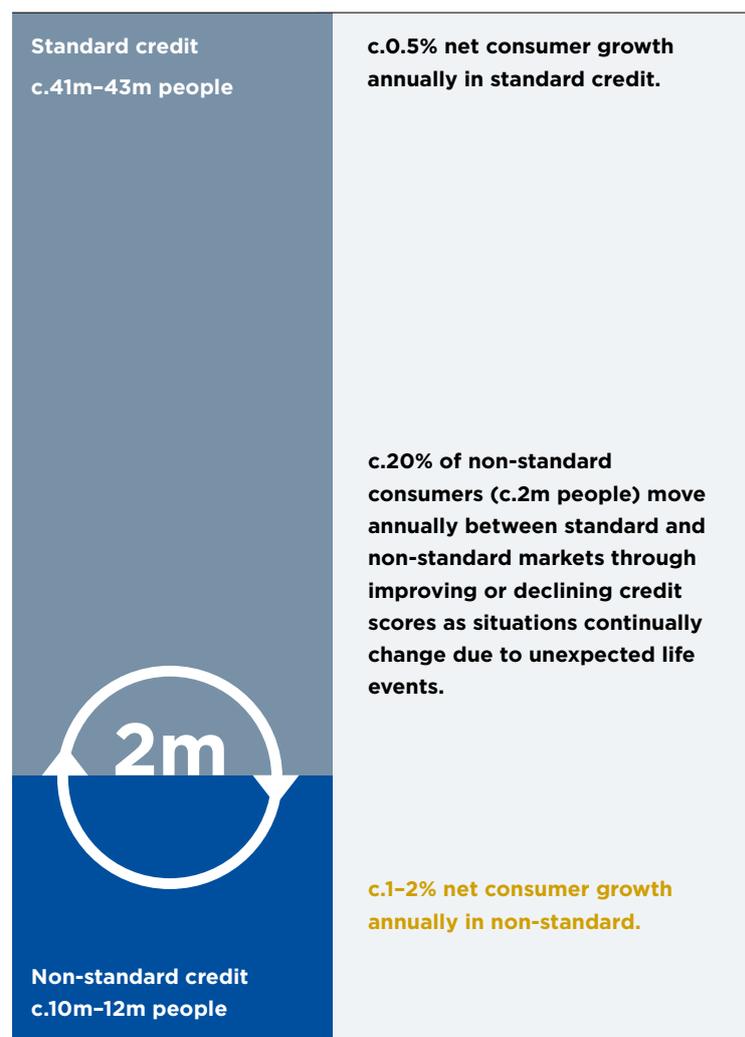
someone who understands their situation, and can offer a solution. With some of our products, this can even mean the ability to reschedule repayments at no extra cost to the customer whatsoever.

THE NON-STANDARD CREDIT MARKET

The UK non-standard credit market is a diverse, dynamic, specialist market and is very different in nature to the standard credit market.

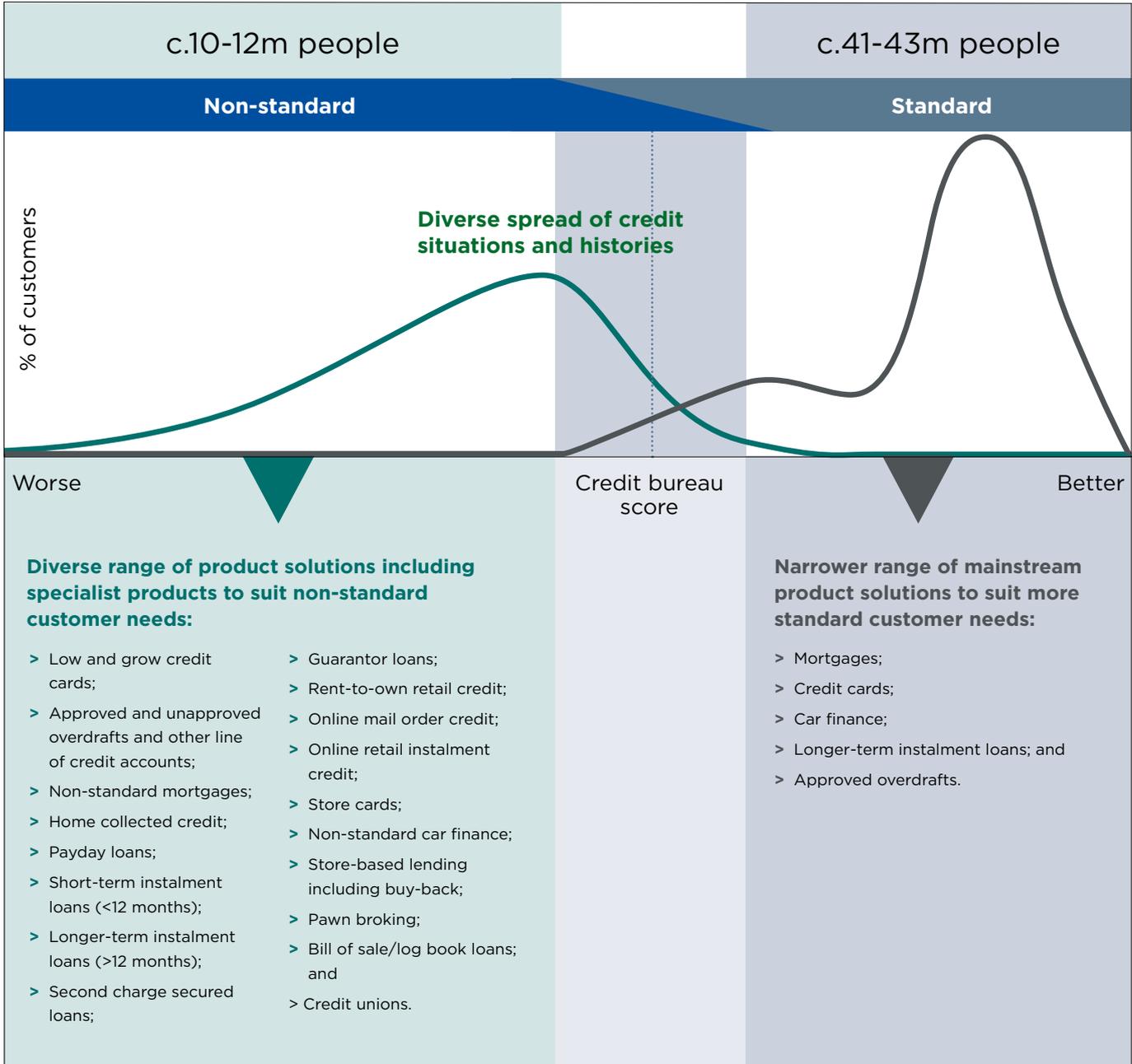
- The UK non-standard credit market comprises around £72bn gross advances growing at around 5% per annum on average.
- There is dynamic mix of growing and shrinking product types.
- 75% of lending is through specialist non-standard products and lenders.

THE DYNAMICS OF THE UK NON-STANDARD CREDIT MARKET



The overall result is a growing, refreshing, dynamic non-standard credit market.

COMPARISON OF THE DISTRIBUTION OF NON-STANDARD AND STANDARD CREDIT BUREAU SCORES



REGULATION OF PROVIDENT FINANCIAL GROUP

As the parent company of Vanquis Bank, Provident Financial Group is the subject of consolidated supervision by the Prudential Regulation Authority (PRA). The PRA sets requirements for capital adequacy, liquidity and large exposures.

In the UK, all our subsidiary business are regulated by the Financial Conduct Authority (FCA) which monitors all consumer credit lenders to ensure they comply with the Consumer Credit Act 1974 (as amended). Complaints are dealt with by the Financial Ombudsman Service, for more information visit: www.financial-ombudsman.org.uk/consumer/complaints.htm.

In the Republic of Ireland our Provident home credit business is regulated by the Central Bank of Ireland. The regulatory framework is set out in the Consumer Credit Act 1995 and the requirements of the Central Bank of Ireland's Fitness and Probity regime, the Consumer Protection Code for Licensed Moneylenders 2009 and the European Communities (Consumer Credit Agreements) Regulations 2010.

Vanquis Bank:

- As an FCA-authorized firm, the Bank's change of permission application was approved by the FCA in 2016. This application was submitted to change its regulated activities.
- Vanquis Bank is a member of UK Finance, the new financial trade association that brings together the Asset Based Finance Association, British Bankers' Association, Council of Mortgage Lenders, Financial Fraud Action UK, Payments UK and the UK Cards Association. Through its membership of UK Finance, Vanquis Bank will continue to be involved in the ongoing dialogue with the FCA.

The Consumer Credit Division:

- CCD currently holds interim permissions from the FCA to carry out a home credit business issuing high-cost, short-term credit, while awaiting full authorisation.
- As a member of the Consumer Credit Association UK, the home credit industry's trade association, CCD is subject to its Code of Practice and Business Conduct Pledge. These are voluntary codes which reinforce statutory and regulatory requirements.
- In ROI, Provident home credit is licensed, on an annual basis, as a moneylender



and is a member of the Consumer Credit Association Republic of Ireland.

Moneybarn:

- Moneybarn received full FCA authorisation during 2016.
- As a leading member of the Finance and Leasing Association (FLA), the official trade body of the motor finance industry, Moneybarn is subject to the FLA's Lending Code. The FLA's Lending Code promotes best practice in the motor finance industry.

REGULATORY DEVELOPMENTS

- **FCA credit card review** - Following its market-wide study of the UK credit card industry, the FCA has agreed in principle to three remedies with the UK credit card industry. Through these remedies, credit card providers must be more proactive in helping customers manage their credit card balances. They relate to notifying customers when a promotional deal is about to end so they can consider their options, informing customers that they can change the date their payment is due, helping them to manage their finances, and providing customers with digital notifications to inform them when their balance is getting close to their credit limit, helping them to avoid over-limit charges. We do not expect these remedies to have a significant impact on Vanquis Bank because we already carry out some of the

activities that are being proposed by the FCA, including the provision of SMS service alerts to better inform customers who are coming to the end of a promotional period or nearing their credit limit. The FCA's study will continue to review persistent debt, early intervention and how the industry applies credit limit increases to cardholder accounts. These issues are currently the subject of further consultation and expected to be finalised during the last quarter of 2017. We are involved in the ongoing dialogue with the FCA through the UK Cards Association.

- **FCA review of high-cost credit** - During 2017, the FCA will review the high-cost credit market. The FCA was due to review the High-Cost, Short-Term Credit (HCSTC) price controls and associated rules introduced in 2015. In addition, a Competition and Markets Authority report on overdrafts has prompted an additional review into the current account market and transparency for overdraft users which is considered to be high-cost credit. As a result, the FCA will extend the scope to incorporate a full review of the wider high-cost credit market, including products such as home credit, guarantor loans, rent to own and pawn broking. We will respond to information requests and maintain a constructive dialogue with the regulator to help them with their review.

RESPONSIBLE AND SUSTAINABLE LENDING

Our products are tailor-made for our customers. All our businesses offer simple products which are delivered in a way which suits our customers' particular needs.

Vanquis Bank: Vanquis Bank credit limits start as low as £250 in line with our 'low and grow' approach to lending – and we only extend a limit if it is appropriate to do so. We use a tailored underwriting process which we have developed over the last 13 years. Our decision to lend to applicants is based on a combination of external credit reference data and our own credit scorecards. We follow up approved applications with a welcome phone call; this helps develop our relationship with the customer from the outset, and allows us to collect more information. New customers also receive an information pack with their new credit card, which offers advice on how to increase their credit rating through financial behaviours. Customers receive text messages to remind them of payment dates, and we follow-up on missed payments with a phone call, which is an effective way to keep in touch.

Provident home credit: In 2016, our most traditional loan product, Provident home credit, had the relationship between the customer and their agent at its core. The agent visited the customer's home to set up the loan and collect repayments each week. The agent earned commission predominantly on what they collected back from customers, so there was no reason for them to lend more than customers could pay back. The agent made the final lending decision using both central underwriting and their own judgement to decide if the customer was likely to be willing, and able, to pay the loan back under the agreed terms. The agent also played an important role in terms of providing a sensitive response if a customer encountered financial difficulty, putting steps in place to help the customer – including reduced or postponed repayments.

In 2017 the home credit model is changing, see the box to the right for more details.

Home credit changes

In 2017 the home credit model changed. Three key changes took place in July:

- Customers are now served by employed Customer Experience Managers rather than self-employed agents.
- The field management structure has been reorganised, following workforce consultation.
- We have made greater use of technology.

These changes will keep a strong relationship with the customer at the centre of the home credit model. From the customer's perspective the Customer Experience Manager will provide the same level of responsible lending combined with a sensitive ear if the customer encounters financial difficulty. However, the changes mean we can take direct control of all aspects of the customer relationship, improve customer interactions and enhance regulatory standards. They will also improve the efficiency and effectiveness of its field management structure. For more information see page 34.

Satsuma: Satsuma Loans is based on a modern model of online lending. It is differentiated from other similar products through our longstanding knowledge of issuing Provident home credit loans and Vanquis Bank credit cards. Lending decisions are made using external credit bureau data and our own credit scorecard – which collects invaluable information on behavioural and social data before making credit decisions. Like our other products, Satsuma Loans uses the 'low and grow' lending approach. The Vanquis Bank contact centre collections team in Chatham are responsible for collecting Satsuma Loans repayments. The team keeps in regular contact with customers, including contacting them by phone and text message, and working with them to ensure the best possible outcome if they get into difficulty.

Moneybarn: Most Moneybarn customers come to us through a network of well-established brokers. Moneybarn's underwriting process is highly automated to allow for rapid provisional approvals. Lending decisions are based on external credit data, our own credit scorecards, and affordability assessments. Brokers only earn commission on each lead they provide which qualifies for a loan. Customers can source their vehicle from any car dealership, and payments are made through monthly direct debit. Any missed payments are followed up with contact from Moneybarn. Formally, the vehicle is owned by Moneybarn until the final instalment has been paid by the customer. If a customer gets into financial difficulties during the term of their loan, our customer services team will work closely with the customer to help them get back on track. This may include a temporary or longer term payment arrangement to cover short-term financial difficulties including the possible option to place any arrears onto the end of the agreement (rescheduling payments due). However, if the customer can no longer afford the ongoing repayments, the most appropriate response is often through the surrender and subsequent sale of the vehicle to offset the sales proceeds against monies owed before the vehicle depreciates further. In cases where a balance remains outstanding, a suitably affordable long-term payment plan can be agreed to address the remaining balance according to the customer's affordability and sustainability.

MAINTAINING HIGH LEVELS OF CUSTOMER SATISFACTION

One of our main performance indicators is customer satisfaction. This enables us to monitor how we are delivering against our Social Purpose, and how well we are providing our customers with products that meet their needs through an accessible and responsible service. Customer satisfaction is surveyed regularly across our operating companies via online, phone, face-to-face surveys, and customer focus groups.

Our operating businesses also monitor customer reviews of their products and services which are collected via independent reviewing sites such as Feefo and Trustpilot.

Customers are now served by employed Customer Experience Managers rather than self-employed agents.

Percentage of customers surveyed who are satisfied with the service they have been provided with (2016):

- **89% Vanquis Bank customers satisfied** (2015: 88%)
- **93% Home Credit customers satisfied** (2015: 93%)
- **89% Moneybarn customers satisfied** (2015: 89%)

HANDLING CUSTOMER COMPLAINTS RESPONSIBLY

Ensuring that we keep customer complaints to an absolute minimum is another key indicator of how we are delivering against our Social Purpose. Understanding the reasons behind complaints helps us improve the services we offer. We have well-established complaint-handling processes, procedures and timescales to guide our customer relations teams in resolving issues in a professional and timely way.

During 2016, the number of complaints received by Vanquis Bank, CCD and Moneybarn was 48,651 (2015: 36,307). Of these, 29,371 (2015: 17,240) complaints were received by Vanquis Bank, with 16,325 (2015: 17,655) received by CCD and 2,955 (2015: 1,412) received by Moneybarn. This figure translates to 2% (2015: 1.35%) of the total number of our customers.

The rise in complaints can be attributed to changes to the FCA's complaint handling guidelines that were introduced in 2016. The changes made to the guidelines require firms to report all complaints data to the FCA including those that were previously considered to be not reportable (that is, complaints that were resolved before close of business next working day after receipt).

Types of complaints vary between the subsidiary businesses. At Moneybarn, the most common complaints are around administration fees, service offering and vehicle problems. Inconsistent repayment collections by agents has been the most frequently occurring customer complaint in the Provident home credit business. However, this did reduce in frequency over the course of 2016. Customer complaints handled by Satsuma mostly relate to our lending policy, where some customers believe that loans have been issued irresponsibly.

We provide the contact details of the Financial Ombudsman Service (FOS) to all our customers, so they have another option if we are not able to resolve their complaint



to their complete satisfaction. During 2016, the total number of new cases received by the FOS from our customers was 1,194 (2015: 1,030). Of these, 327, or 27% (2015: 23%), were upheld in favour of the customer.

There has been an increase in customer complaints referred to the FOS over the past year in Provident home credit and Moneybarn. The reasons for this are mostly to do with increases in relevant media coverage or consumer protection advice forums and changes to complaint handling structures. The FCA recently introduced changes which affected complaint handling within Moneybarn.

SUPPORTING VULNERABLE CUSTOMERS

All our contact centre teams receive ongoing training to help recognise and deal with potentially vulnerable customers. They use a technique developed by the Money Advice Trust and the Royal College of Psychiatrists – Thank, Explain, eXplicit consent, Ask, Signpost (TEXAS) – as a template for calls. Specialist members of our teams can offer a range of forbearance options to help vulnerable customers, dependent upon their situation and needs. This may include offering breathing space, and short-term or

long-term payment plans with interest and charges reduced or frozen. In some serious cases, a decision may be taken to write off the debt.

We also use external expertise, through our partnerships with Macmillan, Shelter, Samaritans and StepChange. We also use guidance from the Financial Conduct Authority and the BBA's Financial Services Vulnerability Taskforce, which brings together the financial services industry, charities and consumer groups, to improve the outcomes for customers in vulnerable circumstances. All calls are recorded and monitored, and monthly case studies are discussed in detail with senior management.

COLLECTING DEBT

From time-to-time some of our customers have trouble with making payments through no fault of their own. Their income may change, they may experience an illness or death of a loved one, or they could be going through a period of change in their life. On the other hand, there are also some cases where our customers do not co-operate or comply with agreements. Therefore, it is vital that we have the right tools in place to deal with unforeseen issues appropriately. Our subsidiary businesses have systems and processes in place to resolve such situations

Provident home credit: While we dedicate significant resources to assist customers that are having difficulty meeting their repayments, it is unfortunate that there are some cases where customers still cannot, or will not co-operate. In these cases, the account is transferred to Provident Central Collections (PCC). PCC manage late arrears accounts, when customers have missed consecutive weekly payments, as well as dealing with accounts where the customer has, for example, entered into an arrangement with a fee-charging debt management company, where weekly doorstep collections are no longer appropriate.

When customers do not co-operate, PCC may sell accounts to debt purchasers. When debts are sold, the purchaser takes on legal ownership of the debt and acquires rights in relation to the customer. We perform vetting and due diligence before selecting firms as potential purchasers. Post-sale, we regularly audit and conduct due diligence on the debt purchaser's work to ensure that they are treating customers fairly, and adhering to regulation.

Vanquis Bank: Vanquis Bank looks after the debt collection for accounts gone into arrears for both Vanquis Bank and Satsuma. Debt Collection Agencies (DCA) undertake collection activity on our behalf when we

are struggling to reach an agreement with the customer. If the first DCA is unable to make an arrangement with the customer, we pass the account on to a second DCA. DCAs receive commission on the payments they collect. Our businesses only use DCAs with a known track record for responsible collection, and are members of the Credit Services Association, the DCA trade body. In 2016, 173,873 Vanquis Bank accounts and 36,650 Satsuma accounts were held with DCAs.

Moneybarn: The management of accounts in arrears for Moneybarn is less straightforward than our other subsidiaries due to the nature of the business. We do our best to keep customers in 'live' agreements. This means that the loan agreement is active and the customer is paying back their loan even if they are failing to meet the initial repayment sums outlined in the agreement.

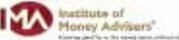
If the customer is unable to make their payments, then the agreement will be terminated and handed to Moneybarn's internal recoveries team. Approximately 7% of customers are referred to this team with some being able to settle their agreement through a new payment plan. For those customers who are unable to meet the criteria of a payment plan, we seek to recover their vehicle. The vehicle is then sold to pay off the loan. Around 90% of customers are left with a shortfall after the

vehicle is sold, so the quicker we can recover the vehicle for sale, the less the customer has to pay due to depreciation. The payment terms of any outstanding debt are agreed between our internal recoveries team and the customer. In 2016, approximately 1% of our live agreements were terminated and resulted in the vehicle being recovered and sold.

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

We continue to accept the offers of payment when customers have sought advice from these charities and a financial assessment has been made. Through the 'Fairshare' agreements we have with these charities, we contribute almost 12% of any payment we receive from a customer who has entered a debt agreement plan to the charities. During 2016, our subsidiary businesses paid £510,981 (2015: £400,794) to StepChange and CAP in 'Fairshare' contributions. The 'Fairshare' contributions mean our subsidiary businesses pay for the debt advice received by the customer. They provide the charities with financial support so that they can continue to provide free, independent advice and operate independently of taxpayer support.



Organisation	Nature of support
<p>Advice UK</p> 	<p>Advice UK is the UK's largest support network for free, independent advice centres. Advice UK used our funding to support their National Money Advice Co-ordinator (NMAC). The NMAC is responsible for building the capacity of the money advice members of the Advice UK network to meet the needs of their clients. In 2016, the NMAC conducted over 500 consultancy enquiries, as well as communicating regulatory updates, assisting the Money Advice Trust on developing training courses for debt advisers and implementing new initiatives.</p>
<p>Christians Against Poverty (CAP)</p> 	<p>We continued to support the work of CAP, helping to ensure everyone can access a sustainable and appropriate debt solution. Our support allowed CAP's Insolvency Team to provide 325 bursaries to clients who required a Debt Relief Order but were struggling to afford the fee. As anyone can access CAP's service, they help some of the poorest people in the UK, with 63% of their clients living below the poverty line. As a consequence, many need to take an insolvency route. This was the case for 47% of their clients last year, with seven in ten of these eligible for a Debt Relief Order. CAP therefore provides a bursary for these clients. Provident Financial was able to provide nearly half of these bursaries in 2016, giving over 300 families a fresh start and a way of out of debt."</p>
<p>Institute of Money Advisers (IMA)</p> 	<p>The IMA is the only professional body acting solely for money advisers in Great Britain. The IMA seeks to ensure that standards of advice consistently improve by providing support to its members, developing professional standards, promoting free money advice and influencing policy and practice relating to personal finance. In 2016, we provided 50% of funding needed to redesign and update the IMA's website. Their previous website had been built ten years ago and had become outdated and difficult to navigate, leading to an increase in user enquiries. To overcome this, a new updated site was launched in 2017. This featured a user friendly design and up-to-date information to reduce website related queries. We also funded one third of the IMA's conference related audio-visual costs. This ensured that conference fees remained affordable, encouraging almost 300 free sector advisers to benefit from two days of continuing professional development.</p>
<p>Money Advice Liaison Group (MALG)</p> 	<p>As in previous years, our funding contributes to enabling MALG's regional forums across the UK, which promote communication and best practice sharing between organisations concerned with debt, debt advice and debt collection.</p>
<p>Money Advice Scotland (MAS)</p> 	<p>MAS is the national umbrella organisation which promotes the development of free, independent, impartial and confidential debt advice, financial inclusion and financial wellbeing. In 2016, we continued to support MAS across a range of work, from enabling them to support free sector advisers in achieving certification in Money Advice Practice to facilitating MAS' social policy output and its journey towards achieving Investors in People Gold status. We also provided support for MAS' annual 2016 conference which attracted 150 delegates from the credit industry, government and the money advice sector.</p>
<p>Money Advice Trust</p> 	<p>National Debtline, which is part of Money Advice Trust, offers free and impartial debt advice over the telephone and online to help clients manage their money with confidence. Our donations helped support over 172,000 National Debtline clients advised in 2016 via telephone and webchat. Our funding also contributed to supporting the 1,104,300 visits made to the National Debtline website to access free information and resources.</p> <p>It also helped the Money Advice Trust undertake research to support a campaign entitled 'Borrowed Years' which highlighted the financial challenges faced by young people. The research found that 18 to 24 year olds were building up significant debts at a relatively early age and suffering widespread money worries, despite most trying to budget and actively manage their personal finances. At the same time National Debtline's client data indicates that this age group appears reluctant to seek support from free advice providers.</p> <p>In addition to highlighting the role of free advice, the research findings prompted MAT to highlight additional measures that could help under 25s to manage their money and avoid financial difficulty. These included: earlier and more co-ordinated financial education; timely support for first-time borrowers; a larger role for employers in supporting young workers' money management and practical reforms to student finance payments.</p>

Continued overleaf...

Organisation	Nature of support
<p>The Money Charity</p> 	<p>In 2016, we supported 'Money Workshops' for students aged between 11 and 19 across the UK. These workshops provide the building blocks to sound money management that students can use, whilst at school or in the future, whether in education, at work or in the home. Our donation of £45,500, provided 228 hours of workshops to 2,500 students. A key focus of these workshops is delivering advice to those students who are 'vulnerable'. 78% of workshops and hours delivered were to those who were deemed as vulnerable.</p> <p>96% of all students who took part felt they had obtained new knowledge from the workshops, and 95% deemed the information shared and knowledge gained as 'valuable' to them.</p> <p>PARTICIPANT QUOTES FROM OUR WORKSHOPS</p> <p><i>"I'm always surprised at just how much young people really want to talk about money. The workshops are a great opportunity for them to discuss opinions, ask questions and gain vital life skills in how to manage money well. It's really rewarding when students come up at the end to say thank you, and that they've learned something really useful. I wish I could somehow turn back time and deliver the workshops to my younger self when I was at school!"</i> Jenny Webster, Workshop Consultant.</p> <p><i>"Learning about independent living was the best bit as I want to live on my own one day, and I need to know what bills and taxes I will need to pay"</i>. Post-16 student, Barnsley College.</p> <p><i>"I learnt that you need to prioritise your money and understand what are things you need and what are treats"</i>. Key Stage 3 student, St David's High School.</p>

We also work with specialised money advice providers on a range of further financial education initiatives and help finance publicly-available, independent research to understand the financial behaviour of those on modest incomes.

Bright Blue: Standing Alone - self-employment for those on a low income

With self-employment and low income being major characteristics of customers in the non-standard credit market, this research looked at whether these customers are well served by existing services and support systems. In particular, the research looked at the experiences of self-employed individuals in low income households, the challenges they face, and the policies and support they need.

It found that self-employed individuals in low income households struggle with financial resilience. Several factors contribute to this including income volatility, late payment from customers, lack of access to benefits such as Statutory Sick Pay and low levels of saving. These individuals also struggle to access the advice and training they need to grow their business, with cost a key barrier.

A number of policy recommendations were made based on the research findings including creating compulsory contributory top-up accounts, effective local advice networks, and a universal credit advice portal. The full research can be viewed at www.brightblue.org.uk/images/StandingAlone2.pdf.

"I'm always surprised at just how much young people really want to talk about money."

CREATING AN INCLUSIVE WORKPLACE



CREATING AN INCLUSIVE WORKPLACE

INTRODUCTION

We are committed to attracting the best people so that we can continue to grow and be successful. We do this by providing all our employees with a safe, inclusive and meritocratic working environment. We give them opportunities to develop their skills, helping them to meet both their career and personal goals.

The 3,550 people we employ across the group are significant stakeholders. Every one of them contributes to our performance. Partly through their diversity, they drive the development of new services and products to suit the varied needs of our 2.4 million customers.

2017 TARGETS

Ensure that there is at least 33% female representation on the Provident Financial plc board and in the executive committee by 2020.

Following the completion of National Equality Standard (NES) assessments in all the operating businesses, we will establish a group-wide working group and action plan to address the findings and recommendations of the assessment.

Continue to support Mencap's Learning Disability Work Experience Week and encourage more areas of the group to participate in the initiative.

Undertake a group-wide talent and succession planning exercise so that all areas of the business can identify and grow talent to fill future business-critical positions.

Develop apprenticeship programmes across the group.

2016 TARGETS

Establish a business-wide working group to explore the viability of introducing apprenticeship programmes within the subsidiary businesses.

Achieved: A working group was established during 2016 which included representation from the group's three operating companies. Through this group, a number of workshops were delivered on the Apprenticeship Levy and strategies that could be employed to deliver apprenticeship programmes. Apprenticeship programmes will be developed throughout 2017.

At Vanquis Bank, support the Mencap work experience week during 2016.

Achieved: Vanquis Bank supported work experience placements for six people with learning disabilities, see pages 48-49 for more information.

Develop and publish a group equality, diversity and inclusion policy.

Achieved: We have published our equality, diversity and inclusion policy, see page 35 for more information.

Relaunch CCD's colleague forum to enable a wider range of views to be factored into its decision-making processes.

Achieved: CCD have launched their new colleague forum 'Colleague Voice', see page 35 for more information.

KPIs: OUR 2016 PERFORMANCE

28%

Workplace diversity – The percentage of women in senior management roles (2015: 30%)

17%

Workplace diversity – The percentage of the workforce from a Black, Asian and Minority Ethnic group (2015: 20%)

18.2HRS

Learning and development average hours per employee per annum (2015: 20.4 hours average)

8.7

Average number of days of absence³ per employee (2015: 8.6)

4

Number of calls made to the group-wide whistleblowing hotline (2015: 11)

The information in this section relates to our employees across the three operating business of Provident Financial Group; Vanquis Bank, CCD (including the Corporate Office) and Moneybarn. It does not relate to CCD's self-employed agents.

³The absentee rate is based on the total number of days lost due to absenteeism of any kind, not only as a result of work-related injury or disease. This includes individual sick days due to minor illnesses (e.g. the common cold, fevers, and influenza) as well as personal days taken for undisclosed reasons. It does not include scheduled or permitted absenteeism such as holidays, study time, maternity or paternity leave, etc.

OVERALL GROUP INFORMATION

OUR PEOPLE IN NUMBERS

Employees by division⁴

	2016	2015
Vanquis Bank	1,370	1,303
CCD	1,943	2,179
Moneybarn	174	127
Central	63	58
Total	3,550	3,667

Employees by employment type⁴

	2016	2015
Full-time	3,261	3,310
Part-time	289	357
Total group	3,550	3,667

Vanquis Bank average employee numbers have increased by 5% due to business growth, including the continued expansion of the contact centre in Bradford and resource to support collections activity for Satsuma. The 11% reduction in CCD average employee numbers reflects the business restructuring in 2015; this was partly offset

by an increase of employees to support increased regulation and compliance, and the development of Satsuma. Moneybarn's 37% increase in average headcount reflects the resource required to support the growth of the business and bring governance processes into line with the rest of the group.

POLICY COMMITMENTS

Our corporate policy manual outlines our commitments on both how we treat our employees, and the standards of behaviour we expect of them including: health and safety, whistleblowing, corporate hospitality (that is the accepting/providing of gifts), bribery and corruption, political donations, diversity and equality. Our operating divisions maintain their own policies covering grievance, discrimination and harassment procedures.

We are committed to upholding fundamental human rights. This commitment is enshrined in our corporate equality, diversity and inclusivity policy which states our conduct should be guided by the United Nations Universal Declaration of Human Rights (UNUDHR) and the International Labour Organization (ILO) core standards.

EMPLOYEE TURNOVER⁵

Year	% employees leaving
2016	21.7
2015	36.1
2014	31.6
2013	20.6
2012	16.9
2011	13.9

EMPLOYEE TURNOVER

It is through our people that we grow our business and meet our strategic objectives. The employee turnover rate is therefore an important metric as it is a good proxy indicator of employee satisfaction and reflects our ability to retain our employees.

We aim to keep employee turnover at a manageable rate as high levels of employee turnover can lead to increased spending on recruitment and training, and can indicate management problems.

Although lower than in previous years, our employee turnover was higher compared to the median labour turnover rate for the UK which currently stands at 16.5% (CIPD 2017 'Resourcing and Talent Planning' survey). As was the case last year, this has reflected the ongoing programme of organisational change that is being implemented by CCD as it introduces new management structures and technology within the Provident home credit business.



⁴ Figures represent the average monthly number of employees in each category.

⁵ Total employees leaving (voluntarily, due to dismissal, retirement, or death in service)/total number of employees at year end.



CONSUMER CREDIT DIVISION ORGANISATIONAL CHANGE

Following an official announcement in early 2017, our Provident home credit business has undergone significant changes. These include:

- employing full-time Customer Experience Managers rather than self-employed agents;
- changing the field management structure in the UK; and
- using more technology.

CUSTOMER EXPERIENCE MANAGERS

By employing approximately 2,500 new full-time employed Customer Experience Managers we will continue to benefit from the strengths of the self-employed agent model, primarily the direct face-to-face relationship with the customer while also directly overseeing every aspect of the customer relationship.

To improve the experience and security for both customers and employees, Customer Experience Managers will be supported by new standard operating procedures. These will help them to identify potentially vulnerable customers, and ensure customers do not take out loans they cannot afford.

These changes will ensure that we continue operating as a responsible business, understanding our customer's needs and delivering the Provident home credit vision of "lending a helping hand when others don't".

FIELD MANAGEMENT STRUCTURE

In response to these changes, we reorganised the Provident home credit field management structure in the UK (including Northern Ireland). This resulted in the loss of some roles and the introduction of new ones, as well as new ways of working. The new field structure was introduced on 01 July 2017 and involved employing full-time Customer Experience Managers (CEMs) to manage all aspects of the customer relationship rather than using self-employed

agents, streamlining field management from 800 to 400 and the deployment of further technology, including routing and scheduling

To ensure employees' voices were heard in the decision-making process, we held a collective consultation with employee representatives from the Division's elected Colleague Forum and Unite, the trade union we recognise. The consultation focused on the proposed job roles that would be reduced. It lasted 45 days and enabled the field administration teams and their representatives to give feedback on the proposal, and for senior management to respond to that feedback.

Employees affected by redundancy received financial compensation that exceeded the statutory minimum level and, where appropriate, were offered early retirement. They also received support to find a new role including paid time off to find a new job; additional training; coaching; and online tools and resources. Support was also offered through our 24/7 Employee Assistance Programme (see page 37).

EMPLOYEE INVOLVEMENT

We want to keep our employees informed and involved. We use huddles, 'town hall' style meetings, and personal briefings to keep our people informed of the financial and operational performance, and strategy of the divisions. Technology provides great opportunities with the divisions using social networking, intranet discussion boards and blogs by employees and managing directors.

We regularly consult with employees through employee forums, trade unions and employee surveys, so that their views can be considered when making decisions. CCD's new colleague forum 'Colleague Voice' is providing an improved platform for more views and opinions to be heard. Colleague Voice plans to work with leaders in the business to improve the communication of decisions that create long-term growth, and support their strategic priorities.

Vanquis Bank launched a Recognition Nomination Programme for employees to recognise and nominate fellow colleagues for outstanding achievements. Moneybarn also continued to operate their popular 'Golden Cone' nominations programme of colleague-to-colleague recognition.

WHISTLEBLOWING

Each of our divisions have whistleblowing policies and procedures in place. We are committed to the highest standards of quality, honesty, openness and accountability. We encourage employees to raise genuine concerns under these policies, either by contacting a line manager or by telephoning a dedicated external helpline in confidence.

Our whistleblowing helpline 'Safecall' 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. During 2016, four complaints (2015: 11) were received via this helpline. All complaints made via the external helpline were thoroughly investigated and dealt with in accordance with the appropriate internal procedures. The Company Secretary is required to report to the audit committee annually on the integrity of whistleblowing procedures, the state of ongoing investigations and conclusions reached.

WORKPLACE DIVERSITY

Our corporate equality, diversity and inclusion policy sets out our commitment to support diversity. It seeks to create an inclusive culture for our employees and other stakeholders, including customers, suppliers and contractors. This means understanding the potential that all people bring to the workplace, and recognising their differences regardless of: age, disability, gender, gender reassignment, marital and civil partnership status, pregnancy and maternity, race, religion or belief or absence of religion or belief, or sexual orientation.

Our policy commits us to:

- provide employees with a working environment that is free from discrimination;
- ensure that decisions affecting employment, training, promotion and career development are based on an individual's ability and genuine occupational requirements;
- require all employees to treat their colleagues and other people they have contact with as part of their work with respect; and
- provide products and services to customers without any form of unlawful discrimination and/or harassment.

KEY METRIC: THE PERCENTAGE OF WOMEN IN SENIOR MANAGEMENT ROLES – 28% IN 2016 (2015: 30%)

	Female	Male	Benchmarking our gender diversity
Proportion of female/male company directors (%)	22	78	FTSE 100 boards average: 26.1% female representation (up from 12.5% in 2011) ⁶
Proportion of female/male employees in senior management positions (%)	28	72	European average: 24% female representation in senior business roles ⁷
Proportion of female/male employees (%)	49	51	The UK average: 53% men to 47% women ⁸

⁶ "Women on Boards Davies Five Year Review Report" published in October 2015 by the Department for Business, Innovation and Skills.

⁷ Grant Thornton's 2015 International Business Report.

⁸ Office of National Statistics (ONS) - the gender split of those in full-time and part-time employment in the UK during 2015 was 53% men to 47% women.



We recognise the importance of diversity, including gender diversity, at all levels of the group. To ensure diversity, the board uses the nomination committee to select new members, recognising the fresh perspectives, skills, and knowledge that different backgrounds and experiences bring.

KEY METRIC: THE PERCENTAGE OF EMPLOYEES FROM BLACK, ASIAN AND MINORITY ETHNIC (BAME) GROUPS IN 2016

Year	% of employees from BAME groups
2016	17
2015	20
2014	11
2013	10
2012	9

Benchmark: The 2016 UK average is 12%⁹.

KEY METRIC: THE PERCENTAGE OF EMPLOYEES WHO HAVE DECLARED THEY HAVE A DISABILITY IS 0.7% (2015: 1.1%)

Benchmark: The 2016 figure for the UK workforce is 11%¹⁰.

We are committed to fair representation throughout the company, and exceeded our target of 25% female representation within the wider senior management group by 2015, with 28%¹¹ of these roles filled by women.

TRAINING AND DEVELOPMENT

We encourage employees at all levels to continue personal and professional development and study for relevant educational qualifications. We have introduced a series of talent and development initiatives as part of our investment in our employees' career progression.

Performance management and career development processes enable employees to discuss their training and development needs. These processes identify development opportunities in line with the individual employee's current role, future business requirements and future roles.

We have comprehensive learning and development programmes which enable employees to understand our businesses, do their jobs and develop new skills, supported by learning management systems.

A detailed induction programme introduces new starters to the business, their legal responsibilities and our CR activities.

Computer-based training modules also cover role-specific topics such as compliance issues, personal safety, data protection and anti-money laundering.

We are fully committed to the launch of the Apprenticeship Levy in 2017 and plan to grow both our graduate and apprenticeship training programmes.

We are authorised by the Solicitors Regulation Authority and the Institute of Chartered Accountants of England and Wales to issue training contracts to employees wishing to qualify as solicitors or chartered accountants, respectively.

- During 2016, employees across our group received at total of 64,520 (2015: 69,982) hours of training.
- Key metric: The number of training hours per employee delivered in 2016 was 18.2 hours (2015: 20.4 hours).
- Benchmark: the median range of training delivered to employees per year is 21-25 hours.



⁹ The ONS, percentage of the UK's population aged 16 and over from BAME communities that were in employment during 2016.

¹⁰ The ONS, percentage of the UK's population aged between 16 and 64 that were in employment and work-limiting disabled, and/or have disabilities consistent with the core definition under the Equality Act 2010, during 2016.

¹¹ At 31 December 2015.

HEALTH, SAFETY AND WELL-BEING OF OUR PEOPLE

The board has overall responsibility for the health, safety and well-being of all our people. In addition, we are committed to protecting the health, safety and well-being of the self-employed agents, contractors, suppliers and our customers.

The board works to ensure that health, safety and well-being are integral to the way each division operates. Each division is expected to develop and implement a health and safety policy and manual which is legally compliant; reviewed annually and approved by their board. They must also allocate and communicate duties and responsibilities for health, safety and well-being at board, senior management, line management and employee level.

As well as considering health and safety (H&S) at every divisional board meeting, each division produces an annual H&S report for the group board to demonstrate their compliance with the group H&S policy. H&S steering groups in each division manage and run a range of H&S activities and initiatives – such as producing H&S guides and delivering personal safety campaigns twice each year. H&S related information, such as policies, risk assessments and guidance, are available to all employees via our intranet sites.

We identify and evaluate health, safety and well-being issues using our risk management framework on a quarterly basis, as part of our assessment of the risk registers. Health, safety and well-being issues are considered in the recruitment and retention principal risk (for more information, see page 14). To manage this, we monitor and regularly review turnover, recruitment and attendance activity.

CCD have made their 'Safe & Sound' H&S induction guide into a computer-based training package. The package is available to all customer-facing staff and agents and covers a range of personal safety issues. Relevant employees and agents are required to refresh this training every year. CCD also delivers two personal safety weeks each

PROVIDENT FINANCIAL ACCIDENT RATES

	2016	2015	2014	2013	2012
Total number of reportable accidents	1	2	5	1	4
Number of reportable accidents, scaled up to per 100,000 employees ¹²	27	59	146	28	111
Total number of non-reportable accidents	85	98	63	100	106
Number of non-reportable accidents, scaled up to per 100,000 employees ¹²	2,290	2,869	1,837	2,749	2,932

year to maintain awareness of personal safety issues linked to being in a customer's home, driving, or handling sums of money. This is supported by a suite of 'Current Best Approach' documents which recommend the best ways of dealing with personal safety issues at work.

Stress management – Our H&S and sickness policies provide line managers with the tools to work with an individual to reduce workplace stress. The course of action may include: involving an independent occupational health provider; undertaking an individual risk assessment; making temporary or permanent changes to the colleague's work pattern or responsibilities; or suggesting confidential and impartial counselling.

Fitness facilities – We offer gym facilities at both our head office in Bradford and at the Moneybarn offices. In other parts of the business we offer employees subsidised gym membership. Total memberships at our Head Office gym have increased year-on-year with the total centre attendance rising by 24% and group exercise class attendance rising by 34% in 2016.

Health and nutrition – To promote well-being among our people in our Bradford Head Office, we offer a range of educational workshops and activities. These range

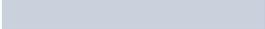
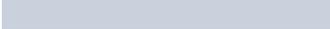
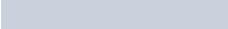
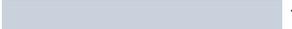
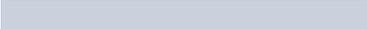
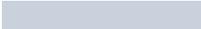
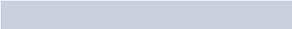
from nutritional therapy consultations to physiotherapy workshops and antenatal support. We offer all gym members Health MOTs. These Health MOTs assess blood sugar levels, BMI and blood pressure amongst a number of other key areas that allow our employees to understand their bodies better and identify key measures for improvement. In 2017, Nuffield expanded their wellbeing offering, developing a four part nutritional wellbeing programme and a 60-minute wellbeing basics workshop that aims to provide insight into how employees can improve their daily habits to maximise their potential, energy levels and avoid illness.

Flexible working practices – We consider all requests for flexible working patterns to help employees balance their home and work life responsibilities. We have set guidelines to fairly evaluate flexible working requests and have policies covering flexible working, remote working and job sharing.

Employee Assistance – To support other aspects of employee well-being, we offer all employees and families' access to an Employee Assistance Programme, which provides independent support on financial, work, personal, health or family matters. The service is provided by Legal and General and is available 24 hours a day, 365 days a year.

¹² 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.

AVERAGE NUMBER OF DAYS OF ABSENCE PER EMPLOYEE

	Vanquis Bank		CCD and corporate head office		Moneybarn	
2016		8.9		8.6		3.5
2015		10.0		8.4		6.4
2014		10.6		9.2		2.0
2013		7.6		8.5		-
2012		7.8		7.4		-

MANAGING ABSENCE

Our absence management approach is coupled with our focus on health and well-being. By supporting well-being, we can prevent people from going off sick, and deal with issues before they become a real problem. This is relevant as absence is estimated to cost employers £550 per employee per year.

The average number of days absence for the group as a whole was 8.7 compared to the private services sector average of 6.9¹³.

Our subsidiary businesses capture and categorise the underlying causes of absenteeism. This helps us provide the support and resources to uphold our employees' well-being. An Occupational Health Practitioner is also available to provide specialist medical advice and support throughout the absence management process.

SALARY AND BENEFITS

The salary, benefits and rewards packages that are offered to employees across our businesses help us to attract and retain the right people for our company. These packages are aligned with the performance management and appraisal processes we have in place.

Benefits include bonus and incentive schemes to reward good performance, childcare vouchers, holidays over statutory requirement, and discounted public transport season tickets.

ENCOURAGING EMPLOYEES TO SAVE FOR THEIR FUTURE

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

- Provident Financial Savings Related Share Option Scheme** – Currently, 1,755 employees (2015: 1,093) are saving money through this scheme, which enables them to save a fixed sum each month for three or five years. At the end of this period, they can choose to use the savings to buy shares in the company at a discounted price set at the outset of their savings contract.
- HMRC-approved Share Incentive Plan (SIP)** – The SIP has run since 2013. Employees can buy Provident Financial shares with us offering one additional share for every four shares they purchase, if certain conditions are met. Currently, 313 (2015: 285) employees are participating in the SIP.
- Two main pension schemes for new employees** – New employees are automatically enrolled into the Provident Financial Workplace Pension Scheme after two months' service. After two years, they are invited to join the PFG Retirement Plan instead, which sees employees contribute 3-8% of their pensionable salary, and the company contribute 5-10%. The plan also allows employees to choose to invest in an ethical fund, incorporating social, ethical and environmental considerations.
- Childcare contributions** – to support our employees and their families we offer maternity and paternity leave, flexible working arrangements and a childcare voucher scheme through which employees can take part of their pre-tax salary in Childcare Vouchers.

Description	Average salary paid
Executive and director level	£215,025
Management level	£52,772
Non-management level	£24,047

¹³ The CIPD 2015 absence management survey.

TREATING OUR SUPPLIERS FAIRLY



TREATING OUR SUPPLIERS FAIRLY

INTRODUCTION

Compared to other businesses from other sectors, our supply chain is relatively straightforward. Most of our tier one suppliers are based in the UK and Ireland. Despite this, our approach to CR means treating our suppliers fairly, and using our purchasing power carefully.

In 2016, our spend on products and services was £179.1 million (2015: £194 million). This expenditure can provide us with the purchasing power to choose more sustainable products or services, or to set an expectation of our suppliers that motivates them to demonstrate and implement values that make them a more responsible business.

Our corporate policy on procurement states that the processes of our subsidiary businesses “...must involve due consideration of the corporate responsibility practices of the supplier to ensure that there are no conflicts with group culture, relevant policies and the group’s core values.” This is supported by the corporate equality and diversity policy which states that “all fundamental human rights should be respected and, in the conduct of the group’s business, should be guided by the provisions of the United Nations Universal Declaration of Human Rights (UNUDHR) and the International Labour Organisation core standards.”

2017 TARGETS

Deliver a workshop to the procurement functions of our subsidiary businesses, to enable them to explore whether there are any human rights risks within their supply chains.

Review and, where appropriate, amend the questionnaires and other tools used by our subsidiary businesses to assess the CR performance of suppliers.

Our subsidiary businesses to assess their performance against the Prompt Payment Code in terms of paying their suppliers within a maximum of 30 days.



2016 TARGETS

Ensure that we comply with the principles of the Prompt Payment Code which covers prompt payment, as well as wider payment procedures.

Achieved: See page 42 for more information.

Deliver workshops to the procurement functions of the Provident Financial Group's subsidiary businesses on the Modern Slavery Act 2015.

Achieved: Workshops were held during 2016 with personnel from across the group attending the sessions.

Publish a statement on the steps we have taken to ensure there is no slavery or trafficking within our own organisations or supply chains.

Achieved: This can be viewed here: www.providentfinancial.com

Develop and launch an intranet portal within CCD which enables the outputs from the Due Diligence Questionnaires (which covers CR matters) that are submitted by suppliers to be recorded and monitored.

Achieved: This was established and launched in 2016 – page 41 for more information.

OUR SUPPLY CHAINS

Approximately two-thirds of our procurement spend is on services such as mailing, marketing, security, debt recovery, credit scoring and professional services (e.g. legal and accountancy services). The second highest spend relates to our information technology infrastructure (i.e. hardware, software and support).

We use a high number of suppliers, ranging from small to medium-sized enterprises (SMEs), to large multinational corporations. These organisations, which are based predominantly in the UK and Ireland, will in turn, use their own suppliers too. Our procurement teams continue to assess the CR performance of our direct suppliers. This enables us to manage risk, and engage with them to ensure that they comply with our policy requirements and meet legislative requirements such as the Modern Slavery Act.

Our subsidiary businesses use a self-assessment questionnaire to assess the CR performance of the suppliers they engage

with. This questionnaire is sent mainly to prospective suppliers at the 'prequalification' and 'invitation to tender' stage of the procurement process, but is sometimes sent to existing suppliers. The questionnaire covers both environmental and social areas, including management of their supply chain. The results of the questionnaire allow us to identify and act upon any potential sustainability risks, as well as select products and services which have positive social and environmental impacts. The information is analysed to produce a score which is factored into procurement decision-making. The questionnaire also raises awareness of our CR commitments with suppliers and helps improve their performance.

During 2016, CCD launched an intranet that collects and tracks all due diligence information given by suppliers during the procurement process, which includes CR, data protection and information security. This portal will enable us to better track the performance of organisations that CCD is working with against our expectations.

KPIs: OUR 2016 PERFORMANCE

96%

The group's compliance with the Prompt Payment Code



OUR RESPONSE TO THE MODERN SLAVERY ACT

The UK Modern Slavery Act 2015 has introduced a new obligation for organisations (with a turnover of £36 million or more) to publicly report the steps they have taken to ensure their operations and supply chains are trafficking and slavery-free. To comply, organisations are required to report annually via a statement which must be approved and signed off at the highest level of the organisation, and made accessible on the organisation's website.

The self-assessment questionnaire we use has covered a range of issues that have been material to modern slavery for many years. These issues include child labour, forced and bonded labour, freedom to form/join trade unions, collective bargaining, disciplinary/grievance practices, working hours and overtime, benefits, transparency of employment contracts, minimum/living wages, and payment of wages.

In 2016, we used the act's introduction to build on our existing work. This involved engaging with our subsidiary businesses' procurement teams to raise awareness of the new requirements, and a reassessment of their supply chains to identify any potential risks from a slavery or human trafficking perspective. Our first Modern Slavery Act statement was published in April 2016 and is available at www.providentfinancial.com. In 2017, we will build on the work completed so far.

PROMPT PAYMENT OF SUPPLIERS

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

In 2015, the group became a signatory of the Prompt Payment Code. This code sets standards for payment practices and best practice wider payment procedures. Signatories to the code commit to pay their suppliers within a maximum of 60 days and work towards adopting 30 days as the norm.

In terms of paying suppliers within a maximum of 60 days, during 2016:

- 95% of our corporate office suppliers were paid in line with the principles of the Prompt Payment Code.
- 95% of Vanquis Bank suppliers were paid in line with the principles of the Prompt Payment Code.
- 95% of CCD suppliers were paid in line with the principles of the Prompt Payment Code.
- 99% of Moneybarn suppliers were paid in line with the principles of the Prompt Payment Code.

SUPPORTING LOCAL BUSINESS ON CR MATTERS

We are committed to supporting smaller, local businesses close to our head office in Bradford to improve their environmental management and wider CR performance. We do this for two reasons: firstly, there is a distinct lack of CR support available and secondly, because it enables us to engage with local SMEs in our own supply chain. We provide this support through our collaboration with the West and North Yorkshire Chambers of Commerce on their 'Raising the Bar' initiative.

RAISING THE BAR

Raising the Bar supports businesses of all sizes from across West and North Yorkshire to get involved in and benefit from CR activities. The initiative is organised around the priorities of community, economy, education and the environment. It provides support by delivering advice, case studies and sign-posting. It also acts a benchmarking tool to enable businesses to record, monitor

and evaluate their CR contributions.

The Raising the Bar awards are a highlight of the region's business calendar, and celebrates the CR achievements of local businesses. In 2016, four organisations were praised for work in the categories of community, economy, education and environment, with an overall winner chosen from that group.

The overall winner, Ucan Recycling, was classed by judges to be the stand-out entry across all four categories. The individual category winners were: Naylor Wintersgill (Community), Hungate York Regeneration (Education), Christeys (Environment) and See Green Media (Economy).

Ucan is a Wyke-based social enterprise specialising in the recycling and re-use of IT materials. The not-for-profit organisation was founded in 2010 to create jobs for the long-term unemployed. It offers a free collection service to businesses, schools, universities and councils, to clear out redundant IT materials and keep it out of landfill. Ucan now boasts a £1.2 million turnover.

“We’re delighted to be the winner of the overall award; it’s a great achievement for a small company like us. The awards and this event are a great showcase for all the hard work the Ucan team does, plus all the other winners. The awards help with our profile, boost staff morale and ultimately help the business grow.”

Rob Seal, Managing Director of Ucan

SUPPORTING OUR COMMUNITIES



SUPPORTING OUR COMMUNITIES

INTRODUCTION

Provident Financial Group's Social Purpose is financial inclusion for those who are not well served by mainstream credit products or are excluded altogether. To do this, we make financial products and services available in a responsible way to consumers in the non-standard credit market. However, we also recognise we have a duty to invest in the communities where non-standard credit consumers live, and address the issues that are relevant to their needs.

2017 TARGETS

Continue to invest 1% of profit before tax in community programmes, money advice programmes and social research.

Develop new partnerships with at least two Community Foundations in other parts of the UK.

Sign the National Literacy Trust's Business Pledge to elevate the literacy issue within our business, and take practical action to close the literacy gap.

Pilot the use of models such as Social Return on Investment to evaluate the social value of the Bradford Literature Festival, and at least one other element of our social impact programme.

Provide the Foundation for Social Improvement with funding to support Small Charities Week and hold an event for small charities and community organisations in Bradford.

Support and participate in the Legal Social Mobility Partnership to help provide a work programme to give school-aged students from less-privileged backgrounds access to the legal profession and develop their career aspirations.

Develop and launch an online platform that will enable the business to engage with employees, manage volunteer opportunities, co-ordinate community investment activities and more accurately measure, report and communicate our business and social impacts.

Explore new ways to introduce business-skills volunteering into our graduate and leadership development programmes.

Vanquis Bank to support The Money Charity and Mencap to develop financial skills workshops to help people with learning disabilities take control of their money.

We will continue to invest 1% of profit before tax in community programmes, money advice programmes and social research.



2016 TARGETS

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

Partial progress: During 2016, 0.91% of group statutory profit before tax (£3.1m) was invested in these areas.

Continue to increase the number of hours volunteered by Provident Financial Group employees in community involvement activities by 25% by 2018, from the 2014 baseline (1,929 hours).

Achieved: During 2016, Provident Financial Group employees volunteered 3,632 hours in community activities. This is a 53% increase.

Undertake a review of the group community investment strategy to ensure that it both responds to society's current needs and reflects our development into a broader lending business within the non-standard credit market.

Achieved: See page 46 for more information.

Improve the measurement and impact of our community investment programmes.

Partial progress: During 2016, we initiated work to pilot the use of models such as Social Return on Investment to evaluate the social value of relevant community investment projects. This involved meeting with organisations that could support us to undertake this work and shortlisting the projects that form part of our community investment programmes.

Establish a partnership between Vanquis Bank and The Money Charity to deliver financial education workshops in schools in Bradford and London.

Achieved: See page 50 for more information.

KPIs: OUR 2016 PERFORMANCE

£3.1m

Amount invested to support community programmes, money advice programmes and social research (2015: £3.1m)

64,021

Number of people who directly benefited because of community investment programmes (2015: 42,938)

13,731

Number of people who developed new skills or improved their personal effectiveness as a result of our community investment programmes (2015: 18,872)

12,829

Number of people who have experienced a direct positive impact on their quality of life or well-being through our community affairs programmes (2015: not fully measured)

3,632

Total number of hours volunteered by employees in community involvement activities (2015: 2,255)

53

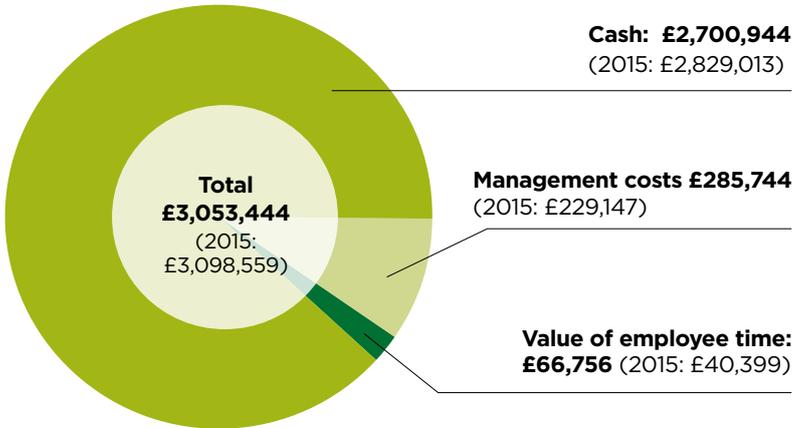
Number of projects/partnerships we supported on a longer-term basis

We have also distributed grants to a further

29

organisations through accredited community intermediaries, such as Community Foundations.

2016 COMMUNITY INVESTMENT FIGURES



REVIEWING OUR COMMUNITY INVESTMENT STRATEGY

During 2016, we reviewed our group community investment strategy, to ensure that it was still fit for purpose and meeting the expectations of our stakeholders. We looked at our current community investment activities, other companies' programmes, as well as assessing key trends in community investment.

To ensure we included the views of people from inside and outside the group, we interviewed key individuals from across our businesses and hosted a roundtable with a range of external stakeholders.

The review revealed six key findings:

- 1 The community strategy should continue to be closely aligned to our social purpose of financial inclusion for those who are not well served by mainstream credit products, or who are excluded from them altogether.
- 2 The community strategy should apply across the corporate office and all the operating businesses.
- 3 We should place greater emphasis on measuring the social impacts of our community investment work.
- 4 We should publish the measurable social impacts of our community investment activities to enhance the brands of our operating businesses. This will help them to attract, retain and develop the best talent from the widest possible pool.
- 5 The strategy should be supported by appropriate governance structures, which draw on expertise from inside and outside the business, and focus on ensuring that all activities are strategically aligned.
- 6 We should, wherever possible, work with accredited community intermediaries, such as Community Foundations, who can work with our businesses to connect them with support, and invest in projects and initiatives.

OUR SOCIAL IMPACT PROGRAMME

Based on the review, we have developed a strategy aligned to the most relevant issues for both our customers and employees.

The reasons consumers are not accepted for mainstream credit products are many and complex. However, there are some key factors which, on their own or acting together, tend to reduce someone's likelihood to be accepted for credit. Factors include: unemployment or under-employment; low, uncertain or fluctuating incomes; low educational attainment; and physical or mental health issues.

Our strategy is to invest in community activities that seek to alleviate these underlying problems. The strategy delivers support in five ways:

1. Supporting local projects which address social inclusion issues.
2. Supporting accredited community intermediaries such as Community Foundations, to deliver programmes in the communities in which we operate.
3. Providing employees with matched funding for fundraising and promoting volunteering activities.
4. Encouraging our employees to take part in company-led volunteering initiatives.
5. Supporting the money advice sector to address financial education issues, and carrying out research into broader, societal matters that relate to our customers (see pages 29-30).

The social impact programme is supported across the group by the teams at our corporate office, Vanquis Bank, CCD and Moneybarn.

We will continue to support employee engagement by providing matched funding and a range of volunteering opportunities.

SUPPORTING PROJECTS WHICH ADDRESS SOCIAL INCLUSION ISSUES

We have a long track record of supporting community partners across the UK and Republic of Ireland on a long-term basis. Typically we provide financial support to our community partners for three years or more. This provides our community partners with some stability to address a wide range of social inclusion issues.

We also provide our community partners, many of whom have had their funding from other sources reduced, with support and advice that enables them to become more sustainable.



Participate

WORKING WITH PARTICIPATE

Participate is a community regeneration charity that supports community organisations in some of the most disadvantaged areas of Yorkshire. In 2016, we supported Participate to work directly with some of our community partners to help them become more sustainable organisations. The current funding landscape is challenging for many organisations within the third sector, but particularly for the smaller, local community organisations that we support. By engaging Participate to work directly with our partners, they received bespoke support and expertise in areas such as governance, fundraising and strategy.

To share this work and the common themes and insights it provided more widely, we funded Participate to deliver the Provident Financial Good Neighbour Live conference in September 2016 (GNlive2016). The event brought together community partners from across the UK and Ireland to hear from third sector experts and to spend time networking and sharing insights with their peers.

“GNlive2016 reflected the enthusiasm and energy of the amazing organisations that attended. Feedback from delegates has been fantastic, with some ambitious pledges to implement learnings from the speaker sessions and workshops. The great networking opportunities have started new partnerships between charities across the country.”

Anthony Waddington, Project Director at Participate

“On behalf of Sycamore Adventure, Dudley Local Authority and all of the children and families that use Sycamore Adventure, I would like to say a big thank you to Provident Financial and Participate. The GNlive2016 conference was absolutely fantastic and was probably the most beneficial conference that we have ever been to.”

Keith Rogers, Play Service Manager at Sycamore Adventure

MADE4U IN ML2

Made4U in ML2 is a community centre based in Wishaw, North Lanarkshire. The centre promotes positive lifestyles through a diverse programme of activities aimed at tackling a wide range of issues from mental health, obesity and inactivity in young people, to isolation, unemployment and drug and alcohol abuse. Our initial funding allowed them to move into their own premises and continues to cover the cost of the centre's vital work.

The support from Participate highlighted that Made4U in ML2 would benefit by defining their organisational structure, building a strategic vision and then identifying and accessing further sustainable funding. Through our funding, Made4U in ML2 has received one-to-one support focused on developing its governance structures so they can continue to deliver services and support the local community's needs.

“Participate's support has allowed MADE4U to continue reaching and impacting the community. Through the partnership with Participate, we have gained better insight into how to shape and develop our organisation to become more sustainable. We are excited about what's to come.”

Clare McCormack, Project Manager at Made4U in ML2



PROJECT FOR THE REGENERATION OF DRUIDS HEATH (PRODH)

PRODH works with local people and other partner organisations to deliver activities and projects focused on those disadvantaged by financial hardship, disability and low levels of educational attainment. It provides an advice and advocacy drop-in facility, adult education courses in English, maths and beauty, debt advice and a weekly community lunch for older people on the estate.

Working with Participate, the organisation is currently looking at diversifying their revenue streams to help them to become sustainable.

“The partnership we have with Provident Financial has a massive impact on the motivation of both staff and volunteers. Having a company that believes in you and trusts you to use the funding well is a rare thing. Connecting us with Participate to look at ways of becoming more sustainable is also of high value in the current climate.”

Karen Urwin, Community Regeneration Worker at PRODH

VANQUIS BANK AND MENCAP

The number of people with a learning disability in paid employment remains chronically low - 8 out of 10 could work but only 2 out of 10 do. In 2016, Vanquis Bank signed a three-year partnership with Mencap to support over 200 people with a learning disability to gain confidence and develop key employability skills. Mencap's aim is that 44 people will be supported into employment, work experience, volunteering or an educational course through the partnership with Vanquis Bank.

The partnership also provides skills-based volunteering for Vanquis Bank employees, giving them the opportunity to develop communication, problem solving, management and organisational skills. Vanquis employees are also fundraising for Mencap.

“Thanks to the support I received from Mencap through its Employ Me and Money Management Programmes in Chatham, I now have a part-time paid job in Asda and I also have a part-time job in The Card Factory. I can now choose to go on holiday if I wish, and I have money to buy Christmas and birthday presents for people.”

Ryan's Story - Mencap Medway

BRADFORD LITERATURE FESTIVAL

With over 135 years' history of being headquartered in Bradford, we are committed to supporting the community through a broad range of activities. Following an initial two-year sponsorship, we have now announced our title sponsorship for the Bradford Literature Festival for a further five years. Our aim is to support Bradford in its continued regeneration, engage audiences from our communities, raise aspirations and improve literacy. In supporting the festival, we seek to play an active role in addressing social challenges by promoting social inclusion and increasing educational achievement, and help to bring an important cultural space to the city.

To understand the social value that the festival has, we will conduct an evaluation exercise over the next five years, using a Social Return on Investment (SROI) approach. This will enable us to measure the material outcomes from the festival for those that attend and other stakeholders. The values of the broad outcomes will be determined - from creative skills and enrichment for festival goers to local pride for Bradford residents. This will give us a more complete understanding of how the festival contributes to the city and its regeneration.

NATIONAL LITERACY TRUST

Building on our Provident Reading Partner Scheme, which we have delivered for over a decade, we will be launching our new partnership with the National Literacy Trust in September 2017.

With 40% of adults in the UK's most deprived areas lacking the literacy skills expected of an 11-year-old, it is vital that we support literacy skills to secure a strong future workforce and a customer base with the skills to make informed decisions in their every-day lives.



Credit: National Literacy Trust

Our partnership with the National Literacy Trust will focus on working with adults and children to raise literacy levels in Bradford, offering volunteering opportunities to our staff and providing schools with free 'book boxes.'

SUPPORTING ACCREDITED COMMUNITY INTERMEDIARIES

In 2015, Vanquis Bank launched three community funds as an innovative way of reaching more grass-roots organisations, whilst also involving their employees in the awarding of funding. The funds are administered by local Community Foundations in London, Kent and Leeds (serving Bradford). These funds continued to operate throughout 2016.

- Leeds Community Foundation: funding was awarded to seven organisations working with young people in deprived areas of Bradford. Through the support provided to these organisations, over 550 people benefitted in terms of employability skills, rebuilding self-esteem, and enhanced self-confidence.
- Kent Community Foundation: funding was awarded to ten organisations which enabled almost 13,000 people to receive advice and support on a range of issues including mental health, food and nutrition, and self-esteem.
- London Community Foundation: funding was awarded to six organisations working with young people in deprived areas of London. This enabled over 3,500 of people to receive support to address physical, mental and emotional health issues, and develop employability skills.

In 2017, we will develop new funds with Community Foundations in the UK so that we can support more work from these grass-root organisations.

EMPLOYEE MATCHED FUNDING AND VOLUNTEERING

We encourage our employees to support their own communities and causes by offering matched funding. Employees who are taking part in a fundraising activity for a registered charity or not-for-profit organisation, can apply for matched funding up to £500, providing it's within our guidelines. This means that whatever our employee raises, we will donate the same amount to the charity. For our Good

Neighbour partners, we go further by matching up to the full amount. During 2016, we provided matched funding worth £20,976.63 (2015: £41,562) to employees, which went to a range of local, regional and national charities and community organisations.

We encourage our employees to contribute their time and skills to our community activities and our volunteering policy gives our employees two days a year in work time to take part in community initiatives and fundraising events close to their hearts. This can be done independently, through company-led volunteering challenges and skills-based volunteering, or by volunteering to take part in specific projects. During 2016, employees volunteered 3,632 hours (2015: 2,255 hours) to community involvement activities.

THIRDBRIDGE

In 2017, we began a partnership with thirdbridge, a social enterprise dedicated to building links between the private and third sector. This will provide an online platform to enable our employees to connect with charities, and identify volunteering and fundraising opportunities that might be of interest to them.

With the support of thirdbridge we hope to increase employee engagement and see more employees using their volunteering leave. Engaging with thirdbridge will also allow us to expand and increase our corporate investment measurement and reporting.

MENCAP – LEARNING DISABILITY WORK EXPERIENCE WEEK (LDWEW)

As part of Vanquis Bank's charity partnership with Mencap, the Bank was a proud sponsor of Learning Disability Work Experience Week 2016. LDWEW provides positive and meaningful work placements for people with a learning disability, which improves their chances of finding paid work in the future, and shows employers the benefits of employing a person with a learning disability.

Volunteers from Vanquis Bank supported work experience placements for six people with learning disabilities, giving them their first taste of a work environment. The Bank is committed to supporting LDWEW for the foreseeable future. Next year, the plan is to engage with more areas of the business and to offer placements within technical areas, taking inspiration from Microsoft's Autism and Asperger's syndrome inclusive recruitment programme.

“My work experience placement was with Vanquis Bank for four days. I got the placement through the Mencap Employment Team as they told me about the placement opportunity. I was based at Vanquis' London office at Fenchurch Street on the 28th Floor of the Walkie Talkie building. I think my overall experience was positive and there wasn't anything that I didn't enjoy. It was also really good to get to know new people and find out what their jobs were, and what they have to do within their job.”

Vijay Patel – Mencap London

TEAM CHALLENGES

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

A team challenge involves a group of employees who respond to a need in the community by getting involved in a specific project on behalf of the company. Challenges are usually undertaken at a community organisation or school, and take place during working hours over a period of one or two days. They'll involve straightforward 'hands on' practical tasks such as revamping a garden or essential building maintenance.

“It was a real pleasure to support this worthy cause and everyone involved had a fantastic time, even when the weather wasn't with us.”

Vicky Osman, Head of Satsuma Operations

During 2016, we delivered 22 team challenges. Teams from CCD's Satsuma and IT departments took part in a challenge for Bradford charity, the Big Swing Adventure Playground. The charity provides confidence-building exercises to children from deprived areas including den building, campfire cooking, as well as access to a 50-foot zip wire and other play structures.

Over the week, 60 volunteers took part in a challenge which involved planting and maintaining gardens, treating timber structures, replacing damaged play equipment, maintaining paths and repairing edges and simple walls, as well as painting and external decorating.

“We’re always talking about doing the best for our customers and getting involved in something like this shows it’s not just words, we are committed to the community and giving something back.”

Stephen Walker, Senior Infrastructure Manager, IT

THE OUTWARD BOUND TRUST

Vanquis Bank has been working with The Outward Bound Trust since 2014, providing adventurous and challenging outdoor learning programmes to young people.

Vanquis Bank employees can volunteer as Employee Ambassadors. They provide additional emotional and practical support during the programme and provide a ‘real-world context’ for the learning that takes

place, to develop young people’s awareness of the workplace and routes to employment.

A total of 360 young people benefitted from this support in 2015-16. Based on the evaluation of a selection of courses, 89% experienced a positive change in their attitude to facing challenges in the future and 80% developed confidence, awareness of their own skills, and improved attitude to problem solving.

SUPPORTING THE MONEY ADVICE AND FINANCIAL EDUCATION SECTORS

As part of our commitment to help non-standard credit customers, we work with a wide range of free and voluntary money advice organisations. Our financial support enables them to help those who have problems repaying their debts to us and others, and increases the quality and availability of free, independent money advice in the UK. We support a range of money advice providers, including: Advice UK, Citizens Advice, Step Change Debt Charity, Institute of Money Advisers, Money Advice Liaison Group, Money Advice Scotland, Money Advice Trust, and National Debtline.

We also work with specialised money advice providers on a range of further financial education initiatives and help finance publicly-available, independent research to understand the financial behaviour of those on modest incomes.

Refer to pages 29 & 30 of this report for more information.

THE MONEY CHARITY

Vanquis Bank continues to support financial education and money advice through its partnership with The Money Charity. In 2016, they supported:

- Interactive financial education workshops in schools: aimed at 11-16 year olds, the workshop covers key financial topics in line with the National Curriculum, including budgeting, the importance of savings, and understanding credit. The workshops empower children to build the skills, knowledge, attitudes and behaviours to make the most of their money. These workshops were supported by 17 Vanquis Bank volunteers (5 in Bradford, 11 in Chatham and 1 in London) who delivered 14 workshops benefitting 492 pupils.

80% of students said:

- Having a money action plan would help them to achieve their goals.
- A budget is a way for them to stay on top of their money.
- It is important to save.
- They had learnt something from the workshops.

A teacher said “The session was really good. Really informative and the presentation was excellent. Lots of detailed information on credit and what things the students need to consider and prioritise.”

- Adult workshops: 16 workshops were delivered for a range of groups including community groups, people who have experienced homelessness, a women’s empowerment group, parents of disabled children and young people with special educational needs. Vanquis Bank’s funding supported 30 support workers, 14 ex-offenders, 47 adults who are homeless, have mental health issues or otherwise are socially marginalised, 31 other vulnerable adults, 41 adults, and 43 young people and their families.

A participant in these workshops said “I have learnt how to manage my finances effectively and wisely in order to make savings.”

As a result of this funding:

- 527 (76%) of beneficiaries developed new skills or increased their personal effectiveness.
- 118 (17%) of beneficiaries experienced a positive change in their behaviour or attitude with many more seeing a positive shift in attitude from ‘worried’ or ‘content’ to ‘optimistic’, ‘happy’ and ‘motivated’.



ENGAGING THE INVESTMENT COMMUNITY IN CR



ENGAGING THE INVESTMENT COMMUNITY IN CR

CR is fundamental to our success. Responsible lending and customer satisfaction are vital to the organisations that invest in us; and increasingly, issues such as climate change, our approach to cybersecurity and tax strategy are becoming more prominent.

2017 TARGETS

Maintain or improve our ratings on the mainstream sustainability indices (e.g. Carbon Disclosure Project, Dow Jones Sustainability Indices (DJSI), FTSE4Good).¹³

Continue to respond to requests for one-to-one meetings with investors and fund managers to engage with them on aspects of Provident Financial Group's CR programme

2016 TARGETS

Maintain or improve our ratings on the mainstream sustainability indices (eg Carbon Disclosure Project, Dow Jones Sustainability Indices, FTSE4Good and Euronext Vigeo Indices).

Achieved: Refer to page 53 of this report for more information.

Undertake third-party reviews of our CDP and DJSI submissions.

Achieved: The third-party review of our CDP submission was undertaken by Carbon Clear and the third-party review of our DJSI submission by Corporate Citizenship.

KPIs: OUR 2016 PERFORMANCE

65 OUT OF 100

Dow Jones Sustainability Indices score (2015: 61 out of 100)

95 OUT OF 100

FTSE4Good score (2015: 97 out of 100)

C AWARENESS

CDP scoring level (2015: D Disclosure)¹⁴

Continued presence within the Euronext Vigeo and Forum ETHIBEL indices

see page 54 for more information



¹⁴ In 2016, CDP introduced the following new scoring system to evaluate the participating company's level of environmental stewardship: Leadership (A/A-) - implementing current best practices; management (B/B-) - taking coordinated action on climate change issues; awareness (C/C-) - knowledge of impacts on, and of climate change issues; disclosure (D/D-) - transparent about climate change issues; and F - failure to provide sufficient information to CDP to be evaluated for this purpose.



INCLUSION ON MAINSTREAM SUSTAINABILITY INDICES IN 2016

Sharing information with the Socially Responsible Investment (SRI) community and being represented within investment indices and registers, is an important part of our approach to CR. It enables us to provide investors and other stakeholders with demonstrable evidence of our commitment to operating in a sustainable and responsible manner.

Sharing information with the Socially Responsible Investment (SRI) is an important part of our approach to CR.



CDP – 2016 marked our tenth annual submission of our climate change data to CDP (formerly the Carbon Disclosure Project). CDP requests information on the risks and opportunities of climate change from the world's largest companies, on behalf of 827 institutional investor signatories with a combined US\$100 trillion in assets. Through the CDP submission, we can inform investors of any material climate change-related risks and opportunities and how we manage them. Our 2016 CDP submission was rated 'C Awareness' demonstrating that we have knowledge of our impacts on climate change and of climate change issues more broadly. Our CDP submissions are published at www.cdp.net.



Dow Jones Sustainability Indices (DJSI) – Our score in the DJSI in 2016 was 65 (2015: 61) - 51% higher than average for the Diversified Financial Services and Capital Markets sector, which stood at 43 (2015: 47). Our DJSI score is based on our response to a range of economic, environmental and social factors that are relevant to our financial success.

We continue to be included in the Dow Jones Sustainability Europe Index. However, disappointingly, we were not included in the Dow Jones Sustainability World Index (DJSI World). The feedback we received suggests that with improvements to future DJSI submissions, we could be included again in the DJSI World. In response, we have conducted a third-party review of our previous DJSI submissions to highlight any areas where we could improve.



FTSE4Good

FTSE4Good – Following our annual assessment, we continued to be listed on the FTSE4Good Index Series. Our overall score was 95 out of 100 (2015: 97 out of 100).

To be included in the FTSE4Good companies must show strong ESG management including supporting human rights, having good relationships with stakeholders, making progress to become environmentally sustainable, ensuring good labour standards including in the supply chain, and fighting bribery and corruption.



Forum ETHIBEL - In 2016 we continued to be included in the Ethibel Sustainability Index (ESI) Excellence Forum.

The ESI Excellence Forum is an investment register of companies that show the best CR performance. Inclusion is based on our performance against a wide range of CR parameters and consultation with relevant stakeholders. Companies are only included if they achieve an above average assessment score and have not been involved in any serious controversies.



Euronext Vigeo - We continued to be included within the three Euronext Vigeo indices, which rank organisations based on their ESG performance, assessed by a review of up to 330 indicators:

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

We also had a series of one-to-one meetings with investors and fund managers to engage with them on aspects of our CR programme. In 2016, this included engaging in dialogue with M&G Investments, OFI Asset Management and Rockefeller & Co.

We had a series of one-to-one meetings with investors and fund managers to engage with them on aspects of our CR programme.

MINIMISING OUR ENVIRONMENTAL IMPACTS



MINIMISING OUR ENVIRONMENTAL IMPACTS

INTRODUCTION

We remain committed to doing business in a way that minimises our environmental impact. Whether it is reducing our direct impacts through our office energy consumption, or our indirect impacts within our supply chains, we work to manage our day-to-day business operations as efficiently and responsibly as possible. We recognise the importance of acting on climate change, so have set a number of emissions reduction targets across the group, which are outlined below.

2017 TARGETS

Greenhouse gas (GHG) emissions

Reduce scope 1 and 2 GHG emissions by 30% by 2020, compared with the 2015 baseline.

Extend GHG emissions offsetting to include all reported GHG emissions.

Identify opportunities to include the new Customer Experience Managers (replacing self-employed agents) in our GHG reporting.

Transport

Extend the number of models of plug-in hybrid electric vehicles that are available to employees as company cars.

Waste

Review the waste management arrangements at CCD's branch offices to identify opportunities to minimise the waste sent to landfill.

Environmental stewardship

Ensure that the environmental management system (EMS) at the head office in Bradford continues to be certified to the international standard ISO 14001 and achieves ISO14001:2015 by 2017.

2016 TARGETS

Greenhouse gas (GHG) emissions

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

In progress: we have reduced our scope 1 and 2 GHG emissions by 10% compared with 4,612 tonnes of CO₂e in 2015.

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

Achieved: The 2016 emissions were offset through the purchase of carbon credits that were accredited to the Verified Carbon Standard and SOCIALCARBON standard.

Continue to identify opportunities to improve the way GHG emissions associated with Provident home credit agent business activities are calculated.

Not achieved: Due to changes in the home credit business and the move to Customer Experience Managers this target will not be pursued (see page 34 for more information).

Transport

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

Achieved: Our head office staff can purchase an annual season ticket for public transport which is subsidised by 45%.

Provide facilities within the car park at the Provident Financial Group head office in Bradford to charge plug-in electric vehicles.

Achieved: Facilities to enable plug-in electric vehicles to be charged have been installed.

Waste

Continue to ensure that the majority of our waste is diverted away from landfill.

Achieved: 99% of the waste that is generated across Provident Financial Group has energy recovered from it.

Water

Continue to identify opportunities to improve our water consumption accounting and reporting.

Partial progress: An account of the volume of water that was consumed during 2016 has now been calculated for Provident Financial Group. However, in respect of CCD's branch offices, this has been calculated on the basis of an average estimation where water bills are paid directly to the utility provider. This average estimation was then applied to the number of premises the Division occupies. This figure stood at 36,778m³.

Environmental stewardship

Ensure that the environmental management system (EMS) at the head office in Bradford continues to be certified to the international standard ISO 14001 and achieves ISO14001:2015 by 2017.

Partial progress: During 2016, all the documentation associated EMS was updated to reflect the ISO 14001:2015 standard. The certification audit against this standard was scheduled for April 2017.

Extend the scope of the ISO 14001-certified EMS to include the two Vanquis Bank offices by 2016.

Partial progress: Further work was carried out during 2016 to update the governance structure that will provide oversight of an EMS at Vanquis Bank's offices in London and Chatham. Certification of the EMS to ISO 14001: 2015 will be sought during 2017.

OUR 2016 BALANCED SCORECARD PERFORMANCE

8,435

tonnes CO₂e

Total greenhouse gas emissions

(2015: 9,811 tonnes CO₂e)

8,416

MWh

Total energy use

(2015: 8,486 MWh)

4,150

tonnes CO₂e

Scope 1 and 2 emissions

(2015: 4,612 tonnes CO₂e)

879

tonnes

Total waste arising

(2015: 1,526 tonnes)

4,285

tonnes CO₂e

Scope 3 emissions

(2014: 5,199 tonnes CO₂e)



We recognise the importance of acting on climate change, which poses a significant risk to the global economy and to society in general.

OUR APPROACH TO ENVIRONMENTAL MANAGEMENT

Our commitment to minimising our environmental impacts is underpinned by an environmental management system (EMS) across our operations. The EMS provides the framework for:

- Controlling and improving environmental performance across the group.
- Delivering against environmental objectives and targets.
- Demonstrating compliance with environmental objectives.
- Identifying areas where we can increase efficiencies, make savings and reduce risk.

Through the EMS, we consider the environmental aspects and impacts associated with the group's activities, products and services to minimise material risks and maximise any opportunities. These risks and opportunities are considered against the context in which we operate, and against the needs and expectations of key stakeholders.

Our EMS is audited annually against the requirements of the international environmental management standard ISO 14001. Our head office is formally certified to ISO 14001 and we have a target to formally certify our EMS at Vanquis Bank's offices in London and Chatham.



OUR APPROACH TO CLIMATE CHANGE

We recognise the importance of acting on climate change, which poses a significant risk to the global economy and to society in general. In response, we have developed a low carbon strategy to help us reduce the carbon intensity of our operations, products and services.

Our low carbon strategy aims to:

- Demonstrate **commitment and leadership** in working towards achieving significant reductions in GHG emissions.
- Continue to **measure and benchmark** our energy usage and carbon dioxide performance to ensure that we adhere to best practice in carbon management and reduction.
- Establish **challenging targets** to enable us to be more efficient with the energy we consume and to reduce the emission of GHGs that arise from our operations, products and services.
- **Influence our customers, employees and suppliers** to act on climate change and reduce their carbon footprints.
- **Engage positively and proactively with stakeholders** to ensure that the voice of business is heard in the debate on climate change.

GHG EMISSIONS REPORTING

We manage and report the GHG emissions for which we are directly responsible (e.g. combustion of fuel or operation of any facility), and for which we are indirectly responsible, such as the electricity and heat we purchase. We are committed to reducing these GHG emissions by operating as efficiently and sustainably as possible, and by focusing our reduction efforts on the areas where we can have the greatest impact. We do this by purchasing electricity from renewable sources, making use of energy efficient technologies, offering more fuel-efficient and hybrid vehicles, and offsetting carbon.

Managing and reporting our GHG emissions enables us to benchmark our environmental impact and develop action plans to reduce our impact and meet regulatory requirements and the interests of our stakeholders.

During 2016, our scope 1 and 2 emissions and associated scope 3 emissions accounted for 5,116 tonnes CO₂e (2015: 5,881). These scope 3 emissions are the indirect 'well-to-tank' emissions from the extraction, refining, distribution, storage, transport and retail of the fuel we use.

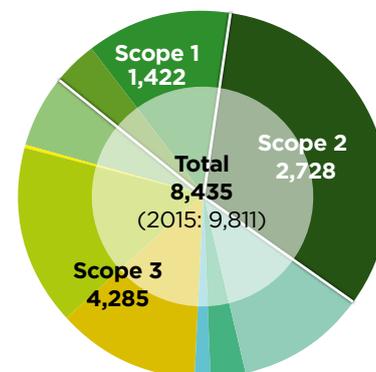
2.22KG

CO₂e/£1,000 of receivables

(2015: 2.92)¹⁵

OVERALL CARBON FOOTPRINT

1 January to 31 December 2016
(tonnes of CO₂e)**



Sub-totals (tonnes of CO₂e)

Scope 1

- Gas use – 330 (2015: 286)*
- Diesel and petrol use – 1,092 (2015: 1,119)*

Scope 2

- Electricity – 2,728 (2014: 3,207)*

Scope 3

- Scope 1 and 2 associated "well-to-tank" emissions – 966 (2015: 1,269)* ***
- Employee air travel – 261 (2015: 276)
- Employee rail travel – 105 (2015: 56)
- "Grey fleet" (employee own vehicle travel) – 1,057 (2015: 1,367)
- Self-employed agent car use – 1,346 (2015: 1,348)
- Waste collection and management – 20 (2015: 36)
- Scope 3 associated "well-to-tank" emissions – 530 (2015: 847)***

* Mandatorily reported GHG emissions

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

*** The GHG emissions associated with the production, transportation and distribution of fuels used by transport and utilities providers.

Managing and reporting our GHG emissions enables us to benchmark our environmental impact and develop action plans to reduce our impact and meet regulatory requirements and the interests of our stakeholders.

¹⁵ Based on Scope 1, scope 2 and associated scope 3 (well-to-tank) emissions.

TRAVEL AND TRANSPORT

Most of our scope 1 and 3 GHG emissions are from business travel.

Self-employed agents play an important role in the home credit business model, traveling between customers' homes to deliver our product. As a result, we estimate and disclose the GHG emissions associated with the journeys they make. We estimate these GHG emission based on the assumption that all self-employed agents used a car and travelled on average 18.5 miles a week (2015: 16.5 miles) for 52 weeks. The increase in the average mileage is associated with the merger of some of the agencies. We have looked into options such as using existing software to collect more accurate data but this has not been possible. During 2016, we estimate that journeys made by the self-employed agents in the Provident home credit business accounted for 1,346 tonnes of CO₂e.

The Provident home credit business model is changing and self-employed agents that have traditionally served our home credit customers will be replaced with full-time, employed Customer Experience Managers. It is also proposed that technologies such as route mapping will be introduced. We will seek to use this technology to track the business mileage of the Customer Experience Managers with a view to generating a more accurate picture of their GHG emissions.

Air travel

Number of air miles travelled by employees		Associated GHG emissions (tonnes of CO ₂ e*)	
2016	847,329	2016	261
2015	818,838	2015	307
2014	944,353	2014	329
2013	594,319	2013	230
2012	358,050	2012	74

Rail travel

Number of rail miles travelled by employees		Associated GHG emissions (tonnes of CO ₂ e*)	
2016	1,335,074	2016	105
2015	772,519	2015	66
2014	533,703	2014	48
2013	705,923	2013	65
2012	415,352	2012	39

Car mileage

Number of miles travelled by employees using their own cars		Associated GHG emissions (tonnes of CO ₂ e*)	
2016	3,514,034	2016	1,057
2015	4,557,211	2015	1,648
2014	5,307,792	2014	1,950
2013	5,954,205	2013	2,200
2012	6,395,755	2012	1,993

Fuel consumption

Amount (litres) of diesel and petrol used by employees with company cars		Associated GHG emissions (tonnes of CO ₂ e*)	
2016	436,824	2016	1,092
2015	448,306	2015	1,368
2014	606,918	2014	1,867
2013	594,277	2013	1,827
2012	700,528	2012	1,764

* Including "well-to-tank" emissions



SELF-EMPLOYED AGENTS GHG EMISSIONS

Number of agents (as of 31/12/2016)	4,650 (2015: 5,237)
Average agent mileage	18.5 (2015: 16.5)
Weekly agent mileage	86,025 (2015: 86,411)
Annual agent mileage	4,473,300 (2015: 4,493,346)
Associated GHG emissions (tonnes of CO ₂ e*)	1,346 (2015: 1,625)

There was an increase in air miles travelled by our employees during 2016. This was due to an increase in flights between our head office in Bradford and both Moneybarn's offices in Hampshire, and CCD's offices in the Republic of Ireland. There was also an increase in flights between the UK and some overseas location which were made for investor relations and due diligence meetings.

Train travel again increased significantly compared to last year. This increase occurred because more journeys were made between our main office locations. The business

journeys our employees made in their own cars and company cars continued to reduce, due to organisation change and the use of more carbon efficient modes of transport.

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

We remain committed to doing business in a way that minimises our environmental impact.

CARBON OFFSETTING

For over five years, we have offset the GHG emissions associated with our business travel. We have done this because, while we understand that travel is an important part of how our businesses operate, the emissions resulting from this are environmentally damaging and need to be limited. We have now decided to offset all our reported GHG emissions, to enable us to operate our business in a carbon neutral manner.

We have offset 8,430 metric tonnes of CO₂e, which accounted for most of our 2016 operational footprint¹⁶. These emissions were offset through carbon credits, which were certified to both the Verified Carbon Standard and SOCIALCARBON standard, in the Kumköy hydropower project in the Antalya Province of Turkey. This is an 18-megawatt hour hydroelectricity project which generates clean energy from the natural flow of the Yeşilirmak river in Kumköy. Without this project, the same electricity would have been generated using fossil fuels. The project also provides a range of benefits for the local community in which it operates, such as helping Turkey meet its' power needs and the irrigation of 82,000 hectares of downstream land.

WASTE MANAGEMENT AND PAPER USE

As an office-based business our waste streams are dominated by paper, which, as with all our waste, we aim to reuse and recycle. There was a significant reduction in the absolute amount of waste generated by the business. This is linked to the ongoing restructuring in CCD which is introducing modern, paperless technologies and reducing the number of office locations.

During 2016, we generated 879 tonnes of waste. Of this, over 99% (875 tonnes) had energy recovered from it through methods such as anaerobic digestion. The GHG emissions associated with the waste was 20 tonnes of CO₂e.

We continue to make sure that the paper we use either contains a high recycled content or is manufactured from trees grown on sustainability managed plantations.

Absolute waste arising (tonnes)

2016		879
2015		1,526
2014		1,160
2013		1,458
2012		1,366

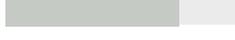
Absolute waste recycled (tonnes)

2016		875
2015		1,517
2014		1,118
2013		1,083
2012		1,130

Group marketing paper use (tonnes)

2016		1,711
2015		2,417
2014		2,454
2013		1,304
2012		1,244

Group office paper use (tonnes)

2016		276
2015		325
2014		329
2013		350
2012		554

¹⁶ After offsetting our carbon footprint, during validation of our data, our total operational footprint was revised to 8,435 metric tonnes of CO₂e.

INDEPENDENT ASSURANCE STATEMENT AND COMMENTARY



INDEPENDENT ASSURANCE STATEMENT AND COMMENTARY

ASSURANCE STATEMENT

Provident Financial Group has commissioned Corporate Citizenship to provide external assurance and a commentary on its *Corporate Responsibility Report 2016*.

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 Group's corporate responsibility performance.

Provident Financial Group has chosen to use the AA1000 assurance standard AA1000AS (2008). 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 performance 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 Principles for Defining Report Quality: Balance, Comparability, Accuracy, Timeliness, Clarity and Reliability.

The level of assurance is moderate, which means that we believe there to be sufficient evidence to support the statement such that the risk of the conclusion being in error is reduced. Our assurance does not cover Provident Financial Group's obligations to government, codes, guidelines and regulations covering the financial services sector.

Provident Financial Group is entirely and solely responsible for the contents of the report, Corporate Citizenship for its assurance. As noted above, our assurance

is confined to the printed *Corporate Responsibility Report 2016*.

A detailed note of our assurance methodology appears at the end of this statement.

OPINION AND CONCLUSIONS

In our opinion the Provident Financial Group *Corporate Responsibility Report 2016* reflects the principles of AA1000 (2008): inclusivity, materiality and responsiveness.

With regard to inclusivity, the principle that people should have a say in the decisions that matter to them, we find that the Corporate Citizenship Report 2016 evidences Provident Financial Group's commitment to this principle. It explicitly cites regular engagement with key stakeholder groups to take account of their different perspectives. This is done to assist the Group's delivery of its mission, social purpose and strategy.

With regard to materiality, the principle that decision makers should identify and be clear about the issues that matter, we find this to be appropriately covered in the report. Being clear about materiality has been a hallmark of Provident Financial Group's approach. The report includes an updated materiality matrix that is the product of a 2017 review of Provident Financial Group's most material issues.

With regard to responsiveness, the principle that organisations should act transparently on material issues, we find many examples of this principle in action in the report. Instances include work with money advice organisations and charities to improve the service delivered to vulnerable customers, engagement of key external stakeholders in the review of community investment strategy and the launch of the Colleague Voice forum. Particularly we note the progress made in working towards the National Equality Standard (NES), the first industry-recognised standard for equality, diversity and inclusion (EDI) in the UK.

The specified sustainability performance

information is the non-financial information and data outlined in the *Corporate Responsibility Report 2016*. Based on the work we have done, nothing has come to our attention to suggest that the specified performance information is not in accordance with the GRI Principles for Defining Report Quality: Balance, Comparability, Accuracy, Timeliness, Clarity and Reliability.

As noted in the scope of assurance section, the level of assurance is that defined by AA1000 as moderate.

INDEPENDENT ASSURANCE COMMENTARY

Provident Financial Group's *Corporate Responsibility Report 2016* offers clear and comprehensive coverage about its aims, approach and achievements of its corporate responsibility programme. Examples of engagement with relevant stakeholders are cited where relevant.

Expectations surrounding corporate responsibility continue to evolve and so we provide here a commentary on opportunities for further improvements to reporting in line with the AA1000 principles. We note that the significant difficulties experienced following the restructuring of the Consumer Credit Division, addressed in the Executive Chair's foreword, fell outside the reporting period and are not covered by our assurance.

EXTERNAL INDICES AND STANDARDS

Increasingly thinking about and reporting of corporate responsibility is influenced by externally devised indices and standards, and they reflect growing expectations of companies. While they do not in and of themselves provide a template for reporting, they do provide a new source of thinking about how and what to report.

This year has seen the advent of the recommendations of the *Task Force on Climate-related Financial Disclosures*

and The Companies, Partnerships and Groups (Accounts and Non-Financial Reporting) Regulations 2016. Both of these address requirements to report on corporate responsibility issues in the Annual Report and Accounts. This in turn influences reporting within corporate responsibility reports. The requirement in the regulations to consider the impact of a company's actions is particularly worthy of consideration.

Provident Financial Group can enrich future reporting by undertaking a systemic consideration of these standards in particular.

IMPACT ON CUSTOMERS' LIVES

The report gives a thorough account of interaction with and consideration of the needs of customers. It gives particular attention to those customers who have special needs and vulnerabilities.

Reporting could be further strengthened by specifically addressing the longer term impact of customers' engagement with Provident Financial Group. For instance, a successful arrangement with Vanquis Bank can enable a customer to rebuild their credit score after some disruptive event or life experience. A rebuilt credit score can open access to mainstream lending. The long-term consequences of this could be an appropriate topic for reporting.

STAKEHOLDER VOICE

As noted in last year's statement, the Provident Financial Group's reporting offers many instances of how stakeholder opinions are taken into account in the setting of business priorities and the effective implementation of the business's plan. It can be further strengthened by giving that stakeholder voice fuller coverage. This can be achieved both through a range of case studies to impart insight in depth to reporting. It could also be achieved by giving stakeholders the opportunity to give direct comments within the report. This used to be a common practice in reporting by other companies but has declined in favour recently. Nonetheless we feel it provides the strongest possible opportunity to evidence effective stakeholder interaction.

Corporate Citizenship

London

26 October 2017

METHODOLOGICAL NOTES

The assurance work was commissioned in March 2017 and was completed on 26 October 2017. 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. A second director acted as adviser to the group. 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 Group's Corporate Responsibility Report 2016 has involved, but not been limited to, the following elements:

- Understanding Provident Financial Group and its value chain, its own culture and the broader social contexts in which it operates; its approach to and understanding of CR; and how it identifies issues material to its operations;
- A detailed evaluation of the reporting against the principles of AA1000AS;
- A detailed evaluation against the GRI Principles for Defining Report Quality;
- A benchmark study comparing Provident Financial Group with twelve other lenders and their approach to underserved consumers and credit score rebuilding;
- Consideration of Provident Financial Group's corporate responsibility approach in the light of the changing statutory non-financial reporting regulations;
- 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;

- A series of interviews with representatives from across the Group's divisions to test assertions made in the report, give greater context to the assurance process, and review the systems in place that underlie assertions made in the report;
- Consideration of the report in the light of the findings of the 2017 materiality exercise.

Our work did not extend to a complete audit of the report's contents. We have not been responsible for the preparation of Corporate Responsibility Report 2016 nor in devising the internal management and reporting systems that yielded the data contained therein.

The opinions expressed in this external assurance statement and commentary are intended to extend understanding of Provident Financial Group'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 Licensed Assurance Provider.

We have worked with Provident Financial Group since 2001 and have provided assurance since 2010. Regarding independence, during 2017, except as noted below, our work with Provident Financial Group focused exclusively on assurance and stakeholder engagement.

Provident Financial Group is a member of the LBG (London Benchmarking Group www.lbg-online.net), an evaluation framework for corporate community involvement which we manage on behalf of its members and adherents.

In addition, during 2017, we supported Provident Financial in its review of materiality. The fees for this work comprise less than 0.75% of our projected total income for the year.



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000-16

Feedback

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

You can also telephone us on +44(0)1274 351351 or write to the Corporate Responsibility Manager at: Provident Financial, No.1 Godwin Street, Bradford BD1 2SU.

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

Paper and print specification

This report is printed on Cocoon offset and Cocoon preprint. Cocoon is made from 100% post-consumer fibres, is FSC® Recycled certified and the pulp used is bleached using a Totally Chlorine Free process (TCF). Printed by Seacourt using LightTouch technology. 100% waterless LED drying, 100% alcohol and alcohol-substitute free, 100% VOC free inks, 100% renewable energies, carbon neutral and with ZERO waste to landfill.

Seacourt are an award winning EMAS, FSC and ISO14001-certified printer. They have been awarded three Queen's Award for Sustainable Development - 2007, 2011 and 2016; and as a Net Positive printer make a positive contribution to the environment and society.

Designed and produced by Anthesis 01865 250 818

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