

PFG | Provident
Financial Group

Corporate Responsibility Report 2018





In this report...

Provident Financial is the leading provider of credit products which offer financial inclusion to the 10 to 12 million consumers in the UK and Republic of Ireland (ROI) who are not well served by mainstream lenders or are excluded altogether. The Group serves 2.4 million customers through four brands: Vanquis Bank for credit cards, Provident for home credit, Satsuma for online loans and Moneybarn for car finance.

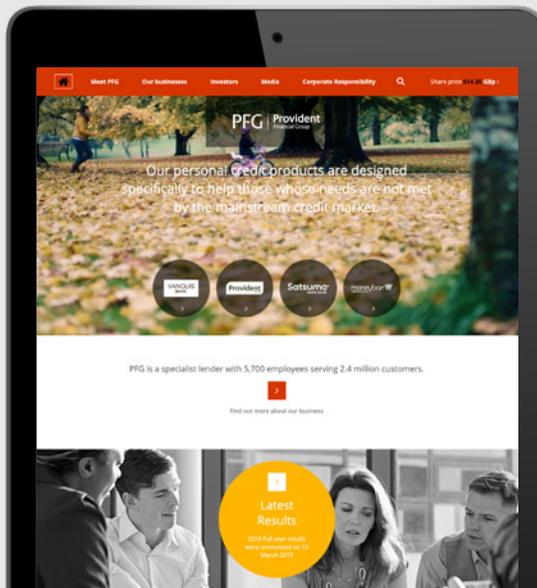
This corporate responsibility (CR) report is designed to provide the reader with a balanced account of how Provident Financial's purpose and strategic drivers are aligned to the Group's responsible business strategy, as well as further details of the progress that has been made during 2018 in delivering against this strategy.

The report relates to the non-financial aspects of Provident Financial plc and its operating divisions – Vanquis Bank, the Consumer Credit Division (CCD) and Moneybarn – in the UK and ROI, and its key stakeholders: customers, employees, shareholders and debt investors, regulators, communities and suppliers. It provides information and updates on our CR activities, performance and achievements for 1 January to 31 December 2018 unless otherwise stated. Further information on Provident Financial can be found in its Annual Report and Financial Statements 2018.

As in previous years, this report has been independently assured by Corporate Citizenship in accordance with the AA1000 Assurance Standard AS1000AS (2008) principles of inclusivity, materiality and responsiveness. It has also been evaluated against the 'Core' Global Reporting Initiative's (GRI) G4 Sustainability Reporting Guidelines – see page 70 for more information.



To view Provident Financial's past CR reports and the Annual Report and Financial Statements 2018, go to: www.providentfinancial.com



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Our highlights for 2018

Here are some key highlights from the Group for 2018. You will find more of these throughout the report, and specifically at the beginning of each chapter. We are particularly proud of the new strategic blueprint we have created, which you can find out more about on page 9.



Lending responsibly
Provident home credit customer satisfaction rate

87%

38%
of our Board are women

Environment

12,409
tonnes of CO₂e offset

Social impact

£1.7m
invested in the community



Read more

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Group snapshot

On this page you will find some key information about Provident Financial. To read more about the Group's businesses, go to page 63.

Adjusted profit before tax
£153.5m



2.4m
customers

We are proud to serve customers drawn from all across the UK and ROI



5,708
employees in the UK and ROI

Our divisions

Home credit

Provident

Customers: 440,000

Loan range: £100-£2,000

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 one-off items of expenditure.

Credit cards

VANQUIS BANK

Customers: 1.8m

Loan range: £250-£4,000

Vanquis Bank is the leading supplier of credit cards to those not well served by mainstream lenders. 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.

Online lending

Satsuma® loans.co.uk

Customers: 117,000

Loan range: £100-£1,000

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.

Vehicle finance

moneybarn credit you can trust

Customers: 62,000

Loan range: £4,000-£25,000

Moneybarn is the market leader in the provision of vehicle finance for people not well served by mainstream lenders.



Our purpose driven business

Malcolm Le May
Chief Executive Officer



This is the second foreword I have written for one of Provident Financial's annual CR reports in my time as the Chief Executive Officer, and it gives me great pleasure to welcome you to it.

I mentioned in my foreword to last year's CR report that during 2018 my priority would be to focus on the operational recovery of our business after the events of 2017.

This initially involved the recapitalisation of the Group's balance sheet through the successful completion of the rights issues in April 2018. Following on from this, my priorities have been to: continue implementing the Provident home credit recovery plan, ensuring full authorisation of the business by the Financial Conduct Authority (FCA), which we gained in November 2018; complete the delivery of the Repayment Option Plan (ROP) refund programme in Vanquis Bank, and ensure that the Bank's business model continues to evolve to meet regulatory changes; maintain a constructive dialogue with the FCA to progress the investigation at Moneybarn; and continue to strengthen the Group's funding, which we did in June 2018 through the issue of £250m of five-year fixed rate bonds. You can read more about the progress we made in all these priority areas on pages 64 to 66 of this report.

Throughout 2018, I have also focused a considerable amount of my attention on working with the Board and colleagues from across the Group to strengthen its corporate governance arrangements, ensuring that the culture of our business is centred on delivering fair and positive outcomes for our customers at every stage of their journey with us, and defining a clear sense of purpose for Provident Financial which takes account of the wider role that our business has in society.

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I am passionate about what our business does and proud of the role it plays in the lives of our 2.4 million customers.

Provident Financial's purpose and strategy

I am passionate about what our business does and proud of the role it plays in the lives of our 2.4 million customers, as well as the role it plays in wider society. This is why I spearheaded the considerable work we undertook throughout 2018 to help us to articulate how we, in running our business, balance providing our customers with excellent and responsible products and services with maintaining high levels of regulatory compliance, providing a stimulating and rewarding place to work for our employees, delivering appropriate and sustainable returns for our shareholders, and taking account of the interests of our other stakeholders. This work enabled us to build a new blueprint for the future of Provident Financial which brings together why we exist as an organisation, framed in the context of the role that we play in our customers' lives.

The first part of our blueprint is our purpose of **helping to put our people on a path to a better everyday life**. This is about ensuring that we provide our customers with the tailored and affordable credit products that meet their particular needs and enable them to do the things they want to do in their lives, but also ensuring that we deliver fair outcomes to them throughout their journey with us, whether that is when we market

our products to our customers and conduct affordability checks, or when we collect payments due or when we deal with customers who are in arrears or experiencing financial difficulties.

It is also about, for example, ensuring that our community investment activities address the issues that matter most to the everyday lives of our customers, whether that is by addressing issues such as money advice, customer vulnerability and product accessibility, supporting both children and adults in their education, helping them to secure a better financial future, or working with local community partners on social inclusion and social mobility issues relevant to our customers and their communities. I am particularly pleased with how we have used our knowledge and understanding of our customers, and the market we have proudly served since 1880, to shape our approach to community investment throughout 2018 so that is aligned to the Group's purpose.



[Read more](#)

Our blueprint

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Provident Financial's purpose and strategy continued

This purpose is supported by four strategic drivers which, in addition to being the critical pillars of our strategy, under which sit practical priorities, underpin our commitment to ensure that our CR activities address the issues that matter most to our customers so that we can help change their lives for the better, build lasting relationships with all our stakeholders, whether they are customers, employees or suppliers, and balance profit and purpose in all that we do to ensure that we generate a financial return while responding to the needs of our stakeholders.

Finally, both the purpose and strategic drivers are accompanied by three behaviours which will focus on creating a culture where colleagues think 'customer' all the time, constantly innovate and make things better for all the Group's stakeholders, be they customers, employees, suppliers, regulators and investors, and hold ourselves personally accountable for success.

Corporate governance

We also made great strides in strengthening the Group's corporate governance framework in 2018 to not only improve the oversight that is provided by the Board and the senior management team on regulatory, risk and conduct matters, but also in terms of overseeing the embedding of the blueprint, and monitoring the culture and ethics of the Group. This involved ensuring that the Group's Executive Committee, which was established in early 2018 and comprises Group and divisional executives, plays a far greater role in overseeing the development, embedding and monitoring of the culture and ethics of Provident Financial and ensuring that they are consistent with being a trusted, responsible and sustainable business.

It has also involved formally establishing the Customer, Culture and Ethics Committee, which is a Committee of the Provident Financial plc Board and will be chaired by non-executive director Elizabeth Chambers. This new Committee will oversee the Board's compliance with the new corporate governance requirements under the 2018 UK Corporate Governance Code, and will be responsible for reviewing the Group's culture and business processes to ensure that they are focused on delivering fairer customer outcomes and provide oversight of management's delivery and embedding of the new blueprint. In focusing on these areas, I am confident that the Committee will, among other things, provide oversight and challenge to the Group's Executive Committee to deliver real cultural change. As such, it will help to strengthen the way that the Group's CR programme is governed and managed by providing oversight of the management of a number of key themes, including culture and ethics; being a responsible and inclusive employer; community involvement; environmental protection; and stakeholder engagement and reputation.

Closing remarks

In 2018, we have made significant progress in delivering against the operational objectives that we set ourselves at the beginning of the year. We have also established a solid corporate governance foundation upon which we can build and embed a culture that is focused on achieving sustainable financial growth through the delivery of better outcomes for our customers and other key stakeholders, as well as taking account of our wider societal impacts.

As you may know from reading our Annual Report and Financial Statements 2018, on 22 February 2019, Non-Standard Finance plc made an unsolicited

offer for the Group. At the time, I, along with the rest of the Provident Financial plc Board, made clear that we believed that the offer was not in the best interests of Provident Financial's customers, shareholders and other stakeholders. On 4 June 2019, Non-Standard Finance plc announced the offer for the Group had formally been withdrawn. We will therefore continue to run our business in accordance with the Group's purpose and strategy, by providing our customers with credit products which are appropriate for their circumstances and deliver good customer outcomes. This will enable us to continue to grow our business in a responsible and sustainable way that balances profit and purpose.

As ever, I welcome any feedback that you may have on this report and our approach to CR more generally, so please do not hesitate to get in touch with us on corporateresponsibility@providentfinancial.com.

Malcolm Le May
Chief Executive Officer
Provident Financial plc

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We have made significant progress in delivering against the operational objectives that we set ourselves at the beginning of the year.



Rob Lawson
Head of Sustainability



Serving our customers responsibly

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Our redefined purpose of helping to put people on a path to a better everyday life is an important first step in informing the culture of our business to ensure that it places customers and their needs firmly at the heart of the Group's strategy.

In my message in the introduction to last year's CR report, I made the point that in 2018, as we emerged out of the difficulties we encountered in 2017, it was essential that we reinforce and build on the importance and relevance of our purpose – Provident Financial's reason for being, not only in the way that we operate our business, ensuring that we continue to lend responsibly and sustainably to our 2.4 million customers, but also in the way that we treat our people, contractors and suppliers, the role we play in our local communities and as a steward of the environment, and how we engage with our shareholders and debt investors, regulators and the tax authorities.

Throughout the year, this is precisely what the Group has done. This has seen us undertake work which laid the foundations for the new purpose and strategy that we launched in February 2019. Our redefined purpose of **helping to put people on a path to a better everyday life** is an important first step in informing the culture of our business to ensure that it places customers and their needs firmly at the heart of the Group's strategy. This will ultimately help us to balance delivering responsible and sustainable products, services and partnerships to our customers, maintaining high levels of regulatory compliance, and providing a stimulating and rewarding workplace for our employees, while generating appropriate, sustainable returns for our shareholders. We also established the Customer, Culture and Ethics Committee, a new formal Committee of the Provident Financial plc Board, which will support the Board in overseeing policies, procedures, standards and progress against agreed metrics, to ensure that the Group conducts and develops business responsibly and consistently in accordance with the company's customer objectives, purpose and corporate culture. Both these significant developments will help to support the way that the Group's CR programme is governed and managed, and ensure that issues such as climate change, equality, diversity and inclusion, and business ethics are factored into boardroom discussions.

While we have dedicated a significant amount of time and effort during 2018 to articulating our new purpose and strategy, and strengthening our governance framework, we have also focused our attention on ensuring that our CR programme continues to evolve and address the issues that matter most to our business and stakeholders. This has seen us sign up to the Women in Finance Charter, work with a number of mental health charities to establish a network of Mental Health First Aiders, continue to invest in the many communities we serve, and extend the scope of the environmental management system that we have in place across the business that is certified to the internationally recognised standard ISO 14001:2015 to include all of Vanquis Bank's operations in Bradford, Chatham and London.

As Malcolm has mentioned in his introductory statement on the previous page, our business has spent the past few months defending an unsolicited offer that was made for the Group by Non-Standard Finance plc on 22 February 2019. Now that this offer has been formally withdrawn, we will return our attention to delivering a CR programme that continues to address the issues that matter most to our customers so that we can help change their lives for the better, building lasting relationships with all our stakeholders, whether they are customers, employees or suppliers, and balancing profit and purpose in all that we do to ensure that we generate a financial return while responding to the needs of our stakeholders.

If you have any feedback on, or require further information about, this CR report or the programme of activity that underpins it, please contact us at corporateresponsibility@providentfinancial.com.

Rob Lawson
Head of Sustainability
Provident Financial plc



Our responsibility strategy

Our strategy is to operate our business of lending in a responsible manner, and act responsibly and sustainably in all stakeholder relationships.





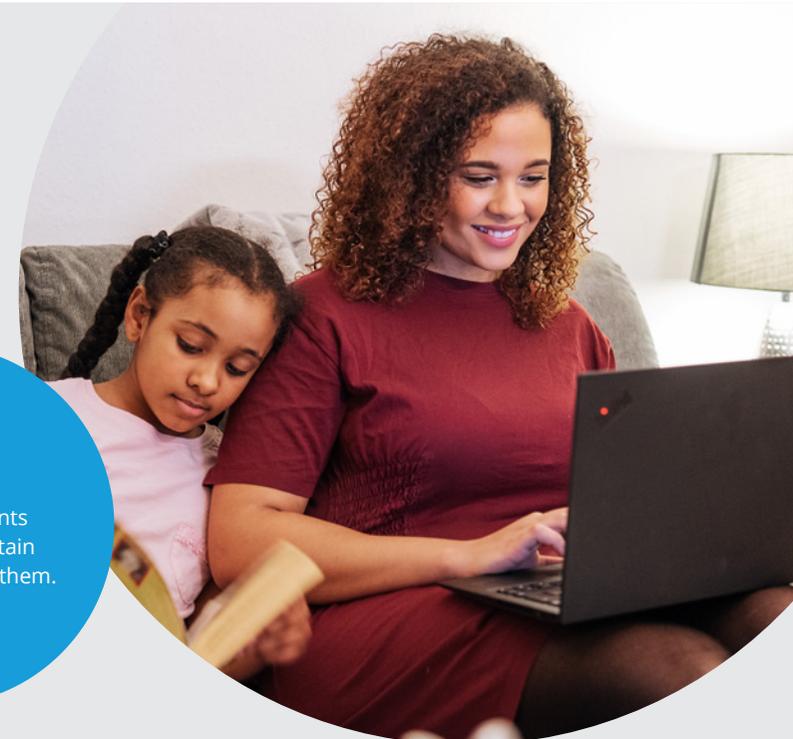
Our responsible business strategy

Provident Financial's responsible business strategy was launched five years ago. It is to operate our business of lending to our customers in a responsible manner and act responsibly and sustainably in all our other stakeholder relationships.

This strategy makes clear that our primary role as a business is to provide credit to our customers, many of whom are not well served by other lenders, or are excluded by them altogether. We do this by responsibly providing our customers with appropriate amounts of credit, maintaining close contact with them throughout the term of their loan and supporting them sympathetically if they experience difficulties.

This strategy is also about dealing with the issues that matter most to Provident Financial's other key stakeholders, whether that is through the provision of a working environment for our colleagues that is safe, inclusive and meritocratic, the fair treatment of suppliers, investing in the many communities that the Group serves, engagement with the investment community on sustainability matters or the delivery of our business model in an environmentally friendly way.

We provide our customers with appropriate amounts of credit and maintain close contact with them.



Our purpose of helping to put people on a path to a better everyday life is about ensuring that our customers are provided with responsible and accessible products and services that meet their particular needs.



Read more

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CONSTRUCTING THE BLUEPRINT



Our purpose and strategic drivers

To help us to balance delivering responsible and sustainable products, services and partnerships to our customers, maintaining high levels of regulatory compliance, and providing a stimulating and rewarding workplace for our employees, while generating appropriate, sustainable returns for our shareholders, we invested time and effort throughout 2018 into building a blueprint for the future of the Group which is aligned to our existing responsible business strategy.

Our blueprint brings together why Provident Financial exists as an organisation, framed in the context of the role that our business plays in the lives of our customers. It also sets out the strategic areas of focus and the key priorities that will drive both competitive advantage and commercial success for the whole Group. Finally, it articulates how these focus areas and priorities will be delivered and sets out the behaviours that will be needed to succeed.

+ Look out for our blueprint throughout the report



PURPOSE

Our reason for being. It unifies us and is something everyone can get behind both practically and emotionally.

● A great purpose leads to action

Help = our purpose and our role in helping customers achieve financial inclusion.

People = references the humanity, intrinsic to the way we do business.

On a path = progression, growth and moving them forward in their lives. It's a journey.

Better everyday life = our business is not in the big life-changing moments; we help people in their everyday spending.



STRATEGIC DRIVERS

Our purpose is built upon a number of strategic drivers. They are critical pillars of our strategy, under which sit practical priorities. They drive our competitive advantage and force choices. However, they are not everything we do as an organisation; they are designed to focus our minds, time and investment. We have identified four strategic drivers:

● Customer progression

– we will build products, services and partnerships that change the game for our customers.

● Human experiences – we will build enduring relationships by delivering experiences that seamlessly integrate the latest technology with our brilliant people.

● Head AND heart decisions

– we will deliver for our stakeholders by balancing: (i) data and insight; (ii) financial return and doing the right thing; and (iii) customer need and customer want, in order to build a long-term, sustainable business.

● Fighting fit – we will

continuously challenge our cost base, efficiency and effectiveness, and change our capability to ensure we remain the most competitive player in the market.



BEHAVIOURS

To make sure we deliver on our purpose, it is essential we create a culture where: (i) we think 'customer' all the time; (ii) we constantly innovate and make things better for all our stakeholders; and (iii) we hold ourselves and each other personally accountable for success. As a result, we have developed a set of behaviours we are now beginning to embed in our overall culture:

● Be hungry for better – this is seeking out opportunities for constant improvement, as well as having conversations that will help us move the dial, even when it's tough.

● Put the customer on the team – this is making every decision with our customer in mind, as well as owning the trade-off between commercial and customer impact.

● Act like it's yours – this is using resources with the same respect and consideration you would your own, as well as doing your bit to step-change our performance and maximise value.



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It was recently announced that the company had formally established the Customer, Culture and Ethics Committee, which is a Committee of the Provident Financial plc Board.

Governance and oversight of our responsible business strategy

The Group's CR team continues to be responsible for the ongoing management of the programme that delivers the responsible business strategy and is supported by colleagues from the Group's operating companies. This includes colleagues such as those who sit on our environmental working groups and operate the environmental management system, which provides us with a framework for controlling and improving environmental performance across the Group.

Overall responsibility for the Group's responsible business programme rests with the Provident Financial plc Board generally and Malcolm Le May, the Chief Executive Officer, specifically. The Group's Executive Committee, which is chaired by the Chief Executive Officer and includes the Group's Chief Financial Officer, General Counsel and Company Secretary, Chief Risk Officer, Chief Information Officer, Corporate Communications Director and the Managing Directors of the operating companies, also plays an important role as it reviews and approves aspects of the responsible business programme and its budgets.

The Executive Committee is also tasked with overseeing the development, embedding and monitoring of the culture and ethics of the Group, and ensuring they are consistent with being a trusted, responsible and sustainable business. This will involve ensuring that the policies, procedures, systems and behaviours of our operating companies are aligned to our blueprint, and ensuring that any material issues which relate to the culture and ethics of the Group are reported to other relevant Board Committees.

In addition, it was recently announced that the company had formally established the Customer, Culture and Ethics Committee, which is a Committee of the Provident Financial plc Board. The Committee is chaired by non-executive director Elizabeth Chambers. The other members of the Committee are Paul Hewitt (non-executive director), Angela Knight (non-executive director), Graham Lindsay (non-executive director), Malcolm Le May (Chief Executive Officer) and Simon Thomas (Chief Financial Officer).

This Committee will focus on reviewing the Group's culture and business processes to ensure that they are focused on delivering fairer customer outcomes, providing oversight of management's delivery and embedding of the new blueprint, and overseeing the Board's compliance with the new corporate governance requirements under the 2018 UK Corporate Governance Code. In focusing on these areas, it is anticipated that the Committee will, among other things, provide oversight and challenge to the Group's Executive Committee to deliver real cultural change. As such, it will help to strengthen the way that the Group's responsible business programme is governed and implemented, by providing oversight of the Group's management of a number of key themes, including culture and ethics; being a responsible and inclusive employer; community involvement; environmental protection; and stakeholder engagement and reputation.



Further information on the terms of reference of this Committee can be found at: www.providentfinancial.com





Our market

Our three customer-facing divisions specialise in helping the 10–12 million adults in the UK and ROI who, at any one time, are looking for something that mainstream lenders do not offer them.

Our customers

Our 2.4 million customers come from all across the UK and ROI and typically have low to average incomes, generated from a range of types of employment and state support. Our customers mostly rent their homes, which include social housing, with relatively few having a mortgage or owning outright. Most of our customers are middle aged, with online lending attracting a younger audience, whilst the face-to-face approach also appeals to older borrowers.

All Moneybarn, Vanquis Bank and Satsuma customers are required to have a bank account, whilst nearly 90% of Provident customers also have at least one.

Our stakeholders

Provident Financial's key stakeholders are our customers, employees, shareholders and debt investors, regulators, communities and suppliers. We define our stakeholders as individuals or groups who have an interest in, or are affected by, the activities of our business. We engage with them regularly to ensure that we are aware of their views and concerns with regard to a wide range of issues. We do this through surveys and focus groups and by participating in consultation exercises.



Why our market exists

Around 20% of the UK's adult population is not well served by mainstream credit providers because:

Life events

They are dealing with significant life events – divorce, loss of a job, long-term illness and other challenges – which have meant they have fallen behind with their financial commitments which has resulted in their credit file being impaired.

Low incomes

They are simply managing the realities of everyday life on low incomes – their incomes are low and they are sometimes reliant on state support which creates challenges in managing their finances and consistently meeting their everyday financial commitments.

New to credit

They are new to credit in the UK – they have little or no credit history on which lenders can base a lending decision.

Tailored product and service

They choose something different from the mainstream – they value the more tailored and varied product and service proposition offered and trust the brands and providers more than those available to them elsewhere.



THE BLUEPRINT:
PURPOSE



[Read more](#)

Our blueprint

9



Materiality assessment

We also engage with our stakeholders to ensure that we manage and report on the CR issues that matter most to them and our business. We do this by undertaking materiality assessments at least every two years to identify and prioritise the CR issues that are material to the Group. This exercise helps to inform our purpose and CR strategy, and ensures that our CR reports respond to the interests of our stakeholders and comply with the Global Reporting Initiative's G4 reporting guidelines. Our most recent materiality assessment undertaken in early 2019, was, as in previous years, carried out by the independent sustainability management consultancy Corporate Citizenship. The issues that were identified as a result of the materiality assessment exercise have been plotted below.

The most significant changes in topics that stakeholders deem material to our business are the shifts of 'environmental impact' from the bottom left corner of the matrix to the top right corner, meaning that stakeholders believe that we should be doing much more to protect our environment, and the slight shift right of 'customer vulnerability'. Although the topic of customer vulnerability has always been a priority to us, this shift shows us that a wider range of stakeholders now have a more sophisticated understanding of vulnerability and an increased awareness of the fact that any customer can become vulnerable. You can read more about what we are doing to lower our environmental impact on page 48, and the work we are doing to support vulnerable customers on page 23.

We have also aligned the most material issues to our business to our new strategic blueprint, to ensure that we consider our responsibilities and behaviours towards these topics, each and every day.

PURPOSE

A great purpose leads to great action – financial wellbeing and financial inclusion

STRATEGIC DRIVERS

Customer progression – responsible lending practices

Head AND heart decisions – customer satisfaction and customer care

BEHAVIOURS

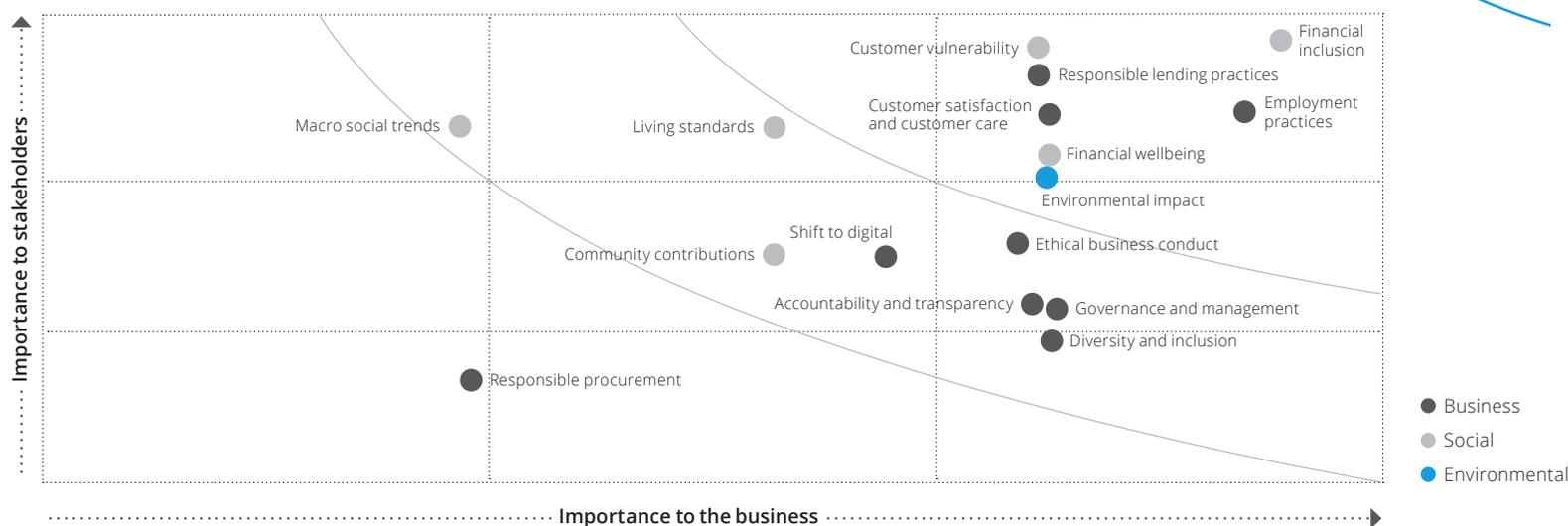
Be hungry for better – employment practices

Put the customer on the team – customer vulnerability

Act like it's yours – environmental impact

Read more on page 9 and look out for our blueprint throughout the report

Materiality matrix





Our commitment to the Sustainable Development Goals

The Sustainable Development Goals (SDGs) are a global call to action to end poverty, protect the planet and ensure that all people can live in peace and prosperity. The 17 goals that make up the SDGs build on the success of the Millennium Development Goals but integrate and address new areas such as peace and justice, innovation and climate change. To achieve the targets of the SDGs, working in partnership with others is crucial. Governments, businesses and communities around the world need to commit to making changes to improve life and ensure a sustainable future for generations to come, and this is why we have decided to play a part.

During 2018, we undertook two pieces of work, with the objective of identifying the Group's 'priority goals', this meaning the SDGs where we feel we can have the biggest impact because they align with our blueprint, responsible business strategy and Social Impact Programme.

Firstly, we commissioned a consultancy with SDG expertise, to undertake industry research that examined the public disclosure of 16 businesses of interest to us. Key points of interest were to determine what commitments they had made to the SDGs, if any, as well as how they reported, or planned to report, on their progress. These businesses were made up of our competitors, our investors, relevant businesses outside of the financial services industry, and global corporations which are considered to be leaders in sustainability. Following this piece of research, we then undertook a series of questionnaires that compared our own corporate responsibility strategy and business objectives to the targets that make up the 17 SDGs, in order to determine what our priority goals could be.

In early 2019, we finalised this piece of work and are putting a process in place to consult with stakeholders across the Group to determine what our targets should be. We look forward to reporting what are our priority goals and targets are in 2020.





Our responsible business targets

Each year we establish targets and objectives to ensure that we strive for continual improvement in our CR performance. Please find below the targets we set last year and an update in terms of the progress we have made against them. Any new targets are set out in *italics*.

 Achieved
  On track
  Partial progress
  Not achieved

Lending responsibly to our customers

Maintain or, in the case of Provident home credit, improve customer satisfaction levels.

Extend the scope of the work delivered by the partnership between IncomeMax and Vanquis Bank into other parts of Provident Financial (e.g. Provident home credit and Satsuma).

Establish a single view of the customer to leverage the customer and capability synergies which exist across our businesses and which represent a significant competitive advantage for Provident Financial.

Finalise the dashboard of KPIs/metrics for the Provident Financial plc Board's Customer, Culture and Ethics Committee which relate to both the delivery of good customer outcomes and the wider corporate culture agenda.

Timeframe

By December 2018

By December 2018

By December 2019

By September 2019

Progress

 Customer satisfaction of 86% for Vanquis Bank (2017: 87%), 87% for Provident home credit (2017: 85%), a Feefo score of 4.7 out of 5 for Moneybarn (2017: 4.7 out of 5) and a Reviews.co.uk score of 4.7 out of 5 for Satsuma (2017: 4.8). The improvement in customer satisfaction at Provident home credit reflects a significant improvement in customer service as a result of the successful implementation of the recovery plan during 2018. We will continue to focus on improving customer satisfaction levels year on year.

 Vanquis Bank continues to work with IncomeMax, through an innovative partnership that began in 2015, to support customers of the Bank that are experiencing financial difficulties. Initial work was carried out during 2018 to extend the scope of the work of this partnership into Satsuma. We will continue to deliver against this target and report against it by June 2020.



Ensuring the sustainability of our people

Ensure that there is at least 33% female representation on the Provident Financial plc Board, the Group's Executive Committee and their direct reports.

Achieved 40% female representation in the Group's senior management population.

Sign up to the Women in Finance Charter and agree a longer-term target regarding gender diversity in our middle and other senior management grades.

Establish an inclusive steering group to enable the effective management of equality, diversity and inclusion issues across the Group.

Provide mentoring opportunities for all staff members.

Publish a new Provident Financial equality, diversity and inclusion vision and policy to create a consistent approach to recruitment, retention and pipeline development of the best talent.

Deliver equality, diversity and inclusion face-to-face training to the Group's senior leaders and e-learning to all colleagues.

Establish a network of Mental Health First Aiders across Provident Financial.

Introduce a new reporting framework to enable the Group to improve the way it monitors performance in areas like ethnicity, race and physical/mental wellbeing or disabilities.

Timeframe

By December 2020

By December 2025

By December 2018

By December 2019

By December 2019

By September 2019

By December 2020

By June 2020

By June 2020

Progress

 There is (as of 31 December 2018) currently 38% female representation on the Provident Financial plc Board and 29% female representation in the Executive Committee and its direct reports.

 Provident Financial plc is now a signatory to the HM Treasury Women in Finance Charter.

 A network of EDI Ambassadors has been appointed across the Group (see page 29 for more information).

 We offered a number of mentorship opportunities to our staff last year through 'speed-mentoring' networking events, talks from both internal and external leaders and an online portal where staff could sign up as either a 'mentee' or 'mentor', and connect with others in the business based on their interests and aspirations.



Investing in communities

Continue to invest in community programmes, money advice programmes and social research.

Maintain our ongoing commitment to the Vision for Literacy Business Pledge and contribute to the development of research in partnership with the National Literacy Trust to explore how literacy supports financial capability.

Support the National Numeracy campaign to ensure more adults in the UK benefit from knowing how to use numbers well and develop a numeracy programme for partner schools in Bradford.

Develop and implement a school governor volunteering programme.

Launch new social impact funds with two community foundations.

Develop a consistent approach to providing money advice and enhanced customer support across all areas of the business.

Minimising our environmental impacts

Extend the scope of the environmental management system that is in place across the business that is certified to ISO 14001:2015 to include all of Vanquis Bank's operations.

Review the waste management process in our home credit branch offices and at head office with the aim of implementing recycling schemes, as well as sending waste for energy recovery.

Timeframe

By December 2018

By June 2019

By June 2019

By June 2019

By June 2019

By December 2019

Timeframe

By December 2018

By December 2019

Progress

✓ During 2018, Provident Financial invested a total of £1.7m in various community programmes, the money advice sector and social research. We will continue to invest in these areas year on year, and will provide an update in our next CR report.

✓ During 2018, we established a three-year partnership with the National Literacy Trust which will deliver activities with a focus on all stages of a person's literacy development (see page 42 for more information).

✓ During 2018, Provident Financial was a lead supporter of the National Numeracy Day campaign and commenced work on establishing a numeracy campaign with National Numeracy (see page 40 for more information).

✗ This project has been put on hold for a year.

✓ During 2018, new social impact funds were established with Foundation Scotland and the Community Foundation in Wales. In 2019, we will also work with Leeds Community Foundation to establish a fund in memory of our colleague Manjit Wolstenholme.

— Vanquis Bank continued to work in partnership with IncomeMax to support customers that are experiencing financial difficulties. We also started to raise awareness of this partnership in other parts of our business, with a view to extending the scope of this work over the next year.

Progress

✓ This was achieved on 18 December 2018. We will now work with Moneybarn to extend the scope of the Standard by June 2020, so that all main offices of Provident Financial are certified to ISO 14001:2015.

→ New recycling facilities will be introduced at the Group's head office in Bradford during June/July 2019.



Minimising our environmental impacts continued

Work with industry professionals to align the United Nations' Sustainable Development Goals (SDGs) with our CR strategy.

Engage with the Provident Financial plc Board through its relevant Committees (e.g. the Customer, Culture and Ethics Committee and General Risk Committee) on the United Nations' SDGs, the Task Force on Climate-related Financial Disclosures and UNEP-FI Principles for Responsible Banking.

Review the use of plastic across our entire business operations, with the aim of eliminating single-use plastic.

Increase the scope of our carbon footprint reporting to include more scope 3 emissions.

Reduce our scope 1 and 2 emissions by 30% compared with our 2015 baseline.

Treat our suppliers fairly

Implement a Group-wide corporate responsibility questionnaire as part of the onboarding and due diligence process of all new suppliers.

Implement a Group-wide approach for Prompt Payment Code compliance.

Timeframe

By June 2019

By June 2020

By June 2019

By December 2018

By December 2020

Timeframe

By December 2018

By December 2018

Progress

⊖ Initial research and analysis was undertaken on how the Group can integrate the SDGs into our CR strategy so that we can contribute more widely to the global sustainable development agenda.

⊖ During 2018, items such as plastic straws and plastic cutlery were removed from the Group's head office in Bradford. We will continue to work towards achieving this target by December 2020.

✓ The greenhouse gas emissions that relate to the business travel activities of Provident home credit CEMs and the Group's water use were calculated and reported as scope 3 emissions during 2018.

✓ We have reduced our scope 1 and 2 emissions by 35%.

Progress

⊖ In 2018, the Group's Consumer Credit Division introduced the OneTrust platform within its operations to help automate its data privacy, information security and third-party risk management processes. Through this platform, new suppliers are required to complete a corporate responsibility questionnaire as part of the due diligence process for the onboarding of new suppliers. The OneTrust platform will be implemented within both Vanquis Bank and Moneybarn during 2019.

✓ In 2018, 97% of invoices were paid in line with the Prompt Payment Code terms.



Treat our suppliers fairly *continued*

Provide more in-depth information for our annual Modern Slavery Act Statement.

Timeframe

By June 2019

Progress

- ✓ Provident Financial plc's most recent statement on the Modern Slavery Act 2015 was published in March 2019 at www.providentfinancial.com. We will continue to improve the quality of our annual reporting on this subject with a view to providing more relevant data on our supply chain by April 2020.

Engaging with the investment community through CR

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

Timeframe

By December 2018

Progress

- ✓ During 2018, Provident Financial continued to be included in the DJSI World, DJSI Europe and FTSE4Good Index Series, and its CDP submission was rated 'C Awareness', demonstrating that we have knowledge of our impacts on climate change and of climate change issues more broadly. We will continue to make submissions to these indices and other investor relations requests on sustainability and corporate responsibility topics.

Increase communication regarding the CR strategy and relevant updates to shareholders and potential investors.

By December 2018

- ✓ During 2018, Provident Financial engaged with ISS-oekom, Forum ETHIBEL, MSCI and Bloomberg on elements of the Group's CR programme.

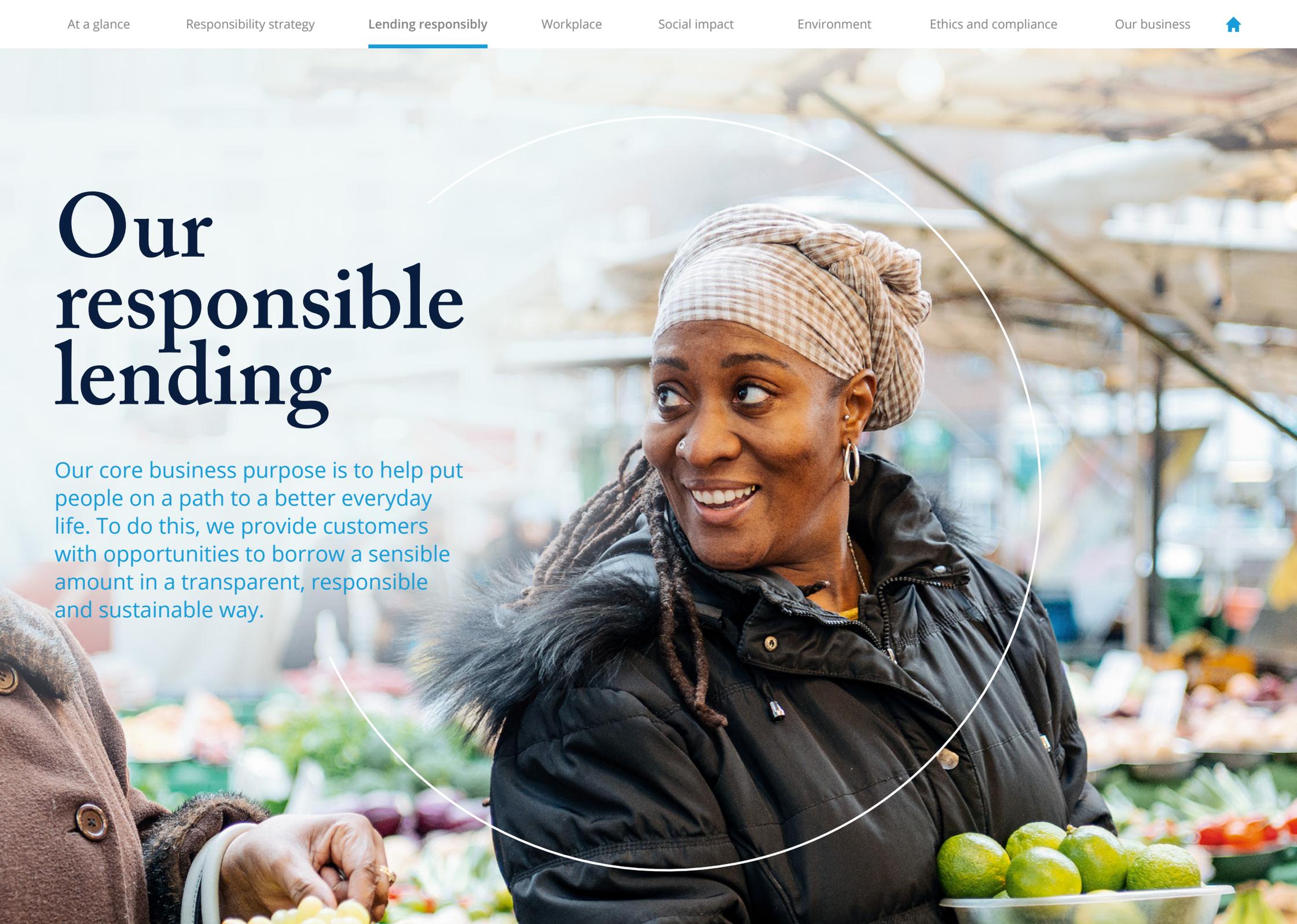
Increase engagement with Provident Financial's shareholders and debt investors on the Group's new purpose and strategy, and how the CR programme is linked to both of these.

By June 2020



Our responsible lending

Our core business purpose is to help put people on a path to a better everyday life. To do this, we provide customers with opportunities to borrow a sensible amount in a transparent, responsible and sustainable way.





Our customer journey

We provide our customers with tailored and affordable products that match their specific needs, and we help them to handle the inevitable challenges that everyday life throws their way.





Serving our customers in a responsible manner



THE BLUEPRINT: STRATEGIC DRIVERS

The Group's core business is to provide tailored and responsible products, services and partnerships that help put our customers on a path to a better everyday life. The 2.4 million customers we are proud to serve come from all across the UK and ROI.

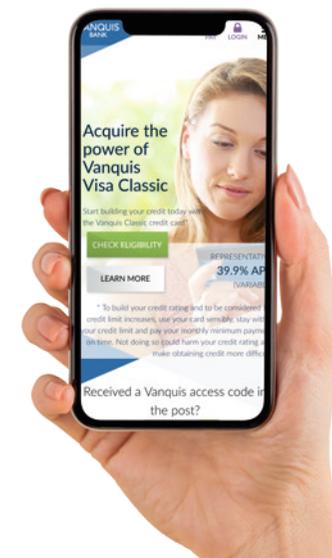
The employment status of our customers can vary and, due to their personal circumstances, they can be in receipt of state support. As a result, they typically have low to average incomes. Some of them have also had to deal with significant life events such as divorce, loss of a job, long-term illness and other challenges which, given that they have low to average incomes, can occasionally cause them to fall behind with their financial commitments. This can cause their credit files to be impaired and contribute to them being underserved or totally excluded by mainstream credit providers.

Vanquis Bank customer satisfaction rate

86%

The products, services and partnerships that we offer through our three divisions are therefore tailor-made to meet the particular needs of our customers. In general, the approach we take to providing credit to our customers involves lending smaller amounts over shorter periods of time. Under this approach, new customers to Vanquis Bank, Satsuma and Provident home credit get lower credit limits, or smaller, shorter-term loans to begin with. This enables us to observe and

understand the behaviour of our customers before we consider granting further lending and it also enables the customers to experience our products and see if they suit their needs. It also enables our customers to enter or re-enter the credit market, stay in control of their finances and build credit scores for greater future access and choice. In the case of Moneybarn, where a vehicle is held as security, we are able to lend more credit for longer periods.



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“

The improvement in customer satisfaction within our Provident home credit business this year reflects an improvement in customer service as a result of the successful ongoing implementation of the recovery plan during 2018.

We collect information on customer satisfaction through a variety of methods such as online forums as well as phone and face-to-face surveys.



Improving customer satisfaction rates

One of the key performance indicators we track to determine whether we are providing our customers with products, services and partnerships that meet their particular needs and help put them on a path to a better everyday life, is customer satisfaction. Measuring this year on year also gives us some insight into where we can make improvements to our offerings so that we can continually meet or surpass customer expectations. Information on customer satisfaction is collected through a variety of methods such as online forums and phone and face-to-face surveys, as well as focus groups. The overall customer satisfaction rates in 2018 for each of our brands are set out overleaf.

The improvement in customer satisfaction within our Provident home credit business reflects an improvement in customer service as a result of the successful ongoing implementation of the recovery plan during 2018. But we also recognise that there is more we can do in 2019 to continue to improve these scores, including:

- In Vanquis Bank, continuing to make enhancements to the suite of forbearance tools that was rolled out in the second half of 2018 to support more customers who find themselves in short-term difficulties to recover, avoiding default.
- In Provident home credit, continuing to review the additional controls, such as the voice recording technology we have been embedding throughout 2018, which is used by our Customer Experience Managers (CEMs) when interacting with customers. This technology not only enables us to review compliance and the quality of our interactions with customers to ensure that positive customer outcomes are achieved, but it also plays an important role in enabling us to review other matters, for example the health, safety and wellbeing of our CEMs, as they go about doing their jobs.
- In Satsuma, continuing to review and update our mobile app to improve its repayment functionality and make it easier for customers to see when their next payment is due and enable them to make missed payments via the app to clear any arrears.
- In Moneybarn, continuing to invest resource and technology in customer operations to help us to identify and resolve situations where customers are in financial difficulty.



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	Customer satisfaction rates for 2018	Customer complaints received in 2018
VANQUIS BANK	86% (2017: 87%)	38,767 (2017: 33,768)
moneybarn <small>credit you can trust</small>	4.7/5 Feefo rating (2017: 4.7/5)	4,551 (2017: 3,691)
Provident	87% (2017: 85%)	
Satsuma® <small>loans.co.uk</small>	4.7/5 Reviews.co.uk rating (2017: 4.8/5)	
Consumer Credit Division (Provident and Satsuma)		36,584 (2017: 33,254)

Dealing responsibly with customer complaints

Ensuring that we keep customer complaints to an absolute minimum is also a good indicator that we are treating our customers fairly and that our products, services and partnerships meet their specific needs. Understanding the reasons behind complaints also helps us to 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. Vital to resolving customer complaints satisfactorily is ensuring our staff are trained well enough to deliver excellent customer service whether face to face, on the telephone or via email. The total amount of hours employees spent on customer-focused training in 2018 was 134,055.

We provide the contact details of the Financial Ombudsman Services (FOS) to all our customers, so they have another option if they feel we have been unable to resolve their complaint to their satisfaction. During 2018, the total number of complaints referred to the FOS was 4,302 (2017: 1,792). Of these, 1,278 or 30% (2017: 20%) were upheld in favour of the customer.

During 2019, we will focus attention on ensuring that customer complaints are kept to an absolute minimum.

Supporting customers in vulnerable situations

The purpose of our business is to help put people on a path to a better everyday life, by offering credit to those who really need it and struggle to access it from mainstream banks. However, we understand that with this comes great responsibility. This is why we have reviewed our Social Impact Programme, which traditionally focused on providing grants to local community organisations and charities, to

include a workstream dedicated to improving the level of support we provide to our vulnerable customers, as well as our staff who are working on the front line with them.

We understand that our customers can find themselves, at times, in financially challenging situations due to unforeseen circumstances such as ill health, loss of income, family bereavement or other significant life events. Therefore, we ensure that our call centre staff are trained in recognising signs that might indicate a customer could be classified as 'vulnerable', or may be facing financial difficulty, whether in the short term or long term.

We have developed relationships with organisations and charities such as IncomeMax and the Money Advice Trust, which provide training to our staff to help them communicate effectively with such customers. The training and guidance our call centre receive is informed by the customer protocol, TEXAS (Thank, Explain, eXplicit consent, Ask and Signpost), developed by the Money Advice Trust and Royal College of Psychiatrists, as well as guidance published by our regulators, the Financial Conduct Authority and the Prudential Regulation Authority Prudential. In certain cases, our staff can offer customers forbearance options such as breathing space or an adjustment to their repayment plans so they can manage their finances better. In some cases, a decision may be taken to write the debt off.

As well as the work we are doing in our contact centres to ensure our staff are equipped with the right skills to support our customers, we have a long history of supporting a wide range of organisations within the money advice sector. By supporting these organisations, this allows our customers to seek free and low-cost independent and personal financial advice and support if they are facing financial strain.



IncomeMax

Vanquis Bank continues to work with IncomeMax, through an innovative partnership that began in 2015, to support customers of the Bank that are experiencing financial difficulties. IncomeMax is a community interest company that helps people to maximise their household income by providing them with independent personal welfare advice that helps them take control of their finances. The advice provided by IncomeMax helps households to increase their income, reduce household bills and get the debt advice they need. Vanquis Bank's dedicated One Call team, which offers additional support through financial capability and capacity assistance, puts customers in touch with IncomeMax. IncomeMax then provides independent personal money advice to help customers take control of their finances.



While our divisions are working to collect outstanding debt from customers, sometimes they enter debt agreement plans with leading debt charities such as StepChange Debt Charity (a similar arrangement is in place with 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. 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. During 2018, the Group's operating companies paid £864,107 (2017: £665,783) to StepChange Debt Charity and Christians Against Poverty in 'Fairshare' contributions.

MONEY ADVICE TRUST

In 2018 we funded the equivalent of one specialist National Debtline advisor. National Debtline offers free and impartial debt advice by phone, webchat and online, and its specialist advisors help callers to understand their debt options and to manage their money with confidence. In 2018, National Debtline helped 169,820 people and 90% of those who spoke with a specialist advisor said their debts had reduced or stabilised within 12 months of making contact.

We also made a financial contribution to the running costs of Money Advice Trust's Insight function, which carries out in-depth analysis of National Debtline and Business Debtline clients. The insight generated is used to evaluate the impact of National Debtline's services and aid a better understanding of their clients, for the purposes of shaping future service improvements, as well as aiding the wider understanding of personal debt in the UK.

advice UK

The funding received by AdviceUK was used to support the work undertaken by its National Money Advice Co-ordinator (NMAC). The purpose of the role is to build the capacity of the money advice members of the AdviceUK network to meet the needs of their clients. Some key responsibilities of the NMAC are: to support the members of the AdviceUK network that provide money advice to the general public in areas such as policy, legislation, training and funding; to identify and develop new funding opportunities; and to represent the interests and views of the AdviceUK network and clients at a national level to the Government, regulators, policymakers, funders, the credit industry and other relevant stakeholders.

moneyadvicescotland Scotland's Money Charity

The funding we provided to Money Advice Scotland in 2018 contributed to the successful delivery of its annual conference in which delegates from across the credit industry, local authorities and money advice sector in Scotland attend for training purposes. It also enabled Money Advice Scotland to achieve Investors in People Gold status, which demonstrates its commitment to its staff, which in turn enables it to maintain sustainable and high levels of service delivery to the many advisors in Scotland's money advice sector.



The Institute of Money Advisers held its annual conference in Manchester in June 2018, with the theme 'Money advice: credit where credit's due'. We contributed £4,800 to the cost, to help ensure the event remained affordable and accessible to money advisors from the not-for-profit sector. Over 200 debt advisors and sector colleagues attended the conference over two days, participating in continuing professional development accredited workshops, networking and sharing insights into innovative and good practice.



Our funding helps support the Money Advice Liaison Group's regional forums across the UK, which promote communication and best practice sharing between commercial, not-for-profit and government organisations concerned with debt, debt advice and debt collection. Through our relationships with these organisations, we are able to stay up to date with debt/money advice issues that are material to our customers and the wider financial services sector, as well as gain the perspective of the money advice sector regarding regulatory developments on issues such as responsible lending, customer vulnerability and the evolution of good practice in money advice and financial capability provision.



Managing arrears

In unfortunate scenarios, some of our customers will fall behind on their repayments, meaning we have to make contact with them and rearrange their repayment schedule. It is of utmost importance that we are empathetic and understanding in these circumstances and offer forbearance measures where possible, so we can protect their credit score. However, there are cases where customers, in spite of all efforts to assist them, either cannot or will not cooperate with our efforts to rearrange their repayment schedule. Our divisions therefore have systems and processes in place to deal with these situations, however these processes differ slightly, due to regulatory requirements and the products we have on offer.

Vanquis Bank, Provident home credit and Satsuma loans all have internal recovery procedures in place which are aimed at reconnecting with customers via letter, telephone or SMS text message. These procedures enable us to determine whether customers are experiencing any personal difficulties which are preventing them from making repayments. Then, we can agree with them any appropriate forbearance options (e.g. a reduced payment arrangement). If, having used these internal processes to reconnect with a customer who we believe has the capacity to repay, it is still not possible to secure payments from them, we may appoint a debt collection agency (DCA) to pursue the debt. When this occurs, we retain the title and responsibility for the actions of the DCA and the DCAs will only receive commission on the payments they collect. Our operating businesses only use

DCAs whose track record is known to them and who are members of the DCA trade body, the Credit Services Association. The activity DCAs undertake on our behalf is contractually based and we formally audit their activity and performance every 12 months. These audits focus on all aspects of work that the DCAs undertake on our behalf, including ensuring that their activities are responsible and comply with our processes and procedures.

The management of accounts in arrears for Moneybarn is less straightforward than our other subsidiaries due to the nature of the business. Moneybarn's policy is to try to keep as many customers who are in arrears in 'live' agreements as possible. They do this through a series of forbearance strategies, including reducing contractual payments for a period of time, payment holidays and extending agreements to facilitate a long-term reduction in payments. Even with forbearance strategies available, some customer agreements will prove to be unsustainable. In these situations, the agreement will be ended and the vehicle recovered and sold. The sale value of the vehicle is offset against any shortfall debt the customer might have on their agreement. Any further shortfall debt is then recovered through payment arrangements with the customer. All payment arrangements are only entered into if the customer can afford them, validated by full income and expenditure assessments.



“

We have call centre staff who are trained in recognising signs that might indicate a customer could be classified as 'vulnerable', or may be facing financial difficulty, whether in the short term or long term.



Our workplace

Our employees are a key stakeholder in our business. Without them we would not be able to have customer relationships, engage with our investors, work with suppliers or get involved in our local communities.





Creating a safe, inclusive and meritocratic workplace

Our employees are a key stakeholder in our business. Without them we would not be able to have customer relationships, engage with our investors, work with suppliers or get involved in our local communities.

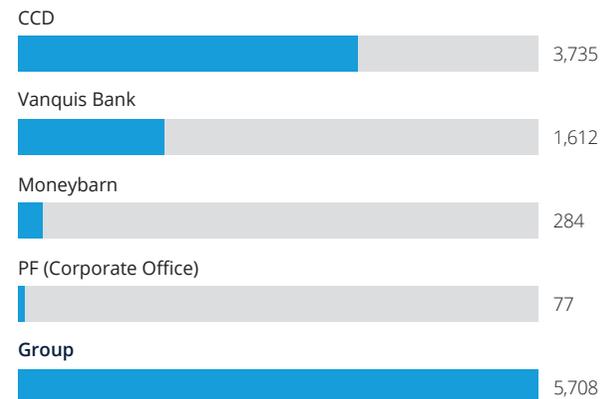
Throughout 2018, we have made a number of management changes across the Group which have seen the introduction of new appointments working at a Group-wide level such as the Group Human Resources (HR) Director, Group Director of Corporate Communications, Group Internal Communications Director and Chief Procurement Officer, as well as new positions being created in our operating companies. These appointments were made to create key Group functions and improve coordination, cooperation and efficiency across the business.

However, in 2018, we also had to make a number of redundancies in the Consumer Credit Division in order to reduce and reshape some of its central support functions. This was a difficult but necessary step that had to be taken to align the division's cost base to the reduced size of the business. To ensure affected employees' voices were heard in the decision making process that underpinned the redundancies, we held a collective consultation with employee representatives from the division's elected Colleague Forum. The consultation focused on the proposed job roles that would be reduced. It lasted 45 days and enabled the affected individuals and their representatives to give feedback on the proposed redundancies, 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 job 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.

Number of employees at
31 December 2018

5,708

Number of employees at 31 December 2018: 5,708
(2017: 4,864)





Mental health and wellbeing

We are partnering with a variety of leading mental health charities to establish a Mental Health First Aider network, in line with best practice as outlined by Mental Health First Aid England. We are also piloting a programme of interactive sessions for our managers to understand the causes and impacts of stress, anxiety and depression, in order to improve their ability to spot the signs of mental health distress amongst colleagues and help them to develop ways to reduce stress.

To date, our Mental Health First Aider network is made up of 65 colleagues across our businesses with further plans to extend this network to include colleagues in ROI. Working with the Bank Workers Charity, approximately 120 managers have attended positive mental health sessions to help create a culture of wellbeing. In May 2019, we participated in Mental Health Awareness Week. A variety of events took place across our businesses with the objective to encourage colleagues to speak up and seek support, and to create awareness of the support framework colleagues have access to.

Vanquis Bank is collaborating with Thrive Therapeutic Software to trial a clinically proven mental health app to support building resilience against stress, anxiety and depression and we are working with our health and safety colleagues to ensure mental health best practice, issued by the Health and Safety Executive, is adopted and included within our health and safety commitments.

26%
of senior management
representation
are female

9%

of employees from black,
Asian and minority ethnic
(BAME) communities
(2017: 15%)

Spotlight on equality, diversity and inclusion

We want our business to be diverse and inclusive as employing people with different skills and backgrounds will help us understand our customers' needs and develop products and services that support them better. During 2018, we appointed a Group HR Director, to ensure the HR teams in each of our businesses are tackling challenges and overcoming barriers together. We also appointed a gender diversity lead for the Group, Catherine Diamond, HR Director for Moneybarn. Catherine will lead on the gender diversity agenda for the Group, ensuring we are doing more to create a talent pipeline of future female leaders.

We are also aware that we need a strong benchmark for equality, diversity and inclusion (EDI) metrics, so that we can set targets and measure progress more effectively. Our HR teams recognise that we need to collect EDI data at the point of staff onboarding, to ensure that we can monitor our performance in areas like ethnicity, race and physical/mental wellbeing or disabilities. By doing this, we can further underline the commitment set out in our corporate EDI policy which states that we will support diversity and create an inclusive workplace culture for employees and other stakeholders, including customers, suppliers and contractors. We will therefore conduct a review of how this data is captured to help us monitor metrics relative to this area and initiate projects to enhance the EDI data quality and culture of our workplace.



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Gender diversity

In December 2018, the Group Executive Committee approved a set of proposals to improve EDI across the Group. It was agreed that the initial focus would be on gender diversity and achieving a better gender balance at senior leadership level.

In recent years, we had set a target of achieving 33% of female representation on the Board, Group Executive Committee and their direct reports by December 2020. We have achieved this target at Board level, but are yet to achieve it at Group Executive Committee and direct report level.

Therefore, with our newly appointed gender diversity lead for the Group in place, we created an EDI strategy to support the achievement of our targets.

Included in the strategy are the following objectives:

- become a signatory to the Women in Finance Charter (WIFC);
- deliver the Next Generation Women's Leadership Programme;
- design a new Group EDI policy that will create a consistent approach to recruitment, employee retention and pipeline development of our best female talent;
- appoint 'EDI Business Ambassadors' who can drive progress in each division; and
- develop a new balanced performance scorecard and remuneration policy.

The progress against these objectives will be reviewed on a consistent basis by a variety of our Group Board Committees, depending on the subject of Committee meetings.

Gender diversity across employee levels at 31 December 2018

Employee level	Female		Male	
	Number	%	Number	%
Total staff	3,117	55	2,591	45
Director	7	23	24	77
Senior management	29	26	84	74
Middle management	103	35	190	65
First level management	186	44	239	56
Colleague	2,780	57	2,066	43



“

I am delighted that Provident Financial signed up to the Women in Finance Charter in March 2019. The WIFC commits firms to supporting the progression of women into senior roles and to publicly report on their progress, to support the transparency and accountability needed to drive change in the financial services industry. Signing up to the Charter forms part of the Group's wider equality and diversity plan to create a more inclusive workplace culture and accelerate the success of current and future female leaders across the company.

Catherine Diamond
HR Director
Moneybarn



Gender pay gap

We are committed to supporting diversity and creating an open and inclusive culture where everyone feels valued. We also recognise that the Group has a key role to play in closing the gender pay gap across the financial services sector, given that it has traditionally been seen as an industry that has lacked diversity and inclusivity. Here, you will find the gender pay gap numbers we are required by the Government to publish, which cover all staff employed by Provident Financial Management Services Limited (PFMSL), Provident

Personal Credit (PPC) and Vanquis Bank (VBL) (the legal entities of Provident Financial that are covered by the Gender Pay Gap Regulations). This gender pay gap data does not include those staff who are employed by Provident Financial plc, the parent company of Provident Financial, as it is not required to disclose data through the Gender Pay Gap Regulations. We hope to be able to disclose the gender pay gap data from a Group perspective in the near future.

Our pay and bonus gender gap as at 5 April 2018

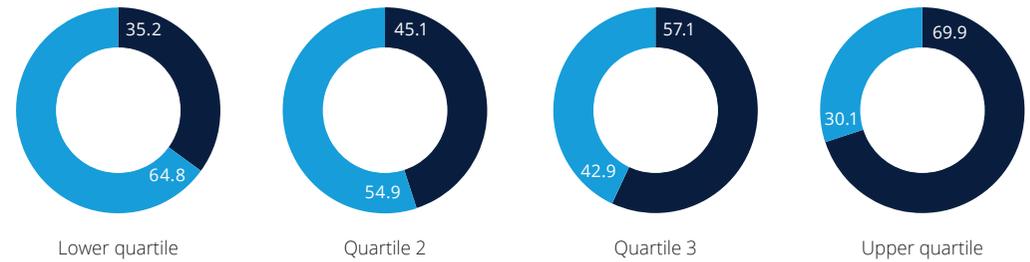
	Hourly pay		Bonus	
	Mean	Median	Mean	Median
Provident Financial Management Services Limited	30.4%	30.2%	61.3%	84.0%
Vanquis Bank	23.5%	11.6%	62.9%	25.6%
Provident Personal Credit	4.9%	0.0%	21.8%	0.0%



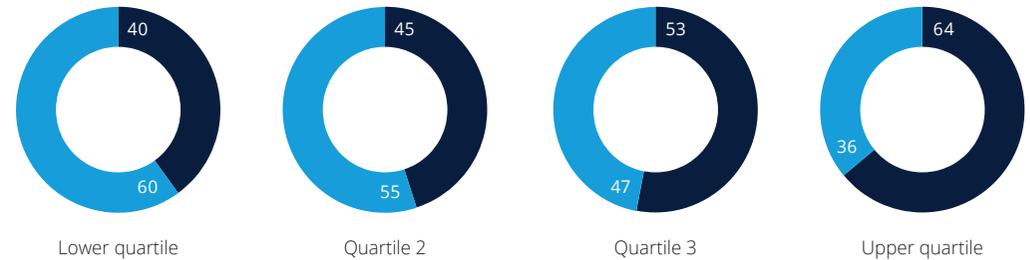
Gender representation by pay quartiles (%)

● Male ● Female

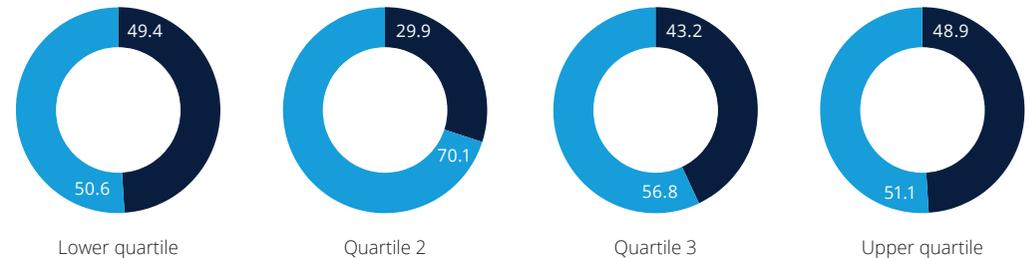
Provident Financial Management Services Limited



Vanquis Bank



Provident Personal Credit





Upskilling our people

Total number of learning and development hours

161,560

(2017: 137,983)

Average number of L&D hours per employee

28.3

(2017: 28)

Total number of customer-focused training hours

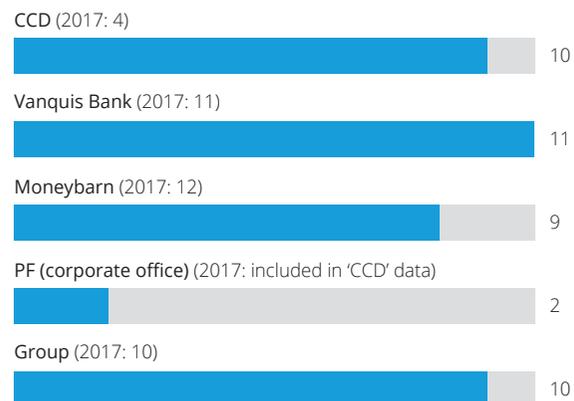
134,055

Number of apprentices introduced since the implementation of the Apprenticeship Levy in 2017

71

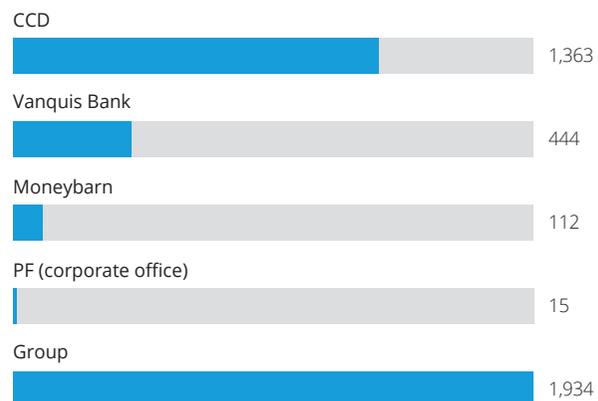
Employee absence and turnover

Average number of absence days per employee



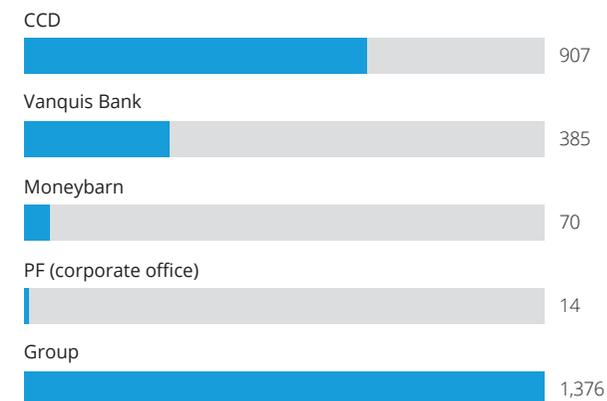
Number of employees who left the business

34% of our workforce left in 2018 (2017: 37%)



Number of employees who left the business voluntarily

71% of employees who left the business in 2018 left voluntarily





Ensuring the health, safety and wellbeing of our staff

Workplace health and safety and wellbeing of all our people are top priorities. We are committed to protecting our employees, self-employed agents in ROI, contractors, suppliers and customers.

We firstly do this through a Group-wide health and safety policy and through compliance with health and safety legislation. Our operating divisions also have additional policies on a range of health, safety and wellbeing issues that are subject to factors unique to their business. All policies are made available to all employees via our intranet sites, employee handbooks and through our induction programmes, as well as mandatory training that is in place to help colleagues work safely at all times.

Across the Group, we have a number of indicators we use to measure the health and safety level of our colleagues, alongside programmes in place to support their physical and mental wellbeing, from discounted gym memberships, to free counselling access and nutritional wellbeing courses.



THE BLUEPRINT:
BEHAVIOURS



[Read more](#)

Our blueprint

9

* 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.



“

2018 has been a year of embedding our personal safety values, working together with our field staff and industry to identify and raise awareness of potential health and safety risks. We ensure that personal safety training is undertaken by every member of staff at least annually to provide an awareness of potential on-the-job risks and hazards, whilst supplementing with comprehensive internal communications and bi-annual personal safety weeks.

Rebecca Wignall
Health and Safety Manager
CCD

There are a number of factors that influenced the rise in both reportable and non-reportable accidents over the last year.

During 2018, vehicle incidents were among the most common cause of non-reportable accidents and injury. The increase in the number of driver accidents coincides with the move to the new operating model introduced in 2017, meaning there is a much greater number of employed drivers within the business.

The Group is committed to achieving high standards of health and safety in relation to all of its stakeholders; however, CCD has the particular

risk of personal safety whilst out collecting from customers, so it carries out an extensive training programme and conducts safety weeks for employees in spring and autumn each year to reinforce a strong safety culture. There are stringent processes in place to report accidents and incidents, and we place great importance on accident prevention with measures designed to analyse accidents and their causes. In addition, there are a range of current best approach documents detailing best practice and safe systems of work.

We manage health and safety through steering committees that exist across the Group to facilitate dialogue and collaboration, define

standards, identify accident trends, develop preventative measures and lay the groundwork for decisions made by the Board. Each divisional board regularly considers health and safety and produces an annual compliance report on the Group-wide health and safety policy, which is reviewed by the Group Board. We also offer access to an Employee Assistance Programme (EAP) to all our employees and their families. The EAP offers support on financial, work, personal, health and family matters.

Following the tragic death of one of our staff members last year, we have redoubled our efforts on safety and the company continues to prioritise what further safety enhancements can be made.



Empowering staff to raise concerns

We are committed to the highest standards of quality, transparency and accountability, so employees are encouraged to raise any concerns they may have. We have whistleblowing policies in place which outline how concerns can be raised. All employees receive anti-bribery and corruption and whistleblowing training annually and have access to a confidential third-party helpline through which they can raise concerns relevant to anti-bribery and corruption or corporate hospitality.

In 2018, this helpline received 37 complaints, which were thoroughly investigated and dealt with in accordance with the appropriate internal procedures, and in May 2018, the Audit Committee undertook a review of the whistleblowing escalation process to ensure its effectiveness.



Encouraging staff to save for their future

Because of the industry we work in, we feel that it is just as important to ensure that our staff, as well as our customers, manage their money in a sustainable way. This is why we offer initiatives that allow staff to either invest in the company through a 'share scheme' or save for their future through a workplace pension.

Pensions

There are two main pension schemes for employees across the Group. New employees are automatically enrolled into the Provident Financial Workplace Pension Scheme after two months' service, and after two years of membership, they are invited to join the PFG Retirement Plan; however, employees joining at a managerial level are invited to directly join the PFG Retirement Plan.

The Provident Financial Workplace Pension Scheme is provided through Nest and requires employees to contribute 3.2% of their pensionable salary after tax relief. On top of this, we will also contribute 4% of their pensionable salary.

The PFG Retirement Plan allows employees to contribute between 3–8% of their pensionable salary and we will contribute 5–10%. All employees are entitled to a death in service payment; however, the PFG Retirement Plan includes an increased death in service payment of 3x salary and offers long-term sickness benefit.

Employee share schemes

Share schemes are a long-established and successful part of the total reward package offered by the Group, encouraging and supporting employee share ownership. The Group's four schemes aim to encourage employees' involvement and interest in the financial performance and success of the Group through share ownership.

The current schemes for employees resident in the UK are the Provident Financial plc Employee Savings-Related Share Option Scheme (2003), the Provident Financial Savings-Related Share Option

Scheme 2013 and the Provident Financial Share Incentive Plan (SIP). The current scheme for employees resident in the Republic of Ireland is the Provident Financial Irish Savings-Related Share Option Scheme 2014.

1,718 employees were participating in the Company's save as you earn schemes as at 31 December 2018 (2017: 1,466). The Group's SIP offers employees the opportunity to further invest in the Group and to benefit from the Group's offer to match that investment on the basis of one matching share for every four partnership shares purchased. 483 employees were participating in the SIP as at 31 December 2018 (2017: 318).

1,718
employees participate
in our save as you
earn schemes



Watch you
character, it becomes your destiny

Our social impact programme

Our community investment strategy supports our purpose by addressing key barriers to financial inclusion and helping people overcome them.





Our theory of change

Our community investment strategy supports our purpose by addressing key barriers to inclusion and helping people overcome them.

Our core themes



Customers

What we do

Invest in activities and initiatives that address key factors which affect someone's likelihood to be accepted for credit.



Education

Support both children and adults in their education, helping them secure a brighter financial future.



Community partners

Support community projects in areas where people are more likely to face social and financial exclusion.

We do this through

Funding money and debt advice programmes as well as working with mental health charities to ensure we can support our customers when they are feeling vulnerable.

Providing literacy and numeracy education as well as insights into the world of work.

Providing grants to grassroots organisations and charities through community foundations which will support local people in improving aspects of their life.

Why we do this



To ensure that our customers, as well as others who might face financial difficulty, can recognise the barriers to financial inclusion, overcome them, and secure a positive financial future for themselves.



To help raise aspirations of both children and adults who live in disadvantaged communities so that they can have a better chance of having a future that sees them included in society.



To help people overcome personal difficulties that might be preventing them from feeling socially or financially included in the communities in which they live and work.



Our social impact in 2018

Here, you will find some of the highlights from our social impact programme in 2018. After developing our theory of change, which you will have seen on the page previous to this, we decided to make some changes in how we collected social impact data, and what we reported. In previous years, we reported our impact in line with the London Benchmarking Group guidelines; however, this year, we have tailored our data analysis and reporting to fit with our unique programme. Over the next year, we will continue to develop metrics on how best to determine the Group's social impact.

27
primary school teachers trained in reciprocal reading techniques

£30,389
donated to employee fundraising efforts

32
young people provided with support to help improve their school attendance

£1.7m
invested to support community programmes, money advice programmes and social research (2017: £2.6m)



2,415
hours volunteered by employees during work hours (2017: 220 hours)





Supporting our communities



THE BLUEPRINT: PURPOSE



[Read more](#)

Our blueprint 9

The primary way in which Provident Financial fulfils its purpose is through the provision of credit to customers who are not well served by other lenders or are excluded altogether by them. We do this by responsibly providing our customers with appropriate amounts of credit, maintaining close contact with them throughout the term of their loan and supporting them sympathetically if they experience difficulties. It is through this knowledge and understanding of our customers, and the market we have proudly served since 1880, that we have been able to develop our approach to community investment and ensure that it is aligned to the Group's purpose of helping to put people on a path to a better everyday life.

Our community investment activities are delivered through our Group-wide Social Impact Programme. The strategy of this programme is to invest in activities and initiatives which seek to address some of the key factors which, on their own or acting together, can reduce someone's likelihood to be accepted for credit.

These factors include: lack of literacy or numeracy skills; disabilities and/or mental health issues; unemployment or under-employment; low levels of educational attainment; and low, uncertain or fluctuating incomes.

The Provident Financial Social Impact Programme delivers community investment activities under the following three workstreams:

- **Customer and vulnerability** – working with charities and specialist partners to address issues such as money/debt advice, customer vulnerability, product accessibility and financial difficulties.
- **Education** – supporting both children and adults on aspects of education, particularly those that relate to literacy and numeracy.
- **Community** – supporting Community Foundations and other partners to address the wide range of social inclusion and social mobility issues that are relevant to our customers and the communities where we operate.

2018 community investment figures



- **Cash: £1,431,990**
(2017: £2,354,863)
- **Management costs: £210,759**
(2017: £227,581)
- **Value of employee time: £37,829**
(2017: £9,552)



Customer and vulnerabilities

We support the vulnerable customer agenda through this dedicated workstream of the Group's Social Impact Programme. The focus of this workstream is to support charities and specialist partners to address issues such as money/debt advice, customer vulnerability and financial difficulties.

To read more about how we identify customers who might be considered as vulnerable, see page 23, and to find out more about how we are working to support the mental health and wellbeing of our colleagues, to ensure they are fighting fit and can support our customers in the best way possible, see page 28.

“

We are taking a holistic approach to mental health, recognising our duty of care to both our colleagues and customers. Our mental health programme gives careful consideration to the needs of each business area and role types, paying special attention to our colleagues who are supporting our vulnerable customers. All awareness sessions, training and support networks are in place to

encourage an opened culture towards 'speaking up' about mental health. By removing the stigma and barriers, typically surrounding negative labels, we are hoping to increase empathy and understanding of poor mental health throughout our businesses.

Annette Saunders
Corporate Responsibility Manager
Vanquis Bank





“

Through our education programme, we are not only helping to raise literacy and numeracy levels amongst young people in disadvantaged areas but, by introducing them to the world of work, we are building their aspirations and helping them to develop the soft skills and confidence they need in order to be able to make good decisions about their future.

Cathy Prior

Education Lead

Provident Financial plc

Education

Our work on the education theme began in 2017 when we created a communal book space at our Bradford head office, allowing staff to read and share books. Deciding that education should become one of the three pillars of our Social Impact Programme was a straightforward decision, as we know that enabling the children and adults in the communities we serve to improve their levels of educational attainment and develop new skills plays an important role in enabling them to have a better quality of life.

Throughout 2018, we worked with the national charities National Numeracy and National Literacy Trust and a smaller organisation, Leading Children, to help raise numeracy and literacy levels. We are also a founding member and trustee of the Social Mobility Business Partnership.

National Numeracy Day 2018

From getting the best supermarket deals to managing family finances, or understanding salaries to gaining a promotion at work – we all use numbers in our everyday lives. Despite this, one in two working-age people have numeracy levels associated with primary schoolchildren. So, when we were approached by National Numeracy to get involved in the first ever National Numeracy Day in May 2018, we were delighted to sign up as one of the lead supporters because, as a financial services business, ensuring that our customers and staff, and the children and adults in the communities we serve, understand the basics of numeracy is fundamental to being a responsible financial services company.

Our purpose is to put people on a path to a better everyday life and key to this is ensuring our customers understand the terms and conditions of the products they are purchasing from us. In order to do this, they require basic numeracy skills. It is also vital that our staff have the right level of numerical knowledge and skill to support our customers throughout their journey with us.

The day was a success and we achieved an excellent response from staff with 695 registering to use the National Numeracy's online assessment tool as well as other free learning resources.

We, again, signed up to be a lead supporter of National Numeracy Day again in 2019 and invited employees to sign up to take the numeracy challenge and start on their journey to increase their confidence with numbers.

Tackling barriers to education with School-Home Support

School-Home Support (SHS) is a charity that provides personalised support to children and families to tackle the underlying barriers to successful education and improve the life chances of children. Partnering with schools, local authorities and communities, SHS looks beyond the classroom to understand and tackle the issues affecting children's learning, such as poverty, inadequate housing and mental health. The organisation uses early intervention to address the root causes of low attendance and poor behaviour, to ensure that children are in school, ready to learn. The biggest influence on a child's life is their

experiences at home. SHS employs expert practitioners to work with families on addressing a wide range of complex issues, building their engagement and resilience so that they can resolve future issues independently. Without this support, children are much less likely to achieve their best potential.

Working closely with our partner school in Bradford, One In A Million, we provided funding for an SHS practitioner to support a number of young people and their families. In 2018, the practitioner supported 32 individuals on issues such as school attendance, poor housing and mental health. As a result of these interventions, more than half of the young people engaged in the programme saw their school attendance improve. In addition, the practitioner was able to use funding from the SHS Welfare Fund to provide essential items to eight of the families worked with. This included purchasing school uniforms, emergency food and bedding.





• CONSULTANCY
• TRAINING
• RESOURCES

CASE STUDY: Leading children into literacy

Leading Children is a Bradford-based learning consultancy which has developed a bespoke literacy programme for us to offer to 12 schools local to our head office in Bradford. We decided to develop this programme after becoming aware that only 70% of schoolchildren in Bradford achieve the expected standards in reading and even less so for writing. There are a wide variety of reasons why this can occur – it could be due to a learning disability or poor teaching, but it could also be because parents cannot afford to buy their children books, or perhaps they cannot help their child with their homework because they do not have good literacy standards themselves. Having difficulty when it comes to reading and writing can lead to low self-esteem and self-worth, closed mindsets, disengagement and lower academic achievements and career prospects.

Through our work with Leading Children, we provide teachers with tools which combine the concepts of reciprocal reading and growth mindset, which helps to change their classroom culture into one that not only allows the children to learn the strategies they need to become good readers and increase their confidence and knowledge, but also enables them to develop a love for reading for pleasure.

Through the Leading Children literacy programme we:

- worked with seven primary schools and five secondary schools in Bradford;
- positively impacted almost 1,000 primary school students in reading, writing, mindset and wellbeing; and
- provided training to 27 primary school teachers.

As a result of the programme, all seven primary schools have taken onboard the programme as their principal method of teaching comprehension and supporting reading in children from Year 2 and above. Out of the five secondary schools who took part, three achieved an average of 61% on their reading scores as a result of the programme whilst the other two achieved an increase of 50% on their reading ages.

We have recently launched the programme at partner schools in Birmingham and Chatham, in addition to Bradford. We have also trained over 40 members of our staff to become reading volunteers. These volunteers will visit the schools each week, spending time with children and helping them to improve their literacy skills as well as enjoyment of reading.



“

After last night's training session the emails were abuzz with positive feedback and ideas from the teachers. Today, I have been at both Brompton-Westbrook and Byron Primary and both schools are full of excited teachers who have made tweaks to their plans for today in order to deliver lessons with a reciprocal reading approach. I think that proves an amazing and instant impact of the training we had; the teaching staff are like excited little children!

Jon Carthy

Head Teacher

Byron Primary School, Chatham

“

Every five years or so, you listen to some training that you know is going to transform the way you teach and today was one of those days for me. Thank you – that was brilliant.

Teacher

Brompton-Westbrook Academy, Chatham



Education continued

Words for Work: secondary and post-16

Entering the world of work can be a daunting experience for many young people, even more so for those in disadvantaged areas. Young people in these areas are more likely to be unemployed when they leave school due to the multiple and complex barriers they face. These can include poor educational experiences and low attainment at school. And many may be from families who are experiencing two or maybe three generations of unemployment and so have no experience of the world of work. Adding that to the fact that many young people will be employed in jobs that do not yet exist means preparing them for the future world of work has never been more challenging.

As a local employer we are one of the best sources of advice and guidance for these students. Our employee volunteers, along with volunteers from other local businesses, come together to share their knowledge and experiences of 'real-life' work with the students and give them the opportunity to ask questions about the skills they will need to enter the workplace and open their eyes to different career pathways. They also gain valuable tips on completing job applications and interview practice.

* Kashefpakdel, E., Rehill, J., Hughes, D. (2019). Career-related learning in primary: The role of primary teachers and schools in preparing children for the future.

Words for Work: Dream Big!

It is never too early to start talking to children about their future. From a very young age children are already starting to form assumptions about what careers will be available to them and a recent report* found that gender stereotypes exist from the age of just seven.

The Words for Work: Dream Big programme helps to broaden aspirations and bring the world of work to life for these children.

This year, we hosted a class of children aged 5–6 from Childeric Primary School in New Cross at Vanquis Bank's offices on Fenchurch Street, London. Employee volunteers spent the morning chatting to the children about their roles whilst taking them on a tour around the different departments and engaging in some fun-filled office-themed activities with them before a visit up to the Sky Gardens to have a look at what kind of jobs might exist up there. We look forward to hosting more school groups from across the country throughout 2019.



CASE STUDY: Our partnership with the National Literacy Trust

Developing a partnership with NLT was a natural progression for us. In 2018 we funded the charity's 'Words for Work' programme in two secondary schools in Bradford. In addition, we also funded two 'Early Words Together' programmes which support parents and carers by giving them the tools they need to support their children's early communication and literacy development so that they are school-ready by the age of five.

We wanted to build on this work and provide activities with a focus on all stages of a person's literacy development. Through our partnership with NLT we will continue to fund the 'Early Words Together' programme and, in addition, the 'Words for Work' programme has been expanded to include not just secondary schools but post-16 students and primary school children too. Through this new programme we are working with children across five areas of the country – Birmingham, Bradford, Chatham, London and Portsmouth.



Education continued The Social Mobility Business Partnership

Social Mobility Business Partnership is a registered charity, of which the Group is a founding member and trustee. The SMBP works with Year 12 state-school students from low-income backgrounds, to enable them to access business, with a focus on showcasing how commercial departments work with their legal and finance teams to deliver their business strategies. Through the programme, students attend a Work Insight and Skills week, spending a day at four different businesses and a fifth day at a professional sports club where they learn about the psychology of resilience and goal achievement models.

In 2018, the Group, along with the other SMBP partners, hosted 53 students through the Work Insight and Skills week. The students spent time taking part in workshops delivered by our corporate functions, including legal and corporate responsibility. In addition to this, students also had access to support through the programme's bespoke coaching platform. This platform allows them to draw on advice on writing impactful CVs and personal statements, completing university and job application forms and preparing for job interviews.

Community partners

We continue to develop partnerships with Community Foundations, through the community partners strand of our Social Impact Programme. It has proved an effective way of disbursing our funding, allowing us to leverage the expertise that they offer, including their due diligence support. It also means that we can harness their local knowledge, as Community Foundations are rooted in the communities they serve. They have unrivalled insight into the specific issues that those communities are dealing with, as well as the small charities that are helping to tackle them effectively. This means that we can channel the funding we have made available through them, to the areas where it will have the greatest impact.

We currently have partnerships with:

- Leeds Community Foundation;
- London Community Foundation;
- Hampshire & Isle of Wight Community Foundation;
- Kent Community Foundation; and
- Community Foundation in Wales.

In 2018, grants totalling £70,511 were awarded to 17 community organisations.

“

Our Community Foundation partnerships enable us to leverage their experience and local knowledge in order to prioritise our funding for small community organisations in line with our Social Impact Programme's strategy. Their management of the process also gives us the confidence that, with their guidance, we can direct our funding to those organisations who are addressing social inclusion issues most effectively.

Sharon Orr
Local Community Lead
Provident Financial plc





The Manjit Wolstenholme Fund

We have recently set up a fund in partnership with Leeds Community Foundation in memory of the Group's former Chair, Manjit Wolstenholme, who passed away in November 2017. Working closely with Manjit's husband, the fund will support children and young people in deprived areas of the Bradford district to achieve their potential through educational and aspirational opportunities, reflecting Manjit's own journey and her commitment to equality and social mobility. The funding will be disbursed as small grants to community organisations who are delivering services aligned to the Fund's theme. A grants panel, which includes members of Manjit's family and colleagues from across the Group, will decide which organisations receive funding.



“

Manjit was a remarkable woman, whose story of success was inspirational. She was passionate about creating opportunities for others to follow in her footsteps, and that is why the fund's vision is to enable young people from challenging backgrounds to aim high and achieve their potential.

Neil Wolstenholme
Manjit's husband





Hostelling International Northern Ireland (HINI)

Provident has been funding HINI's GATHER programme for a number of years through our original community investment strategy of directly supporting small charities and organisations in the communities which we serve.

HINI allocates funding to community organisations and groups from the most deprived areas of Northern Ireland, allowing them to provide residential stays at HINI's youth hostels. Through these stays, HINI is able to provide individuals with respite breaks and give them opportunities to improve their self-awareness and confidence. In addition, they are able to help them build better communities, practice peaceful communication and self-care. A further aim is to support community groups who are working on a cross-community basis. In 2018, 26 community groups received funding with a total of 639 beneficiaries, allowing HINI to reach out to more organisations which existing funding did not allow for.

There have been a number of impacts for beneficiaries, but the opportunity for them to spend time away from their home environment has been consistently cited as one of the most important features of the programme, with participants better able to respect each other's differences.

This was evidenced through a specific cross-border project that HINI developed through the programme, which brought together 50 young people living in deprived areas of Northern Ireland and the Republic of Ireland. The group met for two residential stays where they experienced community building as a group, team-building activities, and reflection and discussion, as well as story-telling and other group activities. This had a lasting impact on the young people who now see their peers from 'the other side of the border' as young people who are just like them. It has given them a better understanding of the different cultural aspects that exist and how they can practice peaceful ways of living together in everyday life.

HINI strongly believes that the physical place where people come together as a community can have many beneficial effects for participants. By convening in a different environment, everyone has to adapt to a new situation, support each other, renegotiate old power dynamics, be flexible and make a conscious effort to feel grounded. Many participants have never left their home community and their stay at a GATHER residential is often their first time away, making the experience even more powerful for them.

“

We cannot stress enough how much positive impact the GATHER programme has on its beneficiaries. They are able to fully immerse themselves into new experiences they do not have in their home communities. This ultimately leads to positive outcomes for hundreds of beneficiaries every year.

Annette Feldman
HINI





CASE STUDY: #GiveBradford update

Supported by funding from Provident Financial, Leeds Community Foundation launched the #GiveBradford campaign in 2017. The aim of the campaign was to develop a giving platform for corporates and individuals across the district, and to leverage existing funding streams and investments already made. Initial development of the platform was informed by consultation with key stakeholders in the city and this process of collaboration continues through the campaign's steering group, which comprises representation from businesses such as Provident Financial and other key organisations from across the city, including Bradford Council.

Funding from the Group has also been used to underwrite the continued growth of The Bradford 100 Club, which was launched in 2017. This has continued to attract new members from Bradford's business community who recognise the opportunity to support Bradford's local communities. A number of events have brought members together to network and hear first-hand feedback from organisations funded through the community foundation. As a result of the development of the #GiveBradford campaign, Leeds Community Foundation has been able to:

- distribute £1.2m in grants across the Bradford district;
- identify £2.3m in trust transfers; and
- set up a new £375,000 'Holiday Hunger' fund with investment from the BG Campbell Trust, Morrisons and the Big Lottery.



Colleague involvement

Our colleagues have a natural propensity to make a positive impact in the communities we serve in a number of ways, and we continue to support them to do this through a range of activities and schemes offered as part of our Social Impact Programme.

Our aim is to give colleagues the tools and resources to contribute to the causes and organisations that mean the most to them, in the way that they feel is most appropriate.

In Bradford, for example, we work with Participate Projects to provide community team challenges for staff to get involved in. These offer a number of important benefits in terms of behavioural and personal skills development. Significantly, during a period where there has been considerable restructuring across the business, the team challenges have been an effective vehicle for bringing new teams and colleagues together in an external environment, to work collaboratively, learn about each other and deliver something valuable for the local community. As a result, in 2018, we saw a significant increase in the number of employees taking part in the team community challenges, with 2,415 hours volunteered during working time. And by using the expertise and local knowledge of Participate Projects, we can ensure that our community team challenges are tackling the issues where volunteers really can make a difference, based on the specific needs of the community organisation itself. It means that colleagues can truly feel they have added value within the community by working with the rest of their team to deliver something that is absolutely needed.



Employer-led volunteering programmes are also available. For example, staff can volunteer to take part in grant panels to help decide how to allocate funding via our community foundation partnerships. In 2018, we saw employees taking part in panels with the Kent Community Foundation, Leeds Community Foundation and Hampshire & Isle of Wight Community Foundation. Our reciprocal reading scheme is growing with the ongoing development of our literacy programme. Employees are given specialist training and can use their paid volunteering allowance to support children's reading development as part of a structured programme.

Additionally, we encourage our colleagues to volunteer their time and skills for the community organisations of their choosing through our volunteering policy, which offers two days' volunteering leave per year. They can also claim a volunteering grant for that organisation.

Our matched funding programme continues its popularity and in 2018 we matched employees' fundraising efforts by £30,389.



Managing our environmental impact

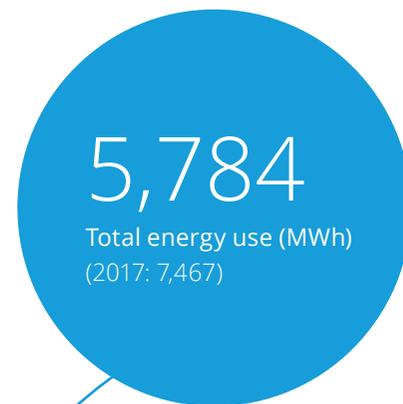
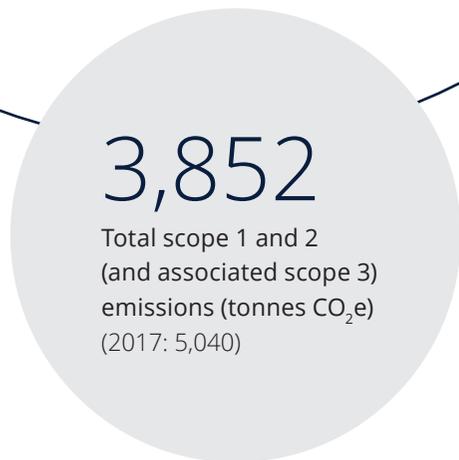
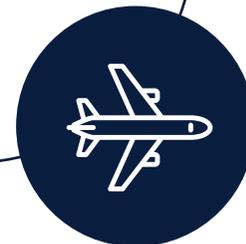
We are committed to minimising our environmental impacts, in particular to reducing the greenhouse gas emissions associated with our business activities, thereby lessening our contribution to issues such as climate change.





Reducing our carbon footprint

We want to deliver services to customers as efficiently as possible. We are working to reduce our carbon footprint, whether it is a result of the energy that is used by our offices and by our people when they travel, or indirectly through the activities in our supply chains. We are also working to reduce the resources we use such as paper, and reducing and recycling the waste we produce.



THE BLUEPRINT:
BEHAVIOURS



[Read more](#)

Our blueprint



Our approach to environmental management

Like any other company, Provident Financial's business activities impact the environment, whether this occurs directly as a result of the energy that is used by our offices and by our people when they travel, or indirectly through the activities in our supply chains. We are committed to minimising our environmental impacts, in particular to reducing the greenhouse gas emissions associated with our business activities, thereby lessening our contribution to issues such as climate change.

Action on 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 the Group's operations, products and services. The Group's 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; and
- engage positively and proactively with stakeholders to ensure that the voice of business is heard in the debate on climate change.



Environmental management at Provident Financial Group

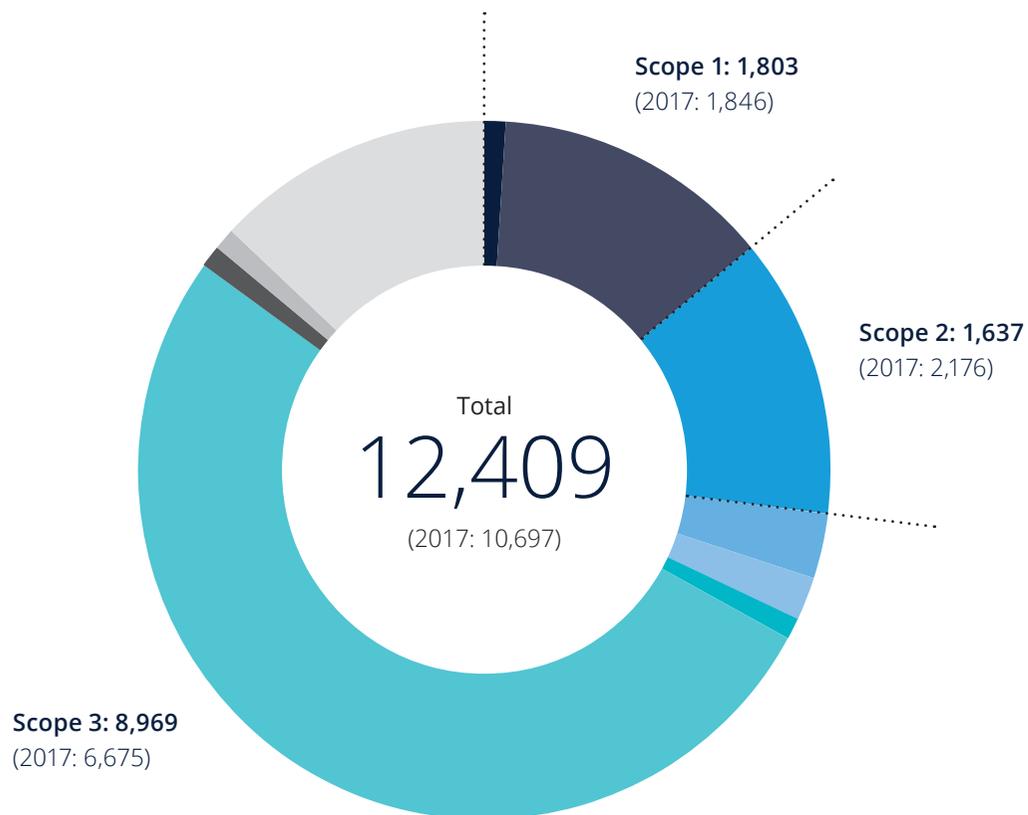
A key tool in helping us to manage our environmental impacts is our environmental management system (EMS). This helps us to identify, assess, and reduce key environmental risks and impacts; set and deliver against environmental targets; and ensure our legal compliance. Our EMS is independently audited each year. The scope of these audits covers the business activities of our Bradford-based head office, a small sample of the Consumer Credit Division's branch offices, and Vanquis Bank's business premises in London and Chatham, Kent. The EMS at our Bradford head office has been certified to the international management standard ISO 14001:2015 since 2011. And following the independent audit that was carried out in 2018, we successfully extended this ISO 14001:2015 certification to cover all of Vanquis Bank's other operations in London and Chatham.





Our carbon footprint

(tonnes of CO₂e)



	2018	2017
Scope 1 (tonnes CO₂e)		
● Gas use †	154	235
● Diesel and petrol †	1,649	1,611
Scope 2 (tonnes CO₂e)		
● Electricity use	1,637	2,176
Scope 3 (tonnes CO₂e)		
● Scope 1 and 2 associated 'well-to-tank' emissions †‡	412	1,018
● Employee air travel	217	162
● Employee rail travel	86	88
● Grey fleet (employee own vehicle travel)	6,524	3,699
● Self-employed agent car use	n/a	565
● Waste collection and management	15	16
● Water	15	New measure
● Scope 3 associated 'well-to-tank' emissions ‡	1,700	1,127

* Our emissions are reported in accordance with 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 2017. Our GHG emissions are calculated using energy use data accessed via meters and energy suppliers, and from records of fuel use, business travel bookings and waste management data.

† Mandatorily reported emissions to meet the Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013.

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



A closer look at scope emissions

Scope 1

Emissions are direct emissions from sources owned or controlled by us e.g. gas used in our boilers or petrol in company cars.

Scope 2

Emissions are indirect emissions from the generation of purchased energy in our business, specifically from electricity.

Scope 3

Emissions are all other indirect emissions, or emissions created on our behalf. The scope 3 emissions we calculate cover our employees' travel by train, plane and their own vehicles, waste management and 'well-to-tank' emissions associated with the production of fuel.

1 2

Scope 1 and 2 emissions – gas, company vehicles and electricity

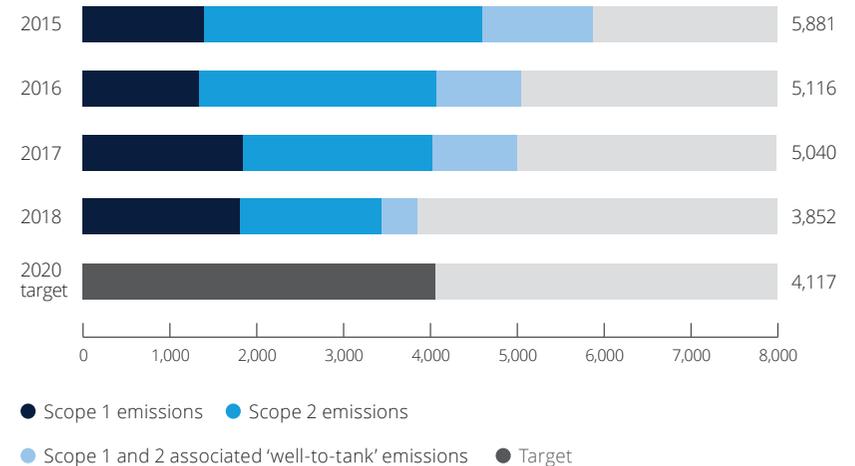
During 2018, our scope 1 and 2 (and associated scope 3) emissions accounted for 3,852 tonnes of CO₂e. We have restated our carbon footprint for 2017 due to the availability of improved electricity and gas data at our Bradford head office. This means that we did not reach our 2020 reduction of scope 1 and 2 (and associated scope 3) target in 2017, like we thought we had. However, we're happy to report that we have now met this target and have reduced our scope 1 and 2 (and associated scope 3) emissions against a 2015 baseline by 35%.

Intensity ratio

1.78

Scope 1 and 2 (and associated scope 3) kg of CO₂e/£1,000 of receivables (2017: 2.18)

Scope 1 and 2 (and associated scope 3)





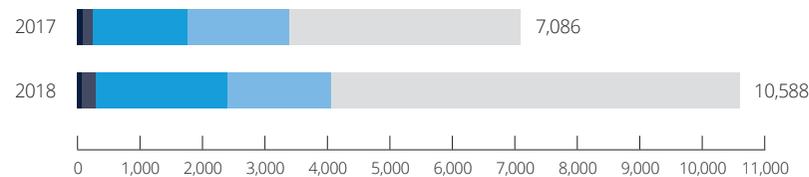
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Scope 3 emissions and business travel

Our scope 3 emissions have increased mainly due to the fact that since changing to the new operating model in 2017, in our Provident home credit business, our grey fleet mileage has naturally increased.

Although the waste the Group has generated in 2018 has decreased from 729 tonnes to 457 tonnes, the tonnage of CO₂e we have emitted shows an increase of 1 tonne. This is solely because this year we had much more in-depth information about how much waste we sent to landfill, so we were more accurately able to calculate the tonnage emitted by this element of our waste. 7 tonnes of CO₂e are associated with waste we sent to landfill, 6 tonnes of CO₂e are associated with waste we sent for energy recovery and 2 tonnes of CO₂e are associated with the waste we sent for recycling. We have made good progress on our target of reviewing our waste management process in our home credit branch offices and at our Bradford head office with the aim of implementing recycling schemes, as well as sending waste for energy recovery. We will be implementing a new recycling scheme in the coming months.

In addition to last year's scope 3 reporting, we have now added in our water consumption, which makes up 15 tonnes of our carbon footprint this year. Previously, we have struggled to report our water consumption due to a meter reading issue at one of our larger offices; however, following the creation of an Environmental Working Group at Vanquis Bank, we have been able to rectify this matter.

Business travel GHG emissions (tonnes of CO₂e)

- **Rail travel:** 86 (2017: 88)
- **Air travel:** 217 (2017: 162)
- **Travel-associated 'well-to-tank' emissions:** 2,112 (2017: 1,526)
- **Company car (diesel and petrol use):** 1,649 (2017: 1,611)
- **Grey fleet:** 6,524 (2017: 3,699)

Business travel distance (miles)

Air travel
623,488 (2017: 500,321)



Rail travel
1,208,771 (2017: 1,173,865)



Grey fleet mileage
22,441,766 (2017: 14,525,238)



Company car mileage - Moneybarn
137,570 (2017: 116,159)

Company car fuel consumption (litres)

660,397 (2017: 638,541)



Carbon offsetting

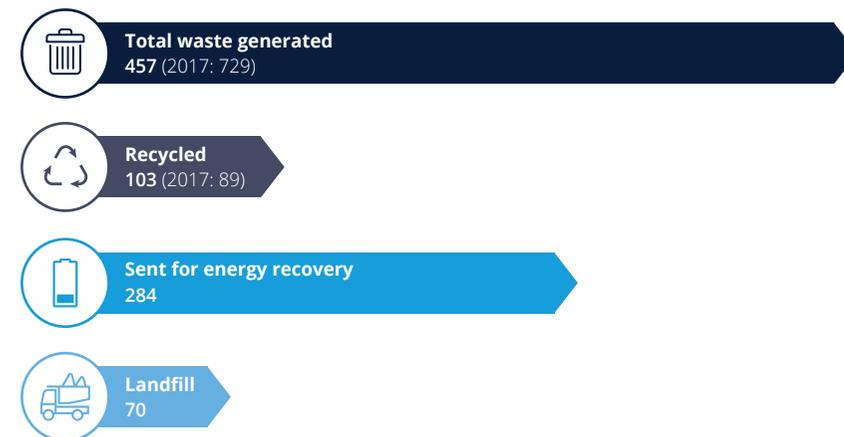
We continue to offset all our operational carbon footprint. To offset these emissions, we finance renewable energy projects around the world which help to mitigate the effects our operations have on climate change. In 2019, we offset the GHG emissions associated with the Group's 2018 total operational footprint. This amounted to 12,409 metric tonnes of carbon dioxide equivalent (CO₂e).

We offset our 2018 GHG emissions through the purchase of Gold Standard-certified carbon credits in the Yuntdag wind power project in Northwest Turkey. This project comprises 17 turbines which each generate 2.5 megawatts of electricity per

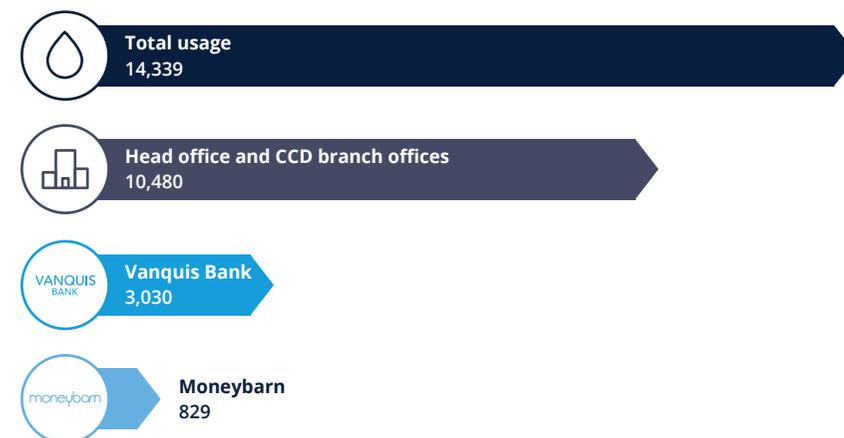
annum which, taken together, equates to clean and sustainable electricity for more than 80,000 households. The revenues generated by the carbon credits we purchase help to finance the ongoing running of this project which produces electricity that would otherwise have come from the combustion of fossil fuels.

The project therefore reduces the amount of emissions going into the atmosphere which contribute to climate change. The project also generates a number of economic benefits as it actively supports the development of sustainable industries in Turkey, which stimulates the market for renewable energy and makes use of a local workforce, which benefits the local community around the power plant.

Waste (tonnes)



Water usage (m³)



Our ethics and compliance

In this chapter you can read more about our work in the areas of modern slavery, prompt payment of suppliers, how we engage with investors on sustainability matters and what makes us a responsible taxpayer.





Our supply chain

Treating our suppliers fairly

Our suppliers play a vital role in our operations, so it is imperative that we encourage best practice within our supply chain by ensuring we are compliant with legislation such as the Modern Slavery Act 2015 and support supplier payment by being signatories to the Prompt Payment Code.

We use a large number of suppliers that range from small and medium-sized enterprises to large multinational corporations, and we are always seeking to be forward thinking in our approach to supply chain management and develop strong supplier relationships to ensure we only procure products and services from those who operate in a responsible manner.

Modern Slavery Act 2015

As a business with a turnover of more than £36m we are required to produce an annual statement which describes the steps that have been taken to prevent modern slavery and human trafficking from occurring in our supply chain and direct business activities. Our most recent statement, dated March 2019, sets out the actions that the Group is taking to ensure instances of modern slavery or human trafficking are not occurring directly in our businesses as well as indirectly in the supply chains that we use to procure goods and services. The statement also communicates the measures we have taken to improve internal understanding and awareness around modern slavery and human trafficking.

The Group is committed to understanding the risks posed by modern slavery and human trafficking and ensuring that they do not exist in our businesses or supply chains.

One of our key objectives for 2018 was to engage with a third-party consultancy to deliver a workshop to corporate responsibility and procurement personnel from across the Group to raise awareness and understanding of the changing expectations around human rights and modern slavery risks. This workshop took place in January 2018 with senior procurement representatives from each

operating company in attendance. The workshop firstly provided background and up-to-date information on the Modern Slavery Act 2015, ensuring that the representatives had a good overall understanding of the purpose of the Act and why it was introduced in the UK. It then encouraged participants to review their own current procurement practices and assess whether there are any potential risks and opportunities that relate human rights in the Group's supply chains. It went on to highlight case studies of companies where instances of modern slavery and human trafficking had been identified. The session also supported a Group-wide piece of work that was initiated in 2018 to harmonise the due diligence processes and procedures used by the Group's operating companies to manage supply chain-based risks.

Following the appointment of a Group Chief Procurement Officer in 2018, there has been a strong focus on implementing a Group-wide procurement model and system solution to deliver a step-change transformation of the Group's procurement processes. The Group now has a clear vision of creating a Group-wide procurement model which will bring efficiency to the supplier onboarding processes, as well as change in the wider business culture.

“

The workshop was very informative and opened my eyes to industries and work practices that you would not normally expect to be exposed to risks associated with modern slavery. After the event, a reassessment of our supply chain was necessary to highlight those businesses that posed the greatest potential risk from a modern slavery and human trafficking perspective.

Steven Schools

Head of Procurement
CCD



**THE BLUEPRINT:
STRATEGIC DRIVERS**



[Read more](#)

Our blueprint

9



Since implementing the CR questionnaire through OneTrust, we have been able to engage much more so with suppliers on the topic of modern slavery and human trafficking. We have seen a massive increase in the number of suppliers which have produced a statement in response to the Act, which are not legally obliged to do so, as they sit under the £36m turnover mark. We have even had a small number of suppliers which have gone on to produce statements in response to the Modern Slavery Act as a result of our increased due diligence in this area.

Shóna Brown
Corporate Responsibility Analyst
Provident Financial plc



To view our Modern Slavery Act 2015 Statement, [click here](#)

Modern Slavery Act 2015 continued

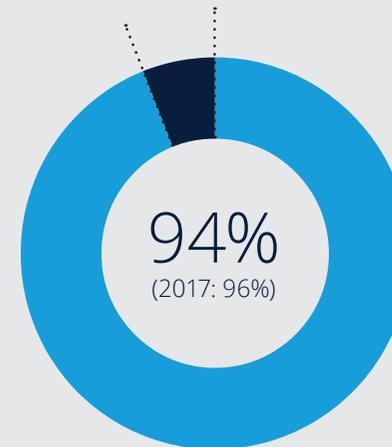
Each of the Group's operating companies has established due diligence processes and procedures to manage supply chain-based risks and engage with suppliers to ensure that they comply with the Group's policy requirements and meet legislative requirements. Prior to 2018, CCD introduced the OneTrust platform within its operations to help automate its data privacy, information security and third-party risk management processes. The OneTrust platform allows CCD to demonstrate compliance with regulations (for example the EU GDPR) and other policy commitments. Through the OneTrust platform, new suppliers are required to complete a corporate responsibility (CR) questionnaire as part of the due diligence process for the onboarding of new suppliers.

This questionnaire covers the broader CR agenda and includes questions on topics such as community investment, environment and diversity inclusion. However, the core focus remains on understanding suppliers' commitments to ensuring their supply chains are free from modern slavery and human trafficking. The OneTrust platform will be implemented within both Vanquis Bank and Moneybarn during 2019, enabling the Group to introduce harmonised due diligence processes and procedures to manage supply chain-based risks, including those that relate to the Modern Slavery Act 2015.

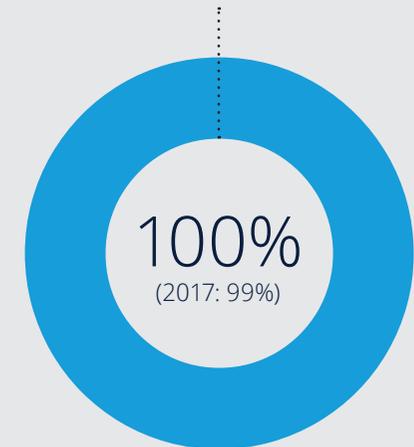
Paying suppliers promptly

As a Group, we are signatories of the Prompt Payment Code, which means we are committed to paying our suppliers promptly. We understand the pressure late payments can have on businesses, and particularly small to medium-sized local ones. Being signatories to the Prompt Payment Code allows us to encourage best practice within our supply chains. In 2018, 97% of the Group's invoices were paid in line with the Prompt Payment Code terms, and we continue to strive to achieve 100%.

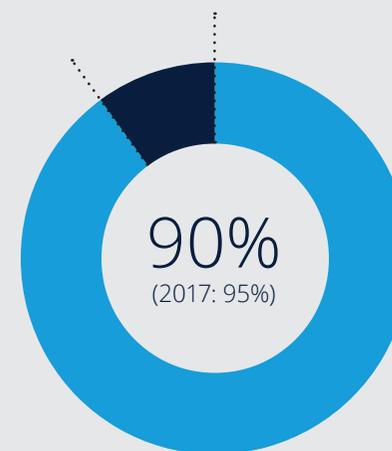
Percentage of companies paid in 60 days



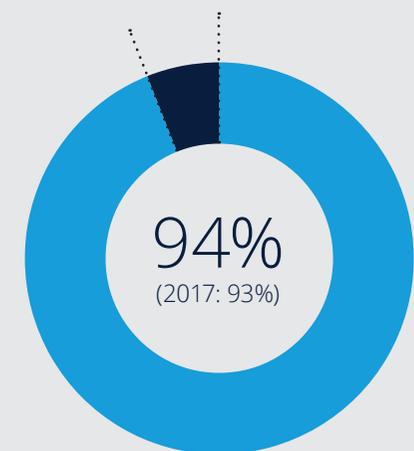
Group Corporate Office



moneybarn
credit you can trust



VANQUIS
BANK



Consumer Credit Division



Investors

Engaging the investment community in CR

Given that our CR programme is such an integral part of our purpose and strategic vision, we are keen to share information on our sustainability performance, alongside our financial performance, with the investment community so investors, analysts and other key stakeholders can see how we have, in delivering our business activities, balanced profit and purpose. We do this by responding directly to requests for information from individual investors and analysts, and by maintaining a presence on specific investment indices and registers which focus on sustainability matters. This enables us to share with the investment community information on material issues such as responsible lending, customer satisfaction and corporate governance, as well as on a broader spectrum of issues such as climate change, equality, diversity and inclusion, and human rights.

In 2018, the Group engaged with:



We made our annual submission of climate change data to CDP (formerly the Carbon Disclosure Project) in August 2018. CDP requests information on the risks and opportunities of climate change from the world's largest companies, on behalf of over 650 institutional investor signatories with a combined US\$87trn of assets under management. Through the CDP submission, we can inform investors of any material climate change-related risks and opportunities and how we manage them. Our 2018 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.



S&P Dow Jones Indices, one of the world's leading index providers, and RobecoSAM, the investment specialist that focuses exclusively on sustainability investing, announced the results of the annual Dow Jones Sustainability Indices (DJSI) review in September 2018. In the announcement, Provident Financial plc was notified of its continued

inclusion in both the Dow Jones Sustainability World Index (DJSI World) and Dow Jones Sustainability Europe Index (DJSI Europe). Our DJSI score was 62, which is considerably higher than the sector average of 32 for the Diversified Financial Services and Capital Markets industry sector. The DJSI World represents the top 10% of the largest 2,500 companies in the S&P Global BMI, and the DJSI Europe selects the top 20% of the largest 600 European companies in the S&P Global BMI based on long-term economic, environmental and social criteria.



FTSE4Good

Following the annual review undertaken by the FTSE4Good Advisory Committee, we were once again included in the FTSE4Good Index Series. Our overall score was 4.5 out of 5. The FTSE4Good is an extra-financial market index, which measures the performances of over 800 companies against a range of environmental, social and governance (ESG) criteria. To be included in the FTSE4Good Indexes companies must: support human rights, have good relationships with the various stakeholders, be making progress to become environmentally sustainable, ensure good labour standards in their own company and in companies that supply them, and seek to address bribery and corruption.



Also in September 2018, Provident Financial received a 'C Prime' corporate rating by ISS-oekom, one of the world's leading rating agencies on sustainable investments. Through the corporate rating process, our management of key environmental, social and governance (ESG) issues was analysed on the basis of up to 100 rating criteria. This process was supported by the gathering of information through media and other public sources, conducting interviews with stakeholders and collecting information on publicly available company policies and practices. Companies qualify as Prime when achieving or exceeding the minimum sustainability performance requirements in their industries. This means that Prime companies rank among the leaders in their industry in terms of their sustainability performance.



What makes us a responsible taxpayer

Our approach to tax

Taxes allow governments to fund essential public expenditure, enabling them to meet economic and social objectives. 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, we comply with all tax rules and regulations in those territories and we safeguard 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 set out in our Board-approved tax strategy which can be accessed on our website [here](#). It was last approved by the Board in May 2018.

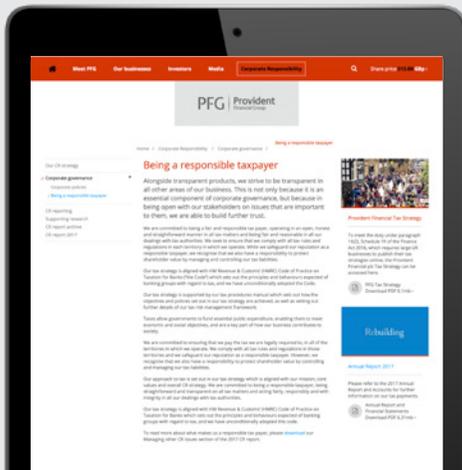
Our tax strategy is aligned with our mission, our core values and our overall CR strategy. We are committed to being a responsible taxpayer, being straightforward and transparent on all tax matters and acting fairly, responsibly and with integrity in all our dealings with tax authorities.

Our tax strategy is aligned with the 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 strategy comprises a number of key tax objectives and policies and is supported by our tax procedures manual, which sets out how the objectives and policies are to be achieved.

It comprises a number of key principles, including:

- **Payment of taxes** – we seek to ensure that we always pay the tax we are legally required to pay and comply fully with our tax obligations in all territories in which we operate.
- **Dealings with tax authorities** – we are committed to dealing with tax authorities openly, honestly and proactively. This includes having a regular and constructive dialogue with HMRC across all taxes, seeking advance clearance where tax treatment is uncertain and discussing contentious issues as early as possible.
- **Mitigating tax liabilities** – we seek to ensure that genuine commercial transactions are structured with clear and unambiguous legislative support so that tax liabilities are controlled and minimised, but artificial structures without commercial or economic substance which give a result which is inconsistent with the underlying economic position will not be considered.
- **Mitigating and controlling tax risk** – we set out how tax risk is mitigated and controlled by having documented principles for the involvement of the in-house tax function in transactions and business developments, the allocation of responsibilities between the tax function and the businesses and the involvement of external advisors.



To find out more on our tax strategy visit: www.providentfinancial.com



Our tax strategy continued

We operate only in the UK and the Republic of Ireland and we do not operate in, or generate income in, any other territory. We seek to ensure that all intragroup transactions are priced on an arm's length basis, including transactions between our Irish operation and the UK, as well as transactions between Vanquis Bank Limited (which is subject to a higher rate of corporation tax as a result of the bank corporation tax surcharge) and the rest of the Group.

Tax risk management and principal tax risks

Our tax strategy also sets out our tax risk management framework which sets out (a) how we identify, evaluate and manage tax risk; (b) independent review and challenge of first line actions; and (c) independent assurance provided through a rolling programme review by the internal audit function of the processes and internal controls underpinning the reporting and payment of UK taxes.

Insight into risk management and the principal risks facing the Group in 2018 is set out on pages 44 to 54 of the Annual Report and Financial Statements 2018. As well as the risk set out on page 52 in relation to agent self-employed status, the principal tax risks facing the Group and how we mitigate those risks is as follows:

Risk

The Group has a number of tax risks across corporation tax, VAT and employment taxes. These include:

- (a) The risk that tax authorities take a view that is different to the view that the Group has taken on the treatment of particular items in its tax returns.
- (b) The risk that there is an unforeseen breakdown in the systems and processes which underpin the preparation of tax returns and identification of tax sensitive matters which results in an item being treated incorrectly for tax purposes.

Mitigation

- 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 tax sensitive issues are identified and taxes are correctly calculated.
- During 2018, the internal audit function carried out its annual review of different aspects of the operational effectiveness of processes and internal controls over UK corporation tax, UK VAT returns and UK employment taxes.
- 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. During 2018, the Head of Tax presented to the Board on key tax developments and progress on risks.
- Expert third-party tax advice is obtained on all material transactions and wherever the necessary expertise is not available in house. During 2018, advice was obtained on a range of issues including the tax treatment of settlements payable to Vanquis Bank customers.
- The Group carries a provision for uncertain tax liabilities which is sufficient to cover possible tax audit and enquiry issues based on an assessment of the probability of such liabilities falling due.
- In keeping with our strategy of having a regular and constructive dialogue with HMRC across all taxes:
 - in early 2018, we discussed the various steps undertaken by the Group to address the distributable reserves issues caused by the significant losses in home credit in 2017, including releases of intragroup debts and the structuring of the rights issue in 2018. We also discussed the tax treatment of the settlements payable to Vanquis Bank customers following the resolution reached with the FCA;
 - we highlighted key features in the 2017 corporation tax returns, in particular the treatment of opening balance sheet adjustments arising on transition to IFRS 9 and the tax treatment of the redress payments made to Vanquis Bank customers as well as the various other exceptional costs across the Group in 2017;
 - we sought guidance on the tax treatment of a number of employment tax-related issues as well as various VAT issues; and
 - we discussed with HMRC our end-to-end processes and internal controls supporting the correctness and completeness of data in the various tax returns and which enable the annual Senior Accounting Office certification to be made.



Our total tax contribution in 2018

Our total tax contribution comprises the direct tax we contribute to governments out of our own financial resources as well as the indirect 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 has been as follows:

	2014 £m	2015 £m	2016 £m	2017 £m	2018		
					UK £m	ROI £m	Total £m
Direct tax contribution							
Corporation tax	45	48	57	40	7	—	7
Bank corporation tax surcharge	—	—	8	15	15	—	15
Employer's national insurance and equivalent (note 3)	15	16	18	23	22.3	0.7	23
Irrecoverable VAT	17	21	22	28	34.6	0.4	35
Business rates	3	3	3	3	2	—	2
	<u>80</u>	<u>88</u>	<u>108</u>	<u>109</u>	<u>80.9</u>	<u>1.1</u>	<u>82</u>
Indirect tax contribution							
Employees' income tax and national insurance (through PAYE) (note 3)	42	44	46	59	49.3	1.7	51
Tax deducted from interest paid on Vanquis Bank deposits and redress payments (note 4)	3	3	2	—	1	—	1
	<u>45</u>	<u>47</u>	<u>48</u>	<u>59</u>	<u>50.3</u>	<u>1.7</u>	<u>52</u>
Total tax contribution	125	135	156	168	131.2	2.8	134

Note 1: For 2014 to 2015, the above includes small amounts of Polish taxes paid in respect of Vanquis Bank's pilot operation in Poland.

Note 2: Our home credit business operates as a branch in the Republic of Ireland (ROI). In 2018, it generated revenue of £34m (2017: £45m) and loss of £(4.6m) (2017: profit of £2.0m) and had, on average, 126 (2017: 136) employees.

Note 3: In July 2017, the operating model of our home credit business in the UK was fundamentally altered such that customers ceased to be served by self-employed agents; instead brand-new employed roles were created tasked with serving customers in a way which was controlled and directed entirely by the business. As a result of these changes, the average number of employees we employed increased.

Note 4: Prior to the abolition of the requirement to withhold tax from interest on retail deposits in March 2016, basic rate income tax was withheld from such interest and paid to the UK Government. In 2018, basic rate tax has been withheld from ROP redress payments made to Vanquis Bank customers.



Our total tax contribution in 2018 continued
Our direct tax contribution comprises:

- **Corporation tax** – this is the tax on the profits we generate in the UK and the Republic of Ireland. In the UK, corporation tax is paid in quarterly instalments whereby 50% of the estimated corporation tax liability for the year is payable in the year concerned with the remaining amount in the subsequent year. Tax paid in 2018 comprised around 50% of the corporation tax liability for 2017 and 50% of the estimated liability for 2018. The reduction in corporation tax paid in 2017 and the further reduction in 2018 arose as a result of the losses generated in the home credit business in both 2017 and 2018, which substantially reduced the Group's estimated corporation tax liabilities for both years.
- **Bank corporation tax surcharge** – a bank corporation tax surcharge of 8% was introduced with effect from 1 January 2016. It applies to the taxable profits of Vanquis Bank above £25m and, like corporation tax, is also payable through quarterly instalments. The bank corporation tax surcharge liability did not benefit from the losses generated in the home credit business in 2017 and 2018 as tax law prohibits this.

- **Employer's National Insurance contributions** – in 2018 we employed, on average, 5,849 (2017: 4,864) 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 2018, along with Apprenticeship Levy, this comprised £23m (2017: £23m) of our direct tax contribution.
- **Irrecoverable VAT** – as a provider of loans and other credit products, we are unable to recover VAT on most of the costs we incur. In 2018, £35m (2017: £28m) of our direct tax contribution comprised irrecoverable VAT incurred by our businesses.
- **Business rates** – the remaining £2m of our 2017 direct tax contribution (2017: £3m) comprised business rates payable on the various business premises we occupy.

Employer's National Insurance contributions, business rates and irrecoverable VAT 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 are accounted for through the tax charge as explained in note 5 to the Annual Report and Financial Statements 2018. The corporation tax and bank corporation tax surcharge we paid in 2018 of £23m differed from the current tax charge for the year of £32m, due partly to the timing of quarterly instalment payments in the UK and partly to the opening balance sheet adjustment to restate the IAS 39 balance sheet on to an IFRS 9 basis, which reduces corporation tax and bank surcharge liabilities over the next 10 years commencing in 2018.

Our indirect tax contribution comprises:

- **Employees' income tax and National Insurance contributions** – this represents the income tax and employees' National Insurance Contributions and the equivalent in ROI that we deduct from amounts paid to employees through PAYE. In 2018 it amounted to £51m (2017: £59m).

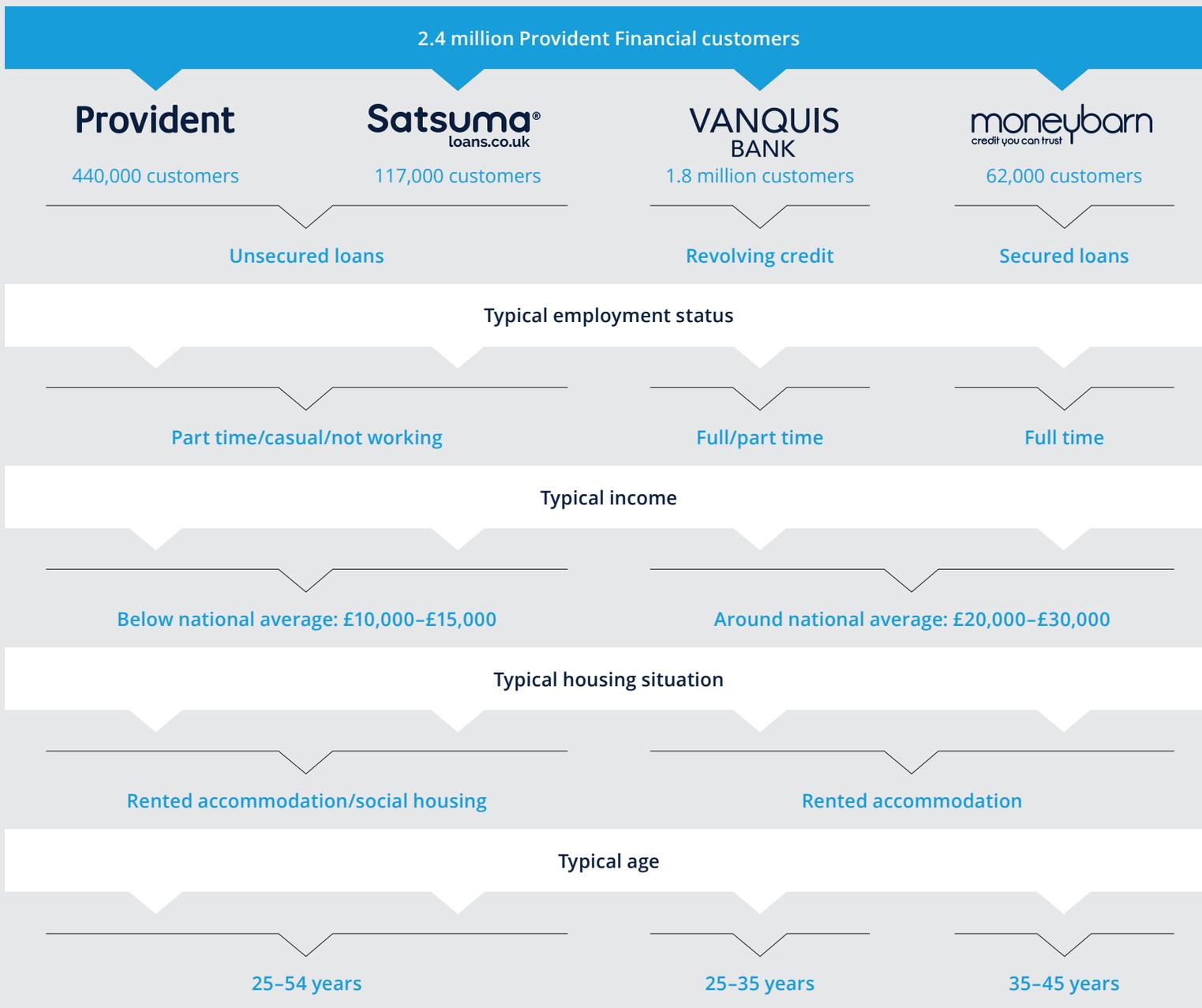




Our business

In this chapter you can read more about our customers and how we are regulated. You will also find our historical CR data and an independent assurance statement and commentary on this report.







How Provident Financial is regulated

Provident Financial, as a whole, is the subject of consolidated supervision by the Prudential Regulation Authority (PRA), a public regulatory body in the UK; this is because the Group is the parent company of Vanquis Bank. The PRA sets requirements for the consolidated Group in respect of capital adequacy, liquidity and large exposures.

In the UK, the Group's operating companies 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. In the Republic of Ireland, the Provident home credit business is regulated by the Central Bank of Ireland.

Under the UK regulatory regime, both Moneybarn and, with effect from November 2018, the Consumer Credit Division are fully authorised by the FCA. Vanquis Bank is authorised by the PRA and dual-regulated by the FCA and the PRA. Both Consumer Credit Division and Moneybarn have approved persons for controlled functions in compliance with the FCA's Approved Persons Regime, whilst Vanquis Bank has senior managers for senior manager functions in compliance with the Senior Managers and Certification Regime (SMCR). During 2019 both Moneybarn and the Consumer Credit Division will be brought into the SMCR as the FCA extends its coverage to solo regulated entities.

As Provident Financial plc is a holding company, there are no approved persons or senior managers at the Group Board level. However, in seeking to improve the connection between the divisions and the Group Board and to provide more effective oversight by the Group, the Group executive directors and some Group non-executive directors undertake roles on the boards of divisional subsidiaries; as such they carry regulatory approvals specific to that regulated entity.

We know that building strong and enduring relationships with our regulators is extremely important. It influences our strategic thinking as well as enabling us to plan for regulatory change with greater certainty and confidence.

With this in mind, since the publication of our last report, the Group and its divisions have made excellent progress in dealing proactively with several legacy regulatory issues. These include completing the Vanquis Bank ROP refund programme and redesigning our operating model within home credit, as well as being close to concluding the regulatory investigation within Moneybarn, with the financial impact within the previously announced financial provisions. While these have created significant challenges for management, they have also created opportunities to rebuild trust and credibility in all aspects of our regulatory relationship management.

Considering specific feedback from the FCA, we have enhanced our governance arrangements and regulatory responsibilities through a number of specific activities led by the Group Risk Committee and approved by the Group Executive Committee and Board. These include:

- the introduction of a Group regulatory tracker which provides a more holistic view of all our regulatory interactions;

- enhanced reporting to the Group Board and Executive Committee of our outstanding regulatory actions and any risks to delivery; and
- improved coordination in managing emerging regulatory change that might materially impact our businesses. These include responding to relevant consultation papers and undertaking point in time regulatory risk assessments, particularly in relation to conduct risk.



CASE STUDY: What is the SMCR?

The SMCR was introduced by the FCA in 2016 and the regime was designed to ensure better accountability of senior individuals for their decisions and conduct, requiring firms to allocate applicable responsibilities to relevant 'Senior Managers'. The clear objective was that firms should identify an individual accountable for every aspect of its regulated activity, and for that individual to be liable if the regulator was subsequently able to show that the individual did not take 'reasonable steps' to prevent misconduct within his or her area of responsibility. The regime also provides for firms to certify as 'fit and proper' individuals who are not Senior Managers but who have responsibilities for functions with the potential to cause 'significant harm'.



Provident Financial trade association membership

The Provident Financial group of businesses are members of the following trade associations:



Consumer Credit Association (CCA)

– the CCA is the trade association for the home credit industry in the United Kingdom and Republic of Ireland, promoting the highest possible standards of business and customer service.



Finance and Leasing Association (FLA)

– the FLA is the leading trade body for the asset, consumer and motor finance sectors in the UK.



Consumer Finance Association (CFA)

– the CFA is the principal trade association representing the largest share of the short-term lending sector in the UK.



UK Finance

– UK Finance is a trade association for the UK banking and financial services sector.

Transfer of regulation to the FCA

The Consumer Credit Division received full authorisation from the FCA on 9 November 2018 following implementation of the home credit recovery plan over the previous 12 months. Vanquis Bank and Moneybarn received their change of permission and full authorisation respectively in 2016. As a consequence of: (i) the disruption to the home credit business following the migration to the new operating model in July 2017 and the subsequent implementation of the recovery plan in response to the disruption; (ii) the FCA's investigation into Vanquis Bank's ROP product; and (iii) the FCA's ongoing investigation into Moneybarn, the Group is subject to enhanced supervision by the FCA as notified by the FCA Watchlist Letter.

The FCA Watchlist Letter requires that the Group: (i) provides the FCA with a draft of an executable wind-down plan for the Group and each of the entities within the Group; (ii) successfully executes the recovery plan in home credit; and (iii) completes a successful turnaround of the Consumer Credit Division so that it is financially stable and the Group can meet its funding requirements to 2020. Firms placed under enhanced supervision may be required to provide formal commitments, where appropriate, to the FCA to tackle the underlying concerns raised by the FCA and the FCA may also exercise other wide-ranging powers.

An update on regulatory reviews

The regulations that apply to Provident Financial's operations in the UK and ROI are constantly evolving to ensure that they are able to meet people's changing financial needs and remain fit for purpose and enable our regulators to improve how financial markets operate to benefit individual consumers, businesses and the wider economy. Through our own activities, as well as those of the trade associations that we are members of, we engage with our regulators as regulatory reviews and studies are being carried out so that we can plan for regulatory change with greater certainty and confidence. During 2018, the key regulatory reviews and studies included:

FCA review of high-cost credit

On 18 December 2018, the FCA published feedback on the 'High-Cost Credit Review' (CP18/43) in respect of its review of high-cost credit, including final rules and guidance in respect of home-collected credit. The rules introduce a package of reforms to raise standards in disclosure and sales practices to prevent home credit firms from offering new loans or refinancing existing loans during home visits without the customer specifically requesting it. The changes made by the Consumer Credit Division to the UK home credit operating model over the last 18 months, in particular the recording of all sales interactions with customers, mean that the business has been able to evidence compliance with the revised requirements by the deadline of 19 March 2019.

FCA Credit Card Market Study

In February 2018, the FCA published feedback on the 'Credit Card Market Study' (PS18/4) it initiated in 2016. PS18/14 sets out the FCA's final policy rules in respect of persistent debt and earlier intervention remedies from its study.

The overall objective of the package of remedies is to reduce the number of customers in problem credit card debt and put borrowers in greater control of their borrowing. In particular, the rules require credit card firms to undertake separate measures in respect of customers defined as being in persistent debt. The FCA defines persistent debt as where, over a period of 18 months, a customer pays more in interest, fees and charges than they have repaid of the principal. At 18 months, firms are required to prompt customers in persistent debt to change their repayment behaviour if they can afford to. At 27 months firms are required to send another reminder if payments indicate a customer is still likely to be in persistent debt at the 36-month point. Customers need to be made aware that, if they do not change their repayment behaviour, their card may be suspended, which may be reported to credit reference agencies. The customer should also get contact details for debt advice services. At 36 months firms need to intervene again if a customer remains in persistent debt.

Firms need to help the customer by proposing ways of repaying more quickly over a reasonable period, usually between three and four years. The proposals in PS18/4 came into force on 1 March 2018 and firms had six months to be fully compliant. Vanquis Bank increased its minimum payment rates in the second half of 2018 and introduced further measures, such as recommended payments, to encourage increased monthly repayments in early 2019.



An update on regulatory reviews continued **FCA review of creditworthiness in consumer credit**

In July 2018, the FCA published its policy statement (CP18/19) entitled 'Assessing Creditworthiness in Consumer Credit' in which the regulator set out the changes to its existing rules and guidance in this area. The FCA has amended its rules and guidance with regards to creditworthiness (which the FCA stated comprises both credit risk and affordability) and, in particular, the rules introduce a new explicit definition of 'affordability risk', in which the FCA sets out the factors to be considered by firms when assessing if credit is likely to be affordable for the borrower. The rules require a more detailed creditworthiness assessment including affordability at the outset. In particular, this applies to Vanquis Bank in respect of all new non-prime credit card customers and for significant individual or cumulative credit line increases thereafter. The final rules and guidance from PS18/19 came into effect on 1 November 2018. All of the Group's businesses have taken the necessary measures to meet the affordability principles arising from this review.

FCA review of the vehicle finance market

In the FCA's Business Plan for 2017/18 the FCA stated that it was looking at the motor finance market to ensure that it works well and to assess whether consumers are at risk of harm. The FCA published an update on this work on 15 March 2018 and then published its final findings on 4 March 2019. The FCA's final findings indicated that it has concerns regarding four areas of the motor

finance market: (i) commission arrangements, in particular non-flat rate structures; (ii) sufficient, timely and transparent information, mainly in respect of broker practice and information about DIC type commission arrangements; (iii) lender controls in respect of the oversight of dealers and brokers; and (iv) affordability assessments, whereby the FCA references the additional clarity given in PS18/19 last year around affordability checks and the expectation that all lenders have implemented the appropriate additional practices.

Moneybarn has a flat fee commission structures and has never given discretion to brokers in setting the interest or commission levels. Customers are made aware of the existence of a payment of commission in Moneybarn's pre-contractual paperwork that all brokers must provide to the customer. They must also document evidence that the customer has received this paperwork. Moneybarn has an active physical audit programme for all of its brokers and was the first in the market to have such an audit process in place. Like all of the Group's other businesses, Moneybarn has made all necessary changes to its processes required by PS18/19 in advance of the 1 November 2018 deadline.

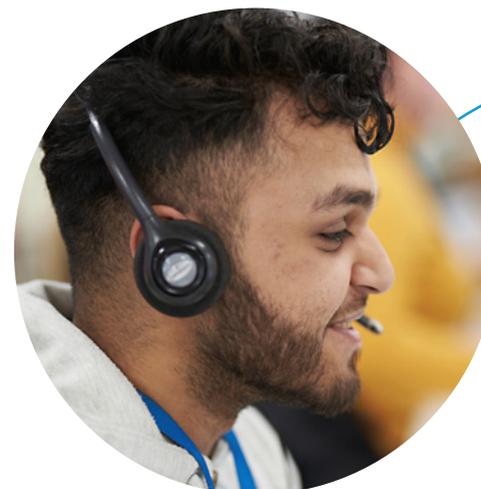
Irish Consumer Credit Bill on moneylenders' rates

In November 2018, a report entitled 'Interest Rate Restrictions on Credit for Low-income Borrowers' was published by the Social Finance Foundation, an Irish Government-funded body set up in 2007 to provide funding for community organisations and social enterprises.

The report was part-funded by the Central Bank of Ireland and called for a rate cap to be introduced on interest and other charges and for the development of the credit union sector to provide alternative sources of credit for moneylending customers.

Following publication of the report, a private members' bill which seeks to cap moneylenders' rates at 36% APR was then debated in the Irish Parliament. The draft bill then passed its second reading and will now enter the Finance Committee stage. No date for the Finance Committee hearing has yet been published. Private members' bills are generally voted down by the Irish Government, although the Irish Government's position is not clear in the case of this private members' bill.

The Group's operations in the Republic of Ireland are in respect of the home credit business, which has approximately 65,000 customers.





Data table

Metric	2018	2017	2016	2015
Customer satisfaction				
Vanquis Bank customer satisfaction rate	86%	87%	89%	88%
Provident home credit customer satisfaction rate	87%	85%	93%	93%
Satsuma Reviews.co.uk score	4.7/5	4.8/5	Not measured	Not measured
Moneybarn Feefo score	4.7/5	4.7/5	4.7/5	Not measured
Customer complaints				
Total number of complaints	79,902	70,713	48,651	36,307
Total number of complaints referred to the Financial Ombudsman (FOS)	4,302	1,792	1,194	1,030
% of complaints referred to FOS upheld in customer's favour	30%	20%	27%	23%
Total number of accounts handled by debt collection agencies	Not measured*	267,565	210,523	530,776
Total customer-focused training hours	134,055	49,754	48,390	96,507

Metric	2018	2017	2016	2015
Employee numbers				
Group total	5,708	4,864	3,550	3,667
CCD	3,735	3,118	1,943	2,179
Vanquis Bank	1,612	1,469	1,370	1,303
Moneybarn	284	211	174	127
Group corporate office	77	66	63	58
Female representation				
Female employees	55%	55%	49%	48%
Female company directors	23%	15%	22%	29%
Female employees in senior management positions	26%	29%	28%	30%
Female employees in middle management	35%	New measure for 2018		
Female employees in first level management	44%	New measure for 2018		
Female employees in management positions	Not measured due to new method	41%	Not measured	Not measured
Female employees at colleague level	57%	New measure for 2018		



Metric	2018	2017	2016	2015
Diversity				
Employees from BAME communities	9%	15%	17%	20%
Employees who have declared a disability	0.40%	0.37%	0.70%	1.10%
Learning and development				
L&D hours	161,560	137,983	64,520	69,982
Average number of L&D hours per employee	28.3	28	18.2	20.4
Absence and turnover				
Average number of absence days per employee	10.4	6.5	8.7	8.6
Average number of absence days CCD	6.9	4.3**	8.6**	8.4**
Average number of absence days Group corporate office	2	New measure for 2018		
Average number of absence days Vanquis Bank	11.4	11.2	8.9	10
Average number of absence days Moneybarn	9.1	8.2	3.5	6.4
Employees who left	34%	37%	22%	36%
% of employees who left that left voluntarily	71%	New measure for 2018		
Health and safety				
Reportable accidents	8	3	1	2
Reportable accidents scaled up to 100,000 employees	140	61	27	59
Non-reportable accidents	693	208	85	98
Non-reportable accidents scaled up to 100,000 employees	12,141	4,211	2,290	2,869

Metric	2018	2017	2016	2015
Whistleblowing				
Calls made to whistleblowing hotlines	37	6	4	11
Social impact				
Employee volunteering hours	2,415	220	3,632	2,255
Longer term community partnerships	36	43	53	40
Grants distributed through community foundations	17	31	29	22
Employee matched funding	£30,389	£43,348	£20,977	£41,562
Community investment breakdown				
Cash	£1,431,990	£2,354,863	£2,700,944	£2,829,013
Management costs	£210,759	£227,581	£285,744	£229,147
Value of employee time	£37,829	£9,552	£66,756	£40,339
Total community investment	£1,680,578	£2,591,996	£3,053,444	£3,098,559
Environment				
Total greenhouse gas emissions (tonnes CO ₂ e)	12,409	10,697	8,435	9,811
<i>Scope 1 emissions (tonnes CO₂e)</i>	1,803	1,846	1,422	1,405
Gas use (tonnes CO ₂ e)	154	235	330	286
Diesel and petrol (tonnes CO ₂ e)	1,649	1,611	1,092	1,119
<i>Scope 2 emissions (tonnes CO₂e)</i>	1,637	2,176	2,728	3,207
Electricity use (tonnes CO ₂ e)	1,637	2,176	2,728	3,207



Metric	2018	2017	2016	2015
Environment continued				
Scope 3 emissions (tonnes CO ₂ e)	8,969	7,693	4,285	5,199
Scope 1 and 2 associated 'well-to-tank' (tonnes CO ₂ e)	412	1,018	966	1,269
Air travel (tonnes CO ₂ e)	217	162	261	276
Rail travel (tonnes CO ₂ e)	86	88	105	56
Grey fleet (tonnes CO ₂ e)	6,524	3,699	1,057	1,367
Waste collection and management (tonnes CO ₂ e)	15	16	20	36
Water (tonnes CO ₂ e)	15	Not measured	Not measured	Not measured
Scope 3 associated 'well-to-tank' emissions (tonnes CO ₂ e)	1,700	1,127	530	847
Intensity ratio (CO ₂ e/£1,000 of receivables)	1.78	2.18	2.22	2.92
Air travel (miles)	623,488	500,321	847,329	818,838
Rail travel (miles)	1,208,771	1,173,865	1,335,074	772,519
Grey fleet (miles)	22,441,766	14,525,238	3,514,034	4,557,211
Company car mileage for Moneybarn	137,570	116,159	Not measured	Not measured
Company car fuel consumption for CCD and Group corporate office (litres)	660,397	638,541	436,824	448,306
Absolute waste arising (tonnes)	457	729	879	1,526
Recycled (tonnes)	103	89	Not measured	Not measured

Metric	2018	2017	2016	2015
Sent for energy recovery (tonnes)	284	New measure for 2018		
Landfill (tonnes)	70	New measure for 2018		
Paper usage for admin and marketing (tonnes)	994	1,593	1,987	2,742

Suppliers paid according to the Prompt Payment Code

	2018	2017	2016	2015
Group corporate office	94%	96%	95%	100%
Vanquis Bank	90%	95%	95%	95%
CCD	94%	93%	95%	94%
Moneybarn	100%	99%	99%	Not measured

Investor indices

	2018	2017	2016	2015
Dow Jones Sustainability Indices	62	75	65	61
FTSE4Good score	4.5/5	96	95	97
Carbon Disclosure Project	C Awareness	C Awareness	C Awareness	D Disclosure
ISS-oekom	C Prime	New measure for 2018		

* The debt collection process in CCD was amended following the challenges we faced in 2017. We recently started engaging with DCAs in late 2018, so will begin to report this figure again next year.

** This figure includes data for Group corporate office staff.



Independent Assurance Statement and commentary

Assurance Statement

Provident Financial has commissioned Corporate Citizenship to provide external assurance and a commentary on its Corporate Responsibility Report 2018.

The scope of our assurance

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

Provident Financial has chosen to use 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's obligations to government, codes, guidelines and regulations covering the financial services sector.

Provident Financial is entirely and solely responsible for the contents of the report; Corporate Citizenship is responsible for its assurance. As noted above, our assurance is confined to the online Corporate Responsibility Report 2018.

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

Opinion and conclusions

In our opinion, the Provident Financial Corporate Responsibility Report 2018 reflects the principles of AA1000AS (2008): inclusivity, materiality and responsiveness.

This has been achieved whilst the business also navigated a period of disruption as Non-Standard Finance plc made an unsolicited offer for the Group.

With regard to **inclusivity**, the principle that people should have a say in the decisions that matter to them, we find that the Corporate Responsibility Report 2018 evidences Provident Financial's commitment to this principle. It references engagement with key stakeholder groups to take account of their different perspectives.

Evidence for this is the repeated commitment to establishing a new Board committee to be chaired by a new non-executive director that will focus on the customer, the culture and ethics. This demonstrates how actions are being planned to maintain 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.

As the business continues to respond to challenges from 2017, it has undertaken a materiality exercise to redefine the issues that are most important to the business, which includes consultation with internal and external stakeholders. The business has also developed a new strategic blueprint that articulates the strategic drivers and behaviours that are important to ensure the long-term success of the company.

With regard to **responsiveness**, the principle that organisations should act transparently on material issues, we find examples of this principle in action in the report. Instances include continued work with money advice organisations and charities to improve the service delivered to vulnerable customers. This is also supported by the articulation of a theory of change that demonstrates how the business will address barriers to inclusion for society, not just its customers.

The specified **sustainability performance information** is the non-financial information and data outlined in the Corporate Responsibility Report 2018. 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

In our view, Provident Financial's Corporate Responsibility Report 2018 offers clear and comprehensive coverage about its aims, approach and achievements of its corporate responsibility programme.

It revisits the challenges the Group faced in 2017 and acknowledges the ongoing and long-term nature of activities being put in place to overcome those challenges and ensure the business continues to grow in a responsible and sustainable way that balances profit and purpose.

We make three observations about how Provident Financial can strengthen its approach to the areas of inclusivity, materiality and responsiveness and to support the delivery of its social purpose.

Trust and reporting

Companies are increasingly calling the effectiveness of traditional corporate responsibility reports as mechanisms to engage stakeholders and build trust into question. This is particularly pertinent for Provident Financial whose customer base may be better engaged through non-traditional channels, evidenced by the important role personal relationships and face-to-face contact play in the Consumer Credit Division.

Provident Financial can enrich the future communication of its performance by finding new ways to engage with stakeholders – especially customers, employees and regulators – about its purpose, using that feedback to enhance the reporting process. The increased dialogue with

regulators for all three of the operating divisions, the Consumer Credit Division, Moneybarn and Vanquis Bank, in recent years and the resulting stronger relationships present an example of such an opportunity to revisit how performance can be communicated.

Stakeholder voice

As noted in previous assurance statements and commentary, Provident Financial's reporting offers instances of how stakeholder opinions are taken into account. However, we continue to believe the report can be further strengthened by giving that stakeholder voice fuller coverage, creating a two-way dialogue and a report with multiple voices.

The business has very strong stakeholder engagement practices giving it excellent insights into their views and priorities. With those insights comes a unique opportunity to put stakeholder stories front and centre, ensuring the business can present to stakeholders a balanced and authentic narrative about the role it plays in people's lives.

This can be achieved through case studies and interviews that can impart insight in depth to reporting and tell the positive role the business plays in society with an authentic voice. We feel it provides the strongest possible opportunity to evidence effective stakeholder interaction, which in turn will create richer and more relatable content for readers of the report.

Task Force on Climate-related Financial Disclosures

Whilst still voluntary, the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) are considered best practice. Businesses are increasingly using the TCFD to articulate their climate impacts and the accompanying scenario planning is a valuable tool to establish their contribution to the climate agenda.

Provident Financial does not yet speak in detail on its approach to tackling climate change. Whilst the business itself does not have a significant environmental footprint, climate change may have a disproportionate impact on its customer base and we believe that a more substantial articulation of the role the business can play in tackling climate change would help it to tell the story of its positive social impact more fully.

Corporate Citizenship

London

18 June 2019



Methodological notes

The assurance work was commissioned in November 2018 and was completed on 19 June 2019. 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's Corporate Responsibility Report 2018 has involved, but not been limited to, the following elements:

- Understanding Provident Financial and its value chain, its own culture and the broader social contexts in which it operates; its approach to and understanding of 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;
- consideration of Provident Financial's corporate responsibility approach in 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 14 interviews with representatives from across the Group's divisions, including the CEO, to test assertions made in the report, give greater context to the assurance process, and review the systems in place that underline assertions made in the report; and
- an employee roundtable with 12 representatives from across the Group, occupying non-senior management positions, to establish and assess the understanding and integration of corporate responsibility and the Group's social purpose.

Our work did not extend to a complete audit of the report's contents. We have not been responsible for the preparation of the Corporate Responsibility Report 2018 nor in devising the internal management and reporting systems that yielded the data contained therein.

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

Corporate Citizenship is a leading assessor of corporate responsibility reports and an AA1000 Licensed Assurance Provider.

We have worked with Provident Financial in a range of capacities since 2001 and, except as noted below, our work in 2018-19 has focused exclusively on providing independent assurance.

During 2018-19, we supported Provident Financial to complete its submission to the Dow Jones Sustainability Index and to assess its most material issues, engaging a variety of internal and external stakeholders. The fees for this work comprise less than 0.2% of our projected total income for the year.

In addition Provident Financial 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.





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