Responsible

Provident Financial plc
2017 Corporate Responsibility Report

About this report

Provident Financial Group ("the group") was founded 140 years ago with a clear social purpose of providing much valued access to credit for customers who often find themselves ignored or underserved by mainstream lenders.

The purpose of this report is to give a balanced account of Provident Financial Group's performance across a range of social, ethical and environmental indicators.

The report relates to the non-financial aspects of Provident Financial plc and its operating companies – Vanquis Bank, the Consumer Credit Division and Moneybarn – in the UK and Ireland, and our six key stakeholders: customers, communities, employees, suppliers, shareholders and investors, and regulators. It provides information and updates on our corporate responsibility (CR) activities, performance and achievements for the 1st January to 31st December 2017 unless otherwise stated.

This report has been independently assured by Corporate Citizenship – see page 68 for more information. It has also been prepared in accordance with the 'Core' Global Reporting Initiative's (GRI) G4 sustainability reporting guidelines.

The format of this report has been changed when compared with the reports published in previous years. Firstly, it's an entirely online report. And secondly, the new format allows us to convey our social purpose clearly.

To access our past reports go to www.providentfinancial.com.

Contents

Provident Financial Group at a glance

Providing customers with access to credit, where others will not, for:
140 years

2.55 million
CUSTOMERS

Established in 1880, Provident Financial Group, a FTSE 250 company, is one of the UK's leading specialist suppliers of personal credit products to those who are not well served by mainstream credit products or are excluded altogether.

Credit cards (Vanquis Bank)
1.7 million customers

Online lending (Satsuma)
79,000 customers

Home lending (Provident)
0.7 million customers

Vehicle finance (Moneybarn)
50,000 customers

30%
REDUCTION IN THE GROUP'S SCOPE 1 & 2 CARBON FOOTPRINT SINCE 2015

£109.1 million
ADJUSTED PROFIT BEFORE TAX

£168 million
TOTAL TAX CONTRIBUTION

4,864
EMPLOYEES

Our social purpose is to provide financial inclusion for those consumers who are not well served by the financial services industry, or are excluded altogether.

£2.59 million
INVESTED IN THE COMMUNITIES WE SERVE

MESSAGE FROM THE CEO

Welcome from Malcolm Le May

Overview

I am pleased to welcome you to Provident Financial Group's 2017 CR report.

We have been publishing reports like this for almost 20 years to provide an annual account of how we are continuing to address the social, ethical and environmental issues that are material to both our business activities and key stakeholders. The reports are, by their very nature, backward-looking and review the previous calendar year's CR activities and explain, in a balanced way, the progress we've made in dealing with our CR priorities and goals. Given that this report looks back on 2017, it would be remiss of me not to begin this foreword without briefly reflecting on the developments that took place during the year.

2017 was one of the most difficult years in Provident Financial Group's 140-year history. It saw the group's trading performance significantly impacted by operational disruption caused by changes that were introduced in the Provident home credit business and regulatory investigations being launched in the group's Vanquis Bank and Moneybarn businesses. During this time, we also announced the sudden death of our colleague Manjit Wolstenholme who had showed exceptional leadership in stepping up to the role of Executive Chairman in August 2017. Manjit was known and respected for her achievements and championing diversity in British business, and I would like to pay tribute to the role she played in championing the responsible business agenda at Provident Financial Group.

As a result of the developments of 2017, the attention of the board and the senior management teams has been focused on stabilising the business and improving the financial health of the group. This also led to the group having to launch a rights issue in February 2018 to ensure the group has appropriate levels of regulatory capital to meet its current and future requirements. On 09 April 2018, the rights issue was completed which places the group on a sound and sustainable financial footing. I am keen that we now turn our attention to the group's social purpose and ensuring that the culture and governance arrangements throughout our business are aligned to this purpose.

Social purpose

Provident Financial Group was founded 140 years ago with a clear social purpose of providing much valued access to credit for customers who often find themselves ignored or underserved by mainstream lenders. This social purpose resonates as much today as it did back in 1880, and I firmly believe that the group has an important role to play in serving our customers responsibly and providing them with access to credit which is closely tailored to their needs and allows them to participate fully in the traditional and online economies.

Having been appointed Chief Executive Officer of the group in February 2018, my priorities have been to refocus on the customer first, by ensuring that we continue to offer products and services that are suitable to their needs at the various stages of their credit journey. I have also been focusing my attention on rebuilding the group's reputation with its customers, employees, regulators, shareholders and other key stakeholders. Key to this is recognising that our social purpose extends beyond financial inclusion for our customers and includes taking account of the group's wider impacts. The way we treat our people, contractors and suppliers, the role we play in our local communities and civic society, and as a steward of the environment, and how we engage with regulators and tax authorities, all have a role to play in underlining the importance of our social purpose.

Culture

Our social purpose also has a fundamental role to play in informing the group's culture. But I know that there is more we can do to ensure that there is greater alignment between our social purpose and culture across our businesses and with the group's governance arrangements.

To start to do this, we have begun the process of establishing a new Board committee, to be chaired by a new non-executive director that will focus on the customer, our culture and ethics and help to drive changes in behaviours and attitudes across the group.

We are also in the process of creating group-wide steering groups that will provide oversight to aspects of the group's CR programme and report into the new Board committee referenced above. For example, we are establishing a group-wide inclusive workplace culture steering group to enable the effective management of equality, diversity and inclusions issues across the group, and to ensure that we comply with legislative and policy requirements and that there is alignment between our social purpose, culture and employment practices. This steering group will also oversee the delivery of the actions that resulted from the National Equality Standard assessments that were undertaken across the group's three operating companies and completed in May 2017, but which were put on hold during the second half of 2017.

And finally, we are establishing a social impact programme steering group that will provide oversight to Provident Financial Group's community investment activities. This will ensure that they are aligned with the group's social purpose and reinforce the work being undertaken on culture, particularly in relation to financial inclusion and helping customers on their creditworthiness journey.

Closing remarks

While 2017 was a challenging year for Provident Financial Group, we have since made good progress in resolving many of the difficulties we experienced. However, we still have more to do as we continue on our journey of recovery and rebuild our reputation with our key stakeholders. As we do this, I am committed to ensuring that we keep the social purpose that has stood us in good stead since 1880 at the forefront of our minds, and that it plays a pivotal role in informing the culture of Provident Financial Group and the way it is governed. Doing this will ensure that we put our customers first in our thinking and actions, as well as take account of the wider CR impacts that our business has.

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

Malcolm Le May
Chief Executive Officer
Provident Financial plc

"Provident Financial Group was founded 140 years ago with a clear social purpose of providing much valued access to credit for customers who often find themselves ignored or underserved by mainstream lenders."

"Our key focus is on: lending responsibly to customers; creating an inclusive workplace; and investing in the communities we work in."

MESSAGE FROM THE HEAD OF SUSTAINABILITY

At Provident Financial Group we have always sought to operate our business in accordance with our social purpose. This means continuing with our primary role of supplying credit to our customers in a responsible manner. It also means taking account of the wider impacts that the group has whether they relate to the corporate governance of the business; the way we treat our employees, suppliers, local communities, wider society, and the environment; and how we deal with regulators and tax authorities.

The difficulties the group encountered in 2017 mean that it is essential we reinforce and build on the importance of our social purpose in the way that we operate our business and treat our stakeholders. This has led us to change both the format and structure of our CR reports so that they better reflect the social, ethical and environmental issues that relate to the group's social purpose and matter to our stakeholders.

As such, you will see that this report looks very different when compared to the reports that we have previously published. Firstly, this is our first entirely online CR report. This will ensure that our approach to reporting is in line with best practice, and help us make our report more accessible, engaging and environmentally friendly. Secondly, we have restructured the content of the report so that it focuses first on the issues that are most closely aligned with our social purpose. So our key focus is on: lending responsibly to our customers, creating an inclusive and sustainable workplace and supporting the communities we work in. We also recognise that we need to provide an account of how we manage the other CR issues that relate to the day-to-day operations of our business. You can therefore find details of what we have done throughout 2017 to treat our suppliers fairly, minimise our impact on the environment, engage with the investment community on CR matters and deal responsibly with the tax authorities in the fourth chapter of the report.

I trust you find the new format and structure of our 2017 CR report intuitive and informative, and that it articulates clearly the importance of our social purpose to the way that we do business.

If you have any feedback on this CR report or on the programme that underpins it please forward it to us on corporateresponsibility@providentfinancial.com.

Rob Lawson
Head of Sustainability
Provident Financial plc

Responsible business strategy

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

Responsible business strategy

Lending and acting responsibly is a strategic priority for our business. It is how we deliver our social purpose of financial inclusion for those consumers who are not well served by the financial services industry, or are excluded altogether.

Following a difficult year, we have renewed and reinvigorated our commitment to corporate responsibility and continue to set targets and objectives to monitor, measure and improve our performance.

Our strategy 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 means that we have to put the needs of our customers at the heart of everything we do; create a working environment that is safe, inclusive and meritocratic; treat our suppliers fairly; support our communities; engage with the investment community on sustainability matters; and minimise the environmental impacts of our business.

FINANCIAL INCLUSION

Ensuring individuals have access to useful and affordable financial products and services that meet their needs.

CORPORATE RESPONSIBILITY GOVERNANCE AND MANAGEMENT

The effectiveness of our CR governance and management framework was tested during 2017 as a result of the operational and regulatory difficulties that we experienced throughout the year. It is therefore imperative that we reinforce and build on the importance of our social purpose, and enhance our governance and management structures to ensure that we conduct and develop our business responsibly, and in accordance with our social purpose.

Our CR team continues to be responsible for the ongoing delivery of the CR programme and is supported by colleagues from the operating companies. This includes the colleagues on our environmental working groups that are in place across the business who oversee the delivery of the environmental management system. To further enhance the oversight that is provided to the CR programme, and to facilitate greater group-wide working, two additional steering groups will be established in 2018. These will be an inclusive workplace steering group, to enable the effective management of equality, diversity and inclusion issues across the group, and a social impact programme steering group which will ensure that our community investment activities are aligned to, and supportive of, our social purpose, culture and ethics.

To strengthen the way that our CR programme is governed and managed, a new Board committee will be established and chaired by a new non-executive director, focusing on the customer, our culture and ethics and to help drive changes in behaviour and attitudes across the group.

This committee will, among other things, provide oversight and challenge to the group's newly re-constituted executive committee, which includes the executive directors and senior management of the group's businesses, and is chaired by Malcolm Le May, to deliver real cultural change. The executive committee will oversee the development, embedding and monitoring of the culture and ethics of the group, 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 consistent with our social purpose, and ensuring that any material issues which relate to the culture and ethics of the group are reported to other relevant Board committees.

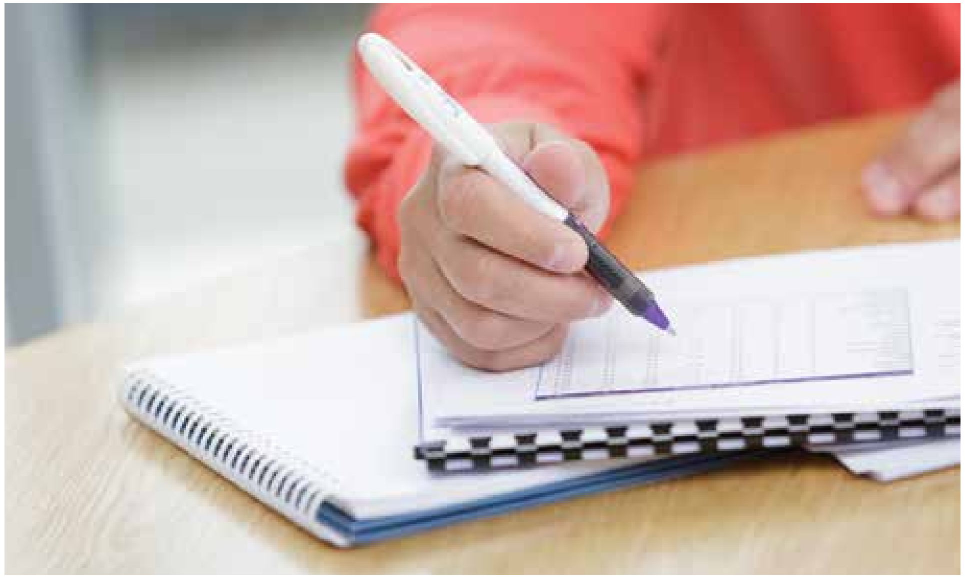
The operational and regulatory difficulties that the group experienced throughout 2017 means that it is essential that we reinforce and build on the importance of our social purpose. We do this by offering our 2.55 million customers appropriate and affordable products and services which responsibly provides them with credit that enables them to take part in everyday life.

Details of the policies and processes in place to manage CR issues are available on our website www.providentfinancial.com.

Our social purpose explained

Provident Financial Group's social purpose "is financial inclusion for those consumers who are not well served by the financial services industry, or are excluded altogether," so that they can improve their relationship with credit and take part in everyday life.

Our social purpose commits us to providing customers within this market with appropriate amounts of credit, maintaining close contact with them throughout the term of their loan, and working with them sympathetically if they experience difficulties. The terms and conditions for our products are also designed to meet their particular needs, and rigorous checks are made to ensure customers can afford their repayments.



Provident Financial Group's market explained

There are estimated to be around 10 to 12 million consumers in the UK who are not well served or are excluded altogether by the products and services offered by the financial services industry. These consumers are not well served or are excluded altogether for a variety of reasons: they may have low/unstable incomes or a poor credit history or may have experienced a significant life event.

The impact of not being well served or excluded in this way are not just financial. It can also impact on employment, education, and health and wellbeing.

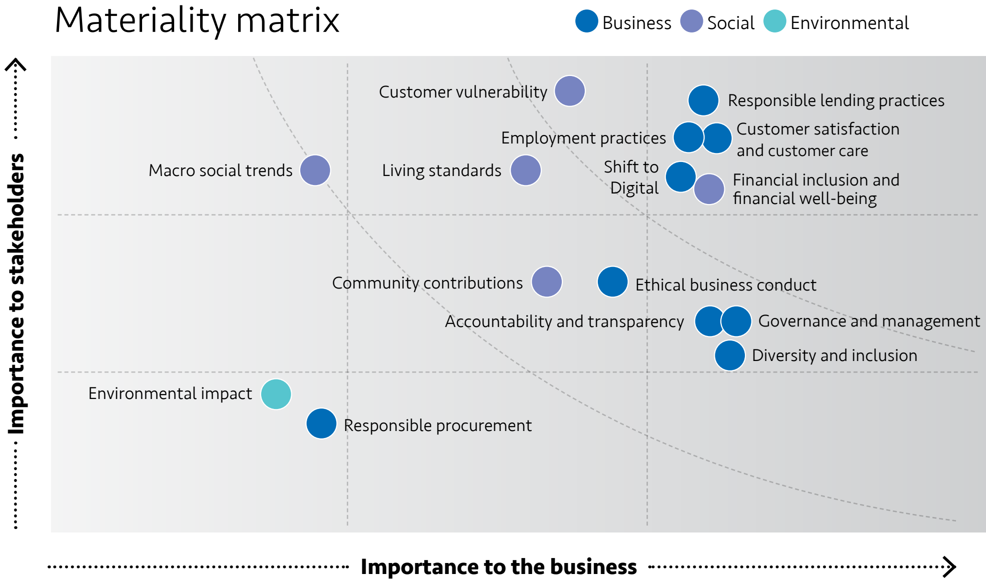
Provident Financial Group is a specialist lender and, through our operating companies, we have been serving consumers who are not well served by the financial services industry or are excluded altogether since 1880. We do this by providing our customers with products and services that are tailor-made to their needs and affordability.

MATERIALITY ASSESSMENT

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

We engage with these groups 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.

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. In 2017, this involved repeating the exercise we last undertook in 2015 to identify and prioritise the CR issues that are material to the group. This helps to inform the group's social purpose 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 second, most recent materiality assessment was 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 on the materiality matrix below.



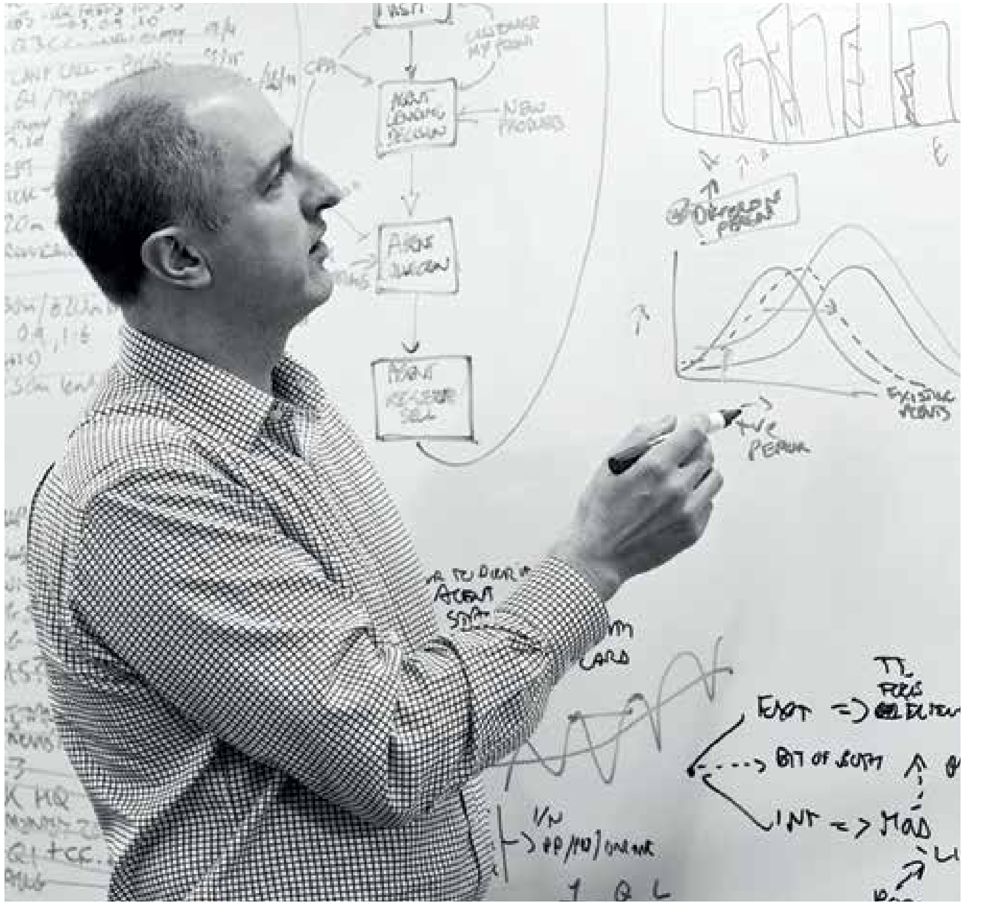
2017 TARGETS

In 2017, we set targets to improve our CR management performance in a number of areas. Some of these targets were set to be achieved in the calendar year, with others set as more long-term goals. Please refer to the table below for an update on our progress against these targets. You can find more information about our progress in the relevant chapters within this report and you can find further details on our future goals and targets on page 65.

Lending responsibly to our customers	
Maintain or improve customer satisfaction levels in Vanquis Bank, Satsuma and Moneybarn and re-establish relationships with customers in CCD.	Not achieved
Develop a partnership with IncomeMAX, a social enterprise that helps people to maximise their household income, and arrange for them to provide a dedicated support service for our Vanquis Bank customers and develop advice resources for staff, community partners and other stakeholders.	Achieved
Enhance the work with money advice organisations, charities and other stakeholders to improve the way that frontline staff recognise the signs of potential vulnerability, so that they can more easily refer customers to specialist support teams.	Partial progress
Creating an inclusive and sustainable workplace	
Ensure that there is at least 33% female representation on the Provident Financial plc board and in the executive committee by 2020.	Partial progress
Following the completion of the National Equality Standard (NES) assessments in all the operating businesses, establish a group-wide working group and action plan to address the findings and recommendations of the assessment.	Achieved
Continue to support Mencap's Learning Disability Week and encourage more areas of the group to participate in the initiative.	Partial progress
Undertake a group-wide talent and succession planning exercise so that all areas of the business can identify and grow talent to fill future business-critical positions.	Partial progress
Develop apprenticeship programmes across the group.	Achieved

Supporting the communities we work in	
Continue to invest 1% of profit before tax in community programmes, money advice programmes and social research.	Achieved
Develop new partnerships with at least two community foundations in other parts of the UK.	Achieved
Sign the National Literacy Trust's Business Pledge to elevate the literacy agenda within our business, and take practical action to close the literacy gap.	Achieved
Pilot the use of models such as Social Return on Investment to evaluate the social value of the Bradford Literature Festival, and at least one other element of our social impact programme.	Partial progress
Provide the Foundation for Social Improvement with funding to support Small Charities Week and hold an event for small charities and community organisations in Bradford.	Achieved
Support and participate in the Social Mobility Business Partnership to help provide a work programme to give school-aged students from less-privileged backgrounds access to the legal profession and develop their career aspirations.	Achieved
Develop and launch an online platform that will enable the business to engage with employees, manage volunteer opportunities, co-ordinate community investment activities and more accurately measure, report and communicate our business and social impacts.	Achieved
Explore new ways to introduce business skills volunteering into our graduate and leadership programmes.	Achieved
Vanquis Bank to support The Money Charity and Mencap to develop financial skills workshops to help people with learning disabilities take control of their money.	Achieved
Minimising our environmental impacts	
Reduce scope 1 and 2 GHG emissions by 30% by 2020 compared with our 2015 baseline.	Achieved
Extend GHG emissions offsetting to include all reported GHG emissions.	Achieved

Identify opportunities to include the new Customer Experience Managers in our GHG reporting.	Achieved
Extend the number of models of plug-in hybrid electric vehicles that are available to employees as company cars.	Achieved
Review the waste management arrangement at CCD's branch offices to identify opportunities to minimise waste.	Not achieved
Ensure that the environmental management system (EMS) at the head office continues to be certified to the international standard ISO14001 and achieves ISO14001: 2015 by 2017.	Achieved
Treating our suppliers fairly	
Deliver a workshop to the procurement functions of our subsidiary businesses, to enable them to explore whether there are any human rights risks within their supply chains.	Achieved
Review and, where appropriate, amend the questionnaires and other tools used by our subsidiary businesses to assess the CR performance of suppliers.	Achieved
Our subsidiary businesses to assess their performance against the Prompt Payment Code in terms of paying their suppliers within a maximum of 30 days.	Achieved
Engaging with the Investment Community through CR	
Maintain or improve our ratings on the mainstream sustainability indices.	Achieved
Continue to respond to requests for one-to-one meetings with investors and fund managers to engage with them on aspects of Provident Financial Group's CR programme	Achieved



Lending responsibly to our customers

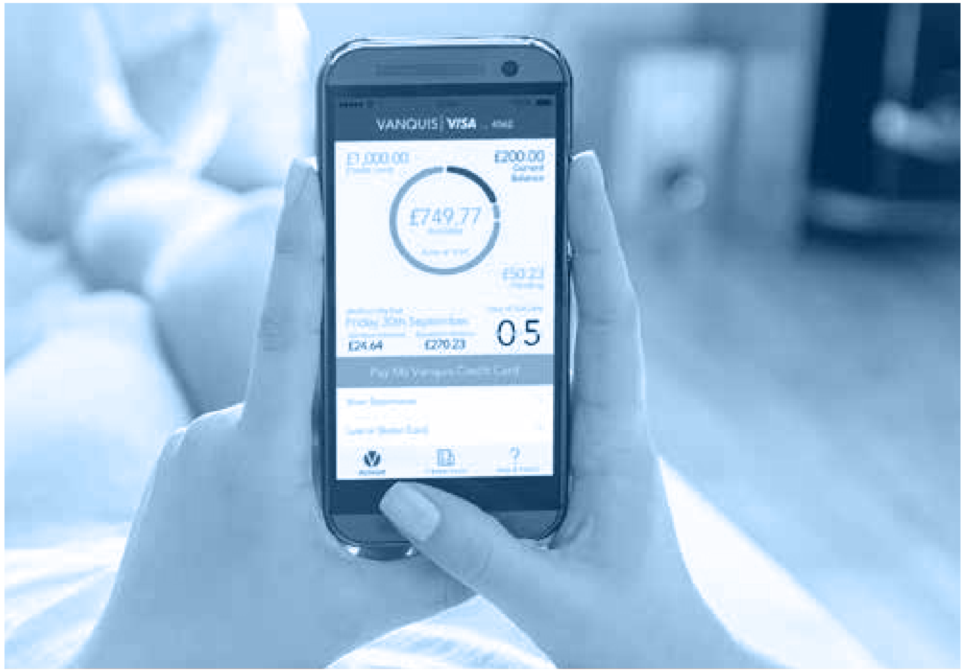
Our core business purpose is financial inclusion. We provide customers with opportunities to borrow a sensible amount in a transparent, responsible and sustainable way.

Lending responsibly to our customers

Many of the group's customers typically have a poor credit history or no credit history at all. They may have had past problems with credit, often due to periods of unemployment, family break-up, ill health, or through the use of financial products and services that did not meet their particular needs.

The products that the group offers to its customers through its three divisions are therefore tailor-made to meet these particular needs. In general, the approach the group takes to providing credit to customers involves lending smaller amounts over shorter periods of time. In the case of Moneybarn, where a vehicle is held as security, we are able to lend more credit for longer periods.

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 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 and build credit scores for greater future access and choice.



Vanquis Bank – Vanquis Bank credit limits start as low as £250 and we only extend a limit if it is appropriate to do so. We use a tailored underwriting process which we have developed over the last 13 years. Our decision to lend to applicants is based on a combination of external credit reference data and our own credit scorecards. We follow up approved applications with a welcome phone call; this helps develop our relationship with the customer from the outset, and allows us to collect more information. New customers also receive an information pack with their new credit card, which offers advice on how to increase their credit rating through financial behaviours. Customers receive text messages to remind them of payment dates, and we follow-up on missed payments with a phone call, which is an effective way to keep in touch. Following the announcement that was made during the summer of 2017 regarding the FCA's investigation into the Bank's Repayment Option Plan (ROP) product, it was agreed that sales of this product to new customers would be suspended. Vanquis Bank is in the process of undertaking a full product governance review in respect of ROP and will work with the FCA on a plan to potentially resume sales of ROP to new customers.

Provident home credit – In July 2017, the operating model of the Provident home credit business in the UK was changed so that customers were served by employed Customer Experience Managers (CEMs) rather than self-employed agents*. The business now offers home credit loans, typically of between £100 and £2,000, through a network of CEMs who call each week to customers' homes in the UK. CEMs are at the heart of the Provident home credit business. Often, they come from the same communities as their customers so have a real understanding of their customers' needs and circumstances. The weekly visits made by the CEM to the customer are not only convenient; they are also a useful reminder to put the money aside for the repayment. If customers get into difficulty, they know they'll get a sympathetic response and help from their CEM to reschedule their repayments. Unlike other forms of lending, home credit includes all the costs up front. There are no extra charges whatsoever, even if a customer misses a payment. For those managing on a tight budget, it's important to know that the amount to be repaid is fixed at the start and will never increase.

Satsuma – Satsuma is based on a modern model of online lending. It is differentiated from other similar products through our long-standing knowledge of issuing Provident home credit loans and Vanquis Bank credit cards. Lending decisions are made using external credit bureau data and our own credit scorecard – which collects invaluable information on behavioural and social data before making credit decisions. The Vanquis Bank contact centre collections team in Chatham are responsible for collecting Satsuma loans repayments. The team keeps in regular contact with customers, including contacting them by phone and text message, and working with them to ensure the best possible outcome if they get into difficulty. If customers pay late, pay less than the contracted rate or miss a payment, they will not be charged anything extra.

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

If customers pay late, pay less than the contracted rate or miss a payment, they will not be charged anything extra.

*Self-employed agents still operate in the Republic of Ireland

OUR 2017 PERFORMANCE

87%
Vanquis Bank customer satisfaction rate (2016: 89%)

85%
Provident home credit customer satisfaction rate (2016: 93%)

4.8 OUT OF 5
Satsuma Review.co.uk score (2016 score not available)

4.7 OUT OF 5
Moneybarn Feefo score (2016: 4.7 out of 5)

70,713
Total number of complaints (2016: 48,651)

1,792
Total number of complaints referred to the Financial Ombudsman Services: (2016: 1,194)

43%
Impairment as a percentage of revenue (2016: 25%)

267,565
Total number of accounts handled by debt collection agencies (2016: 210,523)

IMPAIRMENT

Impairment occurs when a lender is not able to collect the full value of a loan provided to a customer because the creditworthiness of the customer has changed. In such circumstances the lender may restructure the repayments of the loan or write it off completely. This debt must then be reported as impaired in the lender's Annual Report and Financial Statements.

ISSUES THAT IMPACTED OUR CUSTOMERS IN 2017

Home Credit Recovery Plan

Following on from the operational disruption that was experienced in the home credit business, a recovery plan was developed and put in place in September 2017 which retains the employed operating model in the UK which, in due course, should allow the business to own and manage all aspects of the customer journey and exercise greater control over customer interactions. The primary focus of the recovery plan is to re-establish relationships with customers, stabilise the operation of the business and improve collections performance. A number of important actions have already been implemented to support these objectives. These involve moving away from the overly prescriptive routing and scheduling of customer interactions which were embedded in the new operating model and restoring the ability of local management to prioritise and allocate resources to meet customer needs. A key feature of this is increasing field management resource in order to restore appropriate spans of control which had been heavily diluted on implementation of the new operating model.

The specific measures include:

- Moving from two UK divisions to four through the recruitment of two additional general managers and increasing the number of regional managers from 12 to 24;
- Appointing assistant area managers to support compliance, administration and arrears in order to free up the 160 area managers to focus on local resource allocation and management of individual CEM activity in the field;
- Recruiting at least 300 part-time employed CEMs, primarily from the previously self employed agent workforce to accelerate the reconnection with customers;
- Providing additional training for new and underperforming CEMs, including extending the shadowing period and reintroducing a 'buddy' system;
- Increasing contact centre resource to handle significantly higher call volumes, undertake a customer contact programme and assist customers making their regular payments; and
- Supporting the field organisation through the extensive use of analytics including tools that allow field management and CEMs to view and manage activity on a real-time basis via handheld technology.

The home credit business has made good progress in implementing the recovery plan. The actions taken by management are delivering a significant improvement in customer service and operational performance. In particular, collections performance in December of 78% was up from 65% in September and 57% in August and the business delivered both customer and receivables growth through the seasonally busy fourth quarter having experienced significant reductions in the previous two quarters.

Investigation of ROP in Vanquis Bank

Repayment Option Plan (ROP) is an optional part of a customer's account with the following five features designed to help them build or rebuild their credit:

- **Account Freeze:** Customers can freeze your account for up to 24 months if they experience certain life events.
- **Payment Holiday:** Once an account-year, customers can call Vanquis Bank and arrange to miss a minimum monthly payment in a month of their choice.
- **Lifeline:** Once an account year if customers forget to make their minimum monthly payment, the Bank will forgive the late payment fee.
- **Payment Reminders:** Customers will receive a text message 5 days before their payment due date with their current balance, available credit, minimum payment amount and date due.
- **Overlimit Alerts:** Vanquis Bank will assess the customer's account five days before the payment due date. If the customer is over their credit limit or if they are close to their credit limit the Bank will send them a text alert to let them know, giving them an opportunity to pay their balance down before they receive an overlimit fee.

The full ROP cost is £1.29 plus interest per £100 (or 1.29% per month) of a customer's monthly outstanding balance on their statement each month. So, as their balance changes the monthly cost will also change.

On 22 August 2017, we announced that the FCA was conducting an investigation into Vanquis Bank's ROP product and that in April 2016 it had agreed to enter into a voluntary requirement with the FCA to suspend all new sales of ROP and to conduct a customer contact exercise that was completed in 2017.

The FCA has now completed its investigation into Vanquis Bank's ROP. They concluded that when selling ROP, the Bank told customers about how the product worked and what the monthly charge was but that it was not clear enough on the opt in call in explaining that ROP will accrue interest in the same way as any other Purchase Transaction.

As a result they have decided that Vanquis Bank should refund any interest relating to ROP. For customers who opted into ROP on or after 1 April 2014, Vanquis has agreed with the FCA (using its statutory powers) to pay back interest charged from 1 April 2014 to when we told customers about the full cost of ROP. Vanquis Bank has also voluntarily agreed to pay back interest to customers who opted into ROP before 1 April 2014. A total of £168 million will be refunded to 1.2 million customers.

We are sorry that we have not been clear enough in the past and we should have done better for our customers. What's important to us is that we put things right. We are taking a proactive approach to refunding customers in full and aim to complete this as soon as possible.

Vanquis Bank is in the process of undertaking a full product governance review in respect of ROP and will work with the FCA on a plan to potentially resume sales of ROP to new customers.

DEALING WITH CUSTOMER COMPLAINTS RESPONSIBLY

Ensuring that we keep customer complaints to an absolute minimum is a good indicator that we are treating our customers fairly and that our products and services meet their specific needs. Understanding the reasons behind complaints also helps us to improve the services we offer.

The FCA defines a complaint as "an expression of dissatisfaction (EOD), whether oral or written, and whether justified or not, from or on behalf of an eligible complainant about the firm's provision of, or failure to provide, a financial service".

We have well-established complaint-handling processes, procedures and timescales to guide our customer relations teams in resolving issues in a professional and timely way.

During 2017, the number of complaints received by Vanquis Bank, the Consumer Credit Division and Moneybarn was 70,713 (2016: 48,651). Of these, 33,768 (2016: 29,371) complaints were received by Vanquis Bank, with 33,254 (2016: 16,325) received by Consumer Credit Division and 3,691 (2016: 2,955) received by Moneybarn.

This figure translates to 3% (2016: 2%) of the total number of our customers. This rise in the number of customer complaints is mainly attributed to the disruption that was experienced during 2017 which impacted customer service levels, particularly in the Provident home credit business. We provide the contact details of the Financial Ombudsman Service (FOS) to all our customers, so they have another option if we are not able to resolve their complaint to their complete satisfaction.

During 2017, the total number of new cases received by the FOS from our customers was 1,792 (2016: 1,194*). Of these, 367 or 20% (2016: 27%), were upheld in favour of the customer. Despite there being an increase in the number of customer complaints referred to the FOS during 2017, the number of complaints upheld in favour of the customer continues to be well below the average for all businesses within the financial services sector which currently stands at 36%.

MANAGING ARREARS

We establish early contact and an ongoing dialogue with customers who have difficulties, with a sympathetic approach, trying to understand and offer forbearance. Our focus is on making a difficult situation easier to deal with by taking a personal approach to resolving problems. Our customers value this understanding highly, as it minimises their arrears, and damage to their credit score. However, there are cases where customers, in spite of all efforts to assist them, either cannot or will not co-operate with our efforts. Our operating businesses therefore have systems and processes in place to deal with these situations.

Our Vanquis Bank credit card, Provident home credit and Satsuma loan businesses, all have internal recovery procedures in place which are aimed at reconnecting the business with the customer via letter, telephone or SMS text message. These procedures enable our businesses to determine whether customers are experiencing any difficulties which are preventing them from making repayments and agree with them any appropriate forbearance options (eg a reduced payment arrangement).

If, having used these internal processes to reconnect with a customer who we believe has the capacity to pay our Vanquis Bank credit card, Provident home credit and Satsuma loan businesses, it is still not possible to secure payments from them, these businesses may appoint a debt collection agency (DCA) to pursue the debt.

When this occurs, our operating businesses retain the title and responsibility for the actions of the DCA. DCAs 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. Their performance is reviewed and scrutinised on an ongoing basis and we formally audit their activity every six months. These audits focus on all aspects of work that the DCAs undertake on our behalf, including ensuring that their activities are responsible and comply with our processes and procedures.

The management of accounts in arrears for Moneybarn is less straightforward than our other subsidiaries due to the nature of the business. We do our best to keep customers in 'live' agreements. This means that the loan agreement is active and the customer is paying back their loan even if they are failing to meet the initial repayment sums outlined in the agreement. If the customer is unable to make their payments, then the agreement will be terminated and handed to Moneybarn's internal recoveries team. In most instances, a new payment plan will then be developed to help customers settle their agreements. For those customers who are unable to meet the criteria of a payment plan, we seek to recover their vehicle. The vehicle is then sold to pay off the loan. Some customers are left with a shortfall after the vehicle is sold, so the quicker we can recover the vehicle for sale, the less the customer has to pay due to depreciation. The payment terms of any outstanding debts are agreed between our internal recoveries team and the customer.

*On p.23 of our 2016 CR Report, there is a mis-print that read the 'Total number and nature of complaints referred to the Financial Ombudsman Service: 1,914'. This is incorrect. The total number of complaints referred to the FOS in 2016 was 1,194.

SUPPORTING CUSTOMERS IN VULNERABLE SITUATIONS

We recognise that our customers may, at any point in the relationship with us, find themselves in potentially financially difficult situations. This could be due to a significant life event such as a loss of income, illness or family bereavement.

All contact centre and customer-facing staff receive ongoing training and guidance to help them recognise and act on any potential triggers of financial difficulties and vulnerability. This training and guidance is informed by the customer protocol developed by the Money Advice Trust and Royal College of Psychiatrists called TEXAS (Thank, Explain eXplicit consent, Ask and Signpost) and guidance published by organisations such as the Financial Conduct Authority and UK Finance. Our operating companies also have relationships with a number of organisations to support the vulnerable customers' agenda. These include Macmillan, Mencap, Mind, Samaritans and Shelter.

We also employ specialist teams of staff in our operating companies to support customers who are experiencing financial difficulty. These teams can offer a range of forbearance options to help customers dependent upon their situation and needs. This may include offering breathing space, and short-term or long-term payment plans with interest and charges reduced or frozen. In some serious cases, a decision may be taken that the debt will be written off.

We support the vulnerable customer agenda through a dedicated work stream of the group's Social Impact Programme. The focus of this work stream is to work with charities and specialist partners to address issues such as money/debt advice, customer vulnerability

In 2017 we provided a bursary of £67,371 to CAP which was shared amongst 889 of it's insolvency clients so that they could avoid a lifetime worth of debt repayment. On average, each client received £75.78. This bursary assisted 51% of CAP clients in accessing some type of insolvency route who on average, otherwise, would have taken 50 years to repay their debts.

and financial difficulties. You can read more about this in the 'Supporting the communities we work in' chapter of this report.

We have a long history of supporting a wide range of organisations within the free and voluntary money advice sector. This approach recognises that our customers and the other consumers within our markets seek advice and support from a wide variety of organisations when they encounter financial difficulties. These include organisations within the free and voluntary money advice sector and fee-charging debt management companies. They will also seek advice and guidance from debt advice forums. Our approach also recognises that interventions our customers require to help address any financial difficulties vary from the provision of generic money saving tips to more tailored and intensive advice.

We currently provide funding to the following national money advice organisations and signpost customers to them via our operating companies' customer-facing websites:

- **National Debtline** – National Debtline, which is part of Money Advice Trust, offers free and impartial debt advice over the telephone and online to help clients manage their money with confidence. Our donations help support National Debtline to advise 170,000+ clients per annum via telephone and webchat. Our funding also contributes to supporting over 1m visits per annum made to the National Debtline website to access web guides, fact sheets and sample letters via the 'My Money Steps' tool.
- **StepChange Debt Charity/Christians Against Poverty** – While our operating companies 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 2017, the group's operating companies paid £665,783 (2016: £510,981) to StepChange Debt Charity and Christians Against Poverty in 'Fairshare' contributions.

In 2017 we provided a bursary of £67,371 to 889 of CAP's insolvency clients so that they could avoid a lifetime worth of debt repayment. On average, each client received £75.78. This bursary assisted in 51% of CAP clients accessing some type of insolvency route whom on average, otherwise, would have taken 50 years to repay their debts.

The operating companies of Provident Financial Group also provide their customers with information on the Money Advice Service (MAS). MAS, which was initially set up by the Government, provides free and impartial money advice to consumers. The service is funded by a charge levied on the financial services industry and collected by the FCA.

We also provide funding and support to a wide range of intermediary organisations in the money advice sector to build its capacity and contribute to the provision of advice to consumers who find themselves in financial difficulty. In 2017, the group supported the following intermediary organisations:

MONEY ADVICE TRUST

Money Advice Trust (MAT)

The financial donation we gave to MAT in 2017 helped them achieve a wide variety of objectives across their three advisory divisions; National Debtline, Wiseradviser and Business Debtline.

National Debtline – offers free and impartial debt advice over the phone and online that helps clients manage their money with confidence. 140,500 people received assistance over the phone and 43,500 people received help through their webchat. The funding we provided allowed National Debtline to hire one of their specialist advisers. These advisers helped 85% of callers to feel more in control of their finances.

Wiseradviser – a free training service for advice sector partners in the UK that provided 11,400 training places to 980 free-to-client organisations across the UK. Over 4,400 advisers used the Wiseradviser website to access training and other learning materials and out of those who provided feedback, 97% of advisers having used the materials available on the website believed that their confidence and ability to do their job well was increased.

moneyadvicescotland
Scotland's Money Charity

Money Advice Scotland:

The funding we provided to Money Advice Scotland in 2017 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 advisers in Scotland's money advice sector.

advice 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 Government, regulators, policymakers, funders, the credit industry and other relevant stakeholders.

IMA Institute of Money Advisers
Assuring quality in the money advice profession

The Institute of Money Advisers

In 2017, the Institute of Money Advisers held its annual conference in Bristol, with the theme 'Quality and sustainability in money advice'. We contributed £4,800 to the cost of the annual Institute of Money Advisers conference to help ensure the event remained affordable and accessible to money advisers from the not-for-profit sector. Over 250 debt advisers and sector colleagues attended the conference, taking part in 9 different workshops over two days to increase their knowledge and develop their network of contacts.

A local government adviser remarked, *"As a newly qualified Money Adviser dealing with debt..., I valued the time spent with other Money Advisers discussing processes and procedures... I learnt a lot about best practice at the workshops, which I hope will improve my work on a day to day basis... Networking was great and I now know who to ring if I need advice myself when helping a client."*

The Money Advice Liaison Group (MALG)

Our funding helps support MALG's regional forums across the UK, which promote communication and best practice sharing between 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, affordability, creditworthiness, the mental capacity of consumers, and the customer vulnerability agenda.

An increasingly important aspect of our customer vulnerability work is the innovative partnership between Vanquis Bank's financial difficulties team and IncomeMax.

Working with IncomeMax to help customers manage their finances

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.

This additional advice compliments the Bank's One Call support by: assisting customers with priority bill arrears and grants; benefit income checks and support; conference calls for customers with capability needs; identifying debt solutions; looking at their broader financial commitments; and helping customers exit financial difficulty as soon as possible. The benefits for the Bank's customers include:

- **Enhanced, professional welfare advice and support for vulnerable customers.**
- **Extra support and welfare expertise available for vulnerable people.**
- **Increased income for vulnerable customers.**
- **Reduced bills for customers.**

In 2018, the scope of the work already delivered through the Vanquis Bank-IncomeMax partnership will be extended into the Provident home credit and Satsuma collections teams. The benefits of this include:

- **Enhanced compliance with regulatory requirements that relate to supporting vulnerable customers and treating customers fairly (TCF).**
- **Improved group-wide debt advice strategy.**
- **Involvement in an innovative, trusted and best practice approach to supporting vulnerable and low-income customers.**
- **Enhanced understanding of how welfare reforms impact the customers of our operating companies.**

SUPPORTING INDEPENDENT RESEARCH INTO FINANCIAL INCLUSION

We commission publicly-available, independent research through partnerships. This research provides insight into areas which are material to our social purpose by exploring the financial behaviours of those on modest incomes. To learn more about the research we have undertaken over the past few years, please visit www.providentfinancial.com.

CASE STUDY

In Too Deep: an investigation into debt and relationships

Household and problem debt has been on the rise since the economic crash in 2008 and is increasingly gaining attention on the political agenda. These debts can adversely impact individuals and families, resulting in strain, poverty and poor mental and physical health. Understanding that these issues may affect our customers, we commissioned the relationship support charity, Relate, to carry out research which explored the links between debt and relationships. The research drew upon a wide variety of information including surveys of people in debt, feedback from debt advisors, focus groups and national polling. The report findings point to a relentless cycle, where debt can profoundly impact the quality and stability of relationships. The report also found that strained relationships can also impact finances and create problems with debt.

For example: one in four people who have been in debt say debt had a negative impact on their relationship with their partner; 36% of debt advice clients said relationship breakdown was a cause of their problem debt; over one in 10 people have experienced a relationship breakdown due, at least in part, to debt; one in 10 people argue with their partner about debt or finances at least once a fortnight; and conversely, negative relationship dynamics were shown to actively worsen and create debt problems.

The research made recommendations to address these findings, including for relationship support and debt advice providers to work together more closely. The report also recommended training for debt advisors and relationship support practitioners on the links between finances and relationships. We will use the insights provided by this research to enhance the skill set of our own customer-facing staff within our businesses whilst sharing the findings and recommendations more widely. You can find this report at www.relate.org.uk.

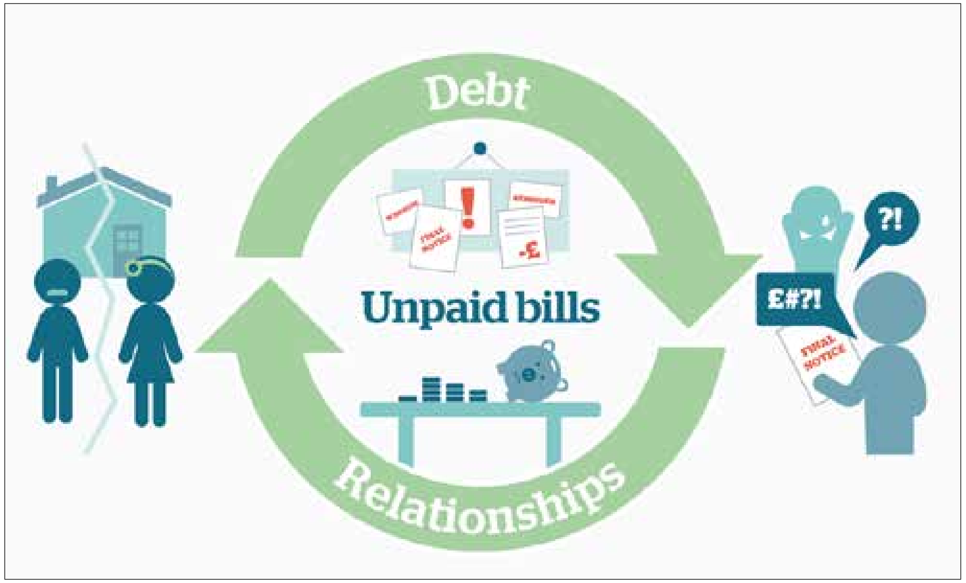


Image credit: www.relate.org.uk

Creating an inclusive and sustainable workplace

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

Creating an inclusive and sustainable workplace

The 4,864 people we employed on average during 2017 range from those who have worked here their entire career, to those who joined the workforce more recently and are still finding their feet.

We recognise that for many, 2017 was a difficult year. It saw our colleagues put in extra hours and work in a difficult and uncertain environment while we focused on stabilising our business. Despite these difficult circumstances, the hard work shown by our people to turn our business around and their continued hard work and commitment to making this happen is acknowledged and appreciated.

The wellbeing, happiness, safety and security of our staff is vital to the health of our businesses. This is why in 2018 we will push ourselves even further to provide opportunities for our people to develop and promote their wellbeing, as well as investing more time and effort in keeping the dialogue and lines of communication with colleagues open.

We are also committed to providing an inclusive and diverse workplace where everyone is treated fairly and feels valued, and ensuring that our workforce is diverse and representative of the customers we serve remains a priority.

Average no. of employees in 2017: 4,864 (2016: 3550)

CCD	3118
Vanquis Bank	1,469
Moneybarn	211
PF	66
Total	**4,864**

The 60% increase in CCD average employee numbers reflects the impact of the change in the UK operating model in 2017. This figure does not include any of the self-employed agents who were working for CCD throughout 2017, but does include the new Customer Experience Manager role implemented in 2017. Vanquis Bank average employee numbers have increased by 7% during 2017 due to the growth of the business, including the continued expansion of the second contact centre in CCD's head office in Bradford and resource to support collections activity for Satsuma. Moneybarn's 21% increase in average headcount reflects the resource required to support the growth of the business and bring processes into line with the rest of the group.

EMBEDDING EQUALITY, DIVERSITY AND INCLUSION IN OUR WORKPLACE SO THAT EVERYONE FEELS VALUED

We want our business to reflect the diversity of our customer base. This helps us to understand our customers' needs and develop products and services that support them better.

We signed up to the National Equality Standard (NES) in 2015 and completed the required NES assessments in all our operating businesses in May 2017. Having done this, the business initiated work to develop an action plan to progress the equality, diversity and inclusion (EDI) agenda across the group, including setting measureable group-wide objectives and targets on the full range of EDI issues.

However, these plans were put on hold during the second half of 2017 as a result of the operational difficulties. As a result, the attention of the board and the senior management teams had to be focused on stabilising the business and improving the financial health of the group. Now this has been done, we are able to turn our attention back to addressing the NES findings, which we believe will play a key role in rebuilding our reputation with our customers, employees, regulators and shareholders.

Promoting Gender Equality

Workplace gender equality should achieve equal outcomes for both men and women regarding areas such as pay and opportunities, but we recognise that equality has not always existed and we know that cultural changes are necessary to ensure that equality, diversity and inclusion is truly embedded across the group.

In line with regulation and best practice, we have reported the gender diversity of our board and senior management. This year, we have extended this to also include the percentage of female employees in management positions, so that we can better understand the distribution of females and males from entry level to director or board level.

At the beginning of 2018, we were required to submit our gender pay gap alongside 9,000 other UK businesses. Although we are only legally required to submit the data for some of our subsidiary businesses and not the entire group, we recognise that the below information is not reflective of the gender pay gap across the whole group. This is something we hope to analyse and share in next year's report.

% of female company directors	15%	(2016: 22%)
% of female employees in senior management positions:	29%	(2016: 28%)
% of female employees in management positions:	41%	(2016: not measured)
% of female employees:	55%	(2016: 49%)

These figures have been calculated using the rolling monthly average number of employees in each of our subsidiary businesses.
At the beginning of 2017, the female composition of the board stood at 22%. At the end of 2017, it decreased to 15% following the death of Manjit Wolstenholme.

GENDER PAY GAP

The differences in the average pay between men and women.

GENDER PAY GAP

From April 2017 employers across the UK with more than 250 staff were required by law to publish the gender pay gap that existed in their company annually. Along with this they were also required to publish the proportion of men and women receiving bonuses and the proportion of men and women in each quartile of the organisation's pay structure. Not all incorporated businesses which are part of Provident Financial Group met the criteria that requires a business legally to report this information, however, three of our businesses, Provident Financial Management Services Limited, Provident Personal Credit, and Vanquis Bank met the criteria and reported their data for the first time in March 2018.

Across the group, we are aware that our gender pay gap is driven by the structure of our workforce where there is a much greater representation of men in senior roles, earning high salaries. However, we know that we need to have a greater gender balance across senior levels so that we can lessen the gender pay gap and promote equality and inclusivity. To do this, we need to put more focus on how we attract, develop and retain female talent. We created a working group in 2017 whose responsibilities are to further develop the equality, diversity and inclusion agenda across our businesses so that we can implement a one-approach strategy to ensure that we achieve our objectives in providing an inclusive workplace for our staff.

If you would like further information on this, please refer to www.providentfinancial.com for the official gender pay gap reports and disclosures from each individual business.

Pay and Bonus Gender Gap*

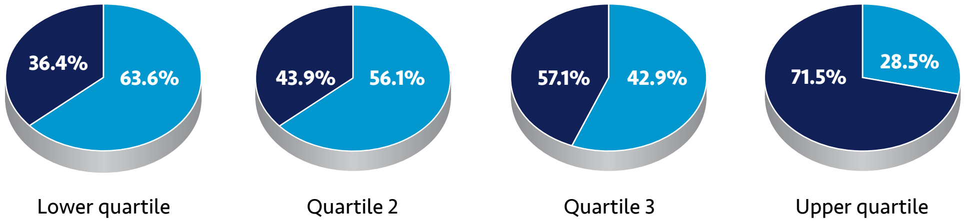
	Hourly pay		Bonus	
	Mean	Median	Mean	Median
Provident Financial Management Services Limited	34.9%	30.9%	65.3%	0.0%
Vanquis Bank	27.7%	14.4%	70.2%	21.8%
Provident Personal Credit	10.1%	4.1%	21.2%	14.0%

* as at April 5th 2017

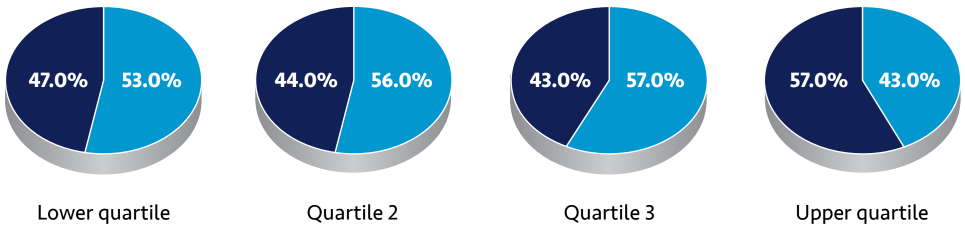
Gender representation by pay quartiles*

Men Women

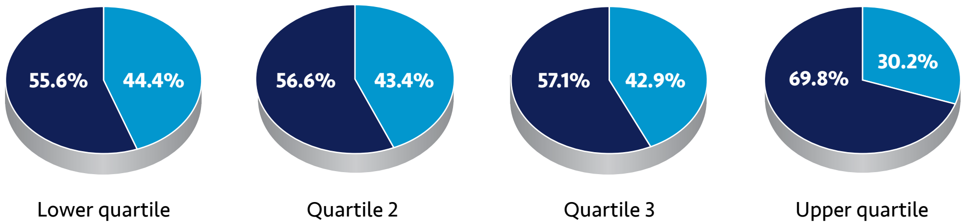
Provident Financial Management Services Limited



Vanquis Bank



Provident Personal Credit



*These charts above present the gender distribution in each organisation across four equally sized pay quartiles. These quartiles consist of: PMSL: 247 colleagues, Vanquis: 375 colleagues, PPC: 189 colleagues.

VALUING DIVERSITY IN THE WORKPLACE

15%

% of employees from BAME communities (2016: 17%)

0.37%

% of employees who have declared a disability (2016: 0.7%)

Across the UK, Black, Asian and Minority Ethnic (BAME) people are under-represented at all levels in the workplace according to the *Race at Work 2015 report* .[1] The findings of this report showed that 1 in 8 of the working age population were from a BAME background, yet BAME individuals made up only 10% of the workforce and hold only 6% of top management positions. This statistic is unacceptable and as an employer with offices based in multi-cultural cities such as Bradford and London, we understand the need to ensure our workplaces are representative of these locations. We are committed to race equality across the group and will continue to work on shaping the organisational culture of our businesses to ensure that race equality remains a key objective within our equality, diversity and inclusion agenda.

Supporting colleagues with extra needs

Although the number of staff who have declared a disability is extremely low, we are aware that people may not disclose information about a disability due to the fear of being treated unfavourably. We adhere to The Equality Act 2010, which makes it unlawful to discriminate against employees because of a mental or physical disability. We also understand that not all disabilities are visible and we aim to encourage an environment where colleagues feel safe and happy to disclose such information to others if they choose to do so.

TRAINING AND DEVELOPING OUR PEOPLE

We remain committed to attracting talented people to the business to ensure we develop services that are responsible and innovative. As well as supporting people to develop in their careers with us we are committed to providing opportunities for people at the start of their career. The performance management and career development programmes we have in place help identify training and development needs and facilitate discussions between managers and their teams, supported by learning management systems in each of our businesses. The development opportunities we offer range from apprenticeships to training courses accredited by professional bodies. This enables us to support our people to reach their ambitions throughout their careers.

137,983

L&D hours (2016: 64,520)

28

Average no. of L&D hours per employee (2016: 18.2)

[1] Business in the Community (2015): 'Race at Work 2015'. Available at: http://race.bitc.org.uk/system/files/research/race_

APPRENTICESHIPS

Consumer Credit Division

"Following the introduction of the apprenticeship levy in April 2017, the Consumer Credit Division launched a Team Leader apprenticeship programme in October 2017 which was aimed at supporting existing employees to develop their leadership skills. The individuals selected came from a variety of different business areas and brought with them a range of experience. To date, they have participated in a number of workshops and development activities both internally and externally. We look forward to our colleagues graduating during 2018.

Given the changes within CCD and business performance during Q4 of 2017 and into Q1 of 2018, our initial priority has been exploring the ways in which we can upskill our existing workforce. Since the start of 2018, we have seen the launch of a variety of other programmes to our existing colleagues including the Professional Accountant, Cyber Security and Data Analyst programmes.

As CCD begins to set out its strategy for 2018, we will continue to review our existing workforce to identify key skills gaps and look to explore the opportunities available within leadership development and digital skills. For digital in particular we will explore the ways in which we can grow our own talent in this area through apprenticeships or graduate programmes and map out the development opportunities through building robust career pathways."

Leanne Kellett, Graduate and Apprenticeship Programme Manager

Vanquis Bank

"The changes to how apprenticeships operate and the opportunity provided by the Apprenticeship Levy, enables Vanquis to introduce new and diverse talent to the business and provide our existing employees with highly valued opportunities to build their skills and obtain a qualification while working.

So, to ensure the 20% off the job training and the opportunity to apply learning is facilitated without compromising performance and customer experience, we have taken a phased approach, ensuring we consider and implement proper guiding principles.

We currently offer three programmes; Supervisory Level 3; Intelligence Operations Level 4 and Department or Operations Manager Level 5. We have 33 apprentices in total across two locations. There was high demand for these programmes with more than double the number of applicants per available place. At Vanquis, we recognised there was a management capability skills gap, so ensured we offered apprenticeships in this area and chose the right people by matching the programme objectives to colleagues' personal development plans.

We are looking forward to reviewing and analysing feedback at the end of the programme year, as this will inform the next phase of implementation. As of now, anecdotal feedback is very positive and engagement and commitment remains high.

Additional apprenticeships are planned for 2018 and available places and programmes will be offered later in the year. We look forward to offering these programme to both entry-level and existing colleagues."

Bevan Heslop, Senior People Development Consultant, Vanquis Bank

EMPLOYEE ABSENCE AND TURNOVER

The health, wellbeing and happiness of our employees is crucial. Without good mental and physical health alongside happiness in the workplace, whether it is down to inclusion, management or workload, we cannot run a sustainable business. It is important that our employees have a good work/life balance and that we provide them with secure and sustainable employment.

6.5

Average no. of absence days per employee (2016: 8.7)

We understand that some sick leave is unavoidable, and there will always be staff who leave the business, whether it is because they want to try something new or move to a new place. But beyond this, we want to be an employer who is seen to support and develop their people so we can reduce unnecessary absence and turnover.

4.3

Average no. of absence days CCD and PF (2016: 8.6)

11.2

Average no. of absence days Vanquis Bank (2016: 8.9)

8.2

Average no. of absence days Moneybarn (2016: 3.5)

Unfortunately, over the past year, there have been instances where we have had to make some of our employees redundant due to re-sizing and re-structuring of our business. For us, this is never the first choice and never an easy option. However, to make sure our employees are impacted as little as possible, we have redundancy policies and structures in place to protect employees in times when they may feel vulnerable.

37%

% of employees left in 2017 (2016: 21.7%)

78% of the employees that left the business in 2017 were employed in the Consumer Credit Division and the group corporate office, with the former accounting for the majority of these. A significant amount of this staff turnover was due to the restructuring that took place in the Consumer Credit Division in 2017.

This restructuring took place to change the organisation and management of the Provident home credit business and resulted in the removal of some roles, reduction of other roles and the introduction of new roles. Whilst any job losses are regrettable, we sought to ensure that the restructuring was undertaken in a sensitive and responsible manner.

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

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

Without good mental and physical health alongside happiness in the workplace...we cannot run a sustainable business.

ENSURING THE HEALTH, SAFETY AND WELLBEING OF OUR PEOPLE

Ensuring the health, safety and wellbeing of our employees is of paramount importance, as without this, we would be unable to provide services to customers.

Across the group, we have a number of indicators we use to measure the health and safety of our colleagues, along with having programmes in place to support their physical and mental wellbeing.

We understand that exercising both your body and your mind, and increasing your knowledge and awareness of health is one of the vital ingredients to living a healthy and happy life. From discounted gym memberships to nutritional wellbeing courses and free counselling and therapy, we offer a range of initiatives to promote and help with the health and wellbeing of colleagues.

Nuffield Health Partnership

32%

% of staff based in Bradford are members of the on-site gym

37%

% of staff based in the Bradford Head Office are members of the gym

Although the average total of memberships has only increased by 7% since the opening of the gym in 2015;

Total gym attendance has increased by 43%

Total class attendance has increased by 73%

Health MOTs undertaken have increased by 343%

There has been an increase of 83% in the number of personal fitness programmes that have been created for members.

We recognise that the gym is only available for use to colleagues based in Bradford, therefore, we will be working with Nuffield Health throughout 2018 to extend the partnership to our colleagues working in the field, so that they too can have better access to health and wellbeing initiatives and opportunities. We believe that providing employees with accessible or low-cost health, fitness and wellbeing programmes and infrastructure will positively impact their day-to-day lives by reducing their level of illness and positively impacting their mental health. This in-turn will hopefully reduce their amount of sick leave and result in them being happier and more productive in their work.

Reporting accidents at work

3

Reportable Accidents (2016: 1)

61

Number of reportable accidents scaled up to 100,000 employees (2016: 27)*

208

Total number of non-reportable accidents (2016: 85)

4,211

Total number of non-reportable accidents scaled up to 100,000 employees (2016:2,290)*

* 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.

A key reason for the increase of accidents is due to the change of the operational model in the Consumer Credit Division. This has seen the average number of staff employed by the Division increase from 1,943 in 2016 to 3,118 in 2017. This increase in employees has resulted in a corresponding increase in the number of reportable and non-reportable accidents.

Due to the differing nature of where our employees work, we recognise the need to ensure their safety is a priority at all times. We have staff working in offices and out in the communities where our customers live, driving or walking around different areas at various times of the day. We ensure that personal safety training is undertaken by every member of staff at least annually and that there are stringent processes in place to report accidents or incidents.

Although we have a group corporate policy manual, which includes a policy on health and safety, our operating businesses also have their own policies which relate to a range of health, safety and wellbeing issues, and related topics such as flexible working. These policies are set-out in employee handbooks and on internal communications portals to encourage employees to read them and be able to access them at all times. You can find a summary of the corporate policies that are relevant to CR at www.providentfinancial.com. 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.

Empowering our people to raise concerns

Whistleblowing policies are in place in each of our operating companies. We are committed to the highest standards of quality, honesty, openness and accountability, so employees are encouraged to raise genuine concerns under these policies either through their manager or by telephoning a dedicated external helpline. Throughout 2017, this external helpline received six complaints which were thoroughly investigated and dealt with in accordance with the appropriate internal procedures. It's important for us to provide this external helpline so that our employees can have concerns addressed, in confidence and with confidentiality.

6

No. of calls made to whistleblowing hotline (2016: 4)

Encouraging employees to save for their future

It is just as important to us to ensure that our staff, as well as our customers, manage their money in a sustainable way. This is why we offer a number of initiatives that encourage staff to either invest in the company through share schemes, or save for their future through a workplace pension.

Pensions

There are two main pension schemes for new employees. New employees are automatically enrolled into the Provident Financial Workplace Pension Scheme after two months service and after two years membership, they are invited to join the PFG Retirement Plan instead, which sees employees contribute 3-8% of their pensionable salary, and the company contributes 5-10%. However, new employees at managerial level are invited to directly join the PFG Retirement Plan. This plan also includes an increased death in service payment of 3x salary and offers long-term sickness benefit.

Employee share schemes

There are a number of different schemes that exist across the group which are long-established and form a successful part of the total reward package. These schemes aim to encourage employees' involvement and interest in the financial performance and success of the group through share ownership.

An average of 1,673 employees (2016: 1,744) participated in the company's save as you earn schemes, allowing them to save a fixed sum each month for three or five years. At the end of this period, they can also choose to use the savings to purchase shares in the company at a discounted price which will have been set at the outset of their savings contract.

The HMRC approved Share Incentive Plan (SIP) scheme offer employees the opportunity to further invest in the company and to benefit from the company's offer to match that investment on the basis of one matching share for every four partnership shares purchased. On average across 2017, 376 (2016: 313) employees invested in company shares through SIP.

To read more about employee share schemes and other related initiatives, please refer to p.98 of the 2017 Annual Report which can be accessed at www.providentfinancial.com

Supporting the communities we work in

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

Supporting the communities we work in

We invest in activities and initiatives which address some key factors which can reduce someone's likelihood to be accepted for credit. These factors include: unemployment or underemployment; low, uncertain or fluctuating incomes; low educational attainment; and physical or mental health issues.

Part of our mission is to play a positive role in the communities we serve. We do this by providing financial products to those not well served by the mainstream credit market. We also invest in the communities where our customers live and work. In particular, we support community projects that help people overcome issues that prevent financial inclusion, helping them build a brighter financial future.

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

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

Our community investment activities are delivered through the group-wide Social Impact Programme. During 2017, we built on this review and developed and rolled out a new operating model for the programme. This programme is organised around the following three work streams:

- **Customers:** 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 all aspects of education (including financial education).
- **Local community partners:** Supporting a range of partners to address social inclusion and social mobility issues that are relevant to our customers.

OUR 2017 PERFORMANCE

£2.59m

invested to support community programmes, money advice programmes and social research (2016: £3.1m)

9,711

people experienced a positive change in their behaviour or attitude as a result of their involvement in our community investment programmes (2016: 8,038)

11,241

people experienced a direct positive impact on their quality of life or wellbeing through our community investment programmes (2016: 12,829)

43

partnerships supported on a longer term basis (2016: 53)

220 hours

were volunteered by employees during work time (2016: 3,632)

We have also distributed grants to a further **31** organisations through community foundations. (2016: 29)

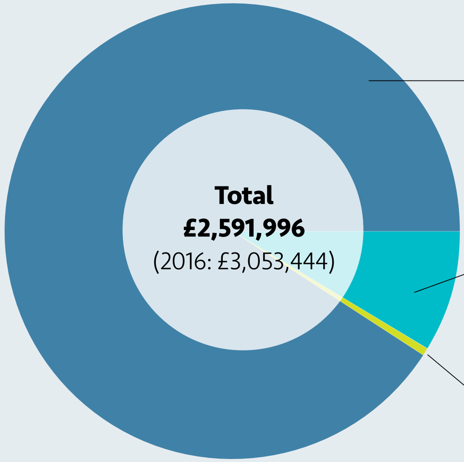
9,337

people developed new skills or improved their personal effectiveness as a result of our community investment programmes

(2016: 13,731)

HOW WE INVESTED IN COMMUNITIES IN 2017

We continued to invest over 1% of profit before tax in community programmes, however, due to challenges in the business, our total community investment has reduced. Unfortunately, this has had a knock-on effect on the scale of impact we have achieved. In particular, less time was volunteered by employees during working hours, ultimately caused by the poor performance of the business during the course of the year.



ADDRESSING SOCIAL INCLUSION ISSUES

We have a long track record of supporting small, grass roots community organisations, that deal with local social inclusion issues. We have been working with many of them for numerous years, maintaining our funding and offering support so these groups can expand the support they offer for the long-term.

We continued to invest over 1% of profit before tax in community programmes.

Helping small charities succeed

To underline our aim to support local community initiatives, we sponsored Small Charities Week in 2017. Small Charities Week was established in 2010 by the Foundation for Social Improvement (FSI) with the aim of:

- Celebrating the contribution that the UK's small charity sector makes to the lives of millions of vulnerable individuals and communities.
- Improving the knowledge, representation and sustainability of small charities.
- Highlighting the work of the small charity sector to the broadest possible audience.
- Encouraging public giving.
- Working with the small charity sector to develop political engagement at a national and local level.

Big Advice Day

Our support brought the first Big Advice Day to Bradford. Big Advice Day is one of Small Charities Week's six days of free activities and initiatives for small charities. The day provided inspiration, advice and information to volunteers, employees and trustees from small charities across West and North Yorkshire, who, working with our long-term community partner, Participate Projects, were brought together with industry experts.

Through this event, local charities were given access to specialist one-to-one advice and attended a range of workshops on topics including branding and communications, impact measurement, sustainable revenues, inspiring workplaces and corporate partnerships. Delegates left with information and advice on how to increase revenue, be resilient, increase visibility, improve team morale and measure social value.
A marketplace area also offered opportunities for networking and ideas sharing.

Nationally, 975 hours of advice were given to 290 charities, of which the Big Advice Day in Bradford contributed 293 hours to 80 organisations. Delegate feedback showed that 100% of those who responded received feedback that they found useful. 84% changed something as a result of attending, with 79% reporting that these changes had a positive impact (within three months).

"Big Advice Day was extremely useful and gave me clarity and confidence in moving ahead. I have written a four-month plan which helped me to stop feeling overwhelmed, be realistic about my capacity and review my scattergun approach to funding. I just feel more focused, professional, positive and less scared. So thank you!"

Julie Walker, Founder, Words for Wellbeing

Mencap All In Award

As part of their charity partnership, Vanquis Bank provided funding to enable Mencap to pilot the "All In Award." The project brings together children aged 8–13 both with and without a learning disability to encourage positive experiences.

Research suggests children with learning disabilities are less accepted and have fewer friends than typically developed children. The latter tend to express more negative attitudes towards peers with learning disabilities. As attitudes are still developing in childhood, early intervention to change attitudes is likely to be more successful.

The project has been tested in 11 London schools and the trials will continue over the next two years in Bradford and Medway. Outcomes are being measured in partnership with the Research Department of Clinical, Educational and Health Psychology at University College of London, with a full feasibility study that was published in February 2018.

"We talk about our friends from the All In Award to our class friends and they always say that it sounds like you have a good time. We say we do, we help each other and now they all want to come."

All In Award Participant

"I think they've benefited hugely, they've worked really well with the boys... but not only that, it's built a relationship between the two schools to the point that I not only do this, but I do other things with other schools as well. We've built up a really great working relationship so it's opened doors and avenues."

All In Award School Facilitator

mencap
The voice of learning disability

"We've built up a really great working relationship so it's opened doors and avenues."

Early Focus, Dublin: Supporting vulnerable young people

We have funded long-term partner, Early Focus since 2009. This innovative project was launched in 1997 to address the needs of children at St James' Primary School in Basin Lane, Dublin 8. This part of the city is one of the most deprived and as a result, the home environments of children in the school are extremely challenging. The project's focus is on caring and providing opportunities for the children to experience a consistent relationship built on trust, with a supportive adult via one to one or group sessions.

The children attending the project come from families experiencing various degrees of socio-economic hardship and are highly vulnerable to early school leaving and subsequent social problems. Since the project started no child has been excluded from the school due to the support the project has offered.

The project provides opportunities for them to develop holistically and provides an environment that promotes social integration. There are areas for play, cooking, art, reading, and computer work along with a multi-sensory room which has an atmosphere of calm and tranquillity. These facilities help to promote self-esteem and foster a nurturing atmosphere, promoting a positive experience of school for the children.

Our funding helps to support the running costs of the project and to keep their long-running programmes viable, enabling vulnerable young children to continue their access to education. This has included providing new equipment for the various activities, such as yoga, that the children are introduced to, as well as the refurbishment of a multi-sensory room which helps those with the most challenging behaviour.

The level of deprivation and stress in the school community has increased due to gang activity in the area and as a result, the number of children with social and emotional needs has risen, leading to a greater demand for the service. In 2015 we identified an opportunity to provide funding for the project to develop their support into secondary education. Funding is needed to be able to provide consistency to the children of St James's as they transition from primary to secondary education. This period is one of the most difficult for children generally, but especially for those living in deprived communities. There is a high risk of self-removal from education at this stage. Early Focus now works in partnership with their local secondary school to provide this consistency and our funding has allowed them to develop the relevant support.

"We have been blessed to have had this opportunity of support from Provident who have been very encouraging and affirming of the work we do. This support has enabled us to keep our service alive and vibrant, especially when we have suffered cutbacks each year since 2009. We deeply appreciate this support and I cannot overemphasise how important and relevant it is to our school and community. Our service is as good and effective as it is, due to the support we have received."
Melissa Hogan, Project Co-ordinator

"We have been blessed to have had this opportunity of support from Provident who have been very encouraging and affirming of the work we do."

The Early Focus Project

The Solas Project, Dublin: Helping young people reach their full potential

When we first started working with Solas Project it was an after-school intervention project located in the Basin Lane flats, Dublin, one of the most disadvantaged areas of Dublin's south inner city. At the time, the project supported 12 primary school-aged girls who had challenging home situations. Solas offered the girls a safe place to go after school, provided them with a healthy meal each evening, gave them help with their homework and the chance to make new friends and take part in after school activities. Most of the children came from St James' Primary School, home of the Early Focus Project (see page 37).

We provided funding to help with core costs at the centre and to expand the number of places available. With our support the organisation has continued to grow and is now working with many young people every week in the provision of a range of programmes to address their needs.

In particular, the after-school programme has seen:

- The establishment of a new junior after-school programme as an effective model of early intervention for six to eight year-old children who had been identified by their school as being at risk of low academic and personal achievement.
- The provision of a caring and secure home-like environment which better meets the physical, emotional and intellectual needs of the children.
- Access to activities through which young children can build their self-confidence, self-esteem, interpersonal and academic skills.
- The involvement of the parents in their child's development and education by facilitating each parent spending one afternoon each week in the programme.

Since our involvement began, the project has gone from having one after-school programme with one full-time and one part-time employee and five volunteers, to becoming a charity with seven programmes made up of three education projects and four sports projects, and a substantially increased team of full- and part-time employees, as well as an expanding team of volunteers. In addition, through our partnership with An-Oige, the Irish Youth Hostel Association, residential breaks have been provided for many of the children. This has been especially helpful in helping to get children out of the city to avoid the potential for them to be drawn into gang-related anti-social behaviour.

Additional funding from us allowed the project to develop an outdoor area for young people/youth café and the refurbishment of after-school club premises, including a new multi-sensory room. Staff from the local Dublin office volunteered to redecorate the premises and have also provided panellists for the project's Dragon's Den-style activities.

"It's such a great encouragement to have your support. We are very motivated to grow and expand our programmes in both width and depth as we tackle the very serious issue of early school leaving and youth crime in Dublin's inner city. Your support will allow us the opportunity to do this.

The support from Provident Financial has given us sustainability and also the ability to plan with confidence. With the support we have been allowed the opportunity to start more interventions that have begun to make a real impact in the lives of many vulnerable children but also attract further support from others which in turn has led to greater sustainability."

Graham Jones, Managing Partner, Solas Project

"The support from Provident Financial has given us sustainability and also the ability to plan with confidence."

SOLASPROJECT
let your light shine

Raising literacy levels in Bradford

Helping to tackle the UK's literacy challenge is a key focus for us, which is why we are a signatory to the National Literacy Trust's 'Vision for Literacy Business Pledge'. This commits us to help raise literacy levels in Bradford by taking practical action within our workforce, in our local community and at a national level. Through this commitment, we can help improve the chances of young people by ensuring they leave school with the skills they need to go on to employment or further education.

In 2017, we created a communal book space at our Bradford head office where staff could read and share books. We also established a partnership with the National Literacy Trust's Bradford Literacy Hub and local education consultancy Leading Children Limited. This partnership delivered a 'Parent Reading Power' session which shared tips and resources with employees who are parents or carers to help develop their child's literacy and communication skills.

The partnership also connected with local schools to help improve local children's reading and writing skills. In 2017, 43% of primary school pupils in Bradford left primary school unable to read at the expected level for their age (source: National Literacy Trust). The launch of the partnership also celebrated the opening of a brand-new library at local free school One In A Million, and a school book giveaway scheme both of which we funded. 20 primary schools across the city received the National Literacy Trust's Literacy Toolkit, which included a range of children's books and guidance materials for teachers to encourage further reading in school and at home. The free books reached thousands of children in schools across Bradford, encouraging them to read for enjoyment.

"Like many schools in the Bradford area, a large number of our students have low levels of literacy as they start secondary education. We know that running this innovative partnership in our school and across the city is having a positive effect on teaching and students' learning. Combined with our new library, funded by Provident Financial Group, this is exposing young people to high quality learning materials that is having a massive impact on unlocking their potential by improving their ability to read and understand the written word."

Philip Grant, Head Teacher, One In A Million School, Bradford

Bradford Literature Festival

In the 140 years since Provident Financial was founded in Bradford, the city has transformed. It is now an incredibly multicultural city with a strong industrial and cultural heritage.

But it is not without its challenges. The city is below the national average for primary education reading skills and lags behind Leeds and other northern cities in school league tables.

As one of Bradford's largest employers, we want to inspire young people living in deprived areas to raise their aspirations. We want to help them leave school with the skills they need and ensure a talent pipeline with the skills we need to drive both our business and the local economy forward.

We believe our partnership with Bradford Literature Festival, alongside other local organisations, allows us to do this.

We are now in our third year of support for the Festival and have pledged to continue that support until 2020. As part of this partnership, we commissioned a Social Return on Investment (SROI) evaluation to be carried out on the 2017 festival to measure the value that it creates for the city. SROI is an outcomes-based measurement tool that helps organisations to understand and quantify the social, environmental and economic value they are creating relative to resources invested.

The main areas of assessment were: Inclusion and diversity; Literacy and engagement; Perception of Bradford city; and Contribution to the tourism economy.

Attendees, Residents and Teachers were also asked how much they would be willing to pay for the Festival. Residents were willing to pay less (average £11.24) than attendees (average £19.63). While teachers suggested their school would be willing to pay on average £197.30 for the Schools Programme. This willingness to pay was linked strongly to the Literacy and Engagement benefits seen by the respondent.

Credit: National Literacy Trust

The SROI analysis will help decision-makers ensure their activities have a greater impact both in Bradford and on attendees from outside Bradford.

Key findings from the SROI study are:

- The festival had a positive impact on the attendees and was valued.
- Audience figures grew to approx. 50,260, from 31,000 in 2016. These figures include people who attended more than one event.
- The audience was young, ethnically diverse and from a range of income levels.
- Two-thirds of attendees were children and two-thirds were female.
- The festival attracted more people in the subgroup Asian Heritage* than would be expected given the profile of the regional population.
- Based on Willingness to Pay the 2017 festival was valued at £2,672,396. Against an investment of £900,000, this creates a social return ratio of 2.97.

To read more in-depth results on the SROI work, please refer to the full report at www.providentfinancial.com

* subgroup of Black, Asian and Minority Ethnic groups (BAME) within the Mosaic data

Supporting grass-roots community groups to tackle local issues

We have now launched a total of five community funds as an additional way of reaching even more grass-roots organisations, whilst also involving our employees in the process of awarding funding. The funds are administered by local Community Foundations in Leeds/Bradford, London, Kent and Hampshire Isle of Wight. The foundations disburse grants to projects in their locations according to criteria which we have tailored to reflect our Social Impact Programme's strategy, addressing issues including mental health, food and nutrition, well-being, self-esteem, employability, family relationships and low educational attainment. In 2017, grants totalling £250,000 were awarded to 37 community organisations.

In 2017, Leeds Community Foundation launched #GiveBradford with our support. This included underwriting their programme of development in Bradford, building on their existing investment of over £3.8m in the area since 2012.

#GiveBradford aims to get local communities the support they need to create positive change and improve the lives of local people. The campaign is supporting corporate funders to invest their charitable contributions strategically and has created the "Bradford 100 Club", a membership network of businesses and individuals working to address challenges faced by the city.

We are members of the #GiveBradford Steering Group, working alongside the Council and other key stakeholders from the district to help drive the project forward and harness the support that we know exists in our business community.

"Provident have given Leeds Community Foundation essential core funding which has enabled us to develop our grant-making capacity across the Bradford District through the #GiveBradford Campaign. There is a huge opportunity to galvanise the corporate and private giving landscape in the region, by offering a number of giving platforms and creating a strategic grant-making programme to invest in communities that need help the most. Provident's financial support was crucial in getting this project off the ground and has set the tone for other businesses to follow suit – clearly demonstrating their commitment to the city of Bradford and the wider district."

Matthew Roberts, Head of Development, Leeds Community Foundation

Encouraging and supporting employee volunteering and charitable giving

It's important that we enable our people to engage with our community involvement programme. Volunteering provides them with valuable development opportunities, helping them develop skills and build teams while supporting initiatives close to their hearts.

Volunteering can be undertaken via company-led volunteering team challenges or skills-based volunteering for specific projects. In 2017 we launched an online employee volunteering portal to enable them to identify individual volunteering activities. Staff are offered two days paid volunteering leave each year and we encourage our people to volunteer for or take part in the initiatives of their choosing. Additionally we offer them a volunteering grant for the organisation they give their time to.

A number of opportunities are made available to staff to offer skilled and professional volunteering. For example, in 2017 a group from our graduate programme took part in a workshop where they collaborated to propose solutions for challenges faced by four local community organisations.

In 2017 our people volunteered 220 hours during work time, which is significantly lower than in 2016, and reflects the challenges that our business and our people faced throughout the year. It is our intention to encourage participation in the programme this year with sponsorship from senior leadership across the business.

Our matched funding programme continues to be made available for any fundraising activities our people take part in. This allows employees to focus on the organisations that mean the most to them personally. In 2017 we provided £43,348 matched-funding (2016: £43,063)*.

*We have restated the 2016 matched-funding figure from £20,976 to £43,063 as we discovered it did not include Vanquis Bank's matched-funding donations.

Mencap

In 2016, Vanquis Bank signed a three-year partnership with Mencap to help support people with a learning disability into employment. Through direct funding, Vanquis Bank has enabled Mencap to establish new employment programmes in areas with limited employment support.

Nationally the number of people with a learning disability in paid employment remains chronically low, eight out of 10 could work but only two out of 10 do. During 2017, these programmes supported 184 people with learning disabilities in Bradford, Medway and London with 32 gaining paid employment and a further 41 securing volunteering opportunities or work trials.

"I am happy that I am less dependent on my benefits and can earn my own money now."

The partnership provides great development opportunities for the participants, helping them develop communication, problem solving, management and organisational skills. It also helps Vanquis employees develop, through volunteering opportunities with the programmes. Vanquis employees have also supported Mencap by getting involved in a variety of fundraising events including The Big Massif Trek, Dodgeballdayer, Tough Mudder and the Royal Parks Half Marathon.

"Since I started my role, I am very confident and love helping to support others with learning disabilities, as I understand their struggles as I faced them myself. I am happy that I am less dependent on my benefits and can earn my own money now."
Katy, Mencap participant

Fareshare: Reducing food waste whilst providing food to those who may need it

Vanquis Bank has been working with FareShare since April 2016. Vanquis Bank is supporting FareShare to save fresh, in-date and good-to-eat surplus food from the food industry to feed vulnerable people. In the first year of this partnership a total of 2,115 tonnes of food was saved from waste, supporting 504 frontline charities and community groups in Bradford, Kent and London. These community groups turned this food into over four million nutritious meals for vulnerable people in our local communities.

FareShare
fighting hunger, tackling food waste

FareShare at Deptford Park Primary School

The breakfast club at Deptford Park Primary School serves up a brainpower boost breakfast to the 35 children who attend each morning. Helpings of yoghurt, cereal, fruit and juice, which have been saved from waste and delivered to the club by FareShare London, ensure the students go to their classes with full stomachs and focused minds. The breakfast club is in an area of South East London where there is a high rate of child poverty. It is estimated that 37% of children in London live below the poverty line (source: Child Poverty Action Group). Since this breakfast club was launched, the school has seen a marked improvement in punctuality of the children attending.

"I have more energy to work and play because I get my breakfast at school."
Student, aged 10

Measuring our Impact

In 2017, we launched a partnership with social enterprise, thirdbridge, which saw us create an online platform that is dedicated to building links between our business and the community and voluntary organisations we support to help us to collect and report the measurable social impact of our community investment activities.

In partnering with thirdbridge, our aspiration is to enable our employees to connect with the community and voluntary organisations of their choice, and provide them volunteering and fundraising opportunities. We will also use the platform to help us to collect and analyse our social impact data, such as spend, volunteering hours and partnership feedback.

Throughout 2018, we will continue to develop this resource which will improve the way we measure the social impacts of our community investment work.

Ensuring consumer access to free money advice

We work with a number of money advice providers who offer free support to consumers (some of whom may be our own customers) who may find themselves having difficulty in managing their debt repayments. We understand the impact this can have on their lives both in the short term and longer term, and therefore make this commitment to the money advice sector to ensure access to free, reputable, and independent advice.

The Money Charity

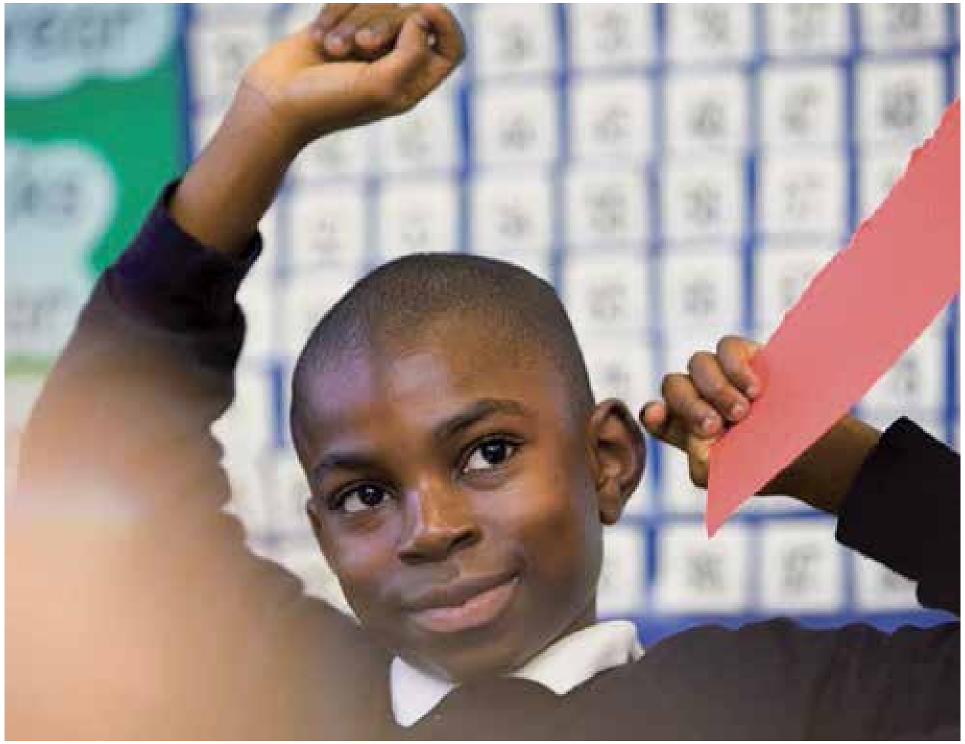
We provided £65,500 in funding to The Money Charity to support two key areas of their work; delivering Money Workshops and Financial Capability Workshops.

Money Workshops – these workshops provide children and young adults between the ages of 11 and 19 with financial education that they wouldn't otherwise receive. In 2017, 328 hours of workshops were delivered and since 2012 our funding alone, has allowed 1,312 workshops to take place that reached 32,962 young people. A feedback study revealed that 79% of students felt they had increased confidence and skills in creating budgets and 91% of students understood the difference between 'needs' and 'wants' when it comes to making financial decisions. 100% of teachers who provided feedback felt the workshop was engaging and provided participants with new skills.

Financial Capability Workshops – workshops to help adults gain knowledge, skills and confidence in making the most of the money they have. Our funding allowed The Money Charity to deliver 31 workshops to 308 participants.

"I had to make sure I sent you an e-mail as I think the workshop was one of the most useful I've ever been to. I still can't believe how much I took away from it! Now I have a budget which I stick to every month and monitor all my outgoings – and I enjoy it! I never thought I'd say that. I've saved up just over £600."

Laura, Workshop Participant



By providing funding and support to a wide range of money advice organisations, we can be confident that we're contributing to the provision of advice to those customers who find themselves in financial difficulty. In 2017, we supported the Money Advice Trust, Money Advice Scotland, The Money Charity, Advice UK, Christians Against Poverty, Step Change, Income Max, the Institute of Money Advisers, and the Money Advice Liaison Group.

In addition, we have a number of partnerships through which we support the commissioning of publicly-available, independent research into areas which are material to our social purpose by exploring the financial behaviours of those on modest incomes.

For more information about how we support the money advice sector please see pages 19 -21.

Managing other key CR issues

Beyond our core focus areas, we recognise that we need to minimise our environmental impacts, treat suppliers fairly, engage with the investment community and pay tax responsibly.

Treating our suppliers fairly

Our suppliers play an important role in our success through the products and services they provide to our business. In return we need to treat them with respect and use our purchasing power to promote sustainability.

Due to the nature of our business, our supply chain is relatively straightforward. Most of our tier one suppliers are based in the UK and Ireland. Approximately two-thirds of our procurement spend is on services such as mailing, marketing, security, debt recovery, credit scoring and professional services (e.g. legal and accountancy services). The second highest spend relates to our information technology infrastructure (i.e. hardware, software and support). We use a high number of suppliers, ranging from small to medium-sized enterprises (SMEs), to large multinational corporations.

Despite this, our approach to CR means treating our suppliers fairly, and using our purchasing power carefully. In 2017, our spend on products and services was £335.2 million (2016: £318 million*).

* The 2016 figure has been restated to more accurately reflect the procurement costs for that year.

PAYING SUPPLIERS PROMPTLY

We are committed to paying our suppliers promptly. While it is only fair to pay all suppliers within the agreed terms, small businesses are particularly affected by late payment, which can cause cash flow problems.

We are signatories to the Prompt Payment Code, which commits us to pay suppliers within the agreed terms; give clear guidance on payment terms, procedures and any issues; and encourage good practice among our suppliers.

In 2017, as a group, we paid 86% of suppliers within 30 days and 96% within 60 days. In each part of the businesses the percentage of suppliers paid in line with principles of the prompt payment code were:

Group corporate office	96%	*(2016: 95%)*	**CCD**	93%	*(2016: 95%)*
Vanquis Bank	95%	*(2016: 95%)*	**Moneybarn**	99%	*(2016: 99%)*

UNDERSTANDING OUR SUPPLIERS TO MANAGE SUPPLY CHAIN RISKS

Managing supply chain risks is vital from the very start of our relationship with suppliers. Across the group, we want to ensure that we are working with suppliers who share our values. The supplier questionnaires we use during the supplier on-boarding due diligence process are vital to achieving this. They help us assess potential areas of risk, and understand supplier values and commitments whilst also allowing us to manage our own risks.

As awareness and importance of CR and sustainability grows, along with the need to work in partnership with others to achieve challenging goals, we decided to review the CR focussed questions that form part of the due diligence process. We used insights from our existing and extensive supplier CR questionnaire and collaborated with employees from across the group to ensure that information being assessed and provided was beneficial for both sides of the supplier agreements. We also wanted to ensure that the due diligence was time effective and that we could use one set of questions across the group that would be suitable for every single supplier to answer.

This piece of work also led us to identifying the areas within our supply chain that concern us most, one of these being modern slavery and human trafficking where we conducted additional work.

We want to use our procurement spend to promote sustainable, responsible practices. This is why we have processes in place to help us identify suppliers who share our values, and use our influence to create a fair, sustainable supply chain. By engaging with our suppliers, we can manage our indirect environmental impacts and the new streamlined, group-wide approach will help us engage more effectively with suppliers, ensure that they comply with our policy requirements and meet legislative requirements such as the Modern Slavery Act.

Vanquis Bank and CCD will adopt the new process in early 2018, with Moneybarn expected to adopt it later in the year.

PREVENTING MODERN SLAVERY IN OUR SUPPLY CHAIN

A key focus of our due diligence work has been to put steps in place to ensure modern slavery does not occur within our supply chains.

Our second Modern Slavery Statement was published in early 2018, and highlights the actions we are taking to prevent modern slavery and human trafficking in our business and supply chain. In particular we have improved our supplier questionnaire and due diligence processes, we carry out checks when employing new staff and offer a whistleblowing hotline should any of our employees have concerns regarding potential breaches of regulations or policy.

To improve internal understanding and awareness around modern slavery, we held a workshop for procurement teams from our subsidiary businesses. The workshop provided attendees with a background to the Modern Slavery Act and used corporate case studies to outline the potential risk of modern slavery or human trafficking occurring in the supply chains of reputable companies.

The workshop has increased awareness and collaboration between the different businesses, and has highlighted areas where we can make improvements. We will continue to expand on this area of work in 2018.

To read more about our work on eradicating modern slavery from our supply chains, please refer to our Modern Slavery Act Statement on www.providentfinancial.com

Minimising our environmental impacts

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.

OUR 2017 PERFORMANCE

9,758

Total greenhouse gas emissions (tonnes CO_2e): 9,758
(2016: 8,435)

4,101

Total scope 1 and 2 (and associated scope 3) emissions (tonnes CO_2e) (2016: 5,115)

Intensity ratio ((kg scope 1&2 CO_2e/£1,000 of receivables):
1.71 (2016: 2.22)

5,203

Total energy use (MWh) (2016: 8,416)

729

Total waste arising from our activities (tonnes) (2016: 879)

MANAGING OUR ENVIRONMENTAL IMPACTS

A key tool in helping us to manage our environmental impacts is our Environmental Management System (EMS). Our EMS helps us to identify, assess, and reduce key environmental risks and impacts; set and deliver against environmental targets; and ensure our legal compliance. The EMS at our Bradford head office continues to be certified to ISO14001:2015.

We have begun work to extend the ISO14001 certification to all Vanquis Bank's operations. Vanquis have set up an environmental working group, and we are now updating the EMS processes and documentation to include Vanquis' offices in London and Chatham. We hope that these sites will achieve this certification during 2018.

Acting to reduce impact and adapt to climate change

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

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

Identifying what environmental aspects are important to our business

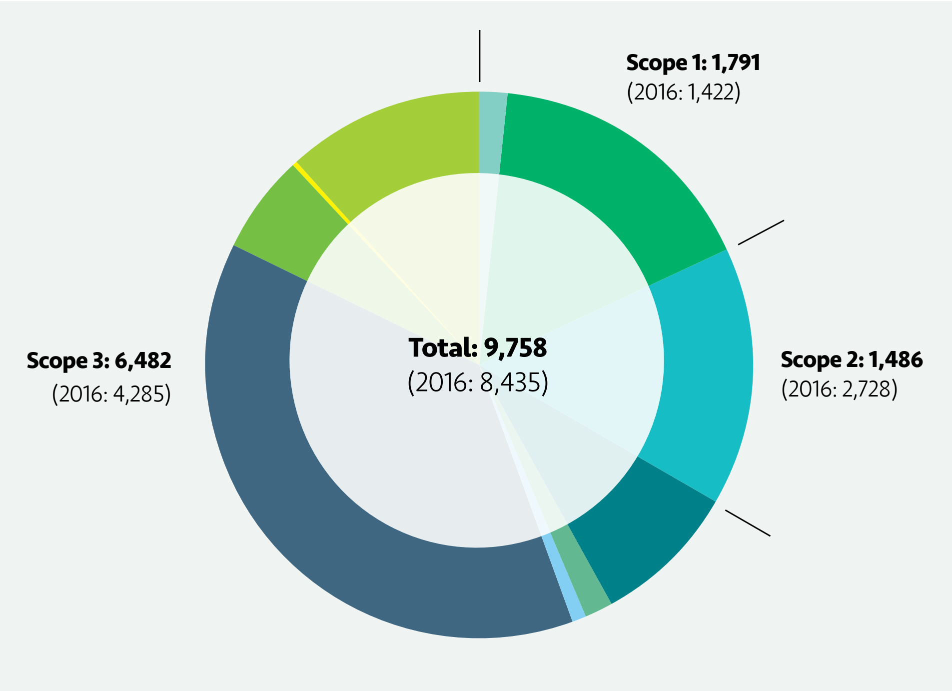
During our materiality assessment our stakeholders told us that environmental issues are a lower priority. However, we still see climate change as a key area for action. We see opportunities to move our environmental agenda forward this year, and with changing stakeholder priorities we expect climate change to increase in importance in the coming years.

We are also not immune to the risks of climate change, which have the potential to significantly impact our business. Travel is vital to the way we operate, particularly in CCD, and the cost of this is likely to rise, as are the costs of the goods and electricity we purchase. Climate change also has the potential to significantly impact our customers, both in terms of increasing living costs and job security. Extreme weather events such as flooding and storms will impact our business directly, our customers and our employees.

The key climate-related risks to our business are identified through our biennial materiality and risk management review, which is conducted by our CR team. The key risks are reported to our board via the CR team's regular briefings to the Executive committee. We will use scenario analysis to understand these risks and opportunities in greater depth during 2018 which will influence the direction and objectives of our low carbon strategy. Our strategy currently focuses on reducing our scope 1 and 2 GHG emissions but we are increasing our focus on both measuring and reducing our scope 3 emissions.

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

OUR CARBON FOOTPRINT (tonnes of CO_2e)



Scope 1 (tonnes CO_2e)	2017	2016
Gas use †	**180**	330
Diesel and petrol †	**1,611**	1,092
Scope 2 (tonnes CO_2e)		
Electricity use	**1,486**	2,728
Scope 3 (tonnes CO_2e)		
Scope 1 and 2 associated "well-to-tank" emissions †‡	**824**	966
Employee air travel	**162**	261
Employee rail travel	**88**	105
Grey fleet (employee own vehicle travel)	**3,699**	1,057
Self-employed agent car use	**565**	1,346
Waste collection and management	**16**	20
Scope 3 associated "well-to-tank" emissions ‡	**1,127**	530

* 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.

SCOPE 1, 2 AND 3 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 employee's travel by train, plane and in their own vehicles, waste management and well-to-tank emissions associated with the production of fuel.

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

During 2017, our scope 1 and 2 emissions and associated scope 3 emissions accounted for 4,101 tonnes of CO_2e. This meets our target of reducing our scope 1 and 2 CO_2 emissions by 30% by 2020 vs a 2015 baseline.

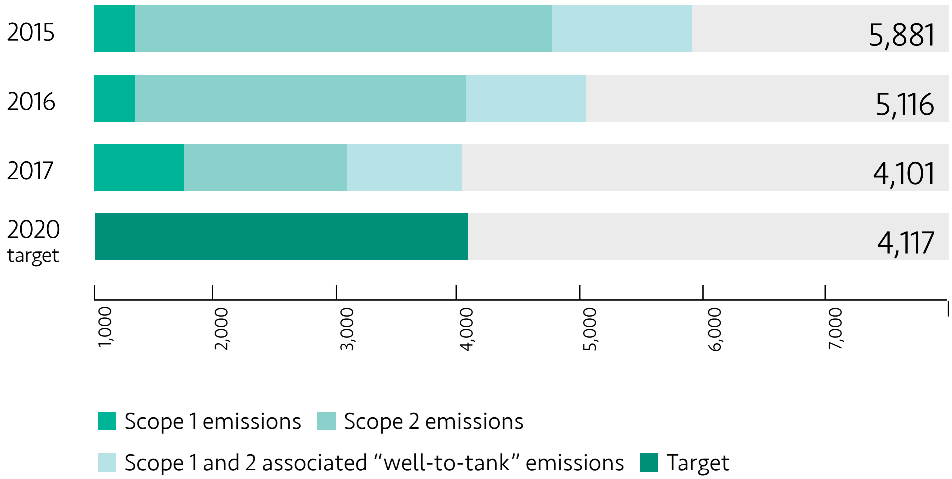
We have met this target despite an increase in company car travel due to the inclusion of data from Moneybarn, which had not previously been included. Some of these reductions are linked to the reorganisation of CCD and the closure and amalgamation of some branch offices. We have also seen reductions due to the introduction of building management systems and other efficiencies.

Intensity ratio

1.71

Scope 1 and 2 (and associated scope 3) kg of CO_2e/£1,000 of receivables(2016: 2.22)

Scope 1 and 2 (and associated scope 3)



Scope 3 emissions and business travel

Our scope 3 emissions on the other hand have increased. This is primarily due to more accurate data but also reflects how the business has changed.

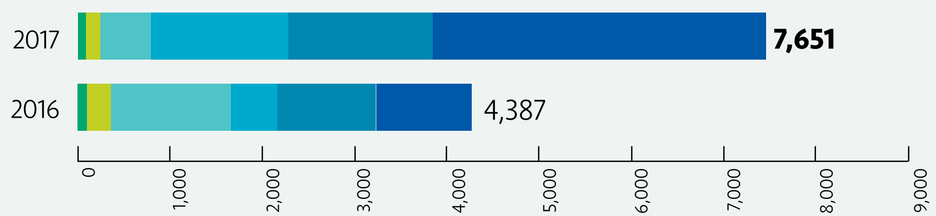
Due to the self-employed agent structure ending in July, the number of miles travelled by self-employed agents, which we estimated, has reduced. In its place the number of miles travelled by our 'grey-fleet' (travel by employees in their own vehicles) has increased. This figure now includes journeys by our Customer Experience Managers (CEMs), other field staff and some travel by Moneybarn employees. This data is more accurate because, as the CEMs are employees, their mileage is tracked through the expenses system. This means we can much more accurately report and analyse our business travel each year.

While travel by car, both in company cars or in employees' own vehicles, has risen significantly, travel by rail and air has reduced, this again reflects the changes that have taken place in CCD.

We now account for all business travel across the group except for ferry trips between Great Britain and Ireland, London Undergrdound, taxis and buses. This is due to the complexity of the data gathering and analysis process. We will work with our travel agents and finance teams to ensure we can improve our measuring and reporting in these areas for next year.

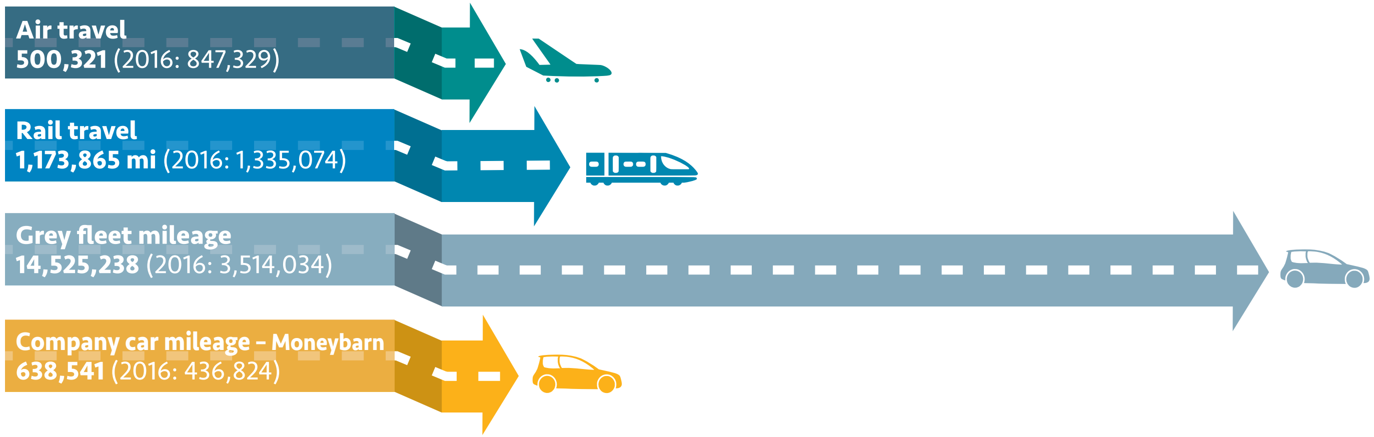
Business travel contributes a significant contribution to our overall carbon footprint. During 2017, the business-related journeys made by employees and the self-employed agents across the group accounted for 7,651 tonnes of CO_2e, 72% of our total carbon footprint.

Business travel GHG emissions *(tonnes of CO_2e)*

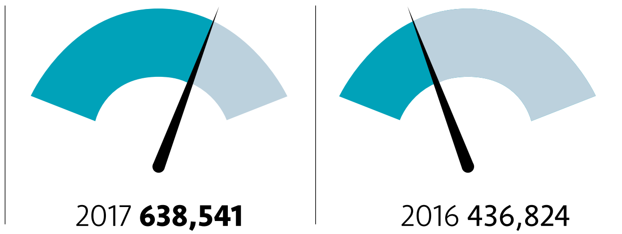


Rail travel	**88** (2016: 105)
Air travel	**162** (2016: 261)
Self-employed agent car use	**565** (2016: 1,346)
Travel associated "Well-to-tank" emissions	**1,526** (2016: 526)
Company car (diesel and petrol use)	**1,611** (2016: 1,092)
Grey fleet	**3,699** (2016: 1,057)

Business travel distance *(miles)*



Company car fuel consumption *(litres)*



Reducing the carbon intensity of our operations through carbon offsetting

We continue to offset all our operation carbon footprint. To offset these emissions, we finance renewable energy projects around the world which help to mitigate the effects of climate change.

During 2018, we offset 9,758 tonnes of CO_2e through Gold Standard-certified carbon credits. The Three Provinces Clean and Efficient Cookstoves project we supported delivers clean and efficient biomass cookstoves to households in rural areas of China.

The biomass cookstoves replace carbon-intensive sources of energy such charcoal, the traditional fuel. However, they do not just reduce GHG emissions, the use of biomass stoves helps to improve families' health through reduced air pollution, saves them money, puts agricultural waste to good use and reduces reliance on fossil fuels.

Reducing and managing waste

As an office-based business paper dominates our waste streams. We are committed to reducing this and sending less to landfill. During 2017, we generated 729 tonnes of waste, 17% less than in 2016. Of this, 94% (685 tonnes) was diverted from landfill. Most was used for energy recovery, whilst 12% was recycled. The GHG emissions associated with waste amounted to 16 tonnes.

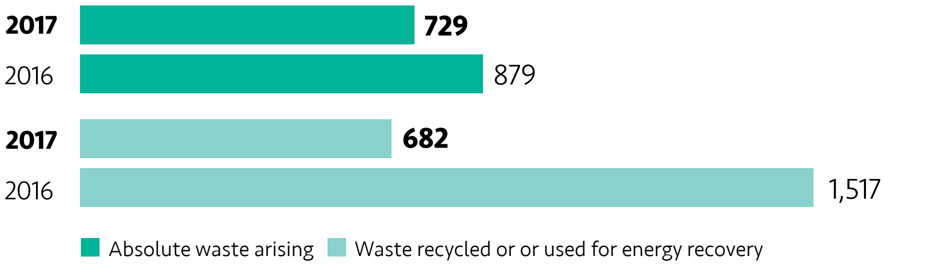
Due to the changes in the CCD branch structure we have postponed our target to review waste management arrangements across all branch sites and our Head Office. Once the new branch structure has stabilised we will identify a new waste management contract and focus on identifying opportunities to minimise the waste sent to landfill and to increase our recycling rate.

We continue to reduce the paper we use for both office and marketing purposes. The paper we do use either contains a high recycled content or is made from sustainably sourced timber.

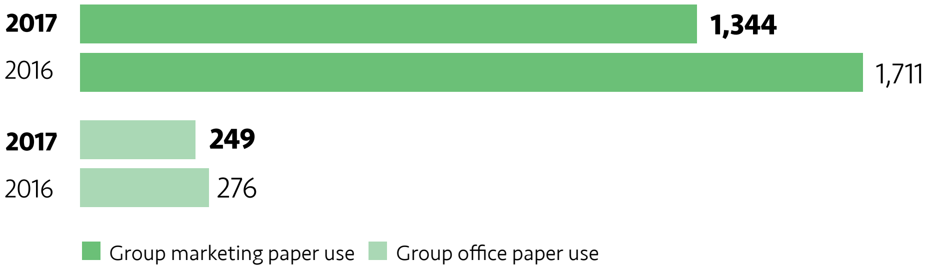
ENERGY RECOVERY

Also known as Energy from Waste, energy recovery converts non-recyclable waste materials into heat, electricity or fuel via combustion, anaerobic digestion and other processes.

Waste *(tonnes)*



Paper *(tonnes)*



Engaging with the investment community through CR

CR and sustainability is a growing area of interest for many corporations and organisations both large and small. CR forms a key part of our business strategy and our investors are increasingly interested in a broad spectrum of CR issues including responsible lending and customer satisfaction.

Just as we are looking at the values of our suppliers and our partners to ensure we are working with other businesses and community groups who have sustainability as a key part of their business strategy; our investors are increasingly interested in our values. They are looking beyond our key issues of responsible lending and customer satisfaction to a broad spectrum of CR issues, including climate change, social and governance issues as well as business ethics and community investment. Because both our investors and ourselves believe that all these areas of focus are vital to the sustainability of our business, CR will continue to remain an integral part of our business strategy, social purpose and values, as well as being integrated into our products, services and stakeholder outreach.

Year-on-year, we have increased the coverage of CR in our corporate Annual Report and Accounts. This allows us to broaden the reach of our communications on CR to stakeholders and other interested parties. Investors often review our level of commitment to CR and sustainability, and the information published in the Annual Report and Accounts is often referenced. Above this, regulation also requires us to to disclose this type of information, particularly in relation to carbon emissions and diversity.

OUR 2017 PERFORMANCE

Continued presence within the Euronext Vigeo and Forum ETHIBEL indices.

75

Dow Jones Sustainability Indices score (2016: 65 out of 100)

96

FTSE4Good score (2016: 95 out of 100)

C AWARENESS

CDP scoring level (2016: C Awareness)

ENGAGING WITH INVESTORS THROUGH SUSTAINABILITY INDICES

Sharing information with the investment community and being represented within specific investment indices and registers which focus on sustainability matters is an important part of our approach to CR. It enables us to provide investors and other stakeholders with demonstrable evidence of our commitment to operating in a sustainable and responsible manner. In 2017:

CDP – We once again made our annual submission of climate change data to CDP (formerly the Carbon Disclosure Project). CDP requests information on the risks and opportunities of climate change from the world's largest companies, on behalf of 827 institutional investor signatories with a combined US$100 trillion in assets. Through the CDP submission, we can inform investors of any material climate change-related risks and opportunities and how we manage them.

Our 2017 CDP submission was rated 'C Awareness' demonstrating that we have knowledge of our impacts on climate change and of climate change issues more broadly. Our CDP submissions are published at www.cdp.net.

Dow Jones Sustainability Indices – We were included in the Dow Jones Sustainability Europe Index (DJSI Europe) and were delighted to be added back into the Dow Jones Sustainability World Index (DJSI World), after not being selected as a member in 2016.

Our DJSI score was 75 (2016: 65) which is considerably higher than the sector average of 40 (2016: 43) 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 96 out of 100 (2016: 95 out of 100).

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.

Forum ETHIBEL – In September 2017, we were reconfirmed as constituent of the Ethibel Sustainability Index (ESI) Excellence Europe index. The ESI Excellence Europe index is an investment register of companies that show

the best CR performance. Inclusion is based on our performance against a wide range of CR parameters and consultation with relevant stakeholders.

Euronext Vigeo – We continue to be included on three Euronext Vigeo indices:

- The Euronext Vigeo World 120 – the 120 most advanced sustainability performing companies in Europe, North America and Asia Pacific;
- the Euronext Vigeo Europe 120 – the 120 most advanced sustainability performing companies in Europe; and
- the Euronext Vigeo United Kingdom 20 – the 20 most advanced sustainability performing companies in the UK.

To be included within these indices, analysts reviewed our policies, processes and performance against 330 indicators within seven sustainability domains including human rights, environment, human resources and community involvement. The information is used by institutional investors, and pension fund and asset managers as a reference guide for incorporating environmental, social and governance factors into investment decision-making and stewardship.

What makes us a responsible tax payer

OUR TAX STRATEGY

Our tax strategy, which was last updated and approved by our board in May 2018 and can be accessed on our website at www.providentfinancial.com, follows our corporate mission and values.

We are committed to being a fair and responsible tax payer, operating in an open, honest and straightforward manner in all tax matters and being fair and reasonable in all our dealings with tax authorities. We seek to ensure that we comply with all tax rules and regulations in each territory in which we operate. While we safeguard our reputation as a responsible taxpayer, we recognise that we also have a responsibility to protect shareholder value by managing and controlling our tax liabilities.

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

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

The key features of our Tax Strategy are summarised overleaf.

Our Tax Strategy

TAX OBJECTIVES

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

TAX POLICIES How we achieve the objectives

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

Taxes should be correctly calculated and paid when due, tax returns should be filed correctly on a timely basis, and all other tax obligations fully complied with.

Managing and controlling tax liabilities

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

Artificial structures designed to save tax but with no commercial or economic substance or which give a result which is inconsistent with the underlying economic position will not be considered unless there is specific legislation designed to give that result and this is not contrary to the intentions of Parliament. Where there is any doubt on this, an approach should be made to HMRC to confirm the position prior to the transaction being undertaken.

Dealing with tax authorities

We are committed to dealing with tax authorities openly, honestly and proactively. This includes having a regular and constructive dialogue with HMRC across all taxes, seeking advance clearance where the tax treatment is uncertain, discussing contentious issues as early as possible and making full disclosure of key transactions in relevant tax returns.

Mitigating and controlling tax risk

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

(a) Developing robust, documented systems, processes and internal controls to ensure the correctness and completeness of data which needs to be captured and treated correctly in the various tax reporting and payment of taxes that the group is required to make.

(b) Setting principles for the involvement of the in-house group tax function in transactions and business developments, the allocation of responsibilities between group tax and the business units and principles for the involvement of external advisers.

TAX RISK MANAGEMENT FRAMEWORK How we identify and report on tax risk

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

In relation to tax risk it involves the following:

(a) The identification, evaluation and management of tax risk by the in-house group tax function working with the Finance Director and the business units.

(b) Independent review and challenge of first line actions by (a) the quarterly finance forum chaired by the Finance Director and attended by the divisional finance directors and the heads of tax, internal audit, treasury and risk; (b) the risk advisory committee; and (c) twice yearly by the audit committee; and (d) the board.

(c) Independent assurance provided through an annual review by the internal audit function of different aspects of the processes and internal controls underpinning the reporting and payment of UK taxes.

OUR TOTAL TAX CONTRIBUTION IN 2017

We seek to ensure that we pay the tax we are legally required to pay in the territories in which we operate. As we operate primarily in the UK and generate most of our profits from UK operations, most of the tax we pay is UK tax. Apart from our home credit business in the Republic of Ireland (ROI), we do not operate in, or generate income in, any other territory.

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 5 years, our total tax contribution has shown sustained growth:

	2013 £m	2014 £m	2015 £m	2016 £m	2017 £m		
					UK	ROI	Total
Direct tax contribution							
Corporation tax	40	45	48	57	39.9	0.1	40
Bank corporation tax surcharge	-	-	-	8	15.0	-	15
Employer's national insurance and equivalent	14	15	16	18	22.4	0.6	23
Irrecoverable VAT	12	17	21	22	27.6	0.4	28
Business rates	3	3	3	3	3.0	-	3
	69	80	88	108	107.9	1.1	109
Indirect tax contribution							
Employees' income tax and national insurance (through PAYE)	38	42	44	46	57.3	1.7	59
Tax deducted from interest paid on Vanquis Bank deposits (note 3)	2	3	3	2	-	-	-
	40	45	47	48			59
Total tax contribution	**109**	**125**	**135**	**156**	**165.2**	**2.8**	**168**

Note 1: For 2013 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 2017, it generated revenue of £45m (2016: £50m) and profits of £2.0m (2016: £4.7m) and had, on average, 136 (2015:130) employees.

Note 3: In the first 3 months of 2016, prior to the abolition of the requirement to withhold tax from interest on retail deposits, £2m of basic rate income tax was withheld from such interest and paid to the UK Government.

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 2017 comprised around 50% of the corporation tax liability for 2016 and 50% of the estimated liability for 2017. The reduction in corporation tax paid in 2017 arose as a result of the losses generated in the home credit business in 2017 which substantially reduced the group's estimated corporation tax liability for 2017.

- **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 as tax law prohibits this.

- **Employer's National Insurance Contributions**
  In July 2017, we fundamentally altered the operating model of our home credit business in the UK 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, as well as increases in employee numbers in Vanquis Bank and Moneybarn, the average number of employees we employed in 2017 increased to 4,864 (2016: 3,550) which resulted in the 13.8% UK employer's National Insurance Contributions and the equivalent in the Republic of Ireland increasing to £23m (2016: £18m).

- **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 2017, £28m (2016: £22m) of our direct tax contribution comprised irrecoverable VAT incurred by our businesses.

- **Business rates**
  The remaining £3m of our 2017 direct tax contribution (2016: £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, which can be found at www.providentfinancial.com. The corporation tax and bank surcharge we

paid in 2017 of £55m differed from the current tax charge for the year of £5m due primarily to the timing of quarterly instalment payments in the UK as well as the impact of settling historic tax liabilities.

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 2017 it increased to £59m (2016: £46m) due primarily to the change of operating model in the UK home credit business.

The self-employed agents which were engaged by our UK home credit business up to July 2017 and the agents which continue to be engaged by our home credit business in the Republic of Ireland are responsible for paying their own tax and National Insurance Contributions (and equivalent) on the commission we pay them. We recognise that this has the potential to result in non-compliance when it comes to paying the right amounts of tax. We seek to ensure that all agents properly account for taxes on the commission we pay them by providing guidance on their tax obligations and ensuring that agents receive statements of their commission showing the amounts they need to report for tax purposes. We also work collaboratively with the tax authorities in the UK and the Republic of Ireland to ensure that commission payments paid to agents are reported.

TAX RISK MANAGEMENT AND PRINCIPAL TAX RISKS

Insight into risk management and the principal risks facing the group in 2017 is set out on pages 47 to 50 of the Annual Report and Financial Statements 2017. In relation to tax risk, a summary of the principal risks and how we mitigate those risks is as follows.

Risk	Mitigation
Tax authorities in the UK and the Republic of Ireland challenge the historic employment status of our home credit agents in the UK and the Republic of Ireland.	• Whilst we have previously agreed the self-employed status of agents with the tax authorities in the UK and the Republic of Ireland, no assurance can be given that the tax authorities will reach the same conclusion in any subsequent challenge. Were we to be unsuccessful in defending any such challenge, we may be required to pay additional taxes, including PAYE and National Insurance Contributions to the relevant authorities which could be material. • Policies and procedures are in place which seek to ensure that agents engaged by the home credit business in the Republic of Ireland and in the UK business up to July 2017 maintain their self-employed status. As in prior years, testing was carried out by the divisional risk function in 2017 to provide assurance that such policies were being complied with. • In keeping with our strategy of keeping HMRC informed of key business changes potentially impacting the self-employed status of agents, during 2017 we held several discussions with HMRC in advance of the proposed changes to the UK home credit operating model.
The risk that the group suffers a loss as a result of unexpected tax liabilities.	• We have a number of other tax risks including corporation tax, VAT and employment taxes. These include the risk that tax authorities take a view that is different to the view that we have taken on the treatment of particular items in our tax returns. They also include 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. • We carry 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. Part of this provision was released in 2017 following the settlement of legacy corporation tax matters.

Risk	Mitigation
	• In keeping with our strategy of having a regular and constructive dialogue with HMRC across all taxes: o We highlighted key features in the 2016 corporation tax returns, in particular the crystallisation of capital losses on investments which had declined in value and the capital gain which arose on the disposal of Vanquis Bank's interest in Visa Europe Limited. o We discussed the proposed working arrangements for the new employed roles in the UK home credit business and the proposals for reimbursing travel costs on a tax free basis. o In early 2018, we discussed the various steps undertaken 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 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. • 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 our tax matters. In early 2017, 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 2017, advice was obtained on a range of issues, including structuring of the rights issue and related steps to address distributable reserves and the tax treatment of settlements payable to Vanquis Bank customers.

Our business

In this chapter you can read more about our products, how we are regulated, the corporate governance structure within the group and our commitment to the Sustainable Development Goals.

OUR PRODUCTS

Provident Financial Group has three divisions which deliver the following four products:

Vanquis Bank	Consumer Credit Division		Moneybarn
Credit card – Est 2002	**Home credit – Est 1880**	**Online lending – Est 2013**	**Vehicle finance – Est 1992**
Vanquis Bank is the leading supplier of credit cards in the non-standard credit market. We provide new customers with a low credit limit and only increase it when we have sufficient experience of the customer handling their account responsibly. We maintain a high level of contact with customers, from the initial call welcoming the customer to Vanquis Bank and continuing contact throughout our relationship.	Provident offers home credit loans, typically of a few hundred pounds, to consumers on low incomes and a tight budget who require affordable credit to manage the household budget or for one-off items of expenditure. Customers value the face-to-face relationship of home credit as well as the simple, flexible and transparent nature of the product, with its fixed repayments and no extra charges, even if payments are missed.	Satsuma is our online instalment loan product. We give new customers a small sum, short-term loan and collect repayments by continuous payment authority either weekly or monthly, on a day agreed with the customer. Our UK-based call centre is always there to discuss any issues customers may have and just like our home credit product, the total amount repayable is fixed at the outset, so there are no extra charges.	Moneybarn is the market leader in the provision of vehicle finance for people in the non-standard credit market. Moneybarn can help those who may have had problems with credit in the past but who are now over them to get to work, take their children to school and live their lives.
1.7m customers	0.7m customers	79,000 customers	50,000 customers
1,469 employees	3,124 employees		211 employees
£206.6m adjusted profit before tax[1]	£(118.8)m adjusted profit before tax[1,2]		£34.1m adjusted profit before tax[1]
£250 - £4,000 Range of credit limits	£100 - £2,000 Loan range	£100 - £1,000 Loan range	£4,000 - £25,000 Loan range

On 27 February 2018, the final results for the year ended 31 December 2017 for Provident Financial plc were published. If you would like to read more about the business please refer to our 2017 Annual Report and Accounts which can be found at www.providentfinancial.com.

	2017 (£m)	2016 (£m)	Change (%)
Vanquis Bank profit before tax and exceptional items	206.6	204.5	1.0
CCD profit before tax and exceptional items	(118.8)	115.2	(203.1)
Moneybarn profit before tax and exceptional items	34.1	31.1	9.6
Central costs	(12.8)	(16.7)	23.3
Profit before amortisation of acquisition intangibles and exceptional costs	109.1	334.1	

[1] Profit before tax, the amortisation of acquisition intangibles and exceptional items

[2] Represents CCD as a whole

CORPORATE GOVERNANCE

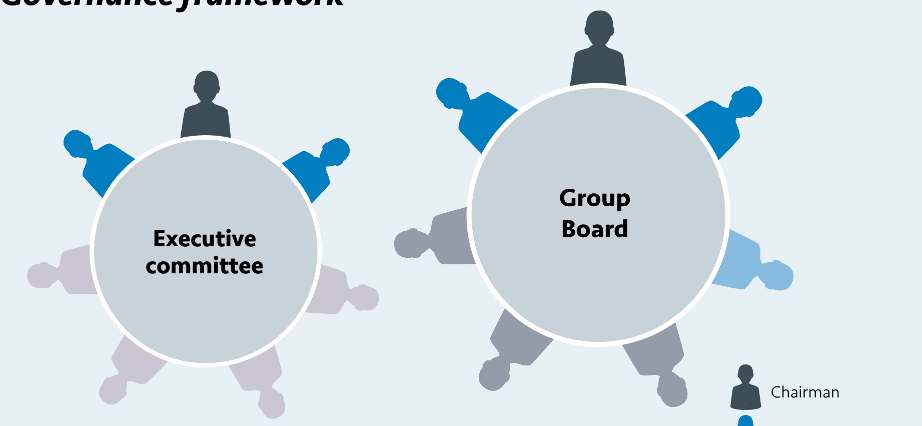
The Board has the ultimate responsibility for ensuring that the group is managed effectively and in the best interests of the shareholders, customers, employees and other stakeholders. The Board operates within a formal schedule of matters reserved to it. This schedule is reviewed and updated on a regular basis. The Board meets regularly and provides direction, oversight and detailed review and challenge to the businesses.

Specific key decisions and matters reserved for the Board are set out below:

- Strategy and management;
- Financial reporting and controls;
- Structure and capital;
- Oversight of regulatory compliance and internal control;
- Corporate governance;
- Remuneration;
- Approval of communications to shareholders; and
- Board membership and other appointments

The Board delegates specific powers for some matters to its principal committees; risk advisory, audit, nomination, remuneration and disclosure committees. The outputs from each committee meeting are reported to the Board by each committee chairman to ensure the Board maintains the necessary oversight.

Governance framework



Executive committee
Comprises the two executive directors of the Board, the group interim CRO, the General Counsel and Company Secretary, the divisional managing directors and is chaired by the Chief Executive Officer. The Deputy Company Secretary is secretary to the committee. The committee deals with matters relating to the general running of the group.

Review of governance arrangements

Following the unexpected changes in the business and to the Board in 2017, the group completed an initial review of its governance arrangement in early 2018. The review has identified where enhancement and change was needed to ensure greater Board effectiveness, clarity of group purpose and divisional roles and responsibilities, and significantly improve group risk and conduct management. Following completion of the review, the below are some of the changes that have been implemented:

- Appointed a new group Chief Executive Officer, Malcolm Le May, and initiated the recruitment of a new external Chairman;
- Re-constituted a wider group Executive Committee which will play a far greater role in delivering on the group's vision and in enhancing the information flows and control between the group and its divisions;
- Appointed a group Chief Risk Officer role for the first time who will work closely with the Board and the group Chief Executive Officer to provide group-wide oversight of governance, risk and conduct and ensure that these all remain a key focus of the group;
- Begun the recruitment of a number of executives to create key group functions. An interim IT Strategy & Procurement Executive has been appointed and the group also intends to appoint a Group HR Executive. These appointments are intended to improve coordination, cooperation and efficiency across the group in pursuit of the group's aims and in support of the Executive Committee;
- Initiated the recruitment of up to three additional new non-executive directors with directly relevant experience (and in line with a Board skills needs assessment), to work alongside the new group Chief Executive Officer to deliver on the Board's vision; and
- Begun the process of establishing a new Board committee, to be chaired by one of the new non-executive directors noted above, focusing on the customer, culture and ethics to help drive changes in behaviours and attitudes across the group.

Additional changes are planned in the longer-term through to 2020 in order to continue to refocus the culture on the customer first thereby improving regulatory compliance, and the group will reassess its structure to ensure the changes made endure.

To read more about our governance framework and the recent changes that have taken place, please refer to the Provident Financial Group 2017 Annual Report and Accounts which can be accessed via www.providentfinancial.com

HOW WE ARE REGULATED

Provident Financial Group 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.

Vanquis Bank is authorised and regulated by the PRA and the FCA to operate its credit card business. Vanquis Bank must also comply with the Consumer Credit Act 1974 (as amended), and the rules of the FCA. Vanquis Bank was already an authorised firm but submitted its application for a variation of permissions in December 2014 and which were approved by the FCA in 2016. Vanquis Bank is a member of UK Finance, the new financial trade association that brings together the Asset Based Finance Association, British Bankers' Association, Council of Mortgage Lenders, Financial Fraud Action UK, Payments UK and the UK Cards Association. Through its membership of UK Finance, Vanquis Bank will continue to be involved in the ongoing dialogue with the FCA.

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

Moneybarn is authorised and regulated by the FCA. As a leading member of the Finance and Leasing Association (FLA), the official trade body of the motor finance industry, Moneybarn is subject to the FLA's Lending Code. The FLA promotes best practice in the motor finance industry through its Lending Code which sets out best practice in consumer lending.

As a consequence of: (i) the disruption to the home credit business following the implementation of 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; and (iii) the FCA's investigation into the processes applied by Moneybarn in relation to customer affordability assessments for vehicle finance and the treatment of customers in financial difficulties, the group is subject to enhanced supervision by the FCA. 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. The FCA has required the group to undertake certain formal commitments which include the delivery to the FCA of the timetable for execution of the home credit recovery plan (which was delivered by the group in early January 2018) and to embed, by 30 June 2018, appropriate and sufficient first and second line oversight and monitoring of the home credit business.

An overview of current regulatory reviews

FCA credit market study – The FCA completed its credit card market study in July 2016 after which the FCA and the UK credit card industry agreed in principle to three informational remedies which have not had, and we do not expect to have, a significant impact on Vanquis Bank. In April 2017, the FCA published a consultation paper entitled Credit card market study: consultation on persistent debt and earlier intervention remedies (CP 17/10). The overall objective of the package of proposed remedies is to reduce the number of customers in problem credit card debt and put borrowers in greater control of their borrowing. Following consultation the FCA published CP 17/43, which set out a revised analysis of the costs to businesses of the proposed remedies set out in CP 17/10. The FCA stated that it expects to publish new rules in a policy statement as early as possible in 2018. The Directors anticipate that the results of CP17/10 and CP 17/43 are likely to impact Vanquis Bank's future credit card application acceptance rates and its ability to offer credit card credit line increases.

FCA review of high-cost credit – The FCA has also indicated that it is concerned about high-cost credit products, such as home credit, pawnbroking, logbook loans and open-ended running account credit, due to the potential over indebtedness they may cause.

The FCA published the results of its review of high-cost credit in July 2017 (FS17/2). In FS17/2 the FCA indicated that it has some concerns regarding home-collected credit and also regarding the wider considerations relating to high-cost credit products (which could relate to other products we offer).

In January 2018, the FCA published an update to FS17/2 entitled 'High-cost Credit Review – update' (the 'FS17/2 update'). In the FS17/2 update, the FCA noted there is value for consumers in having continuing access to home-collected credit and that maintaining additional weekly repayments on separate loans may not be affordable. However, the FCA has concerns that when consumers take out additional borrowing, where the outstanding amount from the previous loan is incorporated into the new loan, it may result in consumers paying significantly more interest on the incorporated amounts originally borrowed than if they had maintained separate loans. The FCA also stated that it is examining if repeat borrowing could work better for consumers. It has requested data from firms on their lending patterns and the nature and extent of refinancing. It has also commissioned consumer research to explore consumers' experience of home-collected credit and their understanding of the cost implications of refinancing and repeat borrowing.

To remedy its concerns the FCA, in FS17/2, has stated it may introduce restrictions on refinancing and rollovers, impose time gaps between borrowing or time limits on the total duration of borrowing. The FCA is expected to report in May 2018 on its analysis. If this additional research and analysis confirms the FCA's concerns, further consultations on the proposals will occur at that point. Following this work, the FCA may change its consumer credit rules and promote competition for high-cost credit products.

FCA review of creditworthiness in consumer credit – In July 2017 the FCA published a consultation paper (CP17/27) entitled 'Assessing credit worthiness in consumer credit' in which the FCA set out the changes that it has proposed to its existing rules and guidance in this area. In CP 17/27 the FCA proposed to amend its rules and guidance with regards to credit worthiness (which the FCA stated comprises both credit risk and affordability). The proposed rules introduced 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 proposals require a more detailed credit worthiness assessment including affordability at the outset for all new non-prime non-mainstream credit card customers, along with further assessments for significant individual or cumulative credit line increases thereafter. These proposals could reduce the initial booking rate of Vanquis Bank customers, with more potential customers failing credit worthiness checks, as well as fewer credit line increases being made as more customers fail the affordability checks.

FCA review of the vehicle finance market – In the FCA's Business Plan for 2017/18 the FCA stated that it is looking at the vehicle finance market to ensure that it works well and to assess whether consumers are at risk of harm, with a particular focus on PCP agreements. The FCA will publish an update on this work in the first quarter of 2018. Although we do not offer PCP agreements, we do offer vehicle finance through Moneybarn, so we are interested in the views published in the review as they may predict future reviews relating to the non standard vehicle finance sector.

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 to 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.

Our CR strategy is made up of objectives and targets that are in line with some of the SDGs. Although our strategy is mainly focused around achieving positive outcomes for our key stakeholders, we also know that these positive impacts have the potential to impact others in our country and in other parts of the world. Therefore, this year we plan to undertake research and analysis on how we can integrate the SDGs into our CR strategy so that we can contribute more widely to the global sustainable development agenda.

TARGETS FOR 2018 AND BEYOND

Each year we set targets and objectives to ensure we are consistently improving our performance. Please find below, the key targets we have set, so far, for the coming years.

Lending responsibly to our customers	Timeframe
Maintain or, in the case of Provident home credit, improve customer satisfaction levels.	By December 2018
Extend the scope of the work delivered by the partnership between IncomeMax and Vanquis Bank into other parts of Provident Financial Group (eg Provident home credit and Satsuma).	By December 2018
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.	By December 2020
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.	By December 2018
Establish an inclusive steering group to enable the effective management of equality, diversity and inclusion issues across the group.	By December 2018
Provide mentoring opportunities for all staff members.	By December 2018
Investing in communities	
Continue to invest 1% of profit before tax in community programmes, money advice programmes and social research.	By December 2018
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.	By June 2019
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.	By June 2019
Develop and implement a school governor volunteering programme.	By June 2019
Launch new social impact funds with two community foundations.	By June 2019
Develop a consistent approach to providing money advice and enhanced customer support across all areas of the business.	By December 2019

Minimising our environmental impacts	
Extend ISO14001:2015 to cover all Vanquis Bank operations.	By December 2018
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.	By December 2019
Work with industry professionals to align the Sustainable Development Goals with our CR strategy.	By June 2019
Review the use of plastic across our entire business operations, with the aim of eliminating single-use plastic.	By June 2019
Increase the scope of our carbon footprint reporting to include more scope 3 emissions.	By December 2018
Treating our suppliers fairly	
Implement a group-wide corporate responsibility questionnaire as part of the on-boarding and due diligence process of all new suppliers.	By December 2018
Implement a group-wide approach for Prompt Payment Code compliance.	By December 2018
Provide more in-depth information for our annual Modern Slavery Act Statement.	By June 2019
Engaging with the Investment Community through CR	
Maintain or improve our ratings on the mainstream sustainability indices (eg Carbon Disclosure Project, Dow Jones Sustainability Indices, FTSE4Good and Euronext Vigeo Indices).	By December 2018
Increase communication regarding the CR strategy and relevant updates to shareholders and potential investors.	By December 2018

Data Table

Metric	2017	2016	2015
Customer Satisfaction			
Vanquis Bank customer satisfaction rate	87%	89%	88%
Provident home credit customer satisfaction rate	85%	93%	93%
Satsuma Review.co.uk score	4.8 out of 5	Not measured	Not measured
Moneybarn Feefo score	4.7 out of 5	4.7 out of 5	Not measured
Customer complaints			
Total number of complaints	70,713	48,651	36,307
Total number of complaints referred to the Financial Ombudsman Services	1,792	1,194	1,030
Impairment as a percentage of revenue	43%	25%	25%
Total number of accounts handled by debt collection agencies	267,565	210,523	530,776
Total customer-focused training hours	49,754*	48,390	96,507
Average number of employees			
Group	4,864	3,550	3,667
CCD	3,118	1,943	2,179
Vanquis Bank	1,469	1,370	1,303
Moneybarn	211	174	127
Group corporate office	66	63	58
Female representation			
Female company directors	15%	22%	29%
Female employees in senior management positions	29%	28%	30%
Female employees in management positions	41%	Not measured	Not measured
Female employees	55%	49%	48%

Diversity			
Employees from BAME communities	15%	17%	20%
Employees who have declared a disability	0.37%	0.7%	1.1%
Learning and development			
L&D hours	137,983	64,520	69,982
Average number of L&D hours per employee	28	18.2	20.4
Absence and turnover			
Average number of absence days per employee	6.5	8.7	8.6
Average number of absence days CCD and PF	4.3	8.6	8.4
Average number of absence days Vanquis Bank	11.2	8.9	10.0
Average number of absence days Moneybarn	8.2	3.5	6.4
Employees who left	37%	21.7%	36.1%
Health and safety			
Reportable Accidents	3	1	2
Number of reportable accidents scaled up to 100,000 employees*	61	27	59
Total number of non-reportable accidents	208	85	98
Total number of non-reportable accidents scaled up to 100,000 employees*	4,211	2,290	2,869
Whistle blowing			
Calls made to whistleblowing hotline	6	4	11
Community investment			
People who benefited directly from our community investment	16,374	64,021	42,938
People who developed new skills or improved their personal effectiveness as a result of our community investment programmes	9,337	13,731	18,872
People who experienced a direct positive impact on their quality of life or wellbeing through our community programmes	11,241	12,829	Not measured

*This figure excludes Vanquis Bank.

Employee volunteering hours	220	3,632	2,255
Longer term community partnerships	43	53	50
Grants distributed through community foundations	31	29	22
Employee matched funding	£43,348	£20,977	£41,562
Community investment breakdown			
Cash	£2,354,863	£2,700,944	£2,829,013
Management costs	£227,581	£285,744	£229,147
Value of employee time	£9,552	£66,756	£40,399
Total community investment	£2,591,996	£3,053,444	£3,098,559
Environment			
GHG emissions			
Total greenhouse gas emissions (tonnes CO2e)	**9,758**	**8,435**	**9,811**
Scope 1 emissions	**1,791**	**1,422**	**1,405**
Gas use	180	330	286
Diesel and petrol	1,611	1,092	1,119
Scope 2 emissions	**1,486**	**2,728**	**3,207**
Electricity use	1,486	2,728	3207
Scope 3 emissions	**6,482**	**4,285**	**5,199**
Scope 1 and 2 associated “well-to-tank” emissions	824	966	1,269
Employee air travel	162	261	276
Employee rail travel	88	105	56
Grey fleet (employee own vehicle travel)	3,699	1,057	1,367
Self-employed agent car use	565	1,346	1,348
Waste collection and management	16	20	36
Scope 3 associated “well-to-tank” emissions	1,127	530	847

Intensity ratio			
CO2e/£1,000 of receivables	1.71	2.22	2.92
Air travel (miles)	500,321	847,329	818,838
Rail travel (miles)	1,173,865	1,335,074	772,519
Grey fleet mileage (miles)	14,525,238	3,514,034	4,557,211
Company car mileage for Moneybarn (miles)	116,159	Not measured	Not measured
Company car fuel consumption (litres)	638,541	436,824	448,306
Waste (tonnes)			
Absolute waste arising (tonnes)	729	879	1,526
Waste recycled or energy recovery	682	875	1,517
Paper (tonnes)			
Group marketing paper use	1,344	1,711	2,417
Group office paper use	249	276	325
Suppliers paid according to the Prompt Payment Code			
Group corporate office	96%	95%	100%
Vanquis Bank	95%	95%	95%
CCD	93%	95%	94%
Moneybarn	99%	99%	Not measured
Investor indices			
Dow Jones Sustainability Indices score	75 out of 100	65 out of 100	61 out of 100
FTSE4Good score	96	95 out of 100	97 out of 100
CDP scoring level	C Awareness	C Awareness	D Disclosure

Provident Financial Group Corporate Responsibility Report 2017

Independent Assurance statement and commentary

ASSURANCE STATEMENT

Provident Financial Group has commissioned Corporate Citizenship to provide external assurance and a commentary on its Corporate Responsibility Report 2017.

THE SCOPE OF OUR ASSURANCE

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

Provident Financial Group has chosen to use the AA1000 assurance standard AA1000AS (2008). Our assurance is a Type 2 assurance as defined by the standard, in that it evaluates the nature and extent of adherence to the AA1000AS principles of inclusivity, materiality and responsiveness, and assures the performance of the organisation as reported here. Our assurance used disclosed information as its starting point and then investigated the underlying systems, processes and sustainability performance information to arrive at its conclusions.

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

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

Provident Financial Group is entirely and solely responsible for the contents of the report, Corporate Citizenship for its assurance. As noted above, our assurance is confined to the online Corporate Responsibility Report 2017.

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

Opinion and conclusions

In our opinion the Provident Financial Group Corporate Responsibility Report 2017 reflects the principles of AA1000 (2008): inclusivity, materiality and responsiveness.

With regard to inclusivity, the principle that people should have a say in the decisions that matter to them, we find that the Corporate Responsibility Report 2017 evidences Provident Financial Group's commitment to this principle. It references engagement with key stakeholder groups to take account of their different perspectives.

Evidence for this is the 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, as well as steering group for a Social Impact Programme. These demonstrate how actions are being undertaken to maintain the Group's delivery of its mission, social purpose and strategy after a year in which the business acknowledged that it made operational and regulatory mistakes.

With regard to materiality, the principle that decision makers should identify and be clear about the issues that matter, we find this to be appropriately covered in the report. Being clear about materiality has been a hallmark of Provident Financial Group's approach.

In light of the challenges the business encountered last year, the report acknowledges what went wrong, addressed both at the outset in the statement from the CEO and in more detail later in the report. That acknowledgement is accompanied by a clear outline of the steps that have been undertaken subsequently to address the underlying issues. In addition, the report includes the materiality matrix from 2017 and the report itself and been restructured to put greater emphasis on the issues more important to stakeholders.

With regard to responsiveness, the principle that organisations should act transparently on material issues, we find many examples of this principle in action in the report. Instances include continued work with money advice organisations and charities to improve the service delivered to vulnerable customers and acknowledgement of where the business failed its customers as a result of some changes made to the business in 2017.

This is further emphasised by the renewed focus throughout the report of the importance of the Group's social purpose and the processes that need to be in place across the Group to ensure it is fulfilled.

The specified sustainability performance information is the non-financial information and data outlined in the Corporate Responsibility Report 2017. 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 Group's Corporate Responsibility Report 2017 offers clear and comprehensive coverage about its aims, approach and achievements of its corporate responsibility programme.

It also acknowledges the challenges the Group faced in 2017 due to operational changes in the home credit business and regulatory investigations in the group's Vanquis Bank and Moneybarn businesses. This underlines the continuing importance of the accountability principle in corporate responsibility reporting, namely

- Listening to stakeholders (inclusivity)
- Understanding what is important to them (materiality)
- And acting on what they say (responsiveness)

We make three observations about how Provident Financial Group can strengthen its approach to those three areas and so support the delivery of its social purpose.

Trust and reporting

The effectiveness of traditional corporate responsibility reports as mechanisms to engage stakeholders and build trust is increasingly being called into question by companies. This is particularly pertinent for Provident Financial Group 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 Group can enrich the future communication of its performance by finding new ways to engage with stakeholders – especially customers, employees and regulators – about its social purpose, using that feedback to enhance the reporting process.

Stakeholder voice

As noted in last year's assurance statement and commentary, Provident Financial Group'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.

This can be achieved through case studies and interviews which can impart insight in depth to reporting. It could also be achieved by giving stakeholders the opportunity to give direct comments within the report. This used to be a common practice in reporting by other companies but has declined in favour recently. Nonetheless we feel it provides the strongest possible opportunity to evidence effective stakeholder interaction which in turn will create richer and more relatable content for readers of the report.

UN Sustainable Development Goals

Looking further ahead, the report makes reference to the UN Sustainable Development Goals (SDGs) which are beginning to create a common language for businesses, governments, and NGOs to engage with each other. Whilst this dialogue is growing, few companies are assessing in detail the specific and unique contribution their business and skills can make to help deliver them

It is positive to see that Provident Financial Group has already expressed its intent to undertake research and analysis into how it can integrate the SDGs into its strategy. We believe that integration, rather than just alignment, will help Provident Financial Group to maximise its contribution to the SDGs, and at the same time derive real commercial value. Designed and implemented effectively, a robust set of KPIs aligned to the SDGs – and reporting framework to match – can help Provident Financial Group to unlock new models of collaboration.

Corporate Citizenship
London
14 June 2018

CORPORATE CITIZENSHIP

AA1000
Licensed Assurance Provider
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METHODOLOGICAL NOTES

The assurance work was commissioned in February 2018 and was completed on 14 June 2018. 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 two led by a director, undertook the assurance and commentary process. A second director acted as adviser to the group. The team has a variety of professional and technical competencies and experience. For further information please refer to our website www.corporate-citizenship.com.

Our external assurance and commentary process for Provident Financial Group's Corporate Responsibility Report 2017 has involved, but not been limited to, the following elements:

- Understanding Provident Financial Group and its value chain, its own culture and the broader social contexts in which it operates; its approach to and understanding of CR; and how it identifies issues material to its operations;
- A detailed evaluation of the reporting against the principles of AA1000AS;
- A detailed evaluation against the GRI Principles for Defining Report Quality;
- Consideration of Provident Financial Group's corporate responsibility approach in the light of the changing statutory non-financial reporting regulations;
- Examination of the report at set stages in its development and testing of the assertions throughout, drawing from evidence and supporting documentation, reporting mechanisms, frameworks and processes;
- A series of 18 interviews with representatives from across the Group's divisions, including the CEO and the Company Secretary, 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;
- 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 Corporate Responsibility Report 2017 nor in devising the internal management and reporting systems that yielded the data contained therein.

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

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

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

During 2018, we supported Provident Financial Group to assess the implications of recent legislation on human rights and modern slavery risks in its supply chain/ procurement activities. The fees for this work comprise less than 0.6% of our projected total income for the year.

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