

# 2009

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Provident Financial  
Corporate  
Responsibility  
Report



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## About this report

This is Provident Financial's 9th CR report – past reports are available at [www.providentfinancial.com](http://www.providentfinancial.com)

The report relates to Provident Financial plc and our subsidiary businesses: the Consumer Credit Division and Vanquis Bank. The purpose of the report is to give an account to our stakeholders and the general public about the activities, progress and targets of our company in managing key business, social and environmental issues.

This report sets out our activities during 2009 to manage the CR issues that are material to our operations. Any data reported covers the calendar year 2009.

The data and accompanying commentary is externally assured by the management consultancy Corporate Citizenship. Assurance is provided on our CR reports to reassure stakeholders that our CR management systems, processes and procedures are well managed and in accordance with legislation and best practice. The assurance process evaluates the nature and extent of adherence to the AccountAbility AA1000 Assurance Standard (AA1000AS) principles of inclusivity, materiality and responsiveness. In addition, the content and quality of the information in our report is evaluated against the Global Reporting Initiative's G3 sustainability reporting guidelines (see the assurance statement on pages 57 and 58 for more information).

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# introduction

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Number of  
years we have  
served the  
non-standard  
lending market:

130

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# responding to change

by Peter Crook, Chief Executive

**T**here is no doubt that the past few years have seen some of the most turbulent economic conditions for decades and have created challenging operating environments for businesses across a range of sectors, as well as affecting many households. Whilst Provident is not immune to the major difficulties being experienced by other companies, particularly those in the financial services sector, our approach to doing business means we are more resilient than most to turbulence in the economy. This resilience is borne out of our ability to deliver products which are specifically designed to meet the needs of non-standard customers, a market we have served for 130 years, and the way we manage our business so we can respond quickly to changes in the market and the wider economy.

At Provident, we are proud to be able to continue to serve the non-standard lending market and to supply our customers with small-sum credit products which have high levels of flexibility and personal service, and are affordable to customers. In doing this, we recognise that we have a duty to lend in a responsible manner and, at the same time, manage the social, environmental and economic impacts of our business.

Our commitment to manage our corporate responsibility impacts is enshrined in one of the strategic aims of our business, which states that we will “act responsibly in our relationships with customers and make a positive contribution to the communities served by the group’s businesses”. This aim is underpinned by five objectives to “earn high levels of customer satisfaction; invest in the communities in which our customers, agents and staff live and work; maintain a system to manage corporate responsibility; meet or exceed regulatory requirements on fairness and responsible lending; and follow our values in the treatment of our stakeholders.”

Throughout 2009, we continued to ensure that our corporate responsibility programme evolved and delivered business benefits. I am particularly pleased that we continued to maintain good relationships with socially responsible investors and have our shares included on the mainstream sustainable investment indices. I am proud that we have been included on the Dow Jones Sustainability Indices and FTSE4Good for the past five and six years respectively, and

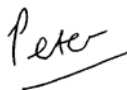
that we are keen to respond to questions from investors and analysts on our corporate responsibility programme. By doing this, we are able to demonstrate that we conduct our dealings responsibly and that we are committed to building a sustainable future for our business.

I am also delighted with the progress we have made throughout the year on delivering the newest strand of our community involvement activities. The Good Neighbour programme we launched in 2009 is our flagship community involvement initiative and has been backed by a significant increase in the amount of time and money we invest in it. Since the launch of Good Neighbour, we have supported projects with a range of partnership organisations in many communities across the UK and Ireland to address issues such as skills development, anti-social behaviour, and unemployment. The new programme has also been wholeheartedly embraced by our people which has resulted in a significant increase in the number of employees participating in company-led volunteering projects and fundraising activities.

This continued commitment and investment, I believe, provides further evidence of the strong link that exists between our corporate responsibility programme and our overall business strategy. It also shows that we continue to operate in accordance with our mission “to be the leading non-standard lender in the UK, acting responsibly in all our relationships and playing a positive role in the communities we serve”.

By doing all of this we are able to maintain strong market positions in each of our businesses and continue to deliver high levels of customer satisfaction, while ensuring that we operate in a sustainable manner and are highly regarded as a corporate citizen.

I therefore welcome you to this, our 2009 corporate responsibility report, the ninth such annual report we have published. I also encourage you to share with us any views you have on the content of the report and, more broadly, the programme that underpins it. Please email these to us at [corporateresponsibility@providentfinancial.com](mailto:corporateresponsibility@providentfinancial.com).



**Peter Crook**  
Chief Executive

‘The Good Neighbour programme we launched in 2009 is our flagship community involvement initiative.’

## Our business at a glance

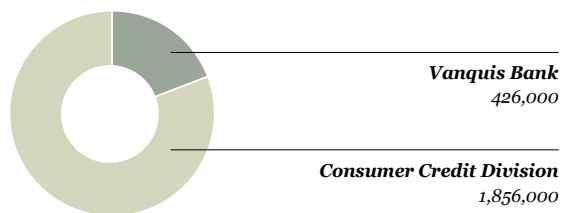
With 2.3 million customers, we provide tailored credit products to more non-standard customers than any other lender in the UK. Within our Consumer Credit Division, we have been providing small loans, issued in the home and collected weekly, since 1880. Through Vanquis Bank, we issue credit cards designed to help more people play a fuller part in today's modern world.

Provident Financial is a FTSE mid-shares 250 company listed on the London Stock Exchange.

### The group at a glance

The largest part of the group is the Consumer Credit Division which offers home credit loans through a network of local, self-employed agents as well as larger loans repaid by direct debit. Vanquis Bank, our credit card business, continues to show good progress towards its medium-term targets.

### Customers by business



### Where we operate

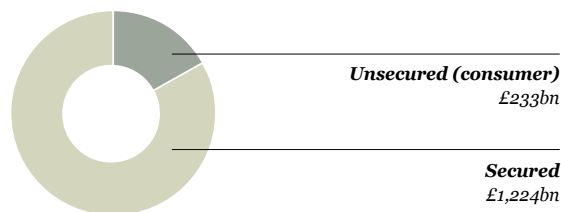
Headquartered in Bradford, our Consumer Credit Division has offices in every major town and city in the UK. 11,600 agents call weekly on our 1.9 million customers reaching around one in 20 households in the UK. Vanquis Bank has its headquarters in central London with a call centre in Chatham, Kent which handles around 450,000 customer calls per month.



## Our market

The latest published data from the Bank of England shows that total personal debt in the UK stood at just over £1.4 trillion at the end of 2008, of which the vast majority was secured on housing. £233 billion of this personal debt was unsecured consumer credit.

### Outstanding balances



Data from the Office of Fair Trading (OFT) shows that during 2008, gross advances of consumer credit totalled £192.9 billion with the bulk (£122.2 billion) in the form of credit cards. Unsecured personal loans accounted for £39.6 billion of lending, with the remaining £12 billion, £9.7 billion and £9.4 billion in the form of motor finance, overdrafts and retail finance respectively. Around £35 billion of this consumer credit is issued each year to the 10 million people who make up the non-standard lending market where Provident operates.

### Non-standard lending

Provident competes in the non-standard part of the UK unsecured or consumer credit market, comprising around 10 million adults. Non-standard borrowers are those who, due to their personal circumstances and credit history, typically would find it more difficult than most to obtain credit at low rates from mainstream providers. The OFT recently estimated that this part of the market in the UK was worth around £35 billion annually.

We provide tailored credit products to more non-standard customers than any other lender in the UK

# 3,700

Total number of group employees

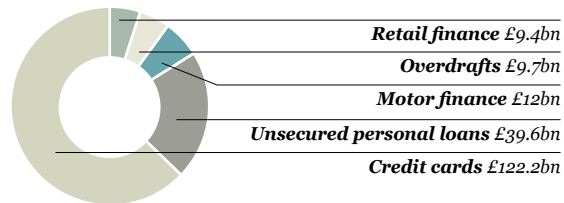


### Our marketplace

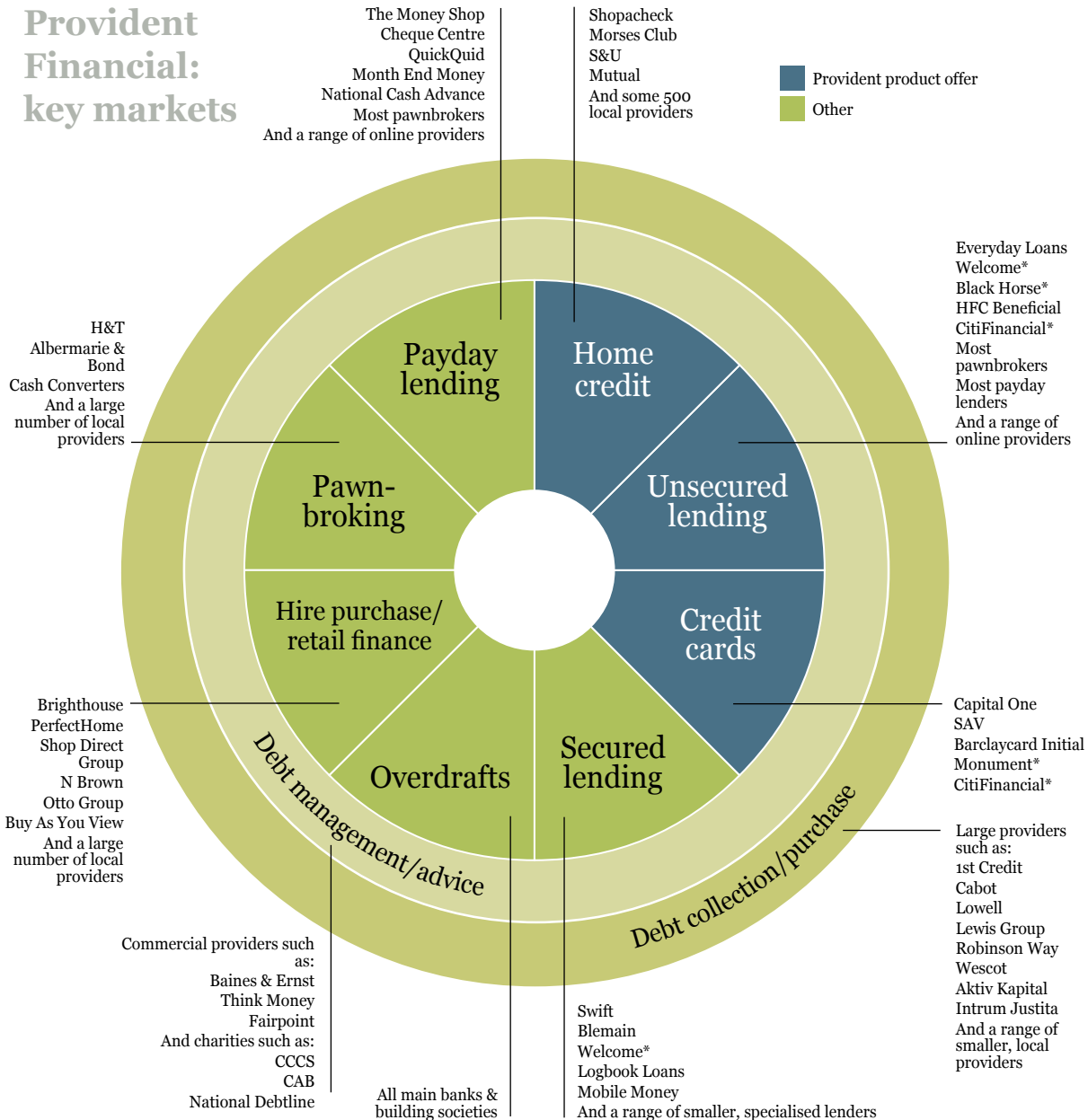
Provident offers home credit, unsecured personal loans and credit cards to non-standard consumers. The OFT has identified the range of products typically used by consumers in this segment of the market. These are (in declining order of scale of annual gross advances) overdrafts, unsecured sub-prime personal loans, sub-prime credit cards, and agency mail order. The remaining 5% or so was made up of home credit, payday loans, pawnbroking, rent-to-own and bills of sale. Provident's products compete to varying degrees with all these sources of small-sum, short-term credit to meet the needs of non-standard consumers. Credit products that are tailored to the needs of the non-standard consumer tend to

be more costly to deliver and incur higher risks for lenders and so pricing in this market typically exceeds that of the mainstream consumer credit market in the UK.

### Gross advances



### Provident Financial: key markets



\*These competitors are currently no longer extending credit, although they continue to collect repayments from existing customers and some may well begin lending again when conditions allow.

## Our products

Our products are specifically designed to meet the needs of non-standard customers. We offer high levels of flexibility and personal service delivered at prices that offer good value for money and produce high levels of customer satisfaction. These are delivered to customers through two business divisions: the Consumer Credit Division and Vanquis Bank. For more information see page 20 in the Customer section.

### Consumer Credit Division

Operating since: 1880  
1,856,000 customers; around one in 20 UK households (2008: 1,762,000).

Home credit and direct repayment loans. Brands: Provident Personal Credit (PPC), Greenwood Personal Credit (GPC); Typical home credit loan: £390

Typical APR of a PPC loan: 272.2%  
Typical APR of a GPC loan: 433.4%

Arranged in the customer's home by one of the 11,600 local, self-employed agents.

Agents call every week to collect repayments.

Home credit includes all charges and interest in a single, transparent, fixed charge which includes the interest on the loan. There are no extra charges whatsoever, even if a customer misses a payment. Our customers can choose to receive their loan in cash, as shopping vouchers, loaded onto a Visa card, or directly into their bank account. Direct repayment loans are a logical product extension to the home credit model. From 2010 these will only be offered to customers with whom we already have a good relationship.

### Vanquis Bank

Started trading in 2003, with full product launch in 2005 after a period of market testing 426,000 Customers (2008: 404,000).

#### Visa credit card

Credit limit: £150 - £3,000  
Average balance: £640

Two-thirds of our customers are taken on on our typical interest rate of 39.9% APR.

Arranged directly with the customer over the phone.

Customers can pay by a variety of means including: direct debit, debit card, cash, cheque, at a bank or post office, over the phone or post.

Credit card limits start at £150 and are significantly lower than those of mainstream lenders. A high level of contact with our customers helps them stay in control.

Vanquis Bank operates in the non-standard sector of the UK credit card market. Our customers are on average to below average incomes; typically earning between £12,000 and £25,000 per year.

### Direct repayment loans

The market test of direct repayment loans under the Real Personal Finance (RPF) brand operated out of 50 locations during 2009, using dedicated field managers to underwrite loans on a face-to-face basis in the customer's home. Direct referrals from home credit branches or customers sourced from the home credit database provided a good flow of leads to RPF and contributed approximately half of revenues in 2009. The market test also assumed that around half of the new business would be sourced from the wider non-standard market served by credit brokers. However, 2009 saw the

withdrawal or restructuring of participants in the broker channel along with a number of potential customers carrying unacceptably high levels of external indebtedness.

As a result, the decision was taken in early 2010 to restrict our direct repayment loans to known customers generated through the home credit branch network or sourced from the home credit customer database. Consequently, there is no longer a requirement for the separate RPF field sales force and associated central overhead. Accordingly, 95 positions became redundant and those who not were found alternative employment left the business.



## Financial highlights

GROUP RESULTS	2009 (£m)	2008 (£m)	Change (£m)
Home credit	128.9	128.8	0.1
Real Personal Finance	(7.7)	(2.7)	(5.0)
Consumer Credit Division	121.2	126.1	(4.9)
Vanquis Bank	14.1	8.0	6.1
Yes Car Credit (collect out)	0.2	(2.9)	3.1
Central			
- costs	(7.0)	(5.5)	(1.5)
- interest receivable	1.6	3.1	(1.5)
Total central	(5.4)	(2.4)	(3.0)
Profit before tax and exceptional costs	130.1	128.8	1.3
Basic earnings per share before exceptional costs	71.4p	70.9p	0.5p

## Group highlights

During 2009, revenue, less impairment, was £532 million. Of this, £265 million was paid to brokers and suppliers of goods and services (including agents). The remaining £267 million is value added by Provident Financial which was distributed to employees (£123 million), shareholders (£84 million) and government in the form of taxes (£54 million). A further £1 million was donated to our community partners and a profit of £5 million was retained by the business.

A more detailed account of Provident's financial performance is published in our Annual Report and Financial Statements 2009 (go to [www.providentfinancial.com](http://www.providentfinancial.com) for more information).

## Why we manage CR

We have been developing our approach to CR over the past nine years. It is at the heart of our mission "to be the leading non-standard lender in the UK, acting responsibly in all our relationships and playing a positive role in the communities we serve."

Our business has a social, environmental and economic impact and our CR programme helps us to understand and manage this impact. CR also helps us to maintain our relationships with the people that matter to our business – whether they are customers, employees, agents, suppliers, local communities or investors.

By proactively managing our CR impacts, we are able to differentiate ourselves from other companies in our sector, secure business advantage, deliver long-term value to our shareholders, and contribute to the sustainability of our businesses.

## Our strategy

Running our business in a sustainable and socially responsible manner is not just the right thing to do; it adds to the long-term value of our company. It is part of our overall business strategy to act responsibly in our relationships with customers and make a positive contribution to the communities served by our businesses.

It is important that we focus on the social, environmental and economic issues that are most significant and material to our activities. Our approach to CR management is guided by the feedback we receive from both internal and external stakeholders. To do this, we make regular use of employee opinion surveys, focus groups and customer satisfaction surveys, and we arrange annual stakeholder roundtable sessions.

This feedback has helped us to develop a strategic approach to CR management which is organised around six key themes: governance and management, our customers, our people, our supply chain, community involvement, and the environment. By taking this strategic approach to CR we make sure we continue to deliver high levels of customer satisfaction, reduce the impacts that our activities have on the environment, act responsibly in all our relationships, and play a positive role in the communities we serve.

Our approach to CR reflects our company values of acting in a fair manner, conducting our business dealings responsibly, delivering accessible products to our customers, operating in a straightforward way, and being progressive.

Any questions or feedback on this report or our approach to corporate responsibility should be directed to Provident Financial's Corporate Responsibility Manager at [corporateresponsibility@providentfinancial.com](mailto:corporateresponsibility@providentfinancial.com)



# governance and management

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Our  
performance  
on the  
BITC Index  
overall was  
over:

95%

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# why good governance and management is important

Rigorous governance and management structures are an important part of both business and corporate responsibility (CR) management.

The structures we have ensure that CR is embedded throughout our businesses, and that our environmental, social and governance (ESG) risks and opportunities are managed in the interests of our shareholders, customers, employees and wider stakeholders. By managing CR and our ESG risks and opportunities in this way we will prevent or mitigate corporate crises and build our reputation.

## Targets

<p><b>2009</b> Develop a programme to embed Provident’s core values within the policies, processes and procedures of the business.</p>	<p>Achieved - See page 11 of this report for information.</p>
<p>Maintain or improve Provident’s rating on the mainstream sustainability indices including: BITC CR Index, Dow Jones Sustainability Indices, and FTSE4Good.</p>	<p>Achieved - See page 14 of this report for information.</p>
<p>Continue to engage with stakeholders on the Provident Financial CR programme.</p>	<p>Achieved - See page 12 of this report for information.</p>
<p><b>2010</b> Maintain or improve Provident’s rating on the mainstream sustainability indices including: BITC CR Index, Dow Jones Sustainability Indices, and FTSE4Good.</p> <hr/> <p>Continue to engage with stakeholders on the Provident Financial CR programme.</p> <hr/> <p>Continue to independently audit and assure Provident’s CR programme and reports.</p>	

## How CR is governed and managed at Provident

CR is a core part of our business and our comprehensive governance and management structures ensure that it remains so. This is why our chief executive, Peter Crook, has responsibility for our group-wide CR programme and chairs the management committee which oversees CR.

In addition to our chief executive, the management committee comprises the finance director, the managing director of the Consumer Credit Division, the managing director of Vanquis Bank, the directors of Corporate Affairs and Corporate Strategy, and the general counsel and company secretary.

During 2009, the management committee made significant contributions to the way we manage CR. This included approving the newest strand of our community involvement programme which will ensure that employees from across the business initiate projects within the many communities we serve throughout the UK and Ireland.

We also have three key working groups which have been established to address the social, environmental and economic issues that are material to our business. More information on these working groups, which feed into the Provident Financial board either directly, or via the management committee, is set out in the table below.



### Working groups

Working group	Chair	Membership	Role
<b>Responsible lending group</b>	<b>Chris Gillespie</b> <i>Managing Director of the Consumer Credit Division and Provident Financial Executive Director</i>	Representatives from the Consumer Credit Division, Vanquis Bank and Provident Financial corporate office.	<ul style="list-style-type: none"> <li>Establish a framework to manage responsible lending in both the Consumer Credit Division and Vanquis Bank.</li> <li>Ensure the Consumer Credit Division and Vanquis Bank meet or exceed the basic responsible lending standards expected.</li> </ul>
<b>Corporate responsibility working group</b>	<b>David Stevenson</b> <i>Head of Communications, Provident Financial</i>	Groups have been established within both the Consumer Credit Division and Vanquis Bank and include representation from HR, procurement and communications functions.	<ul style="list-style-type: none"> <li>Contribute to our CR strategy and ensure that our approach to HR and supply chain management is included.</li> <li>Generate CR performance information for our CR reports and submissions to sustainability indices.</li> <li>Help co-ordinate CR management.</li> </ul>
<b>Environmental working groups</b>	<b>Rob Lawson</b> <i>CR Manager, Provident Financial</i>	Groups have been established within both the Consumer Credit Division and Vanquis Bank.	<ul style="list-style-type: none"> <li>Contribute to the strategic direction of our environmental management programme.</li> <li>Generate environmental management performance information for our CR reports and submissions to sustainability indices.</li> <li>Help co-ordinate environmental management.</li> </ul>

The day-to-day management of our CR programme is undertaken by our CR manager, community affairs manager and community affairs development officer, who are all based at our head office in Bradford.

A travel plan co-ordinator joined the CR team during 2009. The co-ordinator will work with senior managers, colleagues and third parties to develop and implement a travel plan for our new city centre head office. We want to encourage staff to use more sustainable forms of transport when travelling to and from work.

## Mission and values

CR is at the heart of our mission to be the leading non-standard lender in the UK, acting responsibly in all our relationships and playing a positive role in the communities we serve.

Towards the end of 2008 we formalised the values that have underpinned our business for many years. Our values state what we stand for and how we behave; they are:

- We are fair in our dealings with customers, employees, agents and stakeholders
- We will conduct our business dealings in a responsible manner
- We will provide our customers with access to financial products that meet their needs
- We will be straightforward, open and honest in all our dealings with stakeholders
- We are progressive in anticipating and responding to the challenges of a changing world

Our values have been established to guide our behaviour in every aspect of our work and in our relationships with all our stakeholders. We began a programme of work in 2009 to embed each value within the group and to ensure our employees understand and sign up to the values.

During the year, we set up an Embedding Values Steering Group to co-ordinate the activities to put values at the heart of all we do. The group includes people from a range of functions who will work to embed the values within policies, processes and procedures and help to communicate the values to staff and other external stakeholders.

The group also created a comprehensive action plan which set out the mechanisms that will be used to embed the values. To date, information on the values is included in our induction process and training programmes, appraisal processes, as well as in a range of customer service procedures. Following on, the steering group will measure our performance against each of the values annually.

## Strategic aims



*One of our four strategic aims is to: 'Act responsibly in our relationships with customers and make a positive contribution to the communities served by the group's businesses'. To meet this aim we will:*

- *Earn high levels of customer satisfaction*
- *Invest in the communities in which our customers, agents and staff live and work*
- *Put in place a system to manage corporate responsibility*
- *Meet or exceed regulatory requirements on fairness and responsible lending*
- *Follow our values in the treatment of our stakeholders*

## Policies

We have a number of policies to help us manage the social, environmental and ethical impacts of our operations. The corporate policies outline our position on specific CR issues and set the direction in which we want to take our CR programme.

They include our code of ethics and policies on community involvement, environmental management, whistleblowing and diversity. These policy documents were reviewed, amended and approved by the Provident Financial board during 2009.

Our operating divisions have additional policies which seek to address specific CR issues including health and well-being, stress, flexible working, equal opportunities, and training and development.

To ensure that our staff understand our policy commitments we include relevant information in our induction and training processes, employee handbooks and on our intranet sites.



## Our stakeholders

We have identified six key stakeholder groups who have an interest in, and may be affected by, our business operations, products or services. Our stakeholders have a wide range of perspectives and priorities, all of which need to be addressed to ensure that our business continues to operate in a sustainable manner. Our stakeholders are: customers, communities, suppliers, employees, shareholders and regulators.



## Stakeholder engagement

It is vitally important that we communicate with and listen to all our stakeholders. We have run a range of engagement activities designed to meet the needs of each of our stakeholder groups. These have included customer surveys and focus groups to gain feedback on the products and services we provide and employee engagement surveys across the business.

Stakeholder feedback is important for our CR strategy. Feedback ensures our CR programme continues to improve, addresses the issues material to our business, and responds to these issues and the needs of our stakeholders.

### Stakeholder roundtable

We held our fifth annual stakeholder roundtable in December 2009 facilitated by Corporate Citizenship. 11 representatives attended from a range of organisations, including Advice UK, the Carbon Disclosure Project, Credit Action, EIRIS and the Institute of Business Ethics.

The roundtable explored the expectations that the stakeholders have of our approach to corporate responsibility and how we report our performance externally. The results have been used to shape this CR report and, more broadly, our group-wide CR programme. The feedback from the roundtable session and our response to it can be seen in the stakeholder feedback section on page 64.

### CR practitioners

During November 2009, we carried out a survey of people working in the CR industry to explore current trends in CR

management, particularly in relation to the financial services sector. The survey findings will be used to help shape our approach to CR management.

### Community consultation

To inform the development and delivery of the newest strand of our community programme we consulted with residents in the communities we serve in Edinburgh, London, Manchester and Newport to understand where they think we should focus our community investment. This consultation exercise helped shape the Good Neighbour community initiative, which we launched early in 2009 (see page 44 for further information).

### Government and regulators

We continue to engage with government and regulators to understand how changes to legislation will impact on our business activities. We do this by responding to consultations, participating in government-sponsored projects and attending meetings with representatives from government and regulatory authorities. This is an important part of our CR programme; it enables us to be prepared for any changes in legislation and to share our knowledge of our market with regulatory authorities.

### Regulatory developments

#### *Consumer Credit Directive implementation*

The 2008 EU Directive on Consumer Credit has to be implemented in the UK by June 2010, with a transitional period for businesses to comply with the new rules by 31 January 2011. Areas where there will be changes from the current law include pre-contract information, requirements to provide adequate explanations and to assess creditworthiness, right of withdrawal, and rebates on partial early repayment. The Department for Business, Industry and Skills published the final form regulations in March 2010. All lenders now have until 31 January 2011 to comply with the new regulations.

#### *Office of Fair Trading (OFT) High Cost Credit Review*

The group is contributing to the OFT's review of the £35bn high-cost consumer credit market which was announced in July 2009. The review, which covers a broad range of lending activities of which home credit is a relatively small element, published its emerging evidence in December 2009 and is expected to conclude later in 2010. The OFT has a good understanding of home credit and the sub-prime financial services sector.

#### *Irresponsible Lending Guidance*

In July 2009, the OFT launched a consultation on draft guidance setting out the practices which appear to the OFT to involve irresponsible lending. The consultation period ran until October 2009. The OFT's guidance on irresponsible lending was published in March 2010. The OFT expects lenders to have regard to the guidance so that they can avoid irresponsible lending practices.



*BIS Consumer White Paper*

BIS is currently consulting on the future regulation of credit and store cards. The Government’s initial response was published on 20 April 2010. The measures being debated centre on transparency and putting the customer in control. The discussions include a ban or restrictions on unsolicited credit card line increases. Vanquis Bank is working closely with the UK Cards Association (formerly APACS) which continues to have a constructive dialogue with BIS officials with the aim of finding a workable solution to address BIS concerns.

## Risk management

We have a rigorous risk management framework. It is designed to identify risks that could impact the delivery of our strategic aims and ensure that adequate controls and procedures are in place to mitigate these risks.

The board is responsible for the group’s overall system of internal control and risk management, and for reviewing its

effectiveness. The board comprises three executive directors, three non-executive directors and a non-executive chairman. It normally meets eight times a year, including a three-day planning conference. The board delegates authority to a number of formal sub-committees. The board and its committees are supported by various policies, procedures and reporting mechanisms.

The group’s internal audit is undertaken by an in-house team led by the head of audit and risk. An annual programme of work is established and approved by the Audit Committee which targets and reports on higher risk areas as identified by the group’s key risk registers. Board and Audit Committee papers include a summary of the results and recommendations from each internal audit review and a follow-up of previously reported recommendations. For more information on our risk management processes, please refer to the Directors’ report in our 2009 Annual Report and Financial Statements or go to [www.providentfinancial.com](http://www.providentfinancial.com).

We continue to engage with government and regulators.

### Managing risk at Provident Financial

Committee	Members	Meeting frequency	Responsibilities
<b>Audit Committee</b>	The non-executive directors. The finance director, head of audit and risk, group financial controller and external audit partner attend the meetings by invitation.	Four times a year	<ul style="list-style-type: none"> <li>Monitors group-wide internal financial controls.</li> <li>Appoints and appraises the external auditors.</li> <li>Agrees the internal audit plan.</li> <li>Reviews the reports produced by internal audit.</li> <li>Reviews the group’s whistleblowing policy.</li> <li>Reviews the financial statements, interim reports and preliminary announcements of the group including any significant accounting judgements made in preparing them.</li> </ul>
<b>Risk Advisory Committee</b>	Three non-executive directors and the finance director.	Three times a year	<ul style="list-style-type: none"> <li>Manages the group’s risk management framework on behalf of the board.</li> <li>Keeps the group’s risk registers under review and monitor the most important risks facing the business.</li> <li>Approves the group’s Internal Capital Adequacy Assessment Process (ICAAP) document prior to submission to the board.</li> <li>Delegates a number of responsibilities to the Risk Advisory Group.</li> </ul>
<b>Executive Committee</b>	Three executive directors (chaired by the chief executive).	Once a week or more frequently if required	<ul style="list-style-type: none"> <li>Deals with matters relating to the general running of the group including:                             <ul style="list-style-type: none"> <li>- monitoring the weekly performance of the group’s businesses</li> <li>- approving capital expenditure projects and long-term contracts subject to certain limits</li> <li>- approving treasury-related transactions</li> <li>- annually reviewing corporate and accounting policies</li> </ul> </li> </ul>
<b>Risk Advisory Group</b>	The executive directors, the company secretary, the head of audit and risk and the group financial controller.	Four times a year	<ul style="list-style-type: none"> <li>Considers the extent and nature of the risks facing the group, the extent and categories of risk which are acceptable to bear, the likelihood of the risk materialising, the group’s ability to mitigate any risk and the costs of operating particular controls relative to the benefits obtained.</li> <li>Reviews the risk registers prepared by the divisional risk committees, challenging and making changes where appropriate.</li> <li>Produces the ICAAP document.</li> <li>Submits a schedule of key risks, divisional key risk registers and the ICAAP document to the Risk Advisory Committee for review and approval.</li> </ul>

## Tax

We operate a tax strategy which has been approved by the board. This strategy has clearly defined objectives and policies which cover the group's approach to minimising tax liabilities, mitigating and controlling tax risk, transactions between group members, dealings with tax authorities, the calculation and payment of taxes and tax returns. The strategy also sets out the group's governance of tax which ensures that tax has the necessary visibility at board level and that key tax risks are monitored as part of the risk management framework. The strategy has been shared with H M Revenue & Customs (HMRC).

We seek to protect shareholder value by managing tax liabilities in a manner which complies with law and regulation and which does not adversely impact the group's reputation. We deal with all tax authorities in a straightforward and honest manner. This includes informing HMRC of significant issues affecting the group, full disclosure in tax returns and obtaining advance clearance of key transactions where appropriate. The group's tax matters are dealt with by an experienced in-house team. We also seek advice from external advisors for all material transactions.

Total taxes contributed in respect of 2009 amounted to £48 million. This included £30 million of corporate taxes payable in the UK and Republic of Ireland, £8 million of VAT and £10 million of employer's national insurance.

## Membership

We are an active member of a number of organisations and groups which enables our business to access advice and support on a range of CR issues. These include:

- Business in the Community in both the regional leadership network and the Yorkshire and Humber regional advisory group
- Race for Opportunity
- Employers' Forum on Disability
- Associate Parliamentary CR Group
- The Better Business Environment Forum, an environmental support organisation based in the Bradford Chamber of Commerce
- Bradford Cares, of which our community affairs development officer is deputy chair
- Carbon Action Yorkshire's financial services network
- National Council for Voluntary Organisations who we have worked with for the last two years to deliver a financial leadership programme to improve the effectiveness of support provided to people and communities by community and voluntary organisations.

## Sustainability assessments

Throughout 2009, we continued to be represented on the main global sustainability indices and respond to requests from investors and analysts to share information on our CR programme. This is an important facet of our approach to CR management. It provides investors and other stakeholder groups with demonstrable evidence of our commitment to operating our business in a responsible manner, and that the social, environmental and ethical impacts that are material to our operations are well managed.

- We have been included in the FTSE4Good index since 2003. The index measures the performance of companies that meet globally recognised corporate responsibility standards, and facilitates investment in those companies.
- We have been listed on the Dow Jones Sustainability Indices for the World (DJSI World) and Europe (DJSI STOXX) since 2005. DJSI benchmarks the sustainable development performance of companies and selects the 'sustainability leaders' for inclusion in the indices.
- We respond to the Carbon Disclosure Project (CDP) survey, which provides institutional investors with information on the business risks and opportunities presented by climate change and greenhouse gas emissions from the world's largest companies.
- We have been included in the Ethibel Pioneer and Ethibel Excellence Investment Registers since 2004 and our CSR profile continues to be monitored.
- We were awarded a 'Prime' CR rating by Oekom research. This recognises our status as a leading organisation within our sector, and our success in meeting Oekom's sustainability criteria, which cover a range of social, ethical and environmental issues. The rating means that our shares will qualify for ecologically and socially based investment by Oekom's clients.
- We make annual submissions to the Business in the Community Corporate Responsibility Index, a voluntary, business-led benchmark of responsible business practice. The results of our most recent submission to the index were announced in May 2010. Our performance on the overall 2009 CR index was 95.25% (2008: 94.0%), which enabled us to achieve a platinum rating.

We were awarded a 'Prime' CR rating by Oekom research... which means that our shares will qualify for ecologically and socially based investment by Oekom's clients.

## Assurance and audit processes

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

Our CR reports are assured to reassure stakeholders that our CR management systems, processes and procedures are well managed and in accordance with legislation and best practice. It also provides reassurance that our reports and any data we disclose are accurate, complete and material.

The assurance evaluates the nature and extent of adherence to the AccountAbility AA1000 Assurance Standard (AA1000AS) principles of inclusivity, materiality and responsiveness. The content and quality of the information in the report is evaluated against the Global Reporting Initiative's G3 sustainability reporting guidelines. See pages 57 and 58 for Corporate Citizenship's assurance statement.

Our community involvement programme has been subject to an external assurance review since 2006. This process assesses our application of the London Benchmarking Group (LBG) model and the effectiveness of the implementation of our community strategy. The LBG model is used as the basis for collecting and reporting our community involvement data. This work is also undertaken by Corporate Citizenship.

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



Our performance on the overall 2009 CR index was 95.25% (2008: 94.0%), which enabled us to achieve a platinum rating.





# our customers

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Total  
number  
of UK  
customers:

MORE THAN

**2** MILLION

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# our customers are important to us

Our customers are at the centre of our CR programme and our business. We are committed to lend responsibly and provide products which meet their needs. Our business success is based on offering simple, transparent products to customers on average or below-average incomes, who may find it difficult to get other kinds of credit.

We have been working in the non-standard credit market for 130 years. In this time we have gained a wealth of knowledge about our customers. We use this knowledge to develop home credit, credit card and direct repayment loan products which meet the needs of our customers. In particular our products offer high levels of flexibility and personal contact; as a result we achieve high levels of customer satisfaction.

## Targets

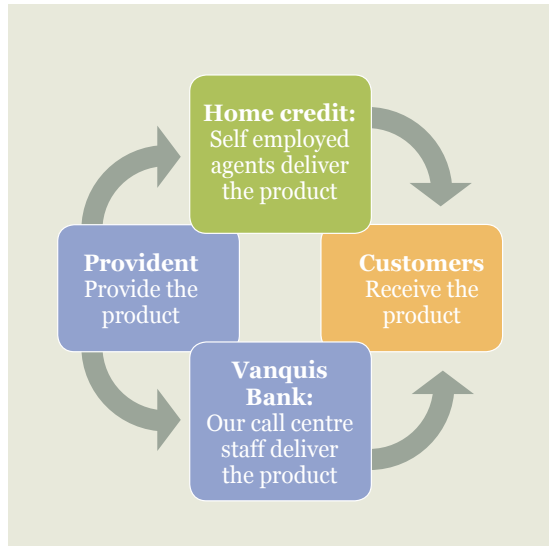
**2009** Continue to ensure that at least 80% of customers are either 'very satisfied' or 'quite satisfied' with the Consumer Credit Division and Vanquis Bank.

During 2009, 94% (2008: 95%) home credit customers were either very or quite satisfied with the service provided to them, and 86% (2008: 88%) of Vanquis Bank customers rated their experience as good or excellent.

**2010** Continue to ensure that at least 80% of customers are either 'very satisfied' or 'quite satisfied' with the Consumer Credit Division and Vanquis Bank.



## How we operate

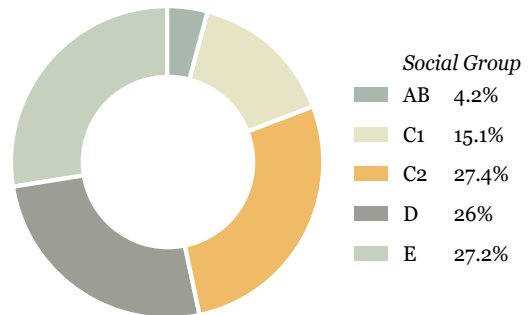


We are committed to lend responsibly and provide products which meet our customers' needs.

## Our customers

Our customers tend to be on average or below-average incomes. Most have access to other financial products but some may find it difficult to get other kinds of credit. Our typical customers are from ordinary working families who want to borrow relatively small amounts of money that they can pay back conveniently in small, regular payments. This approach fits with the way they manage their household budgets. Customers use the products we offer for a wide variety of uses, such as Christmas and birthdays, holidays, the beginning of school terms, or household purchases.

### Socio-economic breakdown of home credit customers\*

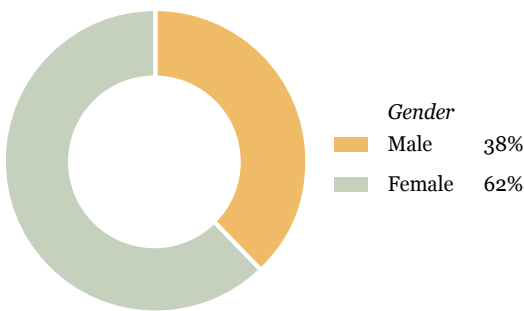




**Customers’ usership of other financial products – home credit customers\***

Product	% of home credit customers
Have a bank account	86.0
Have an overdraft facility	29.1
Have a credit card	20.7
Have a store card	4.7
Have a savings account	36.7
Have a mortgage	12.0

**Gender breakdown – home credit customers\***



\* Data is from a survey of current and past Provident Personal Credit and Greenwood Personal Credit customers, September 2009. Monthly annual average data. Research conducted by Quaestor on behalf of the Consumer Credit Division

**Delivering tailored products**

Our products are specifically designed to meet the needs of our two million non-standard customers. We offer products with high levels of flexibility and personal service delivered at prices that offer good value for money.

**Personal contact:** No other lender takes the personal approach to lending as seriously as we do. The internet in particular has led to more impersonal and remote contact in the broader financial services market. Both we and our customers benefit from more personal, face-to-face or telephone interaction. Our home credit customers see their agent every week and Vanquis Bank keeps an ongoing dialogue with its customers by telephone. This means any difficulties or queries can be identified early, discussed with the customer and actions agreed.

**Small loans over a short term:** Each of our businesses grant small-sum credit over relatively short periods. This is what our customers want because it helps them stay in control of their finances. Our home credit business grants loans of typically £300 or £400 over about a year and Vanquis Bank’s average credit card balance is around £600, with average credit limits of less than £900.

**Tailored to customers’ needs:** One of the key features of our products is that they are tailored for customers in the non-standard market. Our home credit loans allow customers who are experiencing financial difficulties to miss the occasional repayment or temporarily make reduced repayments at no additional cost. Vanquis Bank customers who sign up for our Repayment Option Plan can miss one repayment every six months. If money is tight and you need to miss a repayment you will also want to avoid any extra charges; so allowing customers to miss occasional repayments makes sense: it helps them stay in control of their money and remain satisfied customers.

**Direct repayment loans**

Direct repayment loans, where customers pay by direct debit, are a logical extension of the home credit model into a much larger market sector. In 2009, we continued to test this market sector using the Real Personal Finance brand. Real Personal Finance operated alongside our weekly-collected home credit business, sharing the experience of that business and the pre-existing network.

Our approach built on the strengths of our home credit business, not least of which is conducting the initial assessment interview in the customer’s home. The product differed from home credit in the collection method, which was through monthly direct debit, and in the loan amounts which were typically £750 to £6,000 with typical APRs of between 80% and 120%.

The model responded to customers’ preference for personal contact, and the home visit also meant that each customer’s circumstances could be individually assessed.

This area saw a series of setbacks in 2009. In addition to the ongoing depressed state of the economy, we saw a virtual collapse of the direct repayment, non-standard loans market. A number of competitors withdrew from the market or failed. This in turn led to a collapse of the network of credit brokers who had supplied a large proportion of our customers.

In January 2010, there were no signs that credit brokers or other alternative intermediaries would return to the market in the short to medium term. With no good quality, new customers we decided to restrict our direct repayment loans to existing customers. We will market these loans under the Provident Direct and Greenwood Direct brands. Following this change 95 positions associated with the Real Personal Finance brand became redundant.

## Our products explained

*Product:* **Home credit**

*Brands:* **Provident Personal Credit and Greenwood Personal Credit**

*Description:*

Through the Provident Personal Credit (PPC) and Greenwood Personal Credit (GPC) brands we are the UK and Ireland's leading home credit lender.

PPC and GPC share a network of over 350 administrative offices. Both brands provide small, unsecured cash loans, typically between £100 and £500, over about a year. Our PPC and GPC products are delivered through a nationwide network of 11,600 agents. Loans are delivered to the customer's home by an agent who then calls back on a weekly basis to collect repayments.

Unlike other forms of lending, home credit includes all the costs upfront. There are no extra charges whatsoever, even if a customer misses a payment. This is important for those managing on a tight budget, they know that the amount to be repaid is fixed at the start and will never go up. Our home credit product is one that customers trust and positively want to use – this explains why our customer satisfaction rates are consistently high.

Information on how Provident's home credit products compare to other home-collected and cash loans can be viewed at [lenderscompared.org.uk](http://lenderscompared.org.uk), a free to use, independent price comparison website. This website is paid for by the largest home credit companies, and is operated in partnership with the Association of British Credit Unions, the Consumer Credit Association and other representatives who are independent of the home credit sector.

The Consumer Credit Association represents the majority of businesses in the UK home credit industry. It has around five hundred member businesses ranging from large public limited companies to small firms operating at a local level within the community.

*Product:* **Credit card**

*Brand:* **Vanquis Bank**

*Description:*

Vanquis Bank started trading in 2003. After a period of market testing, the product was fully launched in the UK in January 2005. The number of cardholders at the end of 2009 was 426,000.

Vanquis Bank operates in the same non-standard market as our home credit business, offering our customers greater choice. Credit cards are becoming increasingly necessary in daily life. Our customers use their card for the same things as mainstream card users – such as shopping at the major supermarkets and on the internet.

Our cards are designed for people that most other credit card providers see as too much of a risk. We are more comfortable with this market because of our long experience of home credit and a significant proportion of Vanquis Bank's management team has a background in serving non-standard credit customers.

Vanquis Bank operates with risk in mind. We are willing to take a sensible risk with people but we want to limit that risk at the beginning of the relationship. To do this we operate a 'low and grow' strategy. Around half of our accounts start with a credit limit of £250 and £1,000 is the initial maximum credit limit; this is much lower than the credit limits for mainstream cards. We then look at the payment performance on the account and external credit bureau data every month with a view to giving controlled increases, or indeed decreases, in credit limits when it is appropriate to do so.

We maintain a high level of customer contact throughout the life of the account. For instance, during the application process, any customer set up with an interest rate higher than 39.9% APR will have a telephone interview with one of our customer support staff before their card is finally authorised. If we cannot speak to the customer within two weeks of receiving their application, we will turn down the application. Our thinking is that if we cannot get through to the customer at this stage, we will probably have trouble contacting them later if they experience problems. This basic commonsense approach is by no means typical with other card issuers.

We contact customers before their first payment is due, before we offer a credit limit increase, and at any time they appear to be struggling to make payments. And our customers choose to contact us much more frequently than is typical with other card issuers.

## Responsible lending

**R**esponsible lending is built into the products and services we offer our customers. To make sure we are lending responsibly, it is imperative that we provide support in making the right lending decisions.

We have continued to use and refine our two credit scoring systems. These systems supplement the agent decision on whether to accept a new customer or extend further credit to an existing one. The programmes we use in home credit to do this are the System Enhanced Lending programme and the Single View of Customer system.

### System Enhanced Lending (SEL)

The SEL programme enables us to issue loans of the right size and at the right time to existing or previous customers.

We use SEL to assess loan applications made by existing customers on the basis of their previous payment history. It assigns a credit score to the customer, which is used to inform the lending decision. If an unacceptable credit score or 'do not issue' message is generated, the customer will not be offered an additional loan. The SEL status for each customer is updated each week whether an application is made or not. This information is available to agents to assist them when dealing with customer requests.

### Single View of Customer (SVC)

The SVC system is applied to new customers. SVC is used to create a risk profile of prospective customers using a bespoke risk index scorecard. The system informs lending decisions and ensures we lend customers the right amount at the right time. As well as filtering out higher credit risks, the system can also help agents to spot good payers earlier in their relationship, providing opportunities to offer more credit sooner, when that is appropriate for the customer.

Both these systems are tools which support agents in making lending decisions. They supplement the extensive knowledge that agents have about our customers which is acquired through the delivery of a highly personalised service to customers. This approach enables agents to build up mutual trust and gain a unique insight into customers' circumstances. This knowledge allows the agent to lend only what the customer can afford to repay and to be flexible with repayments if they experience financial difficulties. As such, agents can, in some instances, override the system when making decisions on the amount to lend to customers.

### Credit bureau checks

All new home credit and Vanquis Bank customers undergo a credit bureau check before being taken on. Bureau data is used to inform our decisions on whether to accept or reject customers, and how much to advance at any particular time.

Vanquis Bank uses internal behavioural data and external bureau data to re-score every account every month to inform credit limits, price and contact decisions.



## Customers who do not keep up with their repayments

**S**ometimes the customers in our home credit business cannot or do not keep up with their repayments.

Most have had a change of circumstances, such as a decrease in family income, which means they genuinely cannot make their repayments. In these cases our products allow for non-payment for an indefinite period without any extra charge to the customer.

Some customers however have the funds but choose not to make their repayments. Our loans are unsecured and so are issued in good faith with no security.

Once it has become clear that a customer is not going to make the repayments despite having the income, we refer the case to the County Court. Generally the court will instruct the customer to make a payment of one or two pounds a week to us. If these payments are not made, we will, in some cases, appoint a debt collection agency to try to recover the money owed to us. We would only ever appoint agencies operating strictly within the law and in line with the highest industry standards. As a last resort we write off the debt.

## Supporting the money advice sector

A key part of our CR programme involves providing support to the money advice sector in the UK and Ireland. This is because we believe that people who have difficulty managing their personal finances should have access to free, independent and quality assured money advice to help them make educated choices and improve their circumstances.

### Money advice organisations supported by Provident in 2009

Organisation	Nature of support
<b>AdviceUK</b>	<p>AdviceUK is the UK's largest support network for free, independent advice centres. In 2009 we provided funding to AdviceUK to support:</p> <p><b>Workforce development</b> – Our funding enabled AdviceUK to continue to develop National Occupational Standards for money advice; represent the free advice sector on the Skills for Justice Sector Skills Council; and be involved in the Money Advice Trust's Adviser Support Strategy Group.</p> <p><b>Extending the geographic coverage</b> – Our funding helped AdviceUK deliver regional meetings for their 900 members and, in particular, ensured that a representative from the money advice sector was present at members' meetings held across the UK.</p> <p><b>'Jobs in Advice' website</b> – Our funding provided 'seedcorn' money for the development of AdviceUK's new sector-wide 'Jobs in Advice' website, which went live in June 2009.</p>
<b>Citizens Advice</b>	<p>In 2009, our funding enabled the Citizens Advice Specialist Support team to deal with over 4,400 of the most complex cases which it receives from the Citizens Advice Bureaux and AdviceUK network among others. Our funding enabled one-to-one support to be delivered to clients who require specialist advice to resolve their cases.</p> <p>In addition, our funding enabled the Specialist Support team, in partnership with the Money Advice Trust, to deliver over 100 face-to-face, distance learning and e-learning training courses to money advisors.</p>
<b>Consumer Credit Counselling Service (CCCS)</b>	<p>The CCCS is a registered charity whose purpose is to assist people who are in financial difficulty by providing free, independent, impartial and realistic advice.</p> <p>We make 'fair share' contributions to CCCS of around 12% of any payment we receive from a customer who has entered into a debt agreement plan with CCCS. In 2009, we made fair share contributions of £118,461 to the CCCS.</p>
<b>Institute of Money Advice (IMA)</b>	<p>The IMA is the only professional body which acts for money advisers in England, Wales and Northern Ireland.</p> <p>Through our support, the IMA purchased a new IT suite, including four new personal computers, a dedicated server and upgraded software - enhancing their internal and external communications capabilities. The new equipment has enabled the IMA to send out regular emails and updates to its 1,600 members and has allowed home workers to connect remotely to the server and share information effectively with their colleagues.</p>
<b>Money Advice Liaison Group (MALG)</b>	<p>MALG is a non-policy making forum for creditors, debt collecting agencies, money advisers and other organisations. The forum exists to promote communication, best practice, understanding and professionalism among organisations concerned with consumer credit and debt, money advice, debt collection and related matters.</p> <p>The funding we provided to MALG helped support the forum meetings that were held throughout the year.</p>
<b>Money Advice Scotland (MAS)</b>	<p>MAS is an umbrella organisation which represents a range of agencies who are involved in the provision of money advice to consumers in Scotland.</p> <p>During 2009, our funding enabled MAS to maintain its status as an 'Approved Centre' to deliver a range of professional and vocational qualifications to advisers in Scotland's money advice sector. This enables MAS to raise standards in the provision of money advice across Scotland and ensures that consumers benefit from receiving a good quality service.</p> <p>Our funding also supported MAS's 2009 annual conference. The conference is the largest training event of the year for MAS members and others within the credit industry and money advice sector, and was attended by almost 250 delegates.</p>

Organisation	Nature of support
<b>Money Advice Trust (MAT)</b>	<p>The MAT is a charity formed in 1991 to increase the quality and availability of free, independent money advice in the UK. During 2009, we part-funded the following two research projects:</p> <p><b>‘Facing the squeeze: A qualitative study of household finances and access to credit in a 21st-century recession’</b> – This short exploratory research project undertaken by the Personal Financial Research Centre (PFRC), at the University of Bristol, and ECOTEC Research and Consulting Ltd was commissioned to provide a snapshot of the views and experiences of people on low and middle incomes in the face of a 21st-century recession. In particular, it set out to examine in detail the extent to which worsening economic conditions in 2008/2009 had resulted in changes to consumers’ spending, borrowing and money management.</p> <p><b>‘An independent review of the fee-charging debt management industry’</b> – This review, which was carried out by the PFRC, was commissioned to provide an update on the fee-charging debt management industry in the UK. 93 people were interviewed as part of the review including fee-charging debt management companies, their customers and credit industry representatives.</p>
<b>National Debtline</b>	<p>National Debtline is a national telephone helpline for people with debt problems in England, Wales and Scotland. It is a free, confidential and independent service. In 2009, an increased proportion of National Debtline clients sought advice on priority debts such as secured borrowings, fuel arrears and council tax. In addition, the new Government initiatives of Debt Relief Orders, Mortgage Rescue Scheme and Homeowners Mortgage Support have meant that calls to advisers became more complex and lengthier. To address this increase, our funding was used to cover the salary costs of a new National Debtline adviser.</p>

**Specialist providers supported by Provident in 2009**

Organisation	Nature of support
<b>Christians Against Poverty (CAP)</b>	<p>CAP is a national debt counselling charity with a network of 125 centres based in local churches which we have supported since 1996. During 2009, our funding supported the post of corporate relations manager within the charity. This post enables CAP to develop links with organisations in the financial services sector and continue to provide support to their indebted clients.</p>
<b>Credit Action</b>	<p>Credit Action is a national money education charity established in 1994. During 2009, our core funding supported Credit Action’s work in the following two key areas:</p> <ul style="list-style-type: none"> <li>• Development of a money advice resource for those facing employment difficulties. Throughout 2009, Credit Action saw an increase in demand for support from people affected by unemployment and other income difficulties such as reduced hours or the loss of overtime. Our funding enabled Credit Action to develop a range of financial education resources, including the ‘Redundancy Moneymanual’. These money advice resources were accessed by over 25,000 people during 2009.</li> <li>• Provision of free or subsidised training and help sessions. During 2009, our funding enabled Credit Action to provide free or subsidised face-to-face assistance to a range of organisations, including schools, employers, housing associations, councils and charities. For example, our funding enabled Credit Action to provide free training to United Response, a charity providing social care and support to those with learning difficulties. The training helped equip staff within the charity to help those clients manage their own money and also to help those clients who have financial difficulties.</li> </ul>
<b>DebtCred</b>	<p>The primary aim of DebtCred is to prepare school students for university life or employment by educating them about the sensible use of credit, personal financial management and the hazards of over-indebtedness.</p> <p>Our funding in 2009 enabled DebtCred to provide free financial education sessions for schools, particularly those in areas where we are likely to have customers. This included:</p> <ul style="list-style-type: none"> <li>• Financial education sessions delivered throughout the year in schools in the West Midlands. For example, during ‘Enterprise Week’ in November, DebtCred held an all day financial challenge for schools in Wolverhampton. Local Provident staff attended for the third year running and formed part of the judging panel to assess the most compelling ‘pitch’.</li> <li>• We asked DebtCred to develop a new strand of support for sixth form students in Bradford schools. Working in partnership with Young Enterprise, we held two financial education and careers days for students. Over 120 students attended workshops delivered by organisations including DebtCred, Citizens Advice, Bradford University, Graduate Yorkshire (the Yorkshire universities’ careers service) and HM Revenue and Customs.</li> </ul>



## A man walks into a bar...



*It must be a common scene across the country. Someone lends £30 to a friend in the pub and says "If you pay me back next week and buy me a pint, we're straight". So the friend returns back to the pub the following week, pays back the £30 and buys a pint of bitter which costs £3.00. Most people would think this is reasonable enough. But the equivalent APR of this transaction would be over 14,100%. If the pub was a little more upmarket where a pint of bitter costs £3.75, the equivalent APR of the transaction would be over 45,600%.*

## Understanding APR

The APR of our products can appear high when compared to standard, longer-term loans. However, APR is not a good measure for the small, short-term loans we provide. The Competition Commission backed this up. In their 2006 home credit investigation final report they said: "We consider APR alone to be a poor measure of a home credit loan. Because of the relatively short period of some home credit loans, the reinvestment assumptions inherent in the APR calculation can give rise to some very high figures, and magnify differences between similar products".

Our loans are different to standard loans in a number of ways. We offer small amounts over a short period of time, we arrange the loan and collect repayments in the customer's home, and, possibly most importantly, all our charges and interest are included in a single, transparent, fixed charge which includes the interest on the loan.

This means our customers know exactly how much they will pay even if they miss a payment. This can be very reassuring, allowing our customers to plan their finances. And if something unexpected happens which means they miss a payment, they will not be penalised for it. This is especially relevant when you consider charges made by banks for going overdrawn.

We run our business very efficiently which means we offer the best APR we can for the type of product we offer. In 2009, the Joseph Rowntree Foundation conducted research to test the commercial feasibility of a not-for-profit home credit operation. They established that home credit could be provided on a not-for-profit basis at an APR of 123% and even this figure does not reflect the true cost of providing the service. By offering an APR of 123%, it would take ten years for the not-for-profit operation to break-even and this would not allow for interest on initial capital or the cost of loan capital. For more information on the APR of our products see page 6.

## The role of agents

Agents play an important role in delivering home credit and provide many advantages. Loans are delivered to the customer's home by self-employed agents who then call every week to collect cash repayments. Agents are paid commission on what they collect, not what they lend; so they have no reason to lend more than their customers can afford to repay. That's good for our customers and our business.

The agent's weekly visit is not only convenient for the customer but also acts as a useful reminder to put the money aside for the repayment. And if a customer gets into difficulty, they know they will get a sympathetic response from their agent.

With over

# 2 million

customers, Provident Financial has more non-standard customers in the UK than any other lender.



Managers in our network of branch offices are available to answer agent queries and support them in running their agencies and meetings between managers and agents typically take place on a weekly basis. Agents are also provided with a comprehensive manual which sets out details on a range of issues, in particular information on the rules and regulations that apply to our operations.

## Regulation of our business

As a financial services provider, Provident Financial and our subsidiaries are subject to a wide variety of legislation and regulation. This legislation is constantly evolving. We engage with industry regulators to understand how new legislation will affect us and give our input to aid the development of Consumer Credit law.

Provident Financial is the subject of consolidated supervision by the Financial Services Authority as the parent company of Vanquis Bank and equivalent legislation exists for our business in the Republic of Ireland.

We are regulated under the Consumer Credit Act 1974 and our home credit businesses and Vanquis Bank are required to hold licences from the Office of Fair Trading (OFT) to operate. Compliance with the Consumer Credit Act is monitored nationally by the OFT and, at a local level, by local authority trading standards departments.

This legislation ensures that the UK consumer credit market operates in the interests of consumers in a fair, clear and competitive way. The act and its supporting regulations cover: advertising, canvassing and the provision of pre-contract information to customers; the form and content of credit agreements; cancellation rights and early settlement rebates; debt collection procedures; and the granting of consumer credit licences.

Details of the legislation affecting our business are given below.

## Consumer Credit Division

### In the UK

- Holds licences from the OFT to operate.
- Complies with the Consumer Credit Act.
- Provident Personal Credit (PPC) and Greenwood Personal Credit (GPC) are members of the home credit industry's trade association, the Consumer Credit Association (CCA). As members they are subject to the CCA's Code of Practice and Business Conduct Pledge, voluntary codes which reinforce the requirements in the Consumer Credit Act.

## Overall customer satisfaction with our main products for the period 2005 – 2009

Year	% of home credit customers either very or quite satisfied with PPC/GPC*	% of Vanquis Bank customers rating their overall experience as good or excellent
2005	94	n/a
2006	93	n/a
2007	94	84
2008	95	88
2009	94	86

## Home Credit complaints\*

Had cause to complain about PPC/GPC	% of Home Credit customers who have made a complaint			
	2009	2008	2007	2006
Yes	6.0	4.3	5.2	5.8
No	94.0	95.6	94.7	94.2
Don't know	0.0	0.1	0.2	0.1

## Vanquis Bank complaints

Year	% of customers who have made a complaint to Vanquis Bank
2007	11
2008	7
2009	13

\* Data is from a survey of current and past PPC and GPC customers, September 2009. Monthly annual average data. Research conducted by Quaestor on behalf of the Consumer Credit Division



### **In Ireland**

- Regulated under the Consumer Credit Act 1995 and the Irish Financial Services Regulatory Authority's Interim Code of Practice.
- PPC is licensed to carry out business as a moneylender (as home credit providers are known in Ireland) by the Financial Services Regulatory Authority.
- A Consumer Protection Code for Licensed Moneylenders came into effect in October 2009. The Code introduced new rules covering areas such as customer information and record keeping requirements, advertising, complaints handling and dealing with arrears. PPC put appropriate procedures and processes in place to ensure compliance with the new rules.
- PPC is a member of the trade association for moneylenders, the Consumer Credit Association (Republic of Ireland).

### **Vanquis Bank**

- Holds a licence from the OFT.
- Complies with the Consumer Credit Act.
- Authorised and regulated by the Financial Services Authority (FSA).
- Required to work towards the FSA's six consumer outcomes set out in the Treating Customers Fairly (TCF) initiative (see box on the opposite page).
- The FSA carried out an ARROW audit at Vanquis Bank. ARROW stands for 'the Advanced, Risk-Responsive, Operating frameWork' and allows the FSA to assess and manage risks in terms of issues like market confidence, consumer protection and reducing financial crime. The FSA did not identify any specific risks which required any action from Vanquis Bank.

## Ensuring compliance

Our Responsible Lending Group has been established to make sure all our operations and subsidiaries operate at, or above, the basic standards expected of Consumer Credit Licence holders and lend responsibly. We ensure we have the appropriate governance and monitoring mechanisms in place to demonstrate to our regulators and other stakeholders that our businesses lend in a responsible manner.

We have legal teams at our head office in Bradford and Vanquis Bank in London. These teams review all marketing and lending processes and procedures to ensure that they comply with all relevant legislation and codes. This ensures that all marketing material and lending processes are legally compliant before their use. We also have in-house compliance teams to ensure that lending processes and procedures are adhered to, as well as monitoring our systems to guard against fraud and money laundering.

Employees from across our subsidiary businesses receive compliance training on a range of issues to ensure that marketing and lending practices are conducted in a responsible manner. This training, which includes an on-going programme of refresher training for employees, is delivered via the intranet-based learning management systems in place within our businesses.

We ensure we have the appropriate governance and monitoring mechanisms in place to demonstrate that our businesses lend in a responsible manner.

## FSA's Treating Customers Fairly



### The six consumer outcomes

- *The fair treatment of customers is central to the corporate culture*
- *Products and services are designed to meet customer needs and are targeted accordingly*
- *Consumers are provided with clear information and are kept informed before, during and after the point of sale*
- *Where customers receive advice, the advice is suitable and takes account of their circumstances*
- *Consumers are provided with products and services that perform as firms have led them to expect*
- *Consumers do not face unreasonable post-sale barriers*

*Vanquis Bank's compliance committee is chaired by a non-executive director and provides oversight in terms of how the TCF initiative is embedded across the business.*

*During 2009, Vanquis introduced a TCF 'dashboard' which includes a range of measures to embed TCF in the business. The measures are 'owned' by a range of representatives and are reviewed on an ongoing basis with improvement actions generated if needed.*

*Vanquis's TCF forum is responsible for monitoring the effectiveness of the 'dashboard' and ensuring that actions are acted upon.*



our people

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Total  
number  
of group  
employees:

3,700

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# background

The 3,700 people we employ are critical to running our business successfully. We need to provide them with a working environment that is safe and healthy, where everyone’s contribution is recognised, rewarded and valued, and where staff feel engaged and motivated. If our employees are satisfied with their jobs, performance will improve and our business will be run in line with our values.

The Consumer Credit Division and Vanquis Bank each have their own human resources functions. Along with the internal communications teams, they undertake regular employee engagement surveys and ensure that there is effective communication across all areas of our business.

## Targets

<p><b>2009</b> Undertake a review of all HR-related policies and ensure that they are ‘diversity proofed’.</p>	<p>Acceptable progress.</p>
<p>Develop a group-wide ‘improving diversity’ action plan.</p>	<p>Achieved - See page 31 of this report for information.</p>
<p>Undertake an employee opinion survey and report levels of employee engagement.</p>	<p>Achieved - See page 30 of this report for information.</p>
<p><b>2010</b> Promote a revised absence management policy and guidance within the Consumer Credit Division.</p> <hr/> <p>Continue to operate employee recognition schemes across the Provident Financial group.</p> <hr/> <p>Roll out leadership and management development training across the Provident Financial group.</p> <hr/> <p>Roll out a clerical National Vocational Qualification to staff in the Consumer Credit Division.</p> <hr/> <p>Create a diversity strategy and define comparator measures for the Consumer Credit Division.</p>	

## Employee turnover

The level of employee turnover can indicate levels of employee satisfaction, demonstrate responsible employment practices and highlight HR-related management issues.

Some turnover is inevitable and can be positive. However, it can also be problematic and expensive, particularly where skills are relatively scarce, where recruitment is costly or where it takes a long time to fill a vacancy. High turnover can also lead to low morale and resulting low productivity or unnecessarily high staffing levels and overtime payments. Measuring and monitoring staff turnover rates is therefore an important business issue for us.

In 2009, the Chartered Institute of Personnel and Development (CIPD) reported in its annual survey that the average labour turnover rate for all sectors was 15.7% (2008: 17.3%), and in the financial services, insurance and real estate sector it was 16.6%.

### % of staff leaving Provident

Year	% leaving
2009	6.8
2008	15.9
2007	17.1
2006	19.5
2005	20.0
2004	22.0

A key factor in the fall in the number of employees leaving the Provident Financial group during 2009 are the current uncertain economic conditions. It is thought that in such conditions employees feel less secure about their financial future and therefore are less likely to leave for a new job.

## Engaging our people

Engagement has risen by 18% points compared with 2007 among staff at Consumer Credit Division and Provident Financial corporate office. In our third employee engagement survey in early 2009, the overall engagement score within the Consumer Credit Division and corporate office rose to 60% compared with 42% in 2007. We are now responding to the feedback given in the survey to improve employee engagement levels further.

At Vanquis Bank, the mean employee satisfaction during 2009 dropped slightly to 6.62 (2008: 6.73) out of 10.

Internal communications are important to engage our people and keep them engaged. To keep them informed of our wide-ranging commitments, both operating subsidiaries make use of intranet sites and publish regular internal newsletters. Regular e-bulletins are also circulated to employees, and leadership briefings are distributed to the senior managers which are then cascaded to their teams. To encourage dialogue we also hold face-to-face team meetings.

## People development and training

The long-term success of our business depends on the skills and knowledge of our people. We continue to train and develop our people to contribute to their personal success and our business success.

During 2009, Provident Financial employees received 10,511 days formal training, meaning each employee received an average of 3.0 days training (2008: 4.6 days). This figure is below the UK average for private sector organisations of our size which is 6.5 training days per employee (CIPD's 2009 annual training and development survey). The drop in the average number of training days per employee is in part due to the considerable work undertaken during 2009 to develop and roll out the leadership training programmes described below, which has taken up a significant amount of resource and management time.

Our performance management processes mean we can help our people to develop their competencies, employability and career opportunities, and ensure that any training and development opportunities identified are aligned with our business goals.

Both the Consumer Credit Division and Vanquis Bank have annual or biannual performance reviews. These are supported by personal development plans which are maintained by employees and used to document development needs, objectives and targets. Our performance management processes are also useful in terms of spotting talent.

### Leadership and management development

The Consumer Credit Division and Vanquis Bank have each developed and delivered leadership and management programmes during 2009.

The Consumer Credit Division received accreditation from the Chartered Management Institute (CMI) for two courses, both of which include a session on corporate responsibility to help embed CR within our business.

The Leadership Management Programme is focused at area managers and head office managers and meets the CMI's 'Level 3 Diploma in First Line Management' standard. The Senior Leadership and Management Programme, which is aimed at more senior managers, meets the 'Level 5 Diploma in Leadership and Management' standard.

Vanquis Bank developed two management and leadership programmes, one aimed at strategic managers and one for senior managers, and two training programmes for team leaders. The training for team leaders is approved by the Institute of Leadership and Management; one programme to Level 3 on first line management, and the other to Level 2 on team leading.

In addition to leadership and management training, we continue to deliver other training to equip our managers to



deliver our business goals. The Consumer Credit Division offers team leader development programmes, people management development courses, and other role-specific training in areas like call centre skills, collection techniques and complaint handling. Vanquis Bank delivers standard management training on a range of issues including absence management, recruitment and selection, and managing performance.

### Compliance

Compliance is an important training area and both subsidiary businesses use learning management systems to enable all employees to access a range of role-related computer-based training (CBT) courses. The CBT modules cover a range of compliance issues including anti-money laundering, data protection, the FSA's Treating Customer Fairly initiative and health and safety. Compliance issues are also included in our induction training.

### Diversity

Management of diversity is important to us; it enables us to understand the needs of our customers, develops our reputation as an inclusive employer, helps us to attract and retain employees, and improves employees' productivity and motivation.

During 2009, our largest operating subsidiary introduced a new diversity policy. The policy underlined the Consumer Credit Division's commitment to providing equality of opportunity in employment to all employees. Their board also approved an action plan to improve diversity.

The gender split of our workforce is 50% men (2008: 50%) to 50% women. The proportion of women within the Provident workforce is slightly higher than the UK average, which is 47% according to the Office of National Statistics.

#### % of female staff

Year	% female staff
2009	50
2008	50
2007	49
2006	49
2005	48
2004	46

During 2009, we saw an increase in the number of women who occupied management roles across the Provident Financial group, with 29% of these posts now filled by women (2008: 28%). This is lower than the figure for the financial services sector which, according to the Office of National Statistics 2009 Labour Force Survey, is 36%.

#### % of female managers

Year	% female managers
2009	29
2008	28
2007	27
2006	24
2005	21
2004	15

During 2009, the proportion of our employees from black and minority ethnic (BME) groups remained the same at 5.2% (2008: 5.2%).

#### % of ethnic minority staff

Year	% ethnic minority staff
2009	5.2
2008	5.2
2007	3.8
2006	4.2
2005	3.8
2004	3.1

This contrasts with the proportion of the UK economically active population from black and minority ethnic (BME) communities which, according to the Office of National Statistics Annual Population Survey (July 2008 – June 2009), stands at 11.5%.

The age profile of the people employed across the Provident Financial group is broadly similar to the profile of economically active people in the UK as a whole.

#### Age breakdown of Provident Financial's employees

	Under 20	20-29	30-39	40-49	50-59	60 +
Provident Financial	1.59%	20.68%	20.81%	32.23%	20.75%	3.94%
UK benchmark	5.43%	21.05%	22.22%	24.98%	24.03%	2.29%

## Health, safety and well-being

It is our duty to provide our employees, self-employed agents, contractors and visitors with a healthy and safe working environment.

Health and safety steering groups are in place across the whole Provident Financial group and report directly to the board. These groups provide strategic direction to health and safety policy and oversee the implementation of that policy.

Training is provided to raise awareness of health and safety issues such as personal safety and manual handling. This helps them identify and manage a wide range of health, safety and well-being issues.

The Consumer Credit Division delivers two personal safety weeks each year to further raise awareness of the personal safety issues that might arise from being in a customer's home, driving, or handling sums of money.

### The Provident Financial health and safety performance data 2009

Category	Number of accidents/incidents affecting employees
Accident: Death/major injury	0
Accident: Reportable major injury	0
Accident: Reportable >3 day absence	10
Incident: Death/major injury	0
Incident: Reportable major injury	0
Incident: Reportable >3 day absence	9

We have an Employee Assistance Programme (EAP) which is available to all employees and their immediate family. This programme is a confidential and impartial counselling advice service to help employees and their families resolve difficulties which may affect their health, well-being or work performance. The EAP includes a free telephone information, advice and counselling service.

To help staff improve their health Vanquis Bank ran a 'stop smoking' campaign and offered free flu injections in partnership with the local NHS Primary Care Trust. Vanquis staff in Chatham were also offered discounted gym membership.

## Absence

We consider that the management of workplace absence is an important part of being a responsible employer. Having effective absence management policies and procedures in place across our businesses not only enables us to reduce costs associated with the loss of productivity or paying temporary staff to cover absent employees, it also enables us to ensure that our workplace is healthy and safe which improves employee well-being and enhances motivation. Throughout 2009, both subsidiary businesses introduced a range of processes to monitor and manage absenteeism, health and well-being issues.

Vanquis Bank aligned their absence management system with 'Bradford Factor', a human resources tool used by many organisations to measure and identify areas of absenteeism. The Bradford Factor measures an employee's irregularity of attendance based on absence frequency and duration. It can be used to monitor trends in sickness absence, to provide trigger points and for comparison of absence rates. Vanquis also delivered a range of training programmes for line managers on the new absence management system and how to manage the performance of employees.

The Consumer Credit Division cascaded an absence management guide to all line managers. This guide covers a range of issues including: recording an employee's absence, how to conduct a 'return to work' interview, and how to manage short-term sickness absence through counselling. The division also introduced new systems to enable data on absence to be collected and collated centrally.

### Absence of Provident Financial's employees

Business unit	Average number of days lost to absence per employee	Absence as a proportion of employee time
Consumer Credit Division and corporate office	7.6	2.9%
Vanquis Bank	9.2	3.0%

According to the CIPD, the average level of employee absence for the financial services, insurance and real estate sector in 2009 is 2.6% or an average of 5.9 days lost per employee per year.

## Employee salary and benefits

We operate three savings-related share option schemes which encourage employees' involvement and interest in the financial performance and success of the business. 1,419 employees are currently saving to buy shares in the company under these schemes.

Like most companies, we are moving away from final salary pension schemes. These are less popular now for a range of reasons, including the higher costs of pensions, increasing regulation and an ageing population. In April 2006, members of the final salary scheme could choose to pay a higher contribution and remain in the final salary section of the scheme or pay a lower contribution and switch to a cash balance section of the scheme.

All new employees can join the Provident Financial Stakeholder Pension Plan. Provident contributes 8% to the plan, and members 6%, with the option of contributing more if they choose. The plan also includes a range of other benefits including life assurance and long-term disability cover. Employees are kept informed on their pensions via a range of means including newsletters, benefit statements and via a dedicated website.

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



## Whistleblowing

Our group-wide whistleblowing policy and procedure is called 'Safecall', which works in tandem with internal reporting processes. The 24 hour reporting line is independently operated and allows employees to confidentially report instances of wrongdoing. Details of the 'Safecall' service is communicated to all employees on business cards and via our intranets.

During 2009, 17 calls (2008: four calls) were received through this system. All these calls were of a HR nature and are being investigated or have been investigated and resolved internally.

## Consultation with employees

The Consumer Credit Division recognises two trade unions: Unite and USDAW (the Union of Shop, Distributive and Allied Workers). The trade union representatives have overall responsibility for promoting trade union rights and overseeing trade union membership issues.

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

## Employee representation

**100%** of our sites have employee representation structures in place.

**Consumer Credit Division** – The Business Consultation Group (BCG) is made up of 25 elected representatives. The BCG's role is to engage with senior management to ensure that feedback from employees is incorporated into the business's decision-making processes. Elections were held to appoint new BCG members in 2009.

**Vanquis Bank** – An Employee Forum has been established within Vanquis Bank where employees' ideas and questions are discussed and, where appropriate, action is taken. Forum representatives are elected every two years by their colleagues and are responsible for gathering feedback from their respective departments and communicating this in forum meetings.



# our suppliers

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The average  
time we took  
to pay our  
suppliers in  
2009:

**18** DAYS

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# why supply chain management is important

Our procurement spend in 2009 was £87.7m (2008: £96.9 million), making our supply chain a significant part of our CR footprint.

As a responsible business we have a duty to build and maintain an honest and transparent trading relationship with our suppliers and treat them fairly and with respect. We also need to ensure that the products and services we buy do not have adverse social, environmental and ethical impacts.

By minimising the negative social and environmental impacts of our purchasing decisions, we also minimise the reputational risks associated with exploitation and environmental damage in the supply chain. In addition, purchasing in a responsible way has far reaching benefits; it gives a strong signal to the market which encourages the production of cleaner and more ethical products and promotes ethical behaviour in other companies.

## Targets

**2009** Build corporate responsibility requirements into invitation to tender documents and new/renewed supplier contracts.

Achieved - See page 36 of this report for information.

**2010** Continue to build corporate responsibility requirements into invitation to tender documents and new/renewed supplier contracts.

Undertake corporate responsibility spot-checks of selected existing suppliers.





## Code of ethics

Our commitment to consider the social, environmental and economic impacts of the goods and services we buy is set out in our code of ethics. This code was reviewed in June 2009 and states:

**'All fundamental human rights are respected and, in the conduct of our business, are guided by the provisions of the United Nations Universal Declaration of Human Rights and the International Labour Organisation core standards'.**

**'Investment and acquisition decisions, as well as business relationships, are judged not only against economic criteria but also in the context of social, environmental and ethical issues'.**

## Prompt payment

We are committed to treating our suppliers fairly and that means paying them on time. Late payments can severely affect businesses', and particularly small and medium-sized businesses', cash flow. This is particularly important in these tough economic times. The average time we took to pay our suppliers was 18 days in 2009. This compares favourably to Experian's Late Payment Index. According to the index in December 2009, businesses were paying suppliers an average of 20.88 days *after* the agreed terms.

## Group-wide average creditor days

Year	Days
2009	18
2008	25
2007	24
2006	14
2005	17
2004	22

## Responsible procurement

Our procurement functions are responsible for ensuring that social, environmental and ethical considerations are factored into our procurement processes. Representatives from procurement sit on our CR working groups and ensure that CR is included in our supply chain management processes.

To ensure responsible procurement is considered early on, we have included social, environmental and ethical questions in both the pre-qualification and invitation to tender stages of our procurement processes. The information from these questions is then factored into the purchasing decision.

During 2009, we used this questionnaire to assess the environmental performance of the mailing house organisations we use to collate and co-ordinate the direct

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mail marketing material we send to our customers. This enabled us to take advantage of an environmentally-friendly mail service being provided by the postal organisation we use.

As a result of being able to demonstrate that our mailing house organisations satisfy the social, environmental and economic criteria that were specified by the scheme, we have improved the environmental performance of the way our marketing material is sent out to our customers.

## Supplier assessments

**D**uring 2009, we started conducting site visits with our waste management services providers to verify their compliance with our environmental, health and safety, and data protection policies.

These visits proved particularly valuable while implementing new waste management facilities within the Consumer Credit Division's UK-wide network of branch offices. A key factor in our decision was the suppliers' environmental performance and their ability to increase recycling rates.

After sending out our CR questionnaire and conducting site visits we were able to select a waste management and recycling supplier with good environmental performance and which increased the amount of waste we recycled in our branch offices.

## Monitoring supply chain CO<sub>2</sub> emissions

**D**uring 2009, we continued to engage with some of our suppliers to access information on the CO<sub>2</sub> emissions associated with the services we use. In the main, the information we collect relates to the business flights and train journeys taken by employees, as well as fuel used by company car drivers. By collecting this information from our suppliers we are able to provide an accurate account of the CO<sub>2</sub> emissions that are associated with indirect impacts such as employee business travel.

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# community

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The number  
of employees  
involved  
in our  
community  
initiatives:

604

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# why we support the communities we serve

‘Making a positive contribution to the communities served by the group’s businesses’ is one of our strategic aims. We also have a mission statement which commits us to invest in the many communities we serve. This places our community involvement activities at the heart of what we do as a business.

## Targets

<p><b>2009</b> Produce an independent research report covering the three years of our Spark arts education project.</p>	<p>Achieved - go to <a href="http://www.providentfinancial.com/files/pdf/provident_spark_report.pdf">www.providentfinancial.com/files/pdf/provident_spark_report.pdf</a> for more information.</p>
<p>Each Spark partner venue to receive venue-specific reports which will include feedback from participants, parents and schools.</p>	<p>Achieved - See page 40 of this report for information.</p>
<p>Establish a process whereby non-head office staff can take part in company-led community activities.</p>	<p>Achieved - See page 44 of this report for more information on Good Neighbour.</p>
<p>Establish a new community involvement programme in each of our operating divisions by the end of 2009.</p>	<p>Achieved - See page 44 of this report for more information on Good Neighbour.</p>
<p>Integrate a number of our existing community activities within the new programme, as a way of continuing support to these projects and providing enhancements to the new programme.</p>	<p>Achieved - See page 44 of this report for more information on Good Neighbour.</p>

<p><b>2010</b> Introduce an independent researcher to monitor outcomes and impacts achieved from each of our principal community programmes.</p>
<p>Identify locally-based managers to develop the relationships with each of our principal community projects within the Good Neighbour programme.</p>
<p>Work with the locally-based managers and the principal community partners within the Good Neighbour programme to identify areas where we can add value in addition to our financial support.</p>
<p>Introduce one new major project in each of our operating divisions in 2010, with an overall aim of having established support for at least 18 projects by the end of 2010.</p>

Our commitment to the local community is part of our history and it's where our corporate responsibility journey began. Our founder, Joshua Waddilove, was well regarded as a philanthropist in West Yorkshire, and was in fact knighted for his charitable work.

For the past 10 years we have run a series of Provident-initiated community programmes throughout the UK and Ireland which have developed the skills and talents of the people living in the communities we serve, in particular children and young people.

In these tough economic times this work is more important than ever, and we remain committed to being a positive force in the many communities we serve.

2009 was a significant year for our community involvement programme. We launched a major new project and it was our last year of funding Spark.

## Being a Spark for creativity

Spark has been our flagship community involvement project for the past four years. It is a unique and pioneering arts education project; inspiring and empowering primary school children living in socially deprived areas across the UK and Republic of Ireland. This type of programme is particularly important in these tough economic times.

For the past four years, Spark has:

- enriched primary school children's learning with an opportunity to develop new skills, work in teams and create a unique product.
- made performing and creative arts a reality for disadvantaged young people; an area which is sometimes neglected.
- created sustainable opportunities for schools, arts venues, artists and business to work together; where possible, parents have been involved too.
- provided a forum where teachers and artists could share ideas, experiences and establish educational 'best practice'.
- provided Provident Financial employees with an opportunity to work directly with the communities they serve.

Spark was managed throughout the UK and Ireland by the West Yorkshire Playhouse in partnership with seven other theatres.

We remain committed to being a positive force in the many communities we serve.

## Community investment



*Our approach to community investment has two main strands:*

- *helping to address the social inclusion needs of people who live in deprived communities*
- *working with the money advice sector on issues such as financial education. See the 'our customers' section of this report for details of our work with the money advice sector.*

Once again in 2009, we commissioned independent research to show how Spark has affected the pupils and teachers involved, and the relationships between schools, arts venues and artists and Provident Financial employees.

We have produced a publicly available evaluation report to provide our stakeholders with an overview of Spark's success and the impacts it has had on the communities we serve. We also produced a report for each of the partners that helped deliver the Spark project which included feedback specific to them.





# Spark projects

5,277  
PUPILS EACH YEAR

59  
SCHOOLS

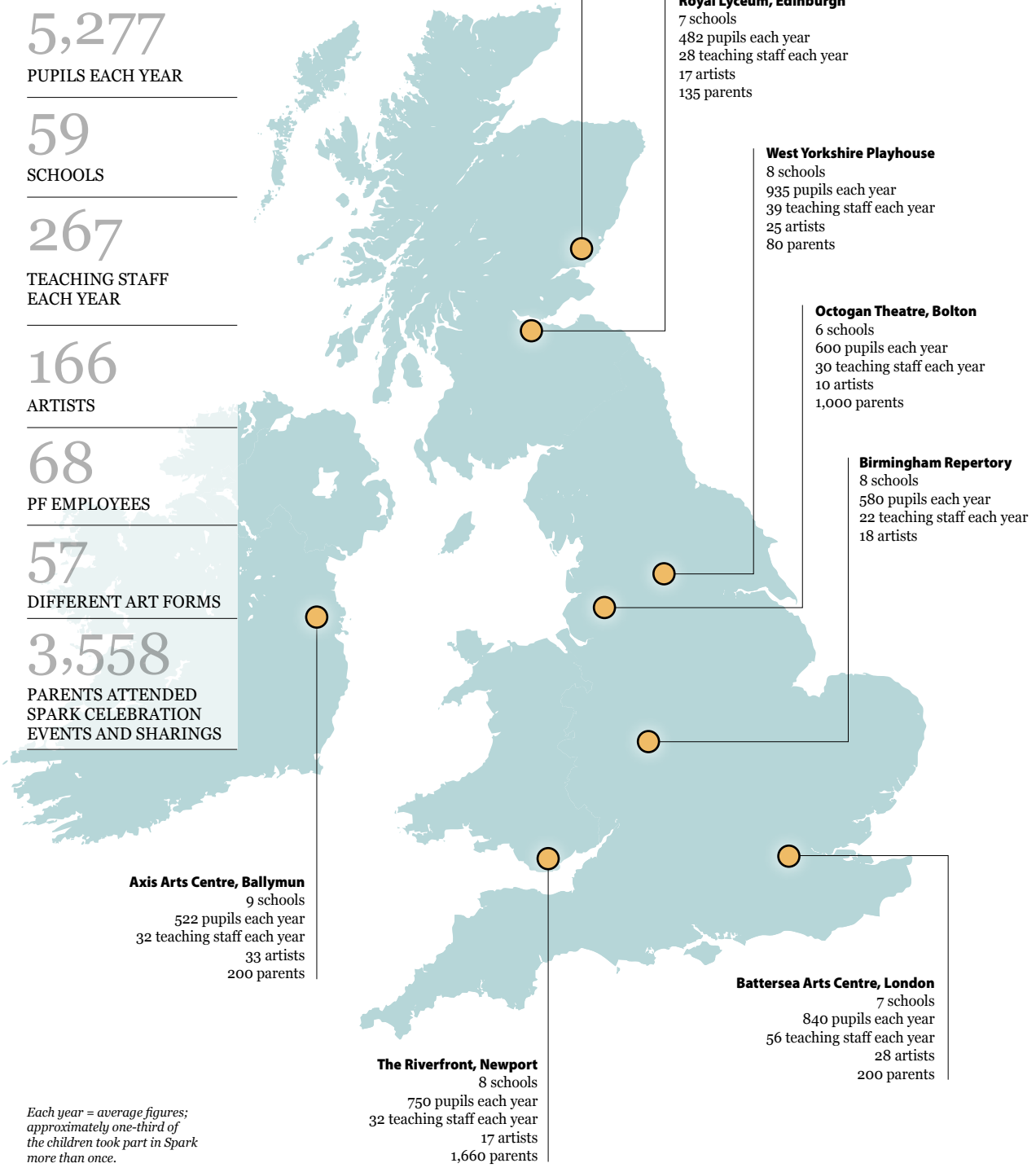
267  
TEACHING STAFF  
EACH YEAR

166  
ARTISTS

68  
PF EMPLOYEES

57  
DIFFERENT ART FORMS

3,558  
PARENTS ATTENDED  
SPARK CELEBRATION  
EVENTS AND SHARINGS



*Each year = average figures;  
approximately one-third of  
the children took part in Spark  
more than once.*

# The impact of Spark on school children has been:

## Increased self-confidence and self-esteem:

82% of the teachers involved saw an increase in self-confidence in the children they taught. 82% of the children who took part said they felt they had grown in self-confidence. A staggering 97% of parents felt their child's confidence had improved as a result of Spark.

*"There's no doubt that our children who took part in Spark have more confidence. I am absolutely certain that taking part in Spark has contributed to the children becoming more successful learners and more effective as they go through the school day."*

Head teacher, Sighthill Primary School, Edinburgh

*"When I had to talk in front of everyone, I thought I would never do it - but I did. I'm now confident of talking in front of everyone."*

Pupil, Buttershaw Primary School, Bradford

*"The thing I like best about Spark was getting up and acting in front of loads of people. The workshops made me feel more confident about getting up and performing."*

Pupil, Rowantree Primary School, Dundee

## Improved group-working and co-operation skills:

78% of teachers said that Spark was effective in improving team skills. 90% of children agreed and also stated that they enjoyed the camaraderie of group work.

*"They've learned to work together as a group and gained confidence. It has enriched the pupils greatly. The children do not have the best social skills or confidence and this has greatly helped them work as a team. It has really benefited them."*

Teacher, Princethorpe Junior School, Birmingham

*"They were able to learn from one another. At the beginning some found it more challenging but they learned to accept other ideas and it helped their co-operative skills."*

Teacher, St Catherine of Sienna School, Birmingham

*"I have learned to work with people I don't usually work with. The workshops made me more confident in myself and made me more believing in myself."*

Pupil, Millbrook Primary School, Newport

## Enjoyable and engaging:

94% of children involved in Spark said that they would like to participate again, 89% said that the programme helped them to have fun at school and 82% said that they thought their workshops were 'great'.

*"I enjoyed witnessing how engaged the boys were in the dance work and how some difficult children were very focussed on the work and enjoyed this chance to shine."*

Artist, Bradford

*"He really enjoyed taking part and he learned about things that he probably wouldn't have had a chance to do. It has given him something to look forward to. He is very confident now and very motivated."*

Parent, Ballymun

*"It enabled the children to engage in activities that were significantly part of their school learning experiences on a very broad creative spectrum."*

Head teacher, Colmers Farm Junior School, Birmingham



**OVER £1M**  
invested in Spark over four years

MORE THAN

5,000

children and 260 teachers each year were given the opportunity to participate in and learn through creative arts

**Created a sense of pride and achievement:**

88% of children said Spark made them feel proud of their achievements. From having their ideas heard in the classroom, to letting their creative suggestions take shape and delivering a final performance, participants took pride in every stage of the Spark process.

*“The impact of Spark cannot be underestimated. It is hard for our children to achieve and attain. Our attainment last year was the highest of primary schools. There can’t be a direct correlation but Spark is part of what we offer and it may well have had an effect on our children’s attainment.”*

Head teacher, Sighthill Primary School, Edinburgh

*“It’s ideal for many disadvantaged children who are non-achievers academically. With Spark they are achieving results and they are enjoying the work. A lot of the boys are good with their hands and they find arts therapeutic when they are making something in particular.”*

Teacher, Our Lady of Victories Boys School, Ballymun

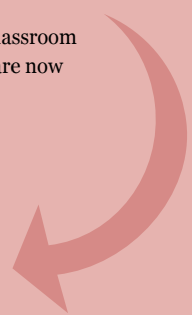
*“The workshop made me feel proud of myself because my art was being published and I would never of thought how to make pictures using felt.”*

Pupil, Alway Primary School, Newport



Over the past four years, we have worked hard to ensure that Spark leaves a robust legacy of improvement in the provision of arts education. So, in addition to benefitting the thousands of children who have been part of Spark, we believe that the project will continue to have the following lasting impacts across the UK and Ireland:

- As a result of Spark, many of the regional theatres have been brought into closer contact with schools in their area. Many theatre venues now have a better understanding of primary school children’s needs and how best to stimulate and engage them. This has enabled the venues to become more of a community arts resource.
- Spark has given almost 60 schools the confidence to apply arts education techniques to a range of topics across the curriculum and access the outreach resources that are delivered by regional theatres.
- Finally, Spark has provided over 160 artists with classroom experience that has been so rewarding that many are now pursuing roles with a greater teaching element.



“I have learned to work with people I don’t usually work with.”



## Being a Good Neighbour

We launched Good Neighbour, a major new strand of our community programme, in 2009. The launch followed extensive stakeholder research during 2008 in some of the communities we serve. Good Neighbour will replace Spark as our flagship community programme and will support our ambition to play a positive role in those communities. There are three components to Good Neighbour:

### Supporting local projects:

By working in partnership with local community organisations, Good Neighbour will deliver projects which are tailored to meet the needs of local residents. Most projects will be run over a three-year period, and there will be opportunities to deliver smaller, one-off projects too. Each project will be identified by the staff in our operating divisions. These staff will then work in conjunction with the central community affairs team to maintain the relationship with each community organisation, ensure that the project is meeting the needs of its beneficiaries and identify employee volunteering opportunities.

We have established nine long-term Good Neighbour projects with a range of community partners in each of our operating divisions:

- Sedbergh Youth and Community Centre:** This centre serves the areas of Odsal, Buttershaw, Woodside and Wyke in Bradford. Provident Financial has provided funding for a new part-time project co-ordinator and for a range of new daytime and evening activities, including: the 'young at heart' pensioner group, a parent and toddler group, a youth club, mini tennis coaching, and a school holiday project.
- Sefton Enterprises Limited:** SEL has been serving the training and development needs of young people who have underachieved in formal education within Sefton, Liverpool, for over 30 years. We have provided funding for two new part-time posts to support and expand the work of the charity. In future, we will provide funding for a community project which will promote community cohesion, improve employment skills and enhance the local environment. In the summer, we will support a camp in Snowdonia so 20 local, young people can take part in team-building and self-confidence sessions.
- Boomerang:** Boomerang is a community organisation based in the Stobswell area of Dundee. The organisation provides services and activities for over 300 members of the local community. Funding will be used to provide an IT worker for their Learning Centre who will work with low-paid workers who are long-term unemployed or have recently been made redundant. Funding has also been provided for a Friday and Saturday evening Youth Café to help prevent antisocial behaviour in the area.
- Made for you in ML2:** Made for you in ML2 provide activities for local residents and schools in Wishaw, Scotland. Our funding is supporting a weekly youth club, healthy eating and exercise programme, football coaching and a special needs youth group.
- Baggator:** Baggator is a youth project which works in one of the most deprived areas of Bristol. Our funding will support a Friday club night for young people aged 12+ and an Adventure Camp programme.
- Solas:** Solas is an after-school project based in the Basin Lane flats, a run-down area of Dublin. Open each day from 14:30 to 18:00 the centre provides a warm meal each day and help with homework, plus fun activities and weekend trips for school children from the local community. Our funding will help the organisation to expand the number of places available on the project.
- Shard End Youth & Community Centre:** This centre works with children and young people aged from 5 to 25 in the Shard End area of Birmingham. Our support will fund the centre's youth club and junior club, the delivery of computer courses, and will establish links for older residents with a 'young at heart' group.
- Ahoy Sailing Centre:** This centre provides disadvantaged young people and people with disabilities the opportunity to experience sailing and boating activities on the Thames in the heart of London. Our funding will support the centre's projects with the Metropolitan Police and the Probation Service which work with ex-offenders and people at risk of offending.
- New Parks Club for Young People:** This club serves the New Parks estate in Leicester, which is in the bottom 10% of wards in England and Wales. The club aims to promote the mental, physical and spiritual well-being of boys and girls in the New Parks area by helping and educating youngsters through their leisure-time activities. We are funding a full-time youth worker who will develop the club within the community and extend the youth club sessions.

In addition to the long-term projects, we funded a number of one-off projects across the country. These included: equipment for a sensory garden at a special needs school in Ayr, an after-school project in Halifax, and a support programme in Stoke-on-Trent for families affected by drugs or alcohol.

### Employee volunteering:

Good Neighbour will enable employees to participate in company-led volunteering projects, including one-to-one mentoring projects, the Provident Financial Reading Scheme and Team Challenges.

### Employee matched giving:

Employees taking part in fundraising activities or volunteering in their local communities can apply for matched giving and volunteering grants to make their contribution go even further.

**Good Neighbour**  
Provident's Community Partnerships



## Employees being a force for good in our communities

Good Neighbour provides our people with other opportunities to play an active role in the communities we serve, particularly through employee volunteering and matched funding.

Employee involvement is a hugely important aspect of our community involvement programme. As well as providing community benefits it also provides benefits to our business by contributing to skills development, job satisfaction and motivation.

175% more employees volunteered in 2009 than in 2008; in total 604 employees from across the group got involved in our community initiatives compared with 220 in 2008. Our employees took part in 16 team challenges, delivered reading sessions in schools in Bradford, and got involved in many local volunteering initiatives.

Seven employees from Vanquis Bank volunteered over 260 hours for the charity Teach Africa. These employees travelled to Kenya to support the charity's work to improve levels of educational attainment in Africa.

£28,259 was provided to charitable/community-based organisations in the form of matched funding. The charities supported during 2009 included Cancer Research UK, NSPCC and a range of worthy organisations that are local to our staff.

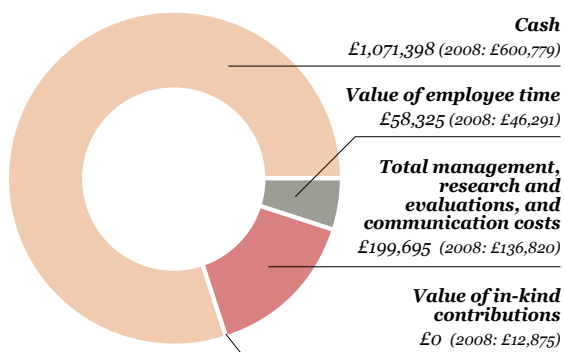


Good Neighbour will support our ambition to play a positive role in the communities we serve.

## Investing in our communities

In 2009 we donated £1,329,417 to charities and community programmes. £1,046,841 went to charities (2008: £506,602) and £282,576 (2008: £290,163) supported community programmes (based on the London Benchmarking Group's guidelines).

### Donations to charities and community programmes



## Evaluating our community programme

As London Benchmarking Group (LBG) members, we continue to provide annual submissions of our community involvement performance data. This enables us to benchmark our programme against other organisations, and evaluate how much we contribute and how effective these contributions are in achieving our community objectives.

We also continue to subject our programme to an annual process of external assurance. This process assesses our application of the LBG model and the effectiveness of the implementation of our community strategy.

### 2010 and onwards

During 2010, we will continue to deliver and develop our Good Neighbour programme. Our particular focus will be to ensure we identify and support local projects in each of our operating divisions and encourage our people to get involved in volunteering and fundraising initiatives.

We will continue to evaluate our community programme so that we can understand the outcomes of our activities and ensure that we are making a positive contribution to the communities served by our businesses.





# the environment

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In 2009  
our carbon  
footprint  
was:

**11,870** TONNES

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# why we manage our impacts on the environment

As a responsible business we know we need to manage the impacts we have on the environment. Our day-to-day business activities have a range of direct and indirect impacts on the environment. These impacts result from our use of energy and fuel for heating, cooling, lighting and transport; the generation and disposal of waste; and our use of resources such as paper.

By managing these impacts we make our business more sustainable and meet the expectations of our stakeholders. Being more efficient also reduces our operating costs and business risks, and enhances our reputation.



## Targets

### Energy

<p><b>2009</b> Reduce energy consumption by 10% by 2011 and by 15% by 2013 based on 2008 levels.</p>	<p>On-going - See page 52 of this report for information.</p>
<p>Pilot the introduction of automatic meter reading ('smart meter') systems in a sample of the Consumer Credit Division's branch offices.</p>	<p>Not achieved - The programme to pilot the introduction of smart meter systems was delayed and will now be carried out during 2010.</p>
<p>Continue to identify opportunities to offset the CO2 emissions associated with our operations, products and services.</p>	<p>Achieved - See page 54 of this report for information.</p>
<p>Undertake a Carbon Trust energy efficiency audit at Vanquis Bank's contact centre.</p>	<p>Achieved - See page 52 of this report for information.</p>

### Transport

<p><b>2009</b> Develop and implement a revised sustainable travel plan for Vanquis Bank.</p>	<p>Partial progress - During 2009, an informal car share scheme was introduced at Vanquis Bank's Chatham office.</p>
<p>Investigate sustainable travel options that can be factored into the proposed relocation of the Provident Financial head office.</p>	<p>Achieved - See page 54 of this report for information.</p>

### Paper

<p><b>2009</b> Increase the amount of paper recycled across the Provident Financial group by 20% by 2011 based on 2008 levels.</p>	<p>On-going - See pages 54 and 55 of this report for information.</p>
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We are using the Building Research Establishment Environmental Assessment Methodology (BREEAM) for Offices in the development of the new building. We anticipate that our new offices will achieve a BREEAM Very Good rating.

## Waste

<p><b>2009</b> Increase the amount of mixed waste recycled within the Consumer Credit Division branch network.</p>	<p>Achieved - See page 55 of this report for information.</p>
<p>Pilot the introduction of a new waste management contract with the Consumer Credit Division branch network.</p>	<p>Achieved - See page 55 of this report for information.</p>
<p>Continue to identify opportunities to determine the feasibility of establishing recycling rates at Vanquis Bank.</p>	<p>Partial progress - During 2009, data on the amount of confidential waste that is recycled at Vanquis Bank was captured.</p>

## Water

<p><b>2009</b> Progress work to liaise with Yorkshire Water to identify opportunities to reduce levels of water consumption at our head office.</p>	<p>Not achieved - This target was not pursued during 2009 due to the limited opportunities to reduce water consumption and lack of time to implement any changes prior to the relocation of our head office.</p>
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## Communication stewardship

<p><b>2009</b> Continue to engage with customers on relevant environmental issues (eg energy efficiency).</p>	<p>Achieved - See page 51 of this report for information.</p>
<p>Continue to encourage individual employees to reduce their environmental impacts via an ongoing employee engagement programme.</p>	<p>Achieved - See page 51 of this report for information.</p>
<p>Progress the development and dissemination of environmental management best practice within the Consumer Credit Division branch network.</p>	<p>Not achieved - This target was dropped during 2009 because of the focus on rolling out new waste management facilities within the Consumer Credit Division branch network.</p>
<p>Ensure that environmental considerations are factored into the proposed relocation of the Provident Financial head office.</p>	<p>Achieved - See page 52 of this report for information.</p>



## Targets

### Energy

**2010** Reduce energy consumption by 10% by 2011 and 15% by 2013 based on 2008 levels.

Continue to roll out automatic meter reading ('smart meter') systems to the Consumer Credit Division's branch offices.

Re-launch the Provident Financial low carbon strategy to encourage further energy efficiency and carbon offsetting.

Raise employee awareness of the ways they can reduce energy use in Vanquis Bank.

### Transport

**2010** Develop a travel plan for our new head office.

Include advice on 'green' driving in our fleet policy guidance.

Implement a more formal car-sharing scheme at Vanquis Bank's offices in Chatham, Kent.

### Paper

**2010** Increase the amount of recycled paper used across the group by 20% by 2011 based on 2008 levels.

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## Water

**2010** Ensure that water efficiency measures are integrated in our new head office.

## Waste

**2010** Establish a baseline for the amount of confidential waste paper recycled across the group.

Measure the carbon footprint associated with our waste management activities.

## Communications and stewardship

**2010** Encourage employees to reduce their individual environmental impacts via the continuing use of an awareness-raising intranet, poster campaign and internal bulletins with particular emphasis on recycling, energy efficiency and waste reduction.

Continue to engage with customers on relevant environmental issues (eg energy efficiency).

## Environmental management and oversight

To manage our environmental impacts we have an environmental policy, management system and leadership in place.

Our environmental policy seeks to limit the effects that our business activities have on the environment. Working groups across the business oversee the implementation of the policy as well as our general approach to environmental management. They set our environmental objectives and targets and evaluate our performance against them. To ensure their efficacy, the groups include representatives from a variety of departments including central services and facilities management, marketing, HR, communications, field, procurement, compliance and IT.

Our environmental management system (EMS) ensures we deliver against the commitments set out in our environmental policy. Our EMS mirrors the requirements of the international environmental standard ISO 14001 and is subject to an annual independent audit. This process evaluates our compliance with environmental legislation, the requirements of ISO 14001, and our performance against our stated environmental objectives and targets.

## Carbon management

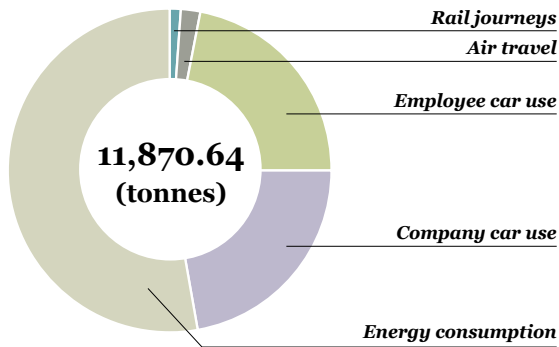
Climate change and the management of greenhouse gas emissions is an important issue for businesses. Our CO<sub>2</sub> emissions primarily come from the energy we use for heating and lighting and the travel activities of our employees.

We published our low carbon strategy in 2007 in recognition of the part we can play in the global drive against climate change. This strategy underlines our commitment to reduce the carbon intensity of our business activities. We carried out a number of activities in 2009 to deliver this strategy, many of which are detailed below.

We continue to measure, report and benchmark the CO<sub>2</sub> emissions associated with our business. This included making a submission to the Carbon Disclosure Project, which holds the world's largest database of primary corporate climate change data and represents an alliance of 534 institutional investors with a combined \$64 trillion of assets under management. Further information on our Carbon Disclosure Project submissions can be viewed at [www.cdproject.net](http://www.cdproject.net).

We also want to help our customers reduce their CO<sub>2</sub> emissions so we provide them with money-saving tips to help them improve their energy and fuel efficiency.

**Total CO2 emissions 2009**



**Energy use**

We continue to monitor and measure energy use across our business and, where possible, introduce measures to improve energy efficiency. By improving efficiency we reduce our energy costs, diminish our vulnerability to increasing energy prices and cut our CO2 emissions.

During 2009, energy consumption across the group, based on the data we reported last year, was 14,903 MWh (2008: 13,986 MWh). The increase in energy consumption during 2009 is due to an expansion in the number of branch offices we have in the Consumer Credit Division. In addition, the accounting systems we have developed over the past two years are enabling us to capture more accurate energy use data. During 2009, energy use at our head office and in Vanquis Bank, which we have reported for the past nine years, decreased to 6,331 MWh in 2009 from 6,677 MWh in 2008. This reduction of 346 MWh of energy has been attributed to improved levels of awareness among staff of the ways they can improve energy efficiency. Energy use in 420 branch offices was 8,572 MWh (2008: 7,309 MWh in 356 branch offices), this is an average of 20.4 MWh per branch office (2008: 20.5 MWh).



**Increasing efficiency**

Throughout 2009 we carried out a range of initiatives to improve our energy efficiency, including:

- Purchasing a significant proportion of the electricity supplied to us from 'Good Quality Combined Heat and Power' schemes to reduce the carbon intensity of the energy we use.
- Launching a programme to pilot the use of automatic meter reading (smart meter) systems in 27 of the Consumer Credit Division's branch offices. These will enable us to monitor energy use in this sample of offices and better target energy efficiency measures.
- We participated in Carbon Trading Yorkshire, a voluntary carbon-trading simulation scheme to help organisations to prepare for the Government's impending climate change regulation – the CRC Energy Efficiency Scheme, formerly the Carbon Reduction Commitment. Under this scheme, we are legally required to disclose to the Environment Agency details of our energy consumption.
- The Carbon Trust conducted an energy efficiency audit at Vanquis Bank's contact centre in Chatham. The audit showed relatively low levels of energy awareness amongst staff. It also highlighted a number of ways we can improve efficiency such as switching off IT equipment when it is not being used and looking at the relatively high levels of out of hours electricity demand. We will now work to raise employee awareness of the ways they can help us to reduce energy use.
- Running a number of campaigns which looked to raise the awareness of staff across the Consumer Credit Division of a range of environmental issues. For example, our 'Think Green' intranet site will help people in our branch offices to reduce costs and impacts on the environment by using resources such as paper and electricity more efficiently.

**New head office**

We have made progress with our plans to relocate our head office to a new site in Bradford city centre. Since we announced our intention to relocate in 2008, we have sought to introduce measures which will reduce our impact on the environment through both design and procurement.

We are using the Building Research Establishment Environmental Assessment Methodology (BREEAM) for Offices in the development of the new building. BREEAM is used to review and improve the environmental performance of office buildings. Buildings are assessed against a range of environmental categories including energy use, health and well-being, transport, materials and water. They are then given a single overall rating of either Outstanding, Excellent, Very Good, Good or Pass. We anticipate that our new offices will be rated Very Good.

## Energy consumption

Year	Head office and Vanquis Bank energy consumption (MWh)	CCD branch network energy consumption (MWh)
2009	6,331	8,572
2008	6,677	7,309 <sup>†</sup>
2007	6,627	n/a
2006	5,244	n/a
2005	3,844	n/a
2004	3,572	n/a

<sup>†</sup> The information on CCD branch network energy consumption has been restated as some of the data collected during 2008 was based on estimates and therefore provided an inaccurate picture of energy use.

## Total CO2 emissions associated with energy consumption

Year	CO2 emissions associated with energy consumption (tonnes)
2009	6,236.3 <sup>†</sup>
2008	5,278.6 <sup>†</sup>
2007	3,095.1 <sup>*†</sup>

\* Relates only to CO2 emissions associated with head office and Vanquis Bank energy use data.

<sup>†</sup> The data on CO2 emissions associated with energy use has been restated to reflect changes to the greenhouse gas emission conversion factors in the guidance published by the Department of Energy and Climate Change.

## Transport

Over the past three years, we have developed systems to capture and report group-wide transport data.

We collect information on business journeys taken by air, rail and road. We also capture and report data which relates to the car-based journeys made by employees. There are two main sources for this data: the amount of fuel used by company car users and the number of miles travelled by employees in their own vehicles.

## Air travel and CO2 emissions

Year	Number of air miles travelled by employees	CO2 emissions associated with flights (tonnes)
2009	358,950	80
2008	338,410	73

## Rail journeys and CO2 emissions

Year	Number of miles travelled by employees on rail journeys	CO2 emissions associated with rail journeys (tonnes)
2009	312,340	29.04
2008	255,984	23.80

## Car mileage and CO2 emissions

Year	Number of miles travelled by employees using their own cars	CO2 emissions associated with miles travelled by employees using their own cars (tonnes)
2009	8,512,014	2,779.51
2008	7,802,046	2,547.68
2007	6,842,345	2,234.30

## Fuel consumption and CO2 emissions

Year	Amount (litres) of diesel and petrol used by employees with company cars	CO2 emissions associated with company car fuel use (tonnes)
2009	1,097,218	2,745.79
2008	1,035,872	2,601.02
2007	840,356	2,134.48

The overall increase in the travel-related data captured during 2009 has occurred for two main reasons. Firstly, there was a 9% increase in headcount across the Provident Financial group during the year. Secondly, a 5% growth in customer numbers meant that our employees have undertaken more business-related journeys.

To encourage more sustainable travel, we appointed a travel plan co-ordinator in 2009.

### Travel planning

To encourage more sustainable travel, we appointed a travel plan co-ordinator in 2009. The co-ordinator is working with senior managers, employees and third parties, such as Bradford Council and West Yorkshire Passenger Transport Executive, to develop and implement a travel plan for our new, city centre head office.

The aim of the travel plan is to encourage staff to use alternatives to single-occupancy car journeys. It is likely that the plan will include improved facilities for pedestrians and cyclists such as: showers, lockers and cycle-parking; subsidised tickets on public transport; and processes to encourage car-sharing, working from home and teleconferencing.

This will help us to meet our obligations from the planning process for the new head office, which require us to consider and use the most sustainable forms of transport when travelling to and from work.

### Company cars

We have extended the range of fuel-efficient company cars available to our employees. In addition to the hybrid Toyota Prius and Honda Civic IMA models that have been available for four years, employees can now choose from Volkswagen Bluemotion, Volvo DRIVE, Mercedes Blue Efficiency, Ford Econetic, Vauxhall Ecoflex and Seat Ecomotive models.

We also incorporated 'green driving' guidelines into our fleet policy in 2009 to raise awareness of the simple things that employees can do to become smarter, greener drivers. These guidelines were made available to staff via our intranet and included in manuals given to employees who use company cars.

### Offsetting CO2 emissions from travel

We offset some of our CO2 emissions from travel for the second year. Travel is an integral part of how we operate. We pride ourselves on the face-to-face, personal service of our home credit business but this means it is difficult to reduce our business travel. We believe that carbon offsetting has an important role to play in reducing the carbon intensity of our business activities, particularly in this area where we find it hard to make reductions.

We purchased 2,889 tonnes of CO2 offsets in 2009 (2008: 2,720). This covered the CO2 emissions from business-related journeys made by employees using their own vehicles, trains and flights.

We remain committed to reducing, reusing and recycling as much waste as we can.

## Offsetting travel emissions



*Our business-related travel emissions were offset by an investment in a small hydroelectric project in the Udupi district of Karnataka in India. The project will install three new hydro power units in an existing power house. It will generate approximately 120GWh of electricity each year which will be fed into the local electricity grid. This is a small-scale project so will not interfere with the local environment and avoids the exploitation of finite resources like coal or gas.*

## Waste management and paper use

We remain committed to reducing, reusing and recycling as much waste as we can and moving away from disposing of waste in landfill.

It is in our interest, from both an environmental and financial perspective, to keep the amount of waste we generate to an absolute minimum and ensure as much as possible of that waste is reused or recycled. Even without considering the significant environmental issues, the cost of waste disposal continues to increase with landfill tax rising to £40 per tonne in April 2009.

Our biggest waste stream continues to be paper. It is also a major resource that we buy in. We ensure that the paper we use in photocopiers and printers and for marketing activities contains a high recycled content or comes from sustainable sources.

During 2009, we were able to measure confidential waste from Vanquis Bank for the first time, setting a benchmark for future reporting. This is only the second time we have been able to measure the waste in the Consumer Credit Division and the apparent rise is the result of better processes and more accurate reporting. At our head office, absolute waste production has continued to drop.

**Absolute waste production (tonnes)**

Year	Head office	CCD branch network	Vanquis Bank
2009	200.7	1,561.9	28.3
2008	293.7	923.06	
2007	379.1		
2006	260.8		
2005	261.5		
2004	263.4		

**Water use**

We continue to monitor, measure and report water consumption rates where we can access information. During 2009, we were able to access water use data at our Vanquis Bank call centre in Chatham to add to the information from our Bradford head office.

In 2009, 9,099,000 litres of water were used at these two premises, which equates to 7,520 litres per employee.

At our head office, absolute waste production has continued to drop.

**Absolute waste recycled**

Year	Waste recycled (tonnes)
2009	1,307.6
2008	1,054.9
2007	146.8*
2006	147.9*
2005	109.2*
2004	117.3*

**Group paper use**

Year	Group paper use (tonnes)
2009	1022.2
2008	2411.9
2007	1662.7
2006	565.9*
2005	578.8*
2004	599.8*

\* Only includes head office and Vanquis Bank waste data





assurance statement  
GRI index  
stakeholder feedback

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# assurance statement and commentary

Provident Financial has commissioned Corporate Citizenship to provide external assurance and a commentary on its Corporate Responsibility Report 2009.

## The scope of our assurance

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

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

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

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

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

## Opinion and conclusions

In our opinion the Provident Financial Corporate Responsibility Report 2009 reflects the principles of AA1000 (2008): inclusivity, materiality and responsiveness.

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

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

has developed a clear approach to defining materiality, which includes engaging key audiences and participating in assessments against external standards.

Responsiveness relates to how an organisation responds to stakeholder concerns. The development of initiatives such as Good Neighbour, and the new leadership and management programmes for the Consumer Credit Division and Vanquis Bank, shows that Provident Financial is responsive to stakeholder issues.

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

## Commentary

Provident Financial has reported externally on its corporate responsibility performance since 2003.

This report shows further progress, with Provident Financial taking into account feedback received last year. Our commentary below singles out points of special note, as well as areas where we believe future reporting can be strengthened.

Points of note:

- There is a more comprehensive description of the credit market for non-standard lenders in this year's report. It is important to understand the range of financial product types available to a typical Provident Financial customer, and the different providers operating in those markets. The 'key markets' diagram on page 5 gives the reader a clear understanding of the marketplace.
- Tax is an issue raised in last year's assurance statement and Provident Financial has responded by including a statement on its approach to tax in this report. There is increasing concern amongst some audiences over the amount of tax paid by companies and practices to minimise liabilities. Provident Financial's transparency on this issue is a clear step forward.
- The apparent cost of interest, as measured by APR, is an issue of concern for some stakeholders, who view the APR of Provident Financial's products as comparatively high. The report gives an account of the rationale behind rates, and puts the measure of APR into the every day context of money lent between friends. This allows the reader a better understanding of the issue of APR.
- Provident Financial offers customers a range of products. Acting on feedback from the most recent stakeholder roundtable, the report succeeds in conveying Provident Financial's product range in a concise and easy to understand way.

Future reporting:

- Corporate responsibility reports are increasingly being used to articulate where a company is heading in terms of responsible practices and long-term sustainability, as

much as to give an account of past performance. Goals and targets allow companies to show future direction and priorities. Provident Financial has set long-term targets for energy and water, but other sections would benefit from three, or even five, year goals rather than looking only one year ahead. More ambitious, stretching targets give a sense of direction and may help drive performance.

- Provident Financial's home credit business is based upon self-employed agents, who collect and lend money in customers' homes. The role of the agent is articulated well in the report, particularly how they are distinct from Provident Financial's employees. Given the fundamental role agents play, we believe more information could be provided, particularly on training, engagement, safety and anti-fraud.
- Fraud is inevitably an issue for any business based on money lending. In the case of Provident Financial, both agents and employees directly handle cash. The assurance process revealed that Provident Financial does have clear systems in place to guard against fraud. So future reports could consider providing more information on anti-fraud systems, the number of frauds identified, the process for dealing with incidents and details of any prosecutions.
- As a lender in the non-standard credit market, debt collection is an important issue to many of Provident Financial's stakeholders. An explanation behind what happens when customers who are able to repay loans, but do not do so, would be of interest. For greater transparency, we recommend that Provident Financial includes details on how many customer accounts are handed over to debt collection agencies in future reports.

**Corporate Citizenship** *London 14 June 2010*

## Methodological notes

The assurance work was commissioned in January 2010 and was completed on 14 June 2010. Detailed records were kept of meetings, assurance visits and correspondence relating to the inclusivity, materiality and responsiveness of the report, as well as to technical matters relating to the accuracy and presentation of data. A team of three, led by a Director, undertook the assurance and commentary process. An associate 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](http://www.corporate-citizenship.com).

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

- Understanding Provident Financial and its value chain, its own culture and the broader social contexts in which it operates; its approach to and understanding of corporate responsibility; how it identifies issues material to its operations.
- Benchmarking against peers, competitors, best practice and internationally recognised standards to identify the basis on which to judge Provident Financial's performance.
- Conducting a structured stakeholder roundtable involving representatives of key stakeholder groups, looking at how Provident Financial's reporting meets their needs.

- Analysis of Provident Financial's stakeholder engagement activity, including findings from employee and customer opinion research.
- Review of national and international published sources of information about the views and opinions of external stakeholders.
- Examination of the report at set stages in its development and testing of the assertions throughout, drawing from evidence and supporting documentation, reporting mechanisms, frameworks and processes.
- Examination of management and reporting systems, notably for environmental management and community investment.
- Interviews of members of staff including: Corporate Responsibility Manager, Public Affairs Manager, Community Affairs Manager, Head of Tax, Value Management Director (CCD), HR Director (CCD), Market Research Manager (CCD), Operations and Risk Manager (CCD), HR Director (Vanquis), Compliance Manager (Vanquis).
- Conducting an employee roundtable at a Vanquis Bank call centre.
- Site visits to Provident Financial's three main offices in Bradford, London and Chatham, and three Consumer Credit Division branches in Basildon, Rainham and Tooting.
- Accompanying an agent at work in Southfields, observing interactions with customers and the collection of money in their homes.
- Checks on a sample basis of elements of the report's contents and underlying records, particularly the numerical data.

Our work did not extend to a complete audit of the report's contents. We have not been responsible for the preparation of the 2009 report nor in devising the internal management and reporting systems that yielded the data contained therein.

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

Corporate Citizenship is a leading assessor of corporate responsibility reports. The company is a member of AccountAbility (the Institute for Social and Ethical AccountAbility).

We have provided report assurance for Provident Financial since 2004. In addition to our work on assurance and stakeholder engagement, Provident Financial is a member of the LBG ([www.lbg-online.net](http://www.lbg-online.net)), an evaluation framework for corporate community involvement which we manage on behalf of its members and adherents.

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# GRI index



Corporate Citizenship has independently checked our 2009 CR Report and has determined that it is consistent with an application level of B+. Corporate Citizenship has assessed all additional indicators and has included in this table the indicators that are materially relevant to Provident Financial.

## Colour key

	<b>COMPANY PROFILE DISCLOSURES</b> (Governance + Strategy items)		<b>REPORTED</b>
	<b>MANAGEMENT APPROACH DISCLOSURES</b> (Governance + Strategy items)		<b>PARTIALLY REPORTED</b>
	<b>CORE PERFORMANCE INDICATORS</b> (Compulsory)		<b>NOT REPORTED</b>
	<b>ADDITIONAL PERFORMANCE INDICATORS</b> (Optional)		<b>NOT MATERIAL CONSIDERATION FOR PROVIDENT FINANCIAL</b>

Indicator	Comment/section
<b>Vision and strategy</b>	
1.1	Statement from the CEO.
1.2	Description of key risks and opportunities.
<b>Organisational profile</b>	
2.1	Name of reporting organisation.
2.2	Primary brands products and/or services. The reporting organisation should indicate the nature of its role in providing these products and services, and the degree to which it utilises outsourcing.
2.3	Operating structure of the organisation and major divisions, operating companies, subsidiaries and joint ventures .
2.4	Location of organisation's headquarters.
2.5	Number of countries where the organisation operates, and the names of the countries with either major operations or that are specifically relevant to the sustainability issues covered in the report.
2.6	Nature of ownership and legal form.
2.7	Markets served (including geographical breakdown, sectors served, types of customers/beneficiaries).
2.8	Scale of reporting organisation, including number of employees, net sales (for private sector organisations) or net revenues (for public sector organisations); and total capitalisation broken down in terms of debt and equity (for private sector organisations) and quantity of products and services provided and companies encouraged to provide further information - total assets and breakdowns by country/region of sales/revenues by country/region that make up 5% or more of total revenues/costs and employees.
2.9	Significant changes during the reporting period regarding size, structure or ownership, including: the location of, or changes in, operations including facility openings, closings and expansions and changes in the share capital structure and other capital formation, maintenance and alteration operations.
2.10	Awards received in the reporting period.
<b>Report profile</b>	
3.1	Reporting period for information provided.
3.2	Date of most recent report if any.
3.3	Reporting cycle.
3.4	Contact point for questions regarding the report and its context.
<b>Report scope and boundary</b>	
3.5	Process for defining report content, including determining materiality, prioritising topics within the report and identifying the stakeholders that the organisation expects to use the report. Include an explanation of how the organisation has applied the <i>Guidance on Defining Report Content</i> and the associated principles.
3.6	Boundary of the report (e.g. countries, divisions, subsidiaries, leased facilities, joint ventures, suppliers) See GRI Boundary Protocol for further guidance.

3.7	State any specific limitations on the scope of the report. If boundary and scope do not address the full range of material economic, environmental, and social impacts of the organisation, state the strategy and the projected timeline for providing complete coverage.	The report fully address material the environmental, social and economic impacts of the organisation.
3.8	Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that can significantly affect comparability from period to period and/or between organisations.	About This report (insider cover), Our business at a glance (page 4). The report relates to Provident Financial plc and its subsidiary businesses (i.e. Consumer Credit Division and Vanquis Bank). The data reported covers the calendar year 2009.
3.9	Data measurement techniques and the bases of calculations, including assumptions and techniques underlying estimations applied to the compilation of the indicators and other information in the report. Explain any decisions not to apply, or to substantially diverge from, the GRI Indicator Protocols.	The basis of environmental calculations are fully explained in the report (page 53). The data on CO2 emissions from energy use is based on conversion factors in the guidance published by the Department of Energy and Climate Change.
3.10	Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such restatement (e.g. mergers/acquisitions, change of base year/ periods, nature of business, measurement methods).	The data on CO2 emissions associated with energy use has been restated to reflect changes to the greenhouse gas emission conversion factors in the guidance published by the Department of Energy and Climate Change (page 53).
3.11	Significant changes from previous reporting periods in the scope, boundary or measurement methods applied in the report.	There have been no significant changes from previous reporting periods in the scope, boundary or measurement methods applied in the report.
<b>GRI content index</b>		
3.12	GRI Context Index Table identifying the location of the Standard Disclosures in the report. Identify the page number or weblinks where the following can be found: Strategy and analysis 1.1-1.2; Organisational profile 2.1-2.10; Report parameters 3.1-3.13; Governance, commitments and engagement 4.1-4.17; Disclosure of management approach per category, Core performance indicators, Any additional GRI indicators that were included, any GRI sector supplement indicators included in the report.	This is the GRI Index table.
3.13	Policy and current practice with regard to seeking independent assurance for the report. If not included in the assurance report accompanying the sustainability report, explain the scope and basis of any independent assurance provided. Also explain the relationship between the reporting organisation and the assurance provider(s).	Assurance and Audit Processes (page 15). CR Report assured by Corporate Citizenship, community data by Corporate Citizenship, environmental data audited by SEQM.
<b>Governance, commitments and engagement</b>		
4.1	Governance structure of the organisation including committees under the highest governance body responsible for specific tasks such as setting strategy or oversight for the organisation. Describe the mandate an composition (including the number of independent members and/or non-executive members) of such committees and indicate any direct responsibility for economic, social and environmental performance).	Governance and Management (pages 10-11). Annual Report 2009: Directors' report: Governance (pages 48-63).
4.2	Indicate if the Chair of the highest governance body is also an executive officer and if so their function within the organisation's management (and the reasons for this arrangement).	Annual Report 2009: Our Directors, Officers and Board Committees (page 49).
4.3	For organisations that have a unitary board structure state the number of members of the highest governance body that are independent and/or non-executive directors. State how the organisation defines 'independent' and 'non-executive'. This element applies only for organisations that have unitary board structures.	Annual Report 2009: Our Directors, Officers and Board Committees (pages 48-49), Non-executive directors (page 56).
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body. Include references to processes regarding: the use of shareholder resolutions or other mechanisms for enabling minority shareholders to express opinions to the highest governance body; and informing and consulting employees about working relationships with formal representation bodies such as organisation level works councils and representation of employees in the highest governance body. Identify topics related to economic, environmental and social performance raised through these mechanisms during the reporting period.	Our Stakeholders (page 12), Consultation with employees and Employee representation (page 33). Annual Report 2009: Employee Involvement (page 54), Relations with shareholders (Page 62). Members of the board meet with institutional shareholders on a regular basis. The Chairman is responsible for ensuring that appropriate channels of communication are established between directors and shareholders and ensuring that the views of the shareholders are made known to the board. An investor relations report is considered by the board at each meeting and independent reviews of shareholder views are commissioned annually and reviewed by the board. Employee representation bodies engage with senior management to ensure that feedback from employees is incorporated into the business's decision-making processes. Senior management is then responsible for feeding this back to the board.
4.5	Linkage between compensation for members of the highest governance body, senior managers and executives (including departure arrangements) and the organisation's performance (including social and environmental performance).	Annual Report: Remuneration policy (page 66), Remuneration report - Dear Shareholder (page 64).
4.6	Processes of the highest governance body to ensure conflicts of interest are avoided.	Annual Report 2009: Conflicts of interest (page 58), Governance framework (page 56).
4.7	Process for determining the qualifications and expertise of the members of the highest governance body for guiding the organisation's strategy on economic, environmental and social topics.	Annual Report 2009: Training (page 58).
4.8	Internally developed mission and values statements, codes of conduct, and principles relevant to economic, environmental and social performance and the status of their implementation Explain the degree to which these are applied across the organisation in different regions and department/units; and, relate to internationally agreed standards.	Mission and Values (page 11), Policies (page 11), Code of ethics (page 36).
4.9	Procedures of the highest governance body for overseeing the organisation's identification and management of economic, environmental and social performance, including the identification and management of relevant risks and opportunities, and adherence or compliance with internationally agreed standards, codes of conduct and principles. Include the frequency with which the highest governance body assesses sustainability performance.	How CR is governed and managed at Provident (page 10), Risk Management (page 13), Ensuring compliance (page 27). Annual Report 2009: Corporate Responsibility (pages 40-41), Environmental, Social & Governance Matters (page 54).
4.10	Processes for evaluating the performance of the highest governance body, particularly with respect to economic, environmental and social performance.	Annual Report 2009: Environmental, Social & Governance Matters (page 54), Performance Evaluation (page 58). The Chairman evaluates Directors performance and an independent Director evaluates the Chairman's performance.
4.11	Explanation of whether and how the precautionary approach or principle is addressed by the organisation Article 15 of the Rio Principles introduced the precautionary approach. A response to 4.11 could address the organisation's approach to risk management in operational planning or the development and introduction of new products.	The precautionary principles are accepted.
4.12	Externally developed, economic, environmental and social charters, sets of principles, or other initiatives to which the organisation subscribes or which it endorses. Include the date of adoption, countries/operations where applied, and the range of stakeholders involved in the development and governance of these initiatives (e.g. multi-stakeholder, etc). Differentiate between non-binding, voluntary initiatives and those with which the organisation has an obligation to comply.	PF does not sign up to any external charters.



4.13	Significant memberships in associations (such as industry associations) and or national/international advocacy organisations in which the organisation: has positions on governance bodies, participates in projects or committees, provides substantive funding beyond routine membership dues or views membership as strategic.	Membership (page 14).
4.14	List of stakeholder groups engaged by organisations. Examples of stakeholder groups are communities, civil society, customers, shareholders and providers of capital, suppliers, and employees, other workers and their trade unions.	Our Stakeholders and Stakeholder Engagement (page 12).
4.15	Basis for identification and selection of stakeholders to engage. This includes the organisation's process for defining its stakeholder groups, and for determining the groups with which to engage and not to engage.	Our Stakeholders and Stakeholder Engagement (page 12).
4.16	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group. This could include surveys, focus groups, community panels, written communication, management/union structures, and other vehicles. The organisation should indicate whether any of the engagement was undertaken as specifically as part of the report preparation process.	Our Stakeholders and Stakeholder Engagement (page 12), Customer Satisfaction & Complaints (page 25), Consultation with employees and Employee representation (page 33), Stakeholder feedback (page 56), Environment: Increasing efficiency (page 52), Community: Targets (page 39). Annual Report 2009: Employee Involvement (page 54).
4.17	Key topics and concerns that have been raised through stakeholder engagement and how the organisation has responded to those key issues and concerns, including through its reporting.	Our Stakeholders and Stakeholder Engagement (page 12), Customer Satisfaction & Complaints (page 25), Consultation with employees and Employee representation (page 33), Stakeholder feedback (page 56), Environment: Increasing efficiency (page 52), Community: Targets (page 39).
<b>Economic performance indicators</b>		
	Economic management approach.	Introduction (pages 4-7). For more detail see our Annual Report 2009.
EC1	Direct Economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings and payments to capital providers and governments.	Group highlights (page 7).
EC2	Financial implications and other risks and opportunities for the organisation's activities due to climate change.	The pressure and reasons for reducing our carbon emissions are increasing considerably. The Climate Change Act means that in the future, large, non-energy intensive companies will have to pay for their carbon emissions in a cap-and-trade scheme. In addition, the rising cost of electricity and gas, taxes associated with waste disposal and increased regulatory and customer pressure all mean that it makes good business sense to improve energy and resource efficiency.
EC3	Coverage of organisations defined benefit plan obligations.	Annual Report 2009: Retirement Benefits (page 86), Retirement Benefit Asset (pages 109-112).
EC4	Significant financial assistance received from government.	Not a material issue, no significant financial assistance received from government.
EC5	Range of ratios of standard entry level wage compared to the local minimum wage at significant locations of operation.	We have not reported on our standard entry level wage in relation to the local minimum wage.
EC6	Policy, practices and proportion of spending on locally based suppliers at significant locations of operation.	Supply Chain (pages 35-37). Our procurement spend in 2009 was £87.7 million. The majority of supplies are sourced domestically.
EC7	Procedures for local hiring, and proportion of senior management in locations of significant operation from local community.	Our approach to recruitment is based on equality. We operate in the UK & Ireland, with the majority of staff from local communities.
EC8	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro-bono engagement.	Not material issue due to the size and nature of the company.
EC9	Understanding and describing significant indirect economic impacts, including the extent of impacts.	Not a material issue as the indirect economic impacts are diffused.
<b>Environmental performance indicators</b>		
	Environmental management approach.	Why we manage our impact on the environment (page 47), Environmental management and oversight (page 51).
EN1	Materials used by weight or volume.	Waste Management and Paper Use (pages 54 - 55).
EN2	Percentage of materials used that are re-cycled input materials.	Waste Management and Paper Use (page 55). 45% of the paper use across the business is from 100% recycled content. The remaining 55% comes from sustainably managed forests.
EN3	Direct energy consumption by primary energy source.	Energy Use (page 52), Energy Consumption Chart (page 53). Our Group gas use for 2009 is 5,096 MWh. We also used 1,097,218 litres of diesel and petrol for company cars.
EN4	Indirect energy consumption by primary source.	Energy Use (page 52), Energy Consumption Chart (page 53). In 2009 we consumed 9,806 MWh of electricity from the national grid, which represents 65.8% of our energy.
EN5	Energy saved due to conservation and efficiency improvements.	Energy use (page 52) for our energy reductions in our head office and in the Vanquis Bank division. We also provide details on other energy efficiency initiatives. We hope to be able to report further on energy saved from these initiatives in future years.
EN6	Initiatives to provide energy-efficient or renewable energy based products and services, and reduction in energy requirements as a result of these initiatives.	Not material as Provident Financial provides small sum loans.
EN7	Initiatives to reduce indirect energy consumption and reductions achieved.	Business Mileage and Emissions (pages 53-54).
EN8	Total water withdrawn by source.	Water Use (page 55).
EN9	Water sources significantly affected by withdrawal of water.	Water Use (page 55). For an office-based business, the volume of water used does not significantly affect water sources.
EN10	Percentage and total volume of water recycled and reused.	The nature of our business means we are not in a position to recycle or reuse water, so our goal is instead to reduce water use. Water recycling and reuse will be considered in all new buildings, such as the new head office due to be completed in 2010.
EN11	Location and size of land owned, leased or managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas.	Not material as the majority of office locations are in urban/built-up settings.
EN12	Description of significant impact of activities, products and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas.	Not material as Provident Financial provides small sum loans.

EN13	Habitats protected or restored.	Not material as the majority of office locations are in urban/built-up settings.
EN14	Strategies, current actions, and future plans for managing impacts on diversity.	Not material as the majority of office locations are in urban/built-up settings.
EN15	Number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk.	Not material as the majority of office locations are in urban/built-up settings.
EN16	Total direct and indirect greenhouse gas emissions by weight.	Graph: Total CO2 emissions 2009 (page 52), Total CO2 emissions associated with energy consumption (page 53), Transport (page 53).
EN17	Other relevant indirect greenhouse gas emissions by weight.	KPI table (page 53).
EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved.	Graph: Total CO2 emissions 2009 (page 52).
EN19	Emissions of ozone depleting substances by weight.	Not material for Provident as the business does not emit ozone depleting substances in its business process.
EN20	NOx, SO2 and other significant air emissions by type and weight.	Not material for Provident as the business does not emit significant amounts of NOx, SO2 or other air emissions in its business processes.
EN21	Total water discharge by quality and destination.	Waste management and paper use (page 54-55). This is not a very material issue for Provident. The majority of waste is non-hazardous. It is all removed through standard municipal waste disposal.
EN22	Total amount of waste by type and disposal method.	Waste Management and Paper Use (pages 54-55). Not a material issue for PF. All our waste is non-hazardous and removed through standard municipal waste disposal.
EN23	Total number and volume of significant spills.	Not material for Provident as the business is office based.
EN24	Weight of transported, imported, exported or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III or VIII, and percentage of transported waste shipped internationally.	This is not a material issue for Provident. All our waste is non-hazardous.
EN25	Identity, size and protected status and biodiversity value of water bodies and related habitats significantly affected by reporting organisation's discharges of water and runoff.	This is not a material issue for Provident as significant discharges of water or runoff are not produced.
EN26	Initiatives to mitigate environmental impacts of products and services and extent of impact mitigation.	This is not a material issue as Provident is a supplier of credit rather than materials or manufactured items.
EN27	Percentage of products sold and their packaging materials that are reclaimed by category.	Not material for Provident as small sum loan products do not have packaging.
EN28	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations.	There have been no significant fines, sanctions or non-compliances with environmental laws and regulations.
EN29	Significant environmental impacts of transporting goods and materials used for organisation's operations, and transporting members of the workforce.	Transport (page 53), Travel planning (page 54), Company cars (page 55).
EN30	Total environmental protection expenditure and investments by type.	Provident does not report on expenditure on environmental mitigation and protection.
<b>Social performance indicators</b>		
	Management approach to labour practices and decent work.	Our People: Background (page 19), Engaging our people (page 30), People development and training (page 30), Diversity (page 31), Health, safety and well-being (page 32), Absence (page 32), Whistleblowing (page 33), Employee salary and benefits (page 33), Consultation with employees (page 33). The role of agents (page 24) for information on approach to managing agents, who are not direct PF employees.
LA1	Total workforce by employment type, employment contract and region.	For employee workforce number, see: Where we operate (page 4). We intend to provide breakdown on workforce by region in future reports.
LA2	Total number and rate of employee turnover broken down by age, gender and region.	Employee turnover (page 30).
LA3	Benefits provided to full time employees that are not provided to temporary or part time employees, by major operations.	Benefits are received by both part-time and full-time employees. We do not employ significant numbers of temporary workers.
LA4	Percentage of employees covered by collective bargaining agreements.	Consultation with employees (page 33). All employees are covered by bargaining agreements.
LA5	Minimum notice period(s) regarding operational changes, including whether it is specified in collective agreements.	Notice periods vary but are generally 1 to 6 months dependant on level.
LA6	Percentage of workforce represented in joint management-worker health and safety committees that help monitor and advise on occupational health and safety programmes.	Health, safety and well-being (page 32). We have health and safety working/steering groups in place within both operating divisions which cover 100% of the Provident Financial group.
LA7	Rates of injury, occupational diseases, lost days and absenteeism and number of work related fatalities by region.	Health, safety and well-being (page 32), Absence (page 32). There were 19 occasions where there was greater than a 3 day absence due to work related accident/incidents. No occupational diseases or fatalities occurred in 2009.
LA8	Education, training, counselling, prevention and risk-control programmes in place to assist workforce members, their families or community members regarding serious diseases.	People development and training (page 30), Leadership and management development (page 30), Employee salary and benefits (page 33), Health, safety and well-being (page 32). The Employee Assistance Programme offers counselling and advice to employees and their families.
LA9	Health and safety topics covered in formal agreements with trade unions.	Health & safety is covered in agreements with trade unions at Provident Financial.
LA10	Average hours of training per year per employee by employee category.	People development and training (page 30). During 2009, Provident Financial employees received 10,511 days formal training, meaning each employee received an average of 3.0 days training.
LA11	Programmes for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings.	People development and training (page 30). In case of redundancies, support is provided to help employees manage their career transition (e.g. CV writing, interview techniques, etc).
LA12	Percentage of employees receiving regular performance and career development reviews.	People development and training (page 30). All group employees receive regular performance and career development reviews. CCD staff have quarterly performance reviews and annual career reviews. Vanquis staff have six monthly performance reviews and annual career reviews.
LA13	Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership and other indicators of diversity.	Diversity (page 31). For composition of the board, see our Annual Report 2009 (page 48-49)
LA14	Ratio of average remuneration of men and women broken down by employee category.	Percentage of men and women employees (page 31) but breakdown of gender remuneration by employee category is not reported.

	Management approach to human rights.	How We Manage CR (page 13). We support human rights and our approach to managing this is outlined in our human rights policy.
HR1	Percentage and total number of significant investment agreements that include human rights clauses or that have undergone human rights screening.	Not material for PF because we do not have any significant investment agreements.
HR2	Percentage of significant suppliers and contractors that have undergone screening on human rights and action taken.	Supplier Assessments (pages 43-44). We assess this risk to be relatively low due to the nature of our business, but we do assess our suppliers to see how they manage their impacts on social, environmental and ethical issues.
HR3	Total hours of employee training on policies and procedures relating to aspects of human rights that are relevant to operations, including the percentage of employees trained.	People development and training (page 30). During 2009, Provident Financial employees received 10,511 days formal training, meaning each employee received an average of 3.0 days training. Policies and procedures relating to human rights are included in the employee training programme
HR4	Number of incidents of discrimination and actions taken.	There have been no incidents in 2009.
HR5	Operations identified in which the right to exercise freedom of association and collective bargaining may be at significant risk, and actions taken to support these rights.	We operate in the UK and Ireland in compliance with law, and take the view that these are not matters that are of significant risk of infringement in our industry.
HR6	Operations identified as having significant risk for incidents of child labour and measures taken to contribute to the elimination of child labour.	We operate in the UK and Ireland in compliance with law, and take the view that these are not matters that are of significant risk of infringement in our industry.
HR7	Operations identified as having significant risk of forced or compulsory labour, and measures to contribute to the elimination of forced or compulsory labour.	We operate in the UK and Ireland in compliance with law, and take the view that these are not matters that are of significant risk of infringement in our industry.
HR8	Percentage of security personnel trained in organisation's policies or procedures concerning aspects of human rights that are relevant to operations.	Not material for Provident because we operate only in the UK and Ireland. All security personnel employed by Provident are trained as part of the group's training programmes, which covers policies and procedures relating to human rights.
HR9	Total number of incidents of violations involving rights of indigenous people and actions taken.	Not material as there are no indigenous communities.
	Management approach to society.	Why we support the communities we serve (page 39), Community investment (page 40), Evaluating our community programme (page 45), Supporting the money advice sector (pages 22-23). Annual Report 2009: Playing an active role in our communities (page 45-46).
SO1	Nature, scope and effectiveness of any programmes and practices that assess and manage the impacts of operations on communities, including entering, operating and exiting.	Community consultation (page 12). For our general approach to community impact, see: Why we support the communities we serve (page 39-45). For the particular impact of projects: The impact of Spark on school children (page 42), Being a Good Neighbour (page 44), Evaluating our community programme (page 45). We have not entered any new markets nor exited any markets in 2009.
SO2	Percentage and total number of business units analysed for risks related to corruption.	Annual Report 2009: Operational Risk (page 39). All business units are analysed for risks related to corruption and fraud.
SO3	Percentage of employees trained in organisation's anti-corruption policies and procedures.	Policies (page 11), Ensuring compliance (page 27). All employees are familiarised with our ethics policy, which covers corruption and fraud, as part of their induction.
SO4	Actions taken in response to incidents of corruption.	There were no incidents of corruption in 2009.
SO5	Public policy positions and participation in public policy development and lobbying.	Government and regulators (page 12), Regulatory developments (page 12). We engage with government and regulators to understand how changes to legislation will impact on our business activities. We do this by responding to consultations, participating in government-sponsored projects and attending meetings with representatives from government and regulatory authorities.
SO6	Total value of financial and in-kind contributions to political parties, politicians and related institutions by country.	Government and regulators (page 12). We make no political donations.
SO7	Total number of legal actions for anti-competitive behaviour, anti-trust and monopoly practices and their outcomes.	No legal actions for anti-competitive behaviour, anti-trust and monopoly practices.
SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations.	PF received no significant fines or sanctions in 2009.
	Management approach to product responsibility.	Delivering tailored products (page 19), responsible lending (page 21).
PR1	Life-cycle stages in which the health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures.	This is not a material issue as we are a supplier of credit rather than materials or manufactured items.
PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services during their lifecycle, by types of outcome.	This is not a material issue as we are a supplier of credit rather than materials or manufactured items.
PR3	Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements.	This is not a material issue as we are a supplier of credit rather than materials or manufactured items.
PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labelling, by type of outcomes.	Regulation of our business (page 25), Ensuring compliance (page 27). There were no incidents of non-compliance with regulations or voluntary codes in 2009.
PR5	Practices related to customer satisfaction, including results of survey measuring customer satisfaction.	Our customers are important to us (pages 17-27), Overall customer satisfaction with our main products (page 25).
PR6	Programmes for adherence to laws, standards and voluntary codes related to marketing communications including advertising, promotion and sponsorship.	Regulation of our business (page 25), Ensuring compliance (page 27), FSA's Treating Customers Fairly (page 27). In house legal teams are responsible for reviewing all marketing communications in relation to relevant legislation.
PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship by type of outcomes.	Regulation of our business (page 25), Ensuring compliance (page 27), FSA's Treating Customers Fairly (page 27). There were no incidents of non-compliance with regulations for marketing communications in 2009.
PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data.	Home Credit complaints (page 25), Vanquis Bank complaints (page 25), Total number of complaints reported, although not broken down into those related to customer privacy or losses of customer data.
PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services.	Regulation of our business (page 25). PF received no fines for non-compliance with laws or regulations concerning products and services in 2009.

# stakeholder feedback

## Summary of stakeholder feedback on the 2008 report and our response

FEEDBACK	OUR RESPONSE
<b>Summary findings</b>	
<ul style="list-style-type: none"> <li>• There should be more information on progress, supported by year-on-year data to show trends in performance.</li> </ul>	<p>More of the data included in this year's report is presented in graphs to show trends in performance.</p>
<ul style="list-style-type: none"> <li>• Provide evidence of how the corporate values are embedded within the business.</li> </ul>	<p>Details on how our corporate values have been embedded within our business during 2009 are shown on page 11.</p>
<ul style="list-style-type: none"> <li>• Future reports could be improved by highlighting those areas where improvement is needed.</li> </ul>	<p>This year's report sets out those areas where annual targets have not been achieved and provides an explanation as to why not.</p>
<b>Customers</b>	
<ul style="list-style-type: none"> <li>• The report should provide more information on the non-standard lending market.</li> </ul>	<p>Further details on the non-standard lending market are shown on page 5.</p>
<ul style="list-style-type: none"> <li>• More information should be provided on what other financial products customers typically have.</li> </ul>	<p>Information on the other financial products held by our home credit customers is set out on page 19.</p>
<ul style="list-style-type: none"> <li>• The limitations of APR should be explained better with a diagram or example to put it into context.</li> </ul>	<p>Information on the limitations of APR, including the use of an example, is included on page 24.</p>
<ul style="list-style-type: none"> <li>• More information should be provided on the efficient way Provident Financial provides home credit.</li> </ul>	<p>Details of how the home credit business works are shown on pages 19 and 20.</p>
<ul style="list-style-type: none"> <li>• The next report should give the reader a clearer understanding of the home credit market in the UK and Ireland, and how Provident Financial's products and services compare.</li> </ul>	<p>Details of the lenderscompared.org.uk website are shown on page 20. This website has been developed to enable consumers to compare the prices of home-collected and other cash loans.</p>
<ul style="list-style-type: none"> <li>• Information on Provident Financial's work with the money advice sector should be linked with responsible lending and should be better explained.</li> </ul>	<p>Details of our work with the money advice sector has been included in the section on responsible lending on page 22 and 23.</p>
<ul style="list-style-type: none"> <li>• Debt management should be reported on in more depth including what happens when customers will not pay and how many cases have been taken to court.</li> </ul>	<p>Further information on our approach to debt management is set out on page 21.</p>
<ul style="list-style-type: none"> <li>• More information should be provided on agents and responsible lending, especially recruitment, remuneration, training, fraud, community engagement and safety.</li> </ul>	<p>Information on the support that is provided to agents is set out on pages 24 and 25.</p>

<b>People</b>	
<ul style="list-style-type: none"> <li>• The distinction between agents and employees should be made clearer.</li> </ul>	Information on the role of agents is shown on pages 24 and 25.
<ul style="list-style-type: none"> <li>• Provide more information on human rights issues, such as collective bargaining.</li> </ul>	We continue to report on trade union membership and the mechanisms in place to enable consultation with employees. This is shown on page 33.
<ul style="list-style-type: none"> <li>• Show the steps taken to strengthen career development opportunities.</li> </ul>	Information on the leadership and management programmes that were developed across our businesses in 2009 are shown on pages 30 and 31.
<ul style="list-style-type: none"> <li>• Provide year-on-year usage figures for the whistle blowing hotline.</li> </ul>	Details on the usage of the whistleblowing hotline are shown on page 33.
<b>Environment</b>	
<ul style="list-style-type: none"> <li>• Environmental reporting could be more comprehensive, particularly in regard to the company's full carbon footprint and Provident's submission to the Carbon Disclosure Project.</li> </ul>	A link to our submission on the Carbon Disclosure Project website has been included on page 51.
<ul style="list-style-type: none"> <li>• Provident Financial should be making greater commitments by setting more testing environmental targets.</li> </ul>	Details of our 2010 environmental targets are shown on pages 50 and 51.
<b>Community</b>	
<ul style="list-style-type: none"> <li>• The effectiveness and impact of Provident Financial's new community investment programme should be evaluated and reported on in future reports.</li> </ul>	Details on the newest strand of our community investment programme – the Good Neighbour initiative – are included on page 44.
<ul style="list-style-type: none"> <li>• Include better examples of work with the money advice sector from across all of the regions in which the company operates e.g. Ireland, Scotland etc.</li> </ul>	Details of our work with the money advice sector are shown on pages 22 and 23.



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## **Feedback**

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

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

You can find out more about Provident Financial by visiting [www.providentfinancial.com](http://www.providentfinancial.com)

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