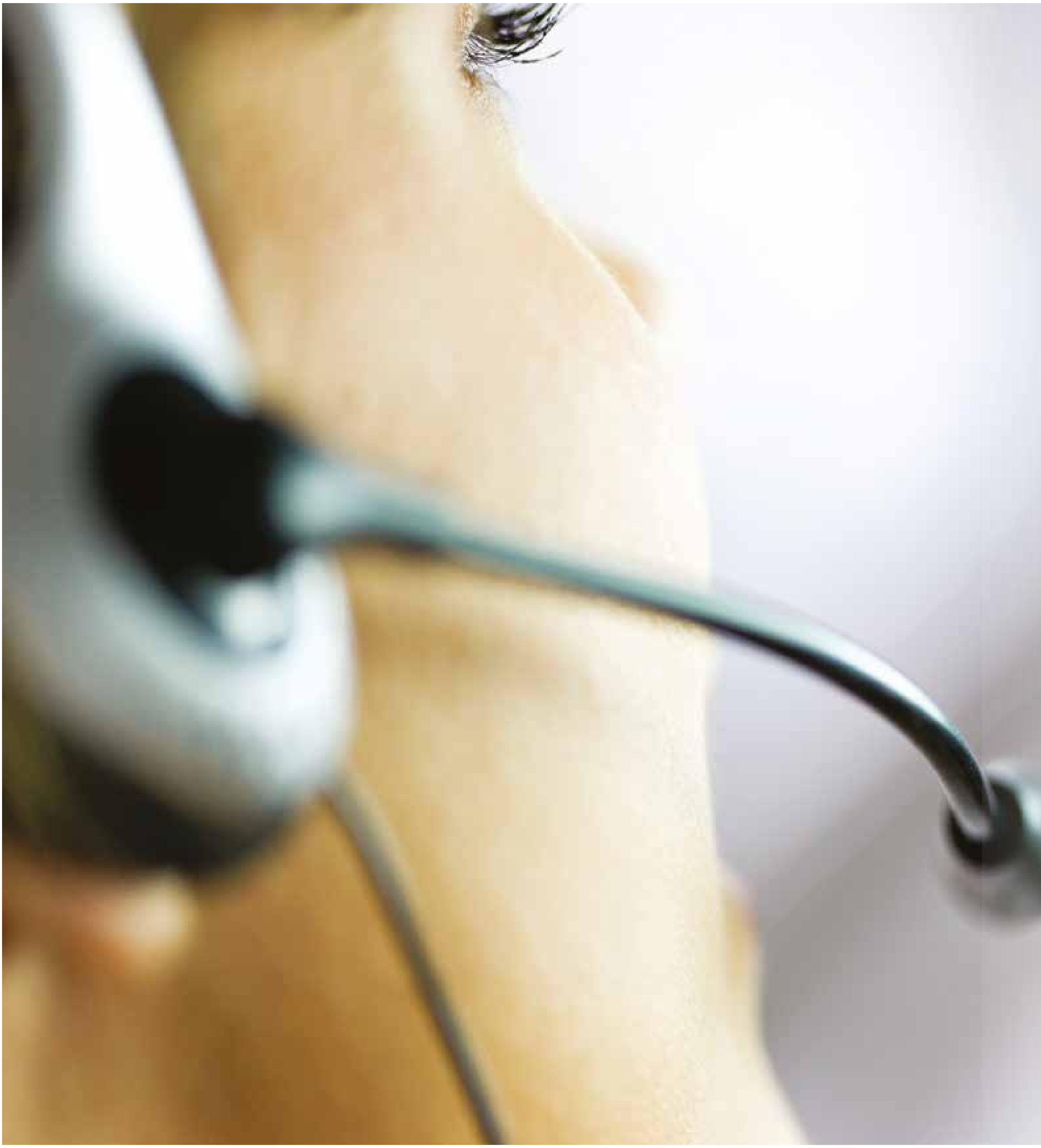
PFG | Provident Financial Group

# CORPORATE RESPONSIBILITY REPORT 2015



# ABOUT THIS REPORT

Welcome to our 2015 Corporate Responsibility (CR) Report, which gives an account of Provident Financial's performance in 2015 across a range of social, ethical and environmental issues. The purpose of the report is to provide our stakeholders with a balanced account of our CR activities, goals and progress. Our past reports can be accessed at www.providentfinancial.com.

The report primarily relates to the non-financial aspects of Provident Financial plc and its businesses – Vanquis Bank, Provident, Satsuma, glo, and Moneybarn – in the UK and Ireland, and our six key stakeholders: customers, communities, employees, suppliers, shareholders and investors, and regulators. It provides information and updates on our CR activities, performance and achievements for the year 1st January – 31st December 2015.

We appointed Corporate Citizenship to undertake a limited assurance assessment of the data and accompanying commentary contained in the report. This assessment 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 the report is evaluated against the Global Reporting Initiative's (GRI) G4 sustainability reporting guidelines. An assurance statement is set out on pages 69 to 71 of this report. The report has been prepared in accordance with the 'Core' GRI G4 Guidelines. Our GRI Index is available at www.providentfinancial.com.

## Contents

# CHIEF EXECUTIVE'S MESSAGE

## Chief Executive's message

# Welcome to Provident Financial Group's 2015 Corporate Responsibility (CR) Report.

Provident Financial Group is the leading non-standard lender in the UK. We have been serving those who are not well served by mainstream credit products since 1880. We do this by specialising in providing consumers within the non-standard credit market with access to credit products that are designed specifically to meet their needs. This is set out in our statement of Social Purpose, which not only makes clear how we view the role that Provident Financial Group plays in terms of creating economic and social value, but also places the needs of our customers at the centre of everything we do.

Our Social Purpose, which we first published in 2014, put simply, recognises the benefits that can be brought about by providing much-needed access to credit to those who might otherwise be financially excluded. We feel we are well-placed to deliver against this Social Purpose. Firstly, we focus solely on serving the non-standard credit market and nothing else. As such, our customers know that when they borrow from our businesses, they are dealing with someone that genuinely understands their requirements and can use the group's extensive knowledge and experience to serve them in the best possible way. As a result of this knowledge, we are able to meet the specific needs of our customers and lend responsibly by offering simple and transparent products with no hidden charges. Secondly, we are able to serve our customers using these tailor-made business models which enable us to maintain close contact with them throughout our relationship – from the point at which we market our products to customers, through the entire term of their loan, including if they experience any difficulties along the way, and even when our credit agreement with them is over. Our Social Purpose also commits us to take account of our wider impacts on society and invest in programmes that support the needs of non-standard credit customers as well as those living in the communities we serve.

This CR report seeks to provide our stakeholders with a comprehensive account of how we are delivering against our Social Purpose and continuing to serve our 2.4 million customers in a responsible and sustainable manner at every stage of their relationship us, as well as managing the other issues that are material to our business activities. This includes how we treat our employees, agents and suppliers, as well as supporting and investing in the communities we serve, engaging the investment community in CR, and ensuring that we minimise our environmental impacts.

This report also sets out those areas where we know we can do more to ensure that our CR programme evolves and continues to improve. To help us to do this, you'll see that we have set our businesses some challenging targets. These include a target to undertake a comprehensive review of the group's approach to community investment to enable us to develop a programme which reflects the specific needs of our customers as the group develops into a broader lending business within the non-standard credit market. It also includes a commitment to take part in EY's (Ernst & Young's) National Equality Standard (NES) – the UK's first industry-recognised national standard for equality, diversity and inclusion. The NES assessment process includes a review of the policies and practices in place within the group's three subsidiary businesses across the full range of equality, diversity and inclusion issues, and identifies areas for improvement and provides implementation recommendations. By going through the NES assessment process, we anticipate making continual improvement in the group's CR performance.

As ever, we welcome any feedback that you may have on this CR report and, more generally, on our approach to CR. Please get in touch at corporateresponsibility@providentfinancial.com.

**Peter Crook**, Chief Executive

# PROVIDENT FINANCIAL GROUP AT A GLANCE

- PROVIDENT FINANCIAL GROUP
  - VANQUIS BANK
    - NON-STANDARD CREDIT CARDS
  - CONSUMER CREDIT DIVISION
    - HOME CREDIT
    - ONLINE LENDING
    - GUARANTOR LOANS
  - MONEYBARN
    - NON-STANDARD CAR FINANCE

| Provident Financial Group | | | |
|---|---|---|---|
| **Vanquis Bank** | **Non-standard credit cards** | Vanquis Bank is the leading supplier of credit cards in the non-standard credit market. We provide new customers with a low credit limit and only increase it when we have sufficient experience of the customer handling their account responsibly. We maintain a high level of contact with customers, from the initial call welcoming the customer to Vanquis Bank and continuing throughout our relationship. | Est. 2002<br><br>1.4m Customers<br><br>£185.5m Profit before tax*<br><br>1,303 Employees<br><br>£250 - £3,500 Range of credit limits |
| **Consumer Credit Division** | **Home credit** | Provident offers home credit loans, typically of a few hundred pounds, through a network of 5,237 self-employed local agents who call each week at 0.9 million customers' homes in the UK and Ireland. Agents are primarily paid commission on what they collect, not what they lend, so it is in their interest not to lend more than customers can repay. The total amount repayable is fixed at the outset, so there are no extra charges whatsoever. | Est. 1880<br><br>0.9m Customers<br><br>£105.4m Profit before tax*,**<br><br>2,179 Employees**<br><br>£100 - £2,000 Loan range |

**2.4M** number of customers

**£3.1M** community investment

**3,667** number of employees

**£135M**[1] total tax contribution

**5,237** number of self-employed agents

[1] Comprises both direct and indirect contribution

| | | | | |
|---|---|---|---|---|
| Provident Financial Group | | Online lending<br>Satsuma | Satsuma Loans is our online instalment loan product. We give new customers a small-sum, short-term loan and collect repayments by continuous payment authority once a week, on a day agreed with the customer. Just like our other businesses, we adopt a 'low and grow' approach to lending. Our UK-based call centre is always there to discuss any issues customers may have. Just like our Provident home credit product, the total amount repayable is fixed at the outset, so there are no extra charges whatsoever. | Est. 2013<br><br>49,000<br>Customers<br><br>£100 - £1,000<br>Loan range |
| Provident Financial Group | | Guarantor loans<br>glo | glo is our guarantor loans product, providing customers who are unable to access mainstream credit from banks and building societies with larger amounts of affordable credit over longer durations. The loan is guaranteed by a family member or friend with a sound credit record, who supports the customer if their circumstances change. | Est. 2014<br><br>4,000<br>Customers<br><br>£1,000 - £7,000<br>Loan range |
| Provident Financial Group | Moneybarn | Non-standard car finance<br>moneybarn | Moneybarn is the market leader in the provision of car finance for people in the non-standard credit market. Moneybarn is able to help those who may have had problems with credit in the past but who are now over them, to get to work, take their children to school and get on with their lives. | Est. 1992***<br><br>31,000<br>Customers<br><br>£21.3m<br>Profit before tax*<br><br>127<br>Employees<br><br>£4,000 - £25,000<br>Loan range |

*Before exceptional costs and, in the case of Moneybarn, prior to amortisation of acquisition intangibles
**Represents the Consumer Credit Division as a whole
***Acquired in August 2014

# At a glance

## The non-standard credit market

The UK non-standard credit market is made up of around 12 million people who, for a variety of reasons, from relatively low income to having no credit history or a poor credit history, are not well served by the mainstream credit market's products and services.

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

> Smaller sums – typically less than a mainstream provider would lend.

> High levels of contact – our customers like someone to talk to about their loan.

> Understanding – our customers usually have little leeway in their income, so, if they experience problems during the term of their loan, they want to talk to someone who understands their situation and can offer a solution. With some of our products, this can even mean the ability to reschedule repayments at no extra cost to the customer whatsoever.

## Financial highlights

**At year end: 31st December 2015**

| | 2015 (£m) | 2014 (£m) | Change (£m) |
|---|---|---|---|
| **Vanquis Bank profit before tax and exceptional items** | **183.7** | 140.4 | 43.3 |
| **Consumer Credit Division profit before tax and exceptional items** | **105.4** | 103.9 | 1.5 |
| **Moneybarn profit before tax and exceptional items** | **21.30** | 5.8 | 15.5 |
| **Central costs** | **(17.5)** | (15.7) | (1.8) |
| **Profit before amortisation of acquisition intangibles and exceptional costs** | **292.9** | 234.4 | 58.5 |

During 2015, revenue less impairment was £837 million. Of this, £360 million was paid to brokers and suppliers of goods and services (including agents). The remaining £477 million is value added by Provident Financial which was distributed to employees (£168 million), shareholders (£149 million) and government in the form of direct taxes, which includes corporation tax, employer's national insurance, irrecoverable VAT and business rates (£88 million). A further £3 million was donated to our community partners and a profit of £69 million was retained by the business.

A more detailed account of our financial performance is published in our Annual Report and Financial Statements 2015. Go to www.providentfinancial.com for more information.

# OUR CR STRATEGY

Provident Financial Group has been providing an industry-leading service to the non-standard credit market for 135 years. With our customer-first ethos at the core of our business, CR continues to play a systemic role in our decision-making processes across the business, to ensure all our stakeholders benefit.

# Our CR strategy

Our ambition to lend to customers who find it difficult to obtain credit from mainstream credit providers, or are excluded altogether, lies at the heart of Provident Financial Group.

The relationships between our customers and our operating businesses are therefore paramount to our success; read more on how we build these relationships in 'Our core business' on page 23 of this report. Furthermore, central to our strategy is our belief that there need be no conflict between strong economic results and resolute ethical values.

We have long recognised that Provident Financial Group operates in the context of a much bigger picture than the lending relationships we have with customers. As a result, it is essential that we provide an account of these impacts across the other areas our business touches. These impacts relate to the internal governance of our business; the way we treat our employees, suppliers, local communities, wider society, and the environment; and how we deal with regulators and tax authorities.

## What CR means to us

The CR strategy we have in place clearly outlines what our priorities are, and ultimately, what we are committed to achieving. This means continuing to serve our customers in a responsible manner at every stage of their relationship with us, and acting dutifully and with integrity with all our other stakeholders. It is only through doing this that we can deliver our mission (see below).

| OUR MISSION IS.... | OUR SOCIAL PURPOSE IS... | OUR CR STRATEGY INVOLVES... |
|---|---|---|
| ...to be the **leading non-standard lender** in our chosen markets, acting responsibly in all our relationships and playing a positive role in the communities we serve. | ...**financial inclusion** for those who are not well served by mainstream credit products or are excluded altogether. | ...operating our core business of **lending to our customers in a responsible manner**, and acting responsibly and sustainably in all our other stakeholder relationships. |
| **THIS COMMITS US TO...** | **THIS COMMITS US TO...** | **THIS COMMITS US TO...** |
| ...being a **responsible corporate citizen**. | ...providing non-standard credit customers with **appropriate amounts of credit**, maintaining close contact with them throughout the term of their loan, and **working with them sympathetically** if they experience difficulties. The terms and conditions for our products are also designed to meet their particular needs, and rigorous checks are made to ensure customers can afford their repayments. | ...putting the **needs of our customers at the heart of everything we do**; creating a working environment that is safe, inclusive and meritocratic; treating our suppliers fairly; supporting our communities; engaging with the investment community on sustainability matters; and minimising the environmental impacts of our business. |

WE CONTINUE TO SERVE OUR CUSTOMERS IN A RESPONSIBLE MANNER AT EVERY STAGE OF THEIR RELATIONSHIP WITH US.

## Our material issues

To help ensure that we manage and report on the CR issues that matter most to our business and stakeholders, we undertook an exercise to identify and prioritise our material CR issues, which was completed in May 2015. This materiality assessment was in line with our long-term commitment to treat CR as an essential component of our overall business strategy, and informs our Social Purpose and CR strategy. It also ensures that future CR reports comply with the Global Reporting Initiative's G4 reporting guidelines.

Corporate Citizenship, an independent sustainability management consultancy, carried out the work to reassess the materiality of the group's CR issues. Subsequently, the significance of each of these issues was examined to prioritise current and future CR issues from various stakeholders' points of view. The assessment included desk-based research and roundtable discussions with external stakeholders, as well as further interviews, including with internal stakeholders. The results of this exercise are set out within the materiality matrix below.

We will repeat the exercise in 2017 to ensure that the group is continuing to manage and report on the CR issues that are material to our businesses and stakeholders.

## Our CR strategy

Provident Financial Group has four key strategic objectives (below) which are measured through a number of key performance indicators (KPIs), both financial and non-financial.

Performance relating to key strategic objectives 1, 2 and 3 is reported in the Annual Report and Financial Statements 2015; go to www.providentfinancial.com for more information. Strategic objective 4 commits Provident Financial Group to act as a responsible corporate citizen, and is explored in detail throughout this report.

The CR strategy, which we launched in 2015, is supported by a scorecard (shown opposite) which includes a range of qualitative and quantitative metrics to help monitor our progress in delivering against this strategy.

Our performance against these qualitative and quantitative KPIs is set out in the individual sections of this report.

**The group's key strategic objectives**

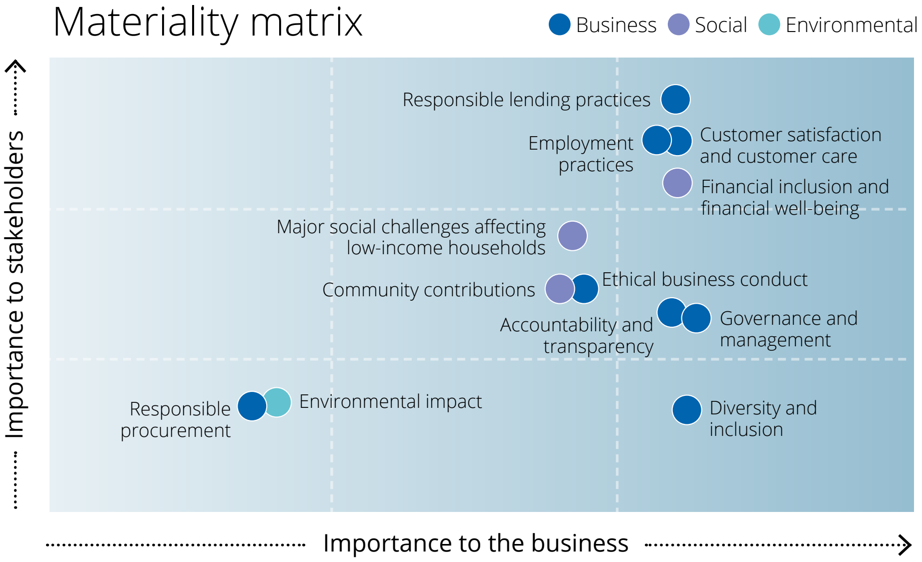
1 Growing high-return businesses in non-standard markets

2 Generating high shareholder returns

3 Maintaining a secure funding and capital structure

4 Acting responsibly and with integrity in all we do

Materiality matrix



| CR strategy commitment | Key metrics |
|---|---|
| **Operate our core business of lending to our customers in a responsible and sustainable manner** | |
| Be transparent in how we do business | Information on products (e.g. APRs), the role played by agents, tax and governance |
| Treat our customers responsibly throughout their journey with us | Percentage of customers surveyed who are satisfied with the service with which they have been provided* |
| | Total number of complaints |
| | Total number and nature of complaints referred to the Financial Ombudsman Service and the proportion which are upheld in favour of customers |
| | Impairment as a percentage of revenue |
| | Total number of accounts handled by debt collection agencies per annum |
| | Total customer-focused training hours undertaken by employees and agents |
| **Act responsibly in all our other stakeholder relationships** | |
| Create a working environment that is safe, inclusive and meritocratic | Percentage of workforce from Black, Asian and Minority Ethnic groups |
| | Percentage of women in senior management roles |
| | Learning and development hours per employee per annum |
| | Average number of days lost to absence per employee per annum |
| | Number of calls made to the group-wide whistleblowing hotline per annum |
| Treat our suppliers fairly | Compliance with the Prompt Payment Code** |
| Support our communities | Amount of money invested in support of community programmes, money advice and social research* |
| | Number of people who directly benefit from the support provided by the projects funded through our community involvement programmes |
| | Number of people supported to develop new skills or improve their personal effectiveness as a result of their involvement in our community involvement programmes |
| | Number of people who have accessed new services and activities delivered through our community involvement programmes** |
| | Total number of hours volunteered by employees in community involvement activities |
| Engage with the investment community on sustainability matters | Dow Jones Sustainability Indices/FTSE4Good scores, presence within Euronext Vigeo and Forum ETHIBEL indices, and information on investor engagement activities |
| Minimise the environmental impacts of our business | Total greenhouse gas emissions (reduce Scope 1, 2 and 3 emissions and increase the reporting of Scope 3 emissions) |
| | Total energy use (MWh) |
| | Total waste arising from our activities (tonnes) |

* Two of the metrics from this scorecard – customer satisfaction and charitable contributions – are reported in the 'Our strategy and performance' section of our Annual Report and Financial Statements

** New metric for 2015

## CR reporting and assurance

Provident Financial Group has published an annual CR report since 2004. Each report gives us the opportunity to reflect on our progress and update our stakeholders on the group's performance across a range of social, ethical and environmental issues. All our previous CR reports are available at www.providentfinancial.com.

Ensuring the integrity of our commentary and data is paramount in our reporting. As such, both are independently assured by Corporate Citizenship, an independent sustainability management consultancy. This helps to reassure our stakeholders that our CR management systems, processes and methodologies reflect legislation and best practice. It also helps to ensure that the data we use to form the basis of our narrative is accurate, rigorous and material.

Corporate Citizenship's assurance of our CR report appraises the extent to which it complies to the AccountAbility AA1000 Assurance Standard (AA1000AS) principles of inclusivity, materiality and responsiveness. The content and quality of the information is also tested against the Global Reporting Initiative's G4 sustainability guidelines by Corporate Citizenship. The assurance statement for this year's reporting is on pages 69 to 71 of this report.

The LBG (London Benchmarking Group) model is also employed across the breadth of the group's community programmes. The aim of this model is to ensure that all of our community contributions are reported under the common LBG guidelines. In doing so, the outputs and longer term community and economic impacts of our community involvement projects can be meaningfully analysed.

We also audit the environmental management systems we have in place at each of our offices against the requirements of ISO 14001; we are currently in the process of transitioning from ISO 14001:2004 to ISO 14001:2015 certification.

# DOING BUSINESS TRANSPARENTLY

Provident Financial Group continues to specialise in lending responsibly to its customers by offering simple and transparent products with no hidden charges.

## Doing business transparently

Alongside transparent products, we strive to be transparent in all other areas of our business. This is not only because it is an essential component of corporate governance, but because in being open with our stakeholders on issues that are important to them, we are able to build further trust.

## 2016 targets

- Formally engage with members of the Provident Financial plc board of directors and other senior managers from across Provident Financial Group as part of the review of the group's community investment programme.
- Identify opportunities where members of the Provident Financial plc board of directors can continue to demonstrate leadership on CR matters.

## KPIs: our 2015 performance

- Information on products (e.g. APRs): this is set out on pages 26 to 31 of this report.
- The role played by agents in the Provident home credit business model: this is set out on pages 26 to 31 of this report.
- Information on CR governance: set out later in this section, page 16.
- Information on tax: set out later in this section, page 21.

## How we govern CR

Overall responsibility for our CR programme rests with Peter Crook, the Chief Executive. CR themes are regularly considered by the Provident Financial Group board and a corporate affairs activity report is presented at each board meeting. The group's Executive Committee, which includes the executive directors and senior management, and is chaired by Peter Crook, reviews and approves the CR programme and budget.

Ongoing management of the CR programme is undertaken by Provident Financial's CR Manager and Community Affairs Manager, who are supported by a number of working groups made up of representatives from the subsidiary businesses.

The group board also provides leadership on material CR issues, for example on the issue of gender diversity. This helps us ensure that the management teams within the group's subsidiary businesses have the right gender balance, and that talented women have equal opportunities for future advancement, and that any barriers that might prevent them from succeeding are removed. The board believes that diversity amongst its directors helps contribute to an effective and successful board. Indeed, the board strives to recruit directors from different backgrounds, with diverse experience, perspectives, personalities, skills and knowledge. The board draws on its nomination committee, made up of the group's non-executive directors and led by the group's Chairman, when seeking a new board member. Furthermore, the board has been supportive of the recommendations contained in Lord Davies' report 'Women on Boards' – read more on page 45.

Further information on other corporate governance issues and how we have applied the principles and provisions set out in the

Financial Reporting Council's UK Corporate Governance Code ("the Code"), and on directors' remuneration, is disclosed in our Annual Report and Financial Statements 2015, available at www.providentfinancial.com.

## Stakeholder engagement

**Our stakeholders are our customers, employees, suppliers, communities, shareholders and investors, and regulators. These are the individuals or groups we have identified that have an interest in, or are affected by, the activities of our group. We continue to engage with these groups on a regular basis to listen to their views and concerns, and also gather feedback on our activities.**

During 2015, our stakeholder engagement activities included:

> **Identifying and prioritising material CR issues** – this was performed to inform our Statement of Social Purpose and CR strategy, and to ensure that future CR reports comply with the Global Reporting Initiative's G4 reporting guidelines (see page 34 for more information).

> **Customer engagement** – conducting surveys and focus groups to determine levels of customer satisfaction with our products and services, and gathering information on the profiles of our customers. Our operating businesses also use online review and feedback systems, such as Feefo and Trust Pilot, which allow their customers to review their services and products (see page 34 for more information).

> **Employee engagement** – carrying out staff surveys to monitor levels of engagement and gather feedback on our business strategies, and communication methods, as well as training and development (see page 34 for more information).

> **Community engagement** – engaging with our community partners and the employees that take part in community volunteering activities to collect feedback which enables us to assess the impacts of our activities and evaluate the efficacy of our community programmes.

Provident Financial Group also engages in ongoing dialogue with regulators and plays a full and active part in all relevant regulatory reviews and consultation processes. This enables us to keep up to date with any regulatory changes, and also to register our views with those that are responsible for revising regulations.

We take part in this dialogue through several routes:

> The group Chief Executive, Peter Crook, and Moneybarn Managing Director, Peter Minter, are active members of the Financial Conduct Authority (FCA) Practitioner Panel, and FCA Smaller Business Practitioner Panel, respectively. These statutory panels have been established to represent the interests of practitioners with the FCA.

> Our individual subsidiary businesses take part in the consultation processes that accompany regulatory reviews. For example, the FCA's credit card market study.

> Our subsidiary businesses also participate in consultation exercises through the group's memberships of trade associations such as the British Banking Association, Consumer Credit Association, Finance and Leasing Association, and UK Cards Association.

WE CONTINUE TO ENGAGE WITH STAKEHOLDERS ON A REGULAR BASIS TO LISTEN TO THEIR VIEWS AND CONCERNS, AND ALSO GATHER FEEDBACK ON OUR ACTIVITIES.

## Managing risk

Our CR programme continues to play an important role in the framework that is in place across the group to manage principal existing and emerging risks.

The group board has ultimate responsibility for the overall corporate governance framework. This includes managing a strong risk governance structure, and determining the nature and extent of principal risks it is prepared to accept as a means of achieving strategic objectives. It is also the board's responsibility to ensure the appropriate system of risk management and internal controls are in place, in accordance with "the Code".

The group board has a risk advisory committee which reviews the assessment of risks and the corresponding management framework.

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

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

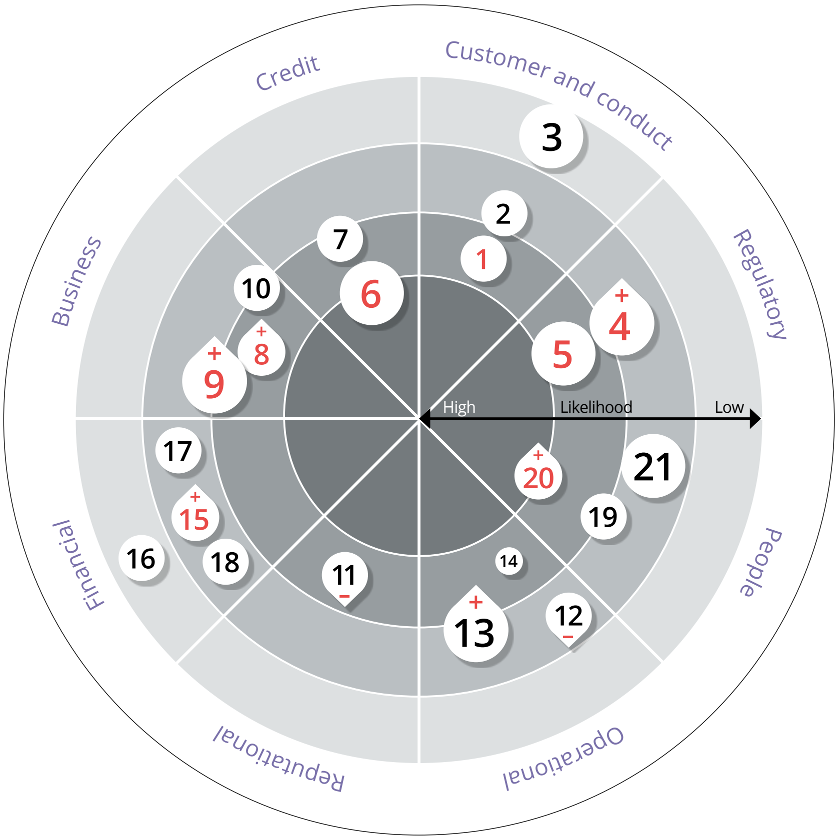
An overview of this model is set out on the opposite page.

A consistently applied method is used at group and divisional level to identify the key risks that could have a significant impact on the ability of the group to achieve its objectives. Risk owners within the divisions and the corporate office are identified and given responsibility for ensuring actions are implemented with appropriate review dates. The risk registers are reviewed by the risk advisory group and updated at least quarterly. The risk advisory committee is responsible for monitoring the key metrics identified by the divisions and the corporate office in the management of risk, and ultimately ensures that customer outcomes remain central to the programme.

We annually review, and continuously monitor, our risk management framework and internal control systems to ensure that these frameworks help protect the group's assets, reputation and sustainability. The group's internal framework is in accordance with the Financial Reporting Council's 'Guidance on Risk Management, Internal Control and Related Financial and Business Reporting', and the FCA's 'Disclosure and Transparency Rules'.

For comprehensive information on the group's risk management framework, please refer to the governance section of the Annual Report and Financial Statements 2015. Go to www.providentfinancial.com for more information.

## PROVIDENT FINANCIAL GROUP RISK MAP




| Principal and emerging risks | | Impact | Likelihood |
|---|---|---|---|
| 1 Conduct | 11 Publicity and political | HIGH | High/current principal risks |
| 2 Responsible lending | 12 Information security | MED | |
| 3 Agent/customer relationship | 13 Supplier | LOW | |
| 4 UK regulation | 14 IT change management | + Increase from 2014 | Low/emerging risks |
| 5 EU regulation | 15 Capital | – Decrease from 2014 | |
| 6 Credit | 16 Liquidity | | |
| 7 Home credit collections | 17 Pension | | |
| 8 Competition | 18 Tax | | |
| 9 New initiatives | 19 Remuneration | | |
| 10 Change management | 20 Recruitment and retention | | |
| | 21 Self-employment status | | |

# RISK: INTERNAL CONTROL

## Monthly management accounts

Monthly management accounts are prepared comparing actual trading results by division to budget and the prior year. Regulatory capital levels, funding liquidity and economic trends are also reported monthly. A rolling forecast of the full year outturn is produced as part of the management accounts pack. Management accounts are distributed to the executive directors and senior management team on a monthly basis and are distributed to the board for each board meeting.

## Biannual budget process

In December each year, the board approves detailed budgets and cash flow forecasts for the year ahead. It also approves outline projections for the subsequent four years. An update to the budget is approved in June each year.

## Corporate policies

The board requires the divisions and the corporate office to operate in accordance with the corporate policies and to certify compliance on a biannual basis. This includes confirmation of compliance and any suggestions for improvements. This ensures that the process remains dynamic and that the divisions and corporate office are operating at the highest level. The corporate policies were last updated in July 2014 and are due to be reviewed and updated in 2016.

## The board

Reviews the risk management framework annually to ensure that it remains fit for purpose and complies with relevant laws and regulations including "the Code".

## Finance forum including treasury committee

A six-weekly finance forum, chaired by the Finance Director and attended by divisional finance directors and senior finance management including the heads of tax, audit, treasury and risk, reviews and provides oversight of the key financial matters of the group.

## Risk advisory committee

Chaired by a non-executive director of the board, it is responsible for ensuring that there is an appropriate risk management framework embedded across the group.

## Internal audit

Regularly reviews the adequacy of internal controls (including financial, operational and compliance controls) in conjunction with the external auditor and reports to the risk advisory group, risk advisory committee and audit committee. An annual programme of work which targets and reports on higher-risk areas is carried out by the group internal audit function. The operation of internal financial controls is monitored by regular management reviews, including a requirement for each division to certify compliance quarterly.

## Risk advisory group

Formally reviews the divisional risk registers four times a year, and reports to the risk advisory committee.

## Divisional boards

The divisional boards and their committees are responsible for managing the divisional risks and preparing divisional risk registers for review by the risk advisory group who report to the risk advisory committee.

## Whistleblowing

Whistleblowing policies are in place in each of the group's divisions. The group is committed to the highest standards of equality, honesty, openness and accountability and employees are encouraged to raise genuine concerns under these policies either by contacting a manager or telephoning a dedicated external helpline in confidence. During 2015, this external helpline was operational throughout the group and procedures are in place to ensure issues raised are addressed in a confidential manner. The Company Secretary is required to report to the audit committee in December each year on the integrity of these procedures, the state of ongoing investigations and conclusions reached.

During 2015, 11 complaints were received, which is an increase from previous periods and is the result of an awareness campaign carried out in 2015 following updates to the whistleblowing policy and the third-party provider marketing material. All complaints made via the external helpline were thoroughly investigated and dealt with in accordance with the appropriate internal procedures. As the Republic of Ireland (ROI) introduced new whistleblowing legislation in 2014, the group took this as an opportunity to review and update its whistleblowing procedures for both the UK and ROI to ensure that employees are aware of the availability of the external helpline.

Three lines of defence model

**First line**

**Second line**

**Third line**

# Our approach to tax

## Tax strategy

Taxes allow governments to fund essential public expenditure, enabling them to meet economic and social objectives, and are a key part of how our business contributes to society.

We are committed to ensuring that we pay the tax we are legally required to, in all of the territories in which we operate. We comply with all tax rules and regulations in those territories and we safeguard our reputation as a responsible taxpayer. However, we recognise that we also have a responsibility to protect shareholder value by controlling and managing our tax liabilities.

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

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

Our tax strategy has the following key components:

> **Payment of taxes.** We seek to ensure that we always pay the tax we are legally required to and comply fully with our tax obligations in all territories in which we operate.

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

> **Mitigating tax liabilities.** We seek to ensure that genuine commercial transactions are structured with clear and unambiguous legislative support so that tax liabilities are controlled and minimised. Artificial structures without commercial or economic substance which give a result which is inconsistent with the underlying economic position will not be considered.

> **Mitigating and controlling tax risk.** Our tax strategy sets out how tax risk is mitigated and controlled by having documented principles for the involvement of the in-house tax function in transactions and business developments, the allocation of responsibilities between the tax function and the businesses, and the involvement of external advisers. These principles, which are embedded into our corporate policies and documented processes, procedures and internal controls, ensure that tax implications are fully considered on corporate transactions and business developments, as well as on day to day business operations.

> **Tax risk management framework.** Our tax strategy also sets out our tax risk management framework which is embedded within our overall risk management framework and governance structure (available in the Annual Report and Financial Statements 2015). We operate the 'three lines of defence' model explained on page 19. In relation to tax risk, this involves:

1. Identification, evaluation and management of tax risk by the in-house tax function working with the Finance Director and the divisions
2. Independent review and challenge of first-line actions by:
   a. The six-weekly Finance Forum chaired by the Finance Director and attended by the divisional finance directors and senior management, including the heads of tax, audit, treasury and risk
   b. The Risk Advisory Committee
   c. The Audit Committee, twice a year
   d. The Board
3. Independent assurance provided through an annual review, by the internal audit function, of the processes and internal controls underpinning the reporting and payment of UK taxes

## Tax risk management

*Tax risk: the risk that the group suffers a loss as a result of unexpected tax liabilities*

Insight into the group's principal risks and the management of these risks is set out on pages 62 to 65 of the Annual Report and Financial Statements 2015. A summary of tax risk, mitigation of tax risk and progress made in managing tax risk in 2015 is set out below and overleaf.

| Risk mitigation | Change and progress in 2015 |
|---|---|
| The group has a regular and constructive dialogue with HMRC across all taxes. This regularly includes advance discussion of transactions with HMRC, and keeping HMRC informed of key business developments. | • In line with our strategy of keeping HMRC informed of key issues affecting the business and seeking advance clearance where the tax position is uncertain, we discussed the detailed VAT profile of the Moneybarn business with HMRC. This included the VAT treatment of the various supplies it makes, its right to input VAT recovery and how it reclaims VAT where customers default on, or voluntarily terminate, their financing.<br>• We discussed various business developments and regulatory changes potentially impacting the self-employed status of agents engaged in the home credit business.<br>• We highlighted key features in the 2014 corporation tax returns and we discussed forthcoming projects, including the proposed rationalisation of the group structure and elimination of a number of dormant subsidiaries. |

| Risk mitigation | Change and progress in 2015 |
| --- | --- |
| Policies and procedures are in place which support the management of key tax risks, including policies and procedures which seek to ensure that agents engaged by the home credit businesses in the UK and Ireland maintain their self-employed status. | • The home credit division's risk function carried out testing to provide assurance that policies on the self-employed status of agents were being complied with.<br>• In Ireland, the Social Welfare Office carried out a detailed review of the self-employed status of several agents who had requested a review of their employment status, concluding in 2016 that the agents concerned were indeed self-employed. |
| We place considerable importance on having robust processes and internal controls in place to ensure the correctness and completeness of data which needs to be captured and treated correctly in the various tax returns that the group is required to make. As well as allowing the annual Senior Accounting Officer certification to be made, these processes are a key control in our overall tax governance framework, providing assurance that taxes are being correctly calculated. These processes are subject to regular review, including annual review by the internal audit function. | • The internal audit function carried out reviews of the operational effectiveness of processes and internal controls over UK corporation tax, UK VAT returns and UK employment taxes, as well as the governance framework for managing self-employed status risk in relation to home credit agents.<br>• Work continued on enhancing and documenting the various systems and processes in place to support Moneybarn's tax obligations. |
| An experienced central in-house tax function is in place, supported by tax-aware personnel in the businesses, which deals with, or has oversight of, all of the group's tax matters. | • In early 2016, the Head of Tax presented to the board on key tax developments and progress on risks.<br>• At each six-weekly Finance Forum, the Head of Tax provided an update on legislative changes, key tax risks and progress on managing those risks. |
| Expert third-party tax advice is obtained on all material transactions and wherever the necessary expertise is not available in-house. | • Advice was obtained on a range of issues, including review of a potential acquisition opportunity and the closure of Vanquis Bank's Polish operation. |

## Our total tax contribution in 2015

We operate predominantly in the UK and the Republic of Ireland. Since 2012, Vanquis Bank has also operated a Polish pilot operation, the closure of which was announced in early 2015. We do not operate in, or generate income in, any other territory.

Our total tax contribution comprises not only the direct tax we, as a business, contribute to governments out of our own financial resources. It also comprises the tax we collect on behalf of governments, such as employment taxes deducted from payments to employees. Over the last five years, our total tax contribution, which predominantly comprises taxes paid to the UK and Irish governments, has shown sustained growth, increasing to £135m in 2015.

***Our direct tax contribution***

Our direct tax contribution is the tax we, as an organisation, incur on our operations. It includes the following:

> **Corporation tax** – this is the tax that we pay on the profits we generate in the UK and the Republic of Ireland. The UK corporation tax we paid in 2015 was reduced by the benefit of losses incurred by Vanquis Bank's pilot Polish business which operated as a branch of Vanquis Bank Limited in the UK, and the closure of which was announced in 2015.

> **Employer's national insurance contributions** – in 2015 we employed, on average, 3,667 (2014: 3,568) employees in respect of whom we pay employer's national insurance contributions and the equivalent in the Republic of Ireland.

> **Irrecoverable VAT** – as the loans and credit we provide are exempt from VAT, we are unable to recover VAT on the vast majority of the costs we incur.

> **Business rates** – payable on the various business premises we occupy.

Our direct tax contribution is made from our financial resources and has a direct impact on our financial position. Employer's national

# Doing business transparently

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

Corporation tax is accounted for through the tax charge as explained in Note 5 to the Annual Report and Financial Statements. The corporation tax we paid in 2015 of £48m differed from the current tax charge for the year of £58m due primarily to the timing of quarterly instalment payments in the UK.

We are not within the scope of the UK bank levy which only applies to larger banking groups. However, from 1 January 2016, an 8% bank corporation tax surcharge has been introduced which applies to profits of banking companies over £25m. These provisions apply to the profits of Vanquis Bank but not to the profits of the rest of the group, and are expected to place an additional tax cost on Vanquis Bank of approaching £15m per annum. It is expected that this will increase the effective corporation tax rate for 2016 on profits before tax and exceptional items to around 24%, reflecting the 20% mainstream corporation tax rate on group profits and the 8% bank surcharge on Vanquis's profits over £25m. Effective tax rates in subsequent years will depend, in part, on the mix of profits between Vanquis Bank and the rest of the group.

***Our indirect tax contribution***

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

> **Employees' income tax and national insurance contributions** – this represents the income tax and employees' national insurance contributions and the equivalent taxes in the Republic of Ireland that we deduct from amounts paid to employees through PAYE.

> **Income tax on interest** – Vanquis Bank pays interest on its retail deposits. This represents the basic rate income tax that we withhold from those interest payments and pay over to the UK Government.

The 5,237 self-employed agents engaged by our home credit businesses in the UK and the Republic of Ireland in 2015 are responsible for paying their own tax and national insurance contributions (and equivalent) on the commission we pay them for running their agencies. We seek to ensure that all agents properly account for taxes on the commission we pay them by providing guidance on their tax obligations and ensuring that agents receive statements of their commission. We also fully comply with our reporting obligations and ensure that commission payments paid to agents are reported to the relevant tax authorities.

| | 2015 £m | 2014 £m | 2013 £m | 2012 £m | 2011 £m |
|---|---|---|---|---|---|
| **Direct tax contribution** | | | | | |
| Corporation tax | 48 | 45 | 40 | 46 | 42 |
| Employer's national insurance equivalent | 16 | 15 | 14 | 14 | 13 |
| Irrecoverable VAT | 21 | 17 | 12 | 11 | 10 |
| Business rates | 3 | 3 | 3 | 3 | 3 |
| Subtotal | 88 | 80 | 69 | 74 | 68 |
| **Indirect tax contribution** | | | | | |
| Employees' income tax and national insurance (through PAYE) | 44 | 42 | 38 | 34 | 34 |
| Tax deducted from interest paid on Vanquis Bank deposits | 3 | 3 | 2 | 2 | - |
| Subtotal | 47 | 45 | 40 | 36 | 34 |
| **Total tax contribution** | **135** | **125** | **109** | **110** | **102** |

Note: For 2012 to 2015, the above includes small amounts of Polish taxes paid in respect of Vanquis Bank's pilot operation in Poland.

***Our tax contribution in the Republic of Ireland***

Our home credit business operates as a branch in the Republic of Ireland. In 2015, it generated revenue of £43m (2014: £45m) and profits of £6.1m (2014: £6.5m) and had, on average, 124 (2014: 126) employees. Of our total tax contribution for 2015 of £135m (2014: £125m), £3.8m (2014: £3.9m) was tax paid to the Republic of Ireland Government and comprised the following:

| | 2015 £m | 2014 £m |
|---|---|---|
| **Direct tax contribution** | | |
| Corporation tax at 12.5% net of repayments related to prior years | 0.8 | 0.6 |
| Employer's national insurance equivalent | 0.7 | 0.7 |
| Irrecoverable VAT | 0.5 | 0.4 |
| **Indirect tax contribution** | | |
| Employees' income tax and national insurance equivalent (through PAYE) | 1.8 | 2.2 |
| **Total tax contribution** | **3.8** | **3.9** |

# OUR CORE BUSINESS:

## LENDING RESPONSIBLY AND SUSTAINABLY TO OUR CUSTOMERS

Our core business is to provide non-standard credit market customers with opportunities to borrow a sensible amount in a transparent, responsible, sustainable way.

Our Social Purpose is financial inclusion for those who are not well served by mainstream credit products or are excluded altogether. To do this, it is essential that we provide our customers with appropriate amounts of credit, maintain close contact with them throughout the term of their loan, and support them sympathetically if they experience difficulties.

## 2016 targets

> Maintain or improve customer satisfaction levels in Vanquis Bank, the Consumer Credit Division and Moneybarn.

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

## 2015 targets

> Maintain or improve customer satisfaction levels in both Vanquis Bank and the Consumer Credit Division.

**Achieved:** See KPIs.

> Implement formal processes in Moneybarn to enable baseline customer satisfaction and customer complaint data to be collected and reported.

**Achieved:** See KPIs.

## KPIs: our 2015 performance

> Percentage of customers surveyed who are satisfied with the service with which they have been provided:

- Provident home credit customers satisfied: 93% (2014: 93%)
- Vanquis Bank customers satisfied: 88% (2014: 84%)
- Moneybarn customers satisfied: 89% (2014: not available)

> Total number and nature of complaints: 36,307 (2014: 33,433). For nature of complaints, see page 35

> Total number of complaints referred to the Financial Ombudsman Service: 1,030 (2014: 832); the proportion which were upheld in favour of customers: 23% (2014: 23%)

> Impairment as a percentage of revenue: 25% (2014: 30%)

> Total number of accounts handled by debt collection agencies per annum: 260,785 (2014: 530,776)

> Total customer-focused training hours undertaken by employees and agents: 96,507 (2014: 52,624)

# Being transparent about our operations

## About the non-standard credit market

To understand our Social Purpose, it is helpful to explain more about the non-standard credit market. In the UK, this market is made up of around 12 million people who are not well served by the mainstream credit market's products and services. Non-standard credit customers typically have a poor credit history, no credit history at all, or may have had past problems with credit, often due to periods of unemployment, family break-up, ill-health or the use of inappropriate mainstream credit offers.

Businesses which serve this market sustainably require a tailored approach to credit, usually focusing on lower amounts of credit for shorter terms initially, and accompanying this with higher levels of customer contact, and sometimes the use of a security or asset in some form linked to the provision of the credit. They also need to be more flexible in dealing with non-standard customers as they are more likely to run into repayment issues and require forbearance.

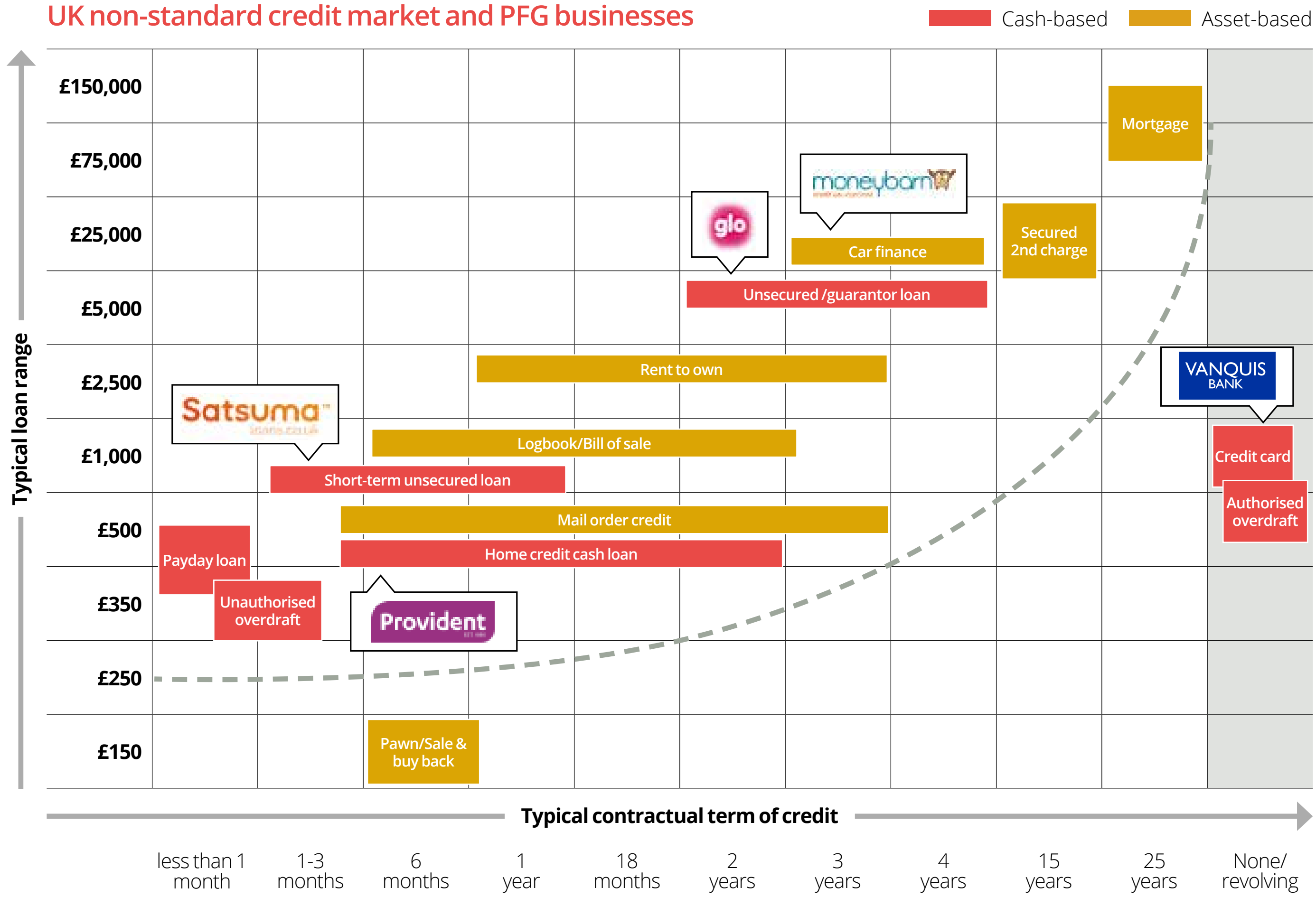
As a result, business models in this credit sector usually incur higher costs than more standardised, less flexible, prime credit offers. This results in the need to charge higher prices to generate acceptable returns for the greater risk that shareholders and investors take, meaning the APRs in the non-standard market can seem high when compared with mainstream lending products.

There is a more diverse range of types of credit on offer in the UK's non-standard credit market than the prime market, reflecting the wider variety of customer needs and situations. The diagram below provides an overview of the types of products common in the UK non-standard market, showing the typical loan sizes and terms of lending for each, and where our group's products sit in this market.

Typically, larger credit amounts are only viable over longer periods, and often linked to a product or asset purchase to improve the chances of repayment. The main exception is guarantor lending, where the guarantor, typically a relative or friend of the borrower, agrees to repay the loan if the borrower defaults; this system is at the centre of our glo product, explained on page 30.



## UK non-standard credit market and PFG businesses



## Our core business

### Our business model: creating value through Provident Financial Group

We have been serving customers in the non-standard credit market since 1880. During this time, we have developed a specialist business model which enables us to meet customer needs effectively, and apply its principles across all our operating businesses.

| | |
|---|---|
| **1. We secure longer-term, lower rate funding through…** | • Borrowing long and lending short<br>• Maintaining a diverse range of funding sources<br>• Maintaining borrowing facilities to provide headroom for the following 12 months<br>• Having investment grade credit of BBB with a stable outlook<br>• Maintaining strong relationships with core banks |
| **2. We develop tailored products to meet customers' needs by…** | • Providing financial access to those who would otherwise be excluded<br>• Offering simple, transparent products<br>• Providing high levels of contact with the customer<br>• Maintaining high levels of customer satisfaction |
| **3. We attract suitable customers…** | **Typical customer:**<br>• Mixed employment status<br>• Low to average income<br>• Limited indebtedness<br>• Lives in rented accommodation or social housing<br>• Average age of 25 to 50 years old<br>**How customers are attracted and retained:**<br>• Business to Consumer (B2C) and Business to Business (B2B) channels<br>• Strong brand loyalty<br>• Marketing expertise<br>• Broker relationships |
| **4. We assess affordability and credit worthiness through using…** | • Bespoke underwriting, developed over a number of years<br>• External bureau data to supplement our own data<br>• Leading-edge technology<br>• Strong data analytics based on our long history<br>• Our experience in assessing non-standard consumers |
| **5. We lend responsibly through…** | • Small-sum, short duration<br>• Our 'low and grow' approach to lending. New customers get lower credit limits, or smaller, shorter-term loans to begin with. This gives us the chance to observe and understand the behaviour of our customers before we consider granting further lending, and also enables the customers to experience our products and see if they suit their needs.<br>• Affordable weekly or monthly repayments<br>• No hidden charges |
| **6. We collect repayments due through…** | • Maintaining regular and close contact with customers<br>• Using our tech-equipped contact centres<br>• Developing experienced and well-trained collection teams and ensuring self-employed agents have received appropriate training<br>• Allowing multiple methods of repayment<br>• Having compliant remuneration arrangements for contact centre staff, and a commission system for home credit agents |
| **7. We manage arrears and customer difficulties through…** | • Regular contact and on-going dialogue throughout the customer journey<br>• Multiple forbearance methods<br>• Having a sympathetic approach |
| **8. We pay for funds and generate surplus capital to deploy through…** | • High return on asset (ROA) businesses generating surplus capital<br>• Distributing 80% of earnings in dividends<br>• Retaining 20% equity, sufficient to fund future growth in receivables<br>• Maintaining low level of gearing at 3.5 times or below |

## Our business model: creating value through Vanquis Bank

Vanquis Bank is the leading supplier of credit cards in the non-standard credit market and brings the benefit of credit cards to people who can find themselves excluded by mainstream credit card providers.


| | |
|---|---|
| **1. We secure longer-term, lower rate funding through...** | • Stand-alone retail deposits funding<br>• Provident Financial Group providing intercompany loan |
| **2. We develop tailored products to meet customers' needs by...** | • Offering simple credit card options with no teaser rates or rewards programmes<br>• Providing solutions for modern day living, such as shopping on the internet<br>• Allowing customers with thin or impaired credit records to rebuild their credit score<br>• Maintaining high levels of customer satisfaction |
| **3. We attract suitable customers...** | **Typical customer:**<br>• Full-time employed<br>• Average income of £20,000 – £35,000 per year<br>• Limited indebtedness<br>• Lives in rented accommodation<br>• Average age of 35 to 45 years old<br>**How customers are attracted and retained:**<br>• Through multiple brands – Vanquis Bank, Aquis, Black Diamond, Granite, Neo, Original, Origin<br>• Recruited through the internet, direct mail, face-to-face and partnership arrangements |
| **4. We assess affordability and credit worthiness through using...** | • Bespoke underwriting systems<br>• External bureau data<br>• 13 years of experience of lending to non-standard credit card customers<br>• Calling all new customers to welcome them and gather more data |
| **5. We lend responsibly through...** | • An initial credit limit of £250 to £500<br>• The 'low and grow' approach to extending credit, with the average life of a card account of around 4 years<br>• A maximum credit limit of £3,500<br>• A representative APR of 39.9% |
| **6. We collect repayments due through...** | • A best-in-class collections centre in Chatham<br>• Experienced contact centre staff with compliant remuneration arrangements<br>• Leading edge technology and dialler strategies<br>• E-Vanquis for electronic payments |
| **7. We manage arrears and customer difficulties through...** | • Immediate contact when payments are missed<br>• Multiple forbearance methods for customers in difficulty<br>• Offering an Optional Repayment Plan product which freezes accounts for up to two years if customers get into difficulty<br>• Maintaining low levels of complaints overturned by the Financial Ombudsman Service (FOS) |
| **8. We pay for funds and generate surplus capital to deploy through...** | • A high ROA business<br>• Strong capital generation funds growth which allows surplus capital to be paid in dividends to Provident Financial Group |

# Our core business

## Our business model: creating value through Provident home credit

Provident is the largest home credit business in the UK and Ireland and is still 'lending a hand' to its customers after 135 years.

| | |
|---|---|
| **1. We secure longer-term, lower rate funding through…** | • Stand-alone retail deposits funding<br>• Provident Financial Group providing intercompany loan |
| **2. We develop tailored products to meet customers' needs by…** | • Providing simple cash loans agreed and delivered by a self-employed agent in the customer's home<br>• Enabling the customer to manage their household budget<br>• Arranging for affordable weekly repayments<br>• Offering an all-in fixed charge, with no late fees or additional interest<br>• Using experience from 135 years of serving non-standard customers<br>• Maintaining high levels of customer satisfaction |
| **3. We attract suitable customers…** | **Typical customer:**<br>• Part-time or casual employment<br>• Low income of £10,000 – £15,000 per year<br>• Limited indebtedness<br>• Lives in rented accommodation or social housing<br>• Often female, middle-aged<br>**How customers are attracted and retained:**<br>• Multiple channels – recommendation, direct mail, internet or through self-employed agents<br>• Strong brand with loyal customer base<br>• Building on existing customer relationships |
| **4. We assess affordability and credit worthiness through using…** | • 135 years of experience of lending home credit<br>• Central underwriting to generate a 'no' or 'maybe' decision, followed by the self-employed agent's final decision on affordability and lending<br>• Agents, typically female, with an average of seven years' experience, and who live in the communities they serve |
| **5. We lend responsibly through…** | • Offering small-sum credit with an initial loan of £150<br>• The 'low and grow' approach to extending credit<br>• Only paying agents commission on what they collect, so there is no incentive to over-lend<br>• A representative APR of 399.7% |
| **6. We collect repayments due through…** | • The agent visiting the customer's home, receiving the payment in cash, typically weekly |
| **7. We manage arrears and customer difficulties through…** | • Weekly face-to-face visits from the agent to allow discussion of the customer's situation<br>• Agents agreeing reduced payments or a temporary payment holiday<br>• No additional fees or interest accrued from late payment |
| **8. We pay for funds and generate surplus capital to deploy through…** | • A high ROA business<br>• Strong capital generation funds growth which allows surplus capital to be paid in dividends to Provident Financial Group |

## Our business model: creating value through Satsuma Loans

Satsuma Loans provides a unique customer proposition in the short-term, small-sum online loans market, building on the group's experience and skills in serving home credit and non-standard credit card customers.

| | |
|---|---|
| **1. We secure longer-term, lower rate funding through…** | • An intercompany loan provided by Provident Financial Group<br>• Having a guarantor to group facilities |
| **2. We develop tailored products to meet customers' needs by…** | • Delivering simple, short-term loans remotely<br>• Allowing customers fast access to finance<br>• Arranging for manageable weekly payments<br>• Applying no additional, hidden fees<br>• Being suitable for customers who prefer to transact online, and have no requirement for an agent relationship<br>• Maintaining high levels of customer satisfaction |
| **3. We attract suitable customers…** | **Typical customer:**<br>• Full or part-time employment<br>• Low income of £10,000 – £15,000<br>• Limited indebtedness<br>• Lives in rented accommodation<br>• Average age of 25 to 35 years old<br>**How customers are attracted and retained:**<br>• High levels of brand awareness, initially through TV advertising, focusing now on digital and social media<br>• B2B relationships developing<br>• Will begin to make use of declined applications to Vanquis Bank<br>• Building on existing customer relationships |
| **4. We assess affordability and credit worthiness through using…** | • External credit bureau data<br>• Bespoke credit scoring using a range of data sources<br>• Validated affordability assessments using payslips and external data |
| **5. We lend responsibly through…** | • The 'low and grow' approach to extending credit<br>• A typical initial loan of £200<br>• Loans of £200 – £1,000, repayable between 13 and 52 weeks<br>• Offering an alternative to payday lending, with no additional interest or late fees, and manageable weekly repayments rather than a 'bullet' repayment<br>• A representative APR of 1,575% |
| **6. We collect repayments due through…** | • Continuous Payment Authority (CPA) from the customer's bank account<br>• Compliant CPA policy, with customer contact made after two failed attempts<br>• Leveraging best-in-class collections provided by Vanquis Bank in Chatham<br>• The experienced UK-based contact centre team<br>• Developing a dedicated self-serve area on the website to allow electronic payments |
| **7. We manage arrears and customer difficulties through…** | • Making immediate contact when payments are missed<br>• Multiple forbearance methods with no additional fees or charges |
| **8. We pay for funds and generate surplus capital to deploy through…** | • The progress to date which confirms the ability to meet the group's target returns |

## Our business model: creating value through glo

glo's guarantor loan product is distinct from any of the group's other services, providing non-standard consumers with affordable, longer, larger loans. The loan is guaranteed by a family member or friend with a sound credit record, who guarantees to support the customer if their circumstances change.

| | |
|---|---|
| **1. We secure longer-term, lower rate funding through…** | • An intercompany loan provided by Provident Financial Group<br>• Having a guarantor to group bank facilities |
| **2. We develop tailored products to meet customers' needs by…** | • Providing access to larger-value, longer-duration credit<br>• Providing access to lower cost credit than would otherwise be available if the customer did not have a guarantor<br>• Arranging for manageable monthly payments<br>• Allowing customers with a thin or impaired credit history to build their credit profile<br>• Offering a route for debt consolidation, car finance and larger-value purchases |
| **3. We attract suitable customers…** | **Typical customer:**<br>• Full-time employed<br>• Average incomes of £15,000 – £25,000<br>• Limited indebtedness<br>• Lives in rented accommodation<br>• Average age of 25 to 35 years old<br>**How customers are attracted and retained:**<br>• Initial focus on B2C through TV advertising<br>• Developing B2B channel with brokers, leveraging on Moneybarn's broker relationships<br>• Other channels to be developed in future under Vanquis Bank's ownership |
| **4. We assess affordability and credit worthiness through using…** | • Bespoke credit scoring through a range of data sources<br>• Affordability assessment performed on both the borrower and the guarantor<br>• External credit bureau data |
| **5. We lend responsibly through…** | • A typical initial loan of £2,500<br>• Loans from £1,000 – £7,000, and an average term of four years<br>• A representative APR of 49.5% |
| **6. We collect repayments due through…** | • Monthly direct debit from the customer's bank account<br>• Leveraging best-in-class collections provided by Vanquis Bank in Chatham<br>• An experienced UK-based contact centre team |
| **7. We manage arrears and customer difficulties through…** | • Making immediate contact when payments are missed, and informing their guarantor too<br>• Having multiple forbearance methods available with no additional fees<br>• Making every effort to collect from the borrower before the guarantor is required to make repayment |
| **8. We pay for funds and generate surplus capital to deploy through…** | • The progress to date which confirms the ability to meet the group's target returns |

## Our business model: creating value through Moneybarn

Moneybarn is the leading provider of non-standard vehicle finance in the UK. By assessing every customer's personal history, needs and situation, Moneybarn is able to make responsible lending decisions and provide its customers with a reliable method of travelling to work

| | |
|---|---|
| **1. We secure longer-term, lower rate funding through…** | • An intercompany loan provided by Provident Financial Group<br>• Having a guarantor to group bank facilities |
| **2. We develop tailored products to meet customers' needs by…** | • Enabling customers to get to work (not a discretionary purchase)<br>• Offering a remotely underwritten conditional sales agreement to buy a second-hand car or van<br>• Enabling access to lower-cost funding than would otherwise be available, through the security the vehicle provides to Moneybarn<br>• Arranging for manageable monthly payments<br>• Maintaining high levels of customer satisfaction |
| **3. We attract suitable customers…** | **Typical customer:**<br>• Full-time employed<br>• Average income of £20,000 – £30,000<br>• Limited indebtedness<br>• Lives in own or rented accommodation<br>• Average age of 35 to 45 years old<br>**How customers are attracted and retained:**<br>• Primarily B2B through strong broker and dealer relationships<br>• Cross-selling to Vanquis Bank customers through email campaigns |
| **4. We assess affordability and credit worthiness through using…** | • Bespoke credit scoring which uses a range of data sources<br>• External credit bureau data<br>• Vehicle valuation checks through Glass's vehicle valuation guide<br>• Leading edge IT to provide an underwriting decision in four seconds |
| **5. We lend responsibly through…** | • Offering loans of £4,000 – £25,000, and an average payment term of between four and five years<br>• An average loan of approximately £9,000<br>• A representative APR of 33.9% |
| **6. We collect repayments due through…** | • A monthly direct debit payment from the customer's bank account<br>• An experienced UK-based contact centre team |
| **7. We manage arrears and customer difficulties through…** | • Making immediate contact when payments are missed<br>• Having multiple forbearance methods available<br>• Repossessing a car when it is in the best interests of the customer and Moneybarn to realise its value |
| **8. We pay for funds and generate surplus capital to deploy through…** | • A high ROA business<br>• The business already generating sufficient capital to fund its own rapid growth |

# How Provident Financial Group is regulated

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

From April 2014, the Financial Conduct Authority (FCA) replaced the Office of Fair Trading (OFT) as the regulator of consumer credit in the UK. All consumer credit firms had to submit applications for authorisation to the FCA prior to set deadlines.

**Vanquis Bank** is authorised and regulated by the PRA and the FCA to operate its credit card business. Vanquis Bank must also comply with the Consumer Credit Act 1974 (as amended), and the rules of the FCA. Compliance is monitored by the FCA and complaints can be dealt with by the Financial Ombudsman Service. Vanquis Bank is also regulated by the PRA which sets requirements for Vanquis Bank relating to capital adequacy, liquidity and large exposures. Vanquis Bank was already an authorised firm but submitted its application for a variation of permissions in December 2014 and continues to operate under an interim consumer credit permission while awaiting formal approval of its application.

**Provident home credit** is authorised and regulated by the FCA in the UK. The products delivered by the **Consumer Credit Division** are governed by the terms of the Consumer Credit Act 1974 (as amended) and associated regulations, and the rules of the FCA and guidance made under them. The Consumer Credit Act 1974 (as amended) and the FCA rules lay out detailed requirements, and compliance is monitored by the FCA. Complaints can be taken to the Financial Ombudsman Service. Provident home credit is also a member of the home credit industry's trade association, the Consumer Credit Association (CCA), and is subject to the CCA's Code of Practice and Business Conduct Pledge. These are voluntary arrangements which reinforce the statutory and regulatory requirements. The Consumer Credit Division has obtained interim permissions under the FCA and submitted its application for full authorisation in May 2015. In addition, **Satsuma Loans** falls within the FCA's definition of 'high-cost, short-term credit' and, as such, is subject to additional FCA regulatory measures and restrictions.

In the **Republic of Ireland** (where home credit lenders are known as 'moneylenders') the regulatory framework consists of the statutory obligations set out in the Consumer Credit Act 1995, together with the requirements of the Central Bank of Ireland's Fitness and Probity regime, the Consumer Protection Code for Licensed Moneylenders 2009, and the European Communities (Consumer Credit Agreement) Regulations 2010. Provident home credit is licensed to carry on business as a moneylender by the Central Bank of Ireland. It is also a member of the Consumer Credit Association (Republic of Ireland).

**Moneybarn** is authorised and regulated by the FCA. The FCA regulates the entire financial services industry and uses a set of rules and principles to ensure that customers are treated fairly by providers. As a leading member of the Finance and Leasing Association (FLA), the official trade body of the motor finance industry, Moneybarn is subject to the FLA's Lending Code. The FLA promotes best practice in the motor finance industry through its Lending Code which sets out best practice in consumer lending. Like the Consumer Credit Division, Moneybarn has obtained interim permissions under the FCA and submitted its application for full authorisation in May 2015.

The group's operating businesses continue to have a constructive dialogue with the FCA, responding to questions and information requests relevant to obtaining the necessary authorisations and change of permissions.

**What does the new regulatory regime require?**

- Full formal governance structures for each authorised business, including divisional boards and committees with non-executive directors
- FCA-approved people across key management functions in each division
- Robust risk management frameworks and processes, centred around conduct risk
- Explicit 'three lines of defence' model: business execution, internal quality control/challenge, and independent internal audit
- Policies and procedures to specify how the business will comply with all relevant aspects of the FCA handbook and sourcebooks
- Thorough, verified assessments for all lending decisions to ensure affordability, responsibility and sustainability, as well as suitability of the product
- Training, monitoring, control and auditing of compliance, with policies and procedures to provide documentary evidence to demonstrate adherence

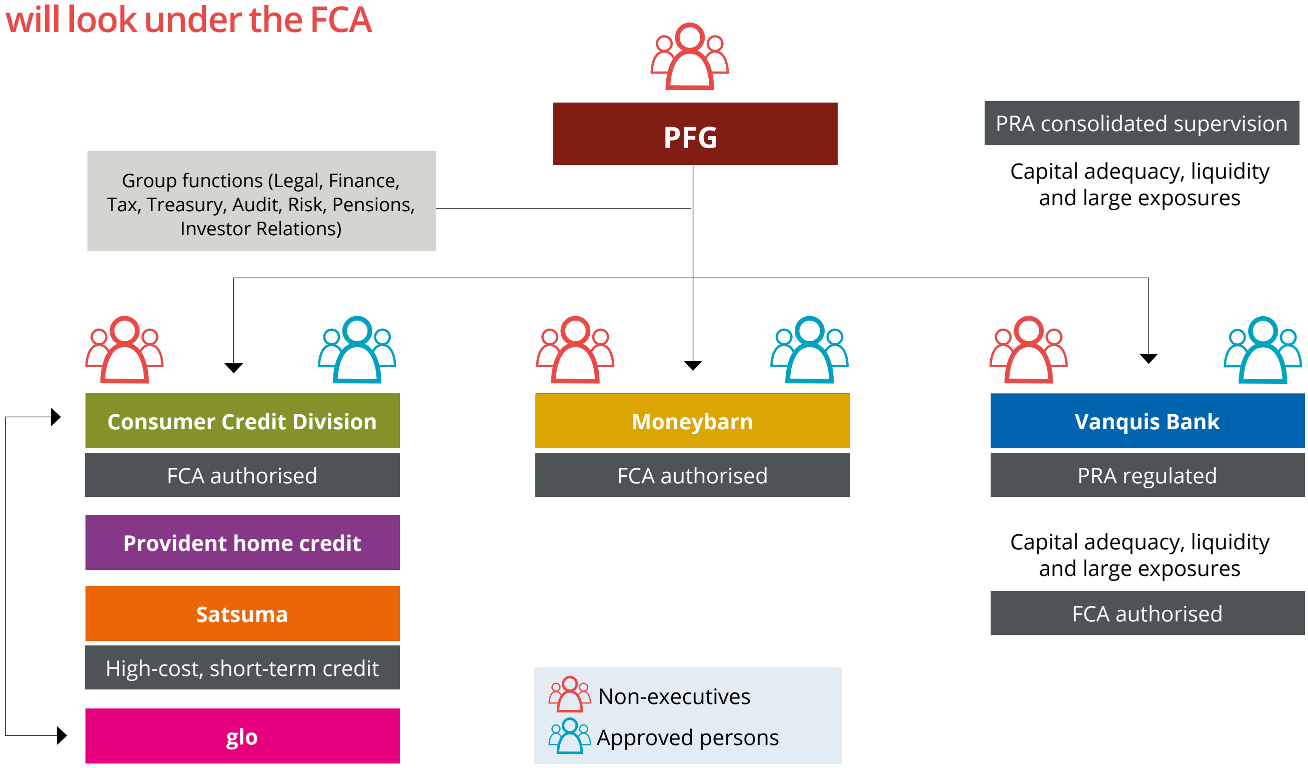
# Treating our customers responsibly every step of the way

Through 135 years of serving the needs of the non-standard credit market, we are experienced in delivering best-fit credit products in a responsible way. This responsibility applies across all of the activities we carry out, from marketing our offering to prospective new customers, through to collecting repayments.

## Lending responsibly and sustainably

Our products are tailor-made for our customers. All of the businesses within the group specialise in offering simple products which are delivered in a way which suits our customers' particular needs.

## How Provident Financial Group will look under the FCA




***Vanquis Bank***

Vanquis Bank credit limits start as low as £250 in line with our 'low and grow' approach to lending – and we only extend a limit if it is appropriate to do so. We use our tailored underwriting process which has been developed over the last 13 years. Whether we decide to lend to an applicant is based on a combination of external credit reference data and our own scorecards.

We follow up approved applications with a welcome phone call, which enables us to develop our relationship with the customer from this early stage, and also gives us the opportunity to collect more data. Alongside this call, new customers receive an information pack on their new credit card, which offers advice on how to increase their credit rating through responsible financial behaviours. A combination of text messages to remind customers of payment dates, and phone calls to follow-up on missed payments, proves an effective way to keep in touch.

***Provident home credit***

Our most traditional loan product, Provident home credit, has the relationship between the customer and the self-employed agent at its core; the agent usually visits the customer's home to set up the loan and collect repayments each week. Agents only receive commission on what they collect back from the customer, so there is no reason for them to lend more than customers are likely to be able to pay back. The agent makes the final lending decision using both central underwriting and their own judgement to decide if the customer is likely to be willing, and able, to pay the loan back under the agreed terms.

The customer-agent relationship, once developed, enables a sensitive response if a customer encounters financial difficulty. Agents can then put steps in place to help the customer – including reduced or postponed repayments.

Following the roll-out of the collections app in 2014, which agents use on their smartphones, the Consumer Credit Division successfully deployed a lending app to all agents in the UK in 2015. The successful introduction of this technology has multiple benefits: eliminating paper, better enforcing and evidencing compliance, improving collections performance and arrears management, and saving time, allowing more time to be spent focusing on customers.

***Satsuma Loans***

Satsuma Loans is based on a modern model of lending, though is differentiated from other similar products in the market through building on our longstanding knowledge of issuing Provident home credit loans and Vanquis Bank credit cards. Lending decisions are made using external bureau data and our own scorecard – which collects invaluable information on behavioural and social data before making credit decisions. Like our other products, Satsuma Loans uses the 'low and grow' lending approach.

In addition to collecting Vanquis Bank loans, the Vanquis Bank contact centre collections team in Chatham are also responsible for collecting Satsuma Loans repayments. This team keeps in regular contact with customers, including contacting them by phone and text message, and working with them to ensure the best possible outcome if they get into difficulty.

***glo***

The longer, larger loans that we offer to customers through our glo business are underpinned by a guarantor – typically a family member or friend of the customer with a good credit history. The guarantor agrees to pay for the loan if the customer's circumstances change and they cannot afford to make their repayments.

Both the customer and guarantor are subject to rigorous affordability checks, and both are required to co-sign the loan agreement before it is processed. As with our other products, it is key that glo delivers a customer-centric approach to forbearance if the customer gets into financial difficulty. glo includes no set-up fees or early repayment fees, and makes repayments simple through direct debit arrangements.

***Moneybarn***

The majority of Moneybarn customers come to us through a network of well-established brokers. Our responsible approach to lending has helped us develop strong relationships with broker staff.

Moneybarn's underwriting process is highly automated to allow for rapid provisional approvals. Lending decisions are based on external credit data, our own scorecards, and affordability assessments. Brokers only earn commission on each lead they provide which qualifies for a loan.

Customers using a broker can source their vehicle from any car dealership, and payments are made through monthly direct debit. Any missed payments are followed up with contact from Moneybarn.

## Delivering customer-focused training

All our staff with a customer-facing role and all Provident home credit's self-employed agents, receive training on how to treat customers fairly, and receive refresher training every year. We deliver modules via a combination of in-person and online training on data privacy, supporting vulnerable customers, handling customer complaints, and anti-money laundering.

Following significant training on the changes associated with the new FCA regulatory regime in 2014, 2015's training focused on a range of issues, including supporting customer-facing staff and self-employed agents to identify and deal with consumers in potentially vulnerable circumstances, and the use of the collections app in the Consumer Credit Division.

**96,507**

customer-focused training hours delivered to employees and self-employed agents (2014: 52,624)

## Satisfying our customers

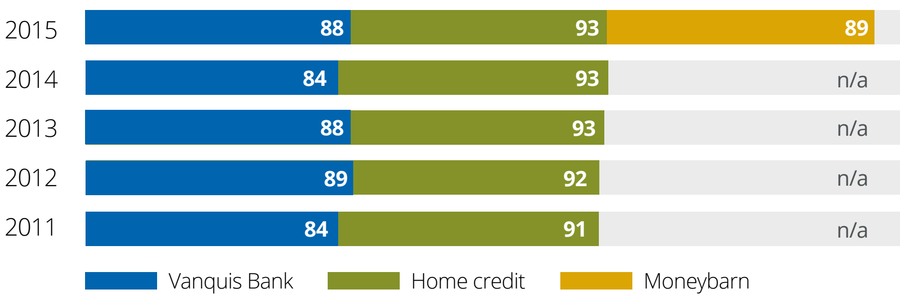
One of our main performance indicators is customer satisfaction. This enables us to monitor whether we are delivering against our Social Purpose and providing our customers with products that meet their needs through an accessible and responsible service. Customer satisfaction is surveyed regularly across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

**93%** **Provident home credit customers satisfied** (2014: 93%)

**88%** **Vanquis Bank customers satisfied** (2014: 84%)

**89%** **Moneybarn customers satisfied** (2014: not available)

### Customer satisfaction (%)



Our operating businesses also monitor customer reviews of their products and services which are collected via independent reviewing sites such as Feefo and Trustpilot. 98% of Feefo customer posts rated the Provident home credit service they receive as good or excellent, and Satsuma Loans at 99%. Vanquis Bank scored 9 out of 10 in Trustpilot's customer reviews.

## Handling complaints responsibly

Ensuring that we keep customer complaints to an absolute minimum is another key indicator of whether we are delivering against our Social Purpose. Understanding the reasons which have led to complaints enables us to target improvement areas for the services we offer.

Well-established complaint-handling processes, procedures and timescales are in place across the group to guide our customer relations teams and help them resolve issues in a professional and timely way.

During 2015, the total number of complaints received by Vanquis Bank, the Consumer Credit Division and Moneybarn was 36,307 (2014: 33,433). Of these, 17,240 (2014: 18,040) complaints were received by Vanquis Bank; 17,655 (2014: 15,393) were received by the Consumer Credit Division; and 1,412 were received by Moneybarn. The proportion of customer complaints to the total number of customers was 1.35% (2014: 1.4%[2]).

We provide the contact details of the Financial Ombudsman Service (FOS) to all our customers, providing them with reassurance that if we are not able to resolve their complaint to their complete satisfaction, they can refer it to the FOS. During 2015, the total number of new cases received by the FOS was 1,030 (2014: 832). 235, or 23% (2014: 189; 23%), of those referred to the FOS were upheld in favour of the complainant.

## Supporting vulnerable customers

All of our contact centre team receive initial and ongoing training to help recognise and deal with potentially vulnerable customers. They use a technique developed by the Money Advice Trust and the Royal College of Psychiatrists – Thank, Explain, eXplicit consent, Ask, Signpost (TEXAS) – to construct calls. We also have plans to further improve calls with 'speech analytics' monitoring; this is a process that automatically analyses the conversations our contact centre teams have with customers to expose information buried in their calls to highlight cases for review, and ultimately ensure customers in potentially vulnerable situations are handled appropriately.

Specialist members of our team are able to offer a range of forbearance options to help vulnerable customers, dependent upon their situation and needs. This may include offering breathing space, and short-term or long-term payment plans with interest and charges reduced or frozen. In some serious cases, a decision may be taken that the debt will no longer be pursued.

Our front-line members of staff in all Provident Financial Group's business areas are alerted to a 'Customer Care' page (when viewing a customer's account), if the customer has disclosed and consented to sensitive information being noted. This alert allows our team to tailor conversations appropriately right from the start of the call.

We also use external expertise, including through our partnerships with Macmillan, Shelter, Samaritans and StepChange, as well as guidance from the Financial Conduct Authority and the BBA Taskforce who are currently considering the issue of vulnerable customers.

All calls are recorded and monitored, and monthly case studies are discussed in detail with senior management. Any complaints are analysed and actions are taken to avoid a repeat of the situation which gave rise to the complaint. Internal thematic reviews are conducted on specific issues, along with an internal audit of the group, and external legal reviews.

Our processes are designed to comply with The Equality Act 2010, The Mental Capacity Act 2005, The Data Protection Act 1998, and Equality and Human Rights Commission guidelines.

[2] Moneybarn data not included in the 2014 figure

# Our core business

## Case study

**John's story**

**New credit card customer**
John is delighted to be accepted for his first credit card, which has a £250 credit limit.

**Normal use of credit card**
John uses his credit card, makes repayments, and builds a credit history. This qualifies him for an increase in credit limit to £500.

**Indication of potential vulnerability**
After 18 months, John starts missing payments.

**Specialist assessment**
John is transferred to a specialist who has a detailed discussion with him about his situation.

**Resolution plan developed**
Based on a full review of John's current medical and financial situation, an affordable payment plan is agreed. This will be monitored closely by the Specialist Support team.

**Issue resolved**
John is eventually able to return to work and resume the normal use of his credit card, but has the Specialist Support number, should he need support again from them.

**Where our trained teams are able to support John**

**Contact centre team**
During a regular collections call, John mentions that he has recently had a severe mental breakdown following a difficult divorce and family bereavement. As a result, he is finding it difficult to cope, including financially. He is currently signed-off from work and under the care of a mental health crisis team.

A member of the contact centre team uses the TEXAS protocol (see page 35, paragraph 6) and, with consent, captures certain more sensitive information from John and records it in the 'Customer Care' page. With John's agreement, they would like to pass him through to the Specialist Support team who are better placed to talk through the appropriate options available to him.

**Specialist Support team**
John's account is 'flagged' as particularly vulnerable, taking it out of mainstream collections. John is transferred to a member of the Specialist Support team who has a further in-depth conversation with him about his current situation and what support he needs.

## Collecting debt responsibly

From time to time, some of our customers experience difficulty in making payments through no fault of their own; their income may change as a result of reduced hours, redundancy, illness or death of a partner, for example. As such, we dedicate significant time and effort to assisting customers who are finding it difficult to repay their loan. However, there are still some cases where customers will not co-operate with our efforts. Our operating divisions have systems and processes in place to resolve such situations, which may include appointing a debt collection agency (DCA) to pursue the debt.

DCAs undertake collection activities on our behalf, but with the title and responsibility for the loan remaining with our relevant operating business. The DCAs only receive commission on the payments they collect. If the DCA is not able to make an arrangement for repayment, the account is passed to a second DCA. Our operating businesses only use DCAs with a known track record for responsible collection and who are members of the Credit Services Association, the DCA trade body.

**10%** (2014: 22%)

percentage of accounts placed with DCAs (260,785 accounts)

We review and scrutinise the performance of DCAs on an ongoing basis, including through formal audits of their activity every six months. These audits focus on all aspects of work that the DCAs are carrying out on our behalf, including ensuring that their activities comply with our own processes and procedures for responsible conduct.

Our customers sometimes enter into debt repayment agreement plans with charities offering free and independent financial advice and support. We accept the offers of debt payment from these charities when customers have sought advice from them and a financial assessment has been made. To pay for the debt advice received by our customers and support the continuation of these charities without the requirement for taxpayer support, we have 'Fairshare' agreements with StepChange and Christians Against Poverty (CAP). Under these 'Fairshare' agreements, we contribute almost 12% of any payment we receive from a customer who has entered into a debt agreement plan with these charities.

## Supporting the money advice sector

As part of our commitment to help non-standard credit customers, we continue to work with a wide range of free and voluntary money advice organisations. Our financial support enables them to help those who have problems repaying their debts to us and to others, and to increase the quality and availability of free, independent money advice in the UK. Examples of the work we supported during 2015 are included in the table below.

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

***Researching self-employment***

In 2015, we supported research undertaken by the think tank Bright Blue which led to the publication of the report: 'Standing alone? Self-employment for those on low income'. With average earnings from self-employment now well below average earnings for employees, understanding the experiences and challenges facing self-employed individuals on low income is vital. This report offers new evidence on these experiences and challenges and makes a number of policy recommendations to support this group more effectively.

£400,794

paid in 'Fairshare' contributions to StepChange and CAP debt repayment agreement plan charities (2014: £461,207)

***Researching small business owners***

We also provided funding to the Money Advice Trust so that it could undertake research into understanding the financial challenges facing small business owners

| Organisation | Nature of support in 2015 |
|---|---|
| **Advice UK** | The funding received by Advice UK was used to support the work undertaken by their National Money Advice Co-ordinator (NMAC). The purpose of this role is to build the capacity of the money advice members of the Advice UK network to meet the needs of their clients. The NMAC achieves this by developing the network of members through the provision of money advice development and policy consultancy, identifying and using new funding opportunities, and ensuring members are aware of the latest developments in policy, legislation, training and funding in money advice.<br>The NMAC also:<br>• Contributed to the development of Advice UK policy.<br>• Represented the interests and views of Advice UK, its money advice members and their clients at a national level, including to government, regulators, and funders.<br>• Responded to money advice and other relevant consultations that affect Advice UK, its members and their clients.<br>• Carried out research on the money advice issues that affect Advice UK, its members and their clients. |
| **Christians Against Poverty (CAP)** | We continued to support the work of CAP, helping to ensure everyone can access a sustainable and appropriate debt solution. Our support allowed CAP's Insolvency Team to give bursaries to clients who required a Debt Relief Order but were struggling to afford the fee. As anyone can access CAP's service, they help some of the poorest people in the UK, with 85% of their clients earning less than the national average. As a consequence, many need to take an insolvency route. This was the case for 50% of their clients last year, representing a 6% increase on the same figure for 2014, with seven in ten of these eligible for a Debit Relief Order. Through our funding, CAP enabled 312 people to go through an insolvency route during 2015, giving them a fresh start and a way of out of debt. |
| **Institute of Money Advisers (IMA)** | The funding we gave to the IMA in 2015 enabled it continue to update and improve its office IT infrastructure. This included the purchase of two desktop computers which increased the performance and efficiency of the IMA's administrative team.<br>The support also enabled the IMA to produce marketing material to promote the training programmes that are available to the IMA's members and raise awareness of the 'Certificate in Money Advice Practice' qualification. |
| **Money Advice Liaison Group (MALG)** | Our funding continued to contribute to enabling MALG's regional forums across the UK, which promote communication and best practice sharing between organisations concerned with debt, debt advice and debt collection. |

*Continued overleaf*

## Our core business

| Organisation | Nature of support in 2015 |
|---|---|
| **Money Advice Trust** | The funding we provided to the Money Advice Trust continued to be used to undertake research into the Trust's services to ensure they are meeting the needs of the people the trust serves (see more information following this table). |
| **Money Advice Scotland (MAS)** | The funding provided to MAS in 2015 helped to support:<br>• The development of a new qualification, the 'Certificate in Money Advice Practice'. This enabled a MAS consultant to work with a qualified professional to continue to support the sector with qualifications. During 2015, MAS had 45 advisers pass the Certificate in Money Advice Practice, which assists them to provide a higher quality of money advice.<br>• The 26th MAS annual conference, attended by 204 representatives from the credit industry, money advice, and insolvency. It is considered to be the largest training event of the year for anyone with an interest in money advice, debt collection and insolvency. Provident Financial's funding to MAS enabled it to offer support advisers to attend through the provision of subsidised places, who would otherwise not have been able to attend due to resource restrictions. |
| **National Debtline** | National Debtline offers free and impartial debt advice over the telephone and online to help its clients to manage their money with confidence. The funding that we provided to National Debtline in 2015 helped to support the creation of a dedicated team of specialist advisers to provide money advice to clients via online channels, including web chat. This proved to be an effective use of National Debtline's resources as it enabled its advisers to support a greater number of clients online compared with over the telephone. For example, one of the specialist advisers in this new team supported around 1,760 clients in 2015, helping them to understand their debt options and manage their money more confidently.<br>National Debtline's 2015 client surveys indicated the following outcomes:<br>• 98% of callers said they were clear on the next steps they needed to take following the advice they had received.<br>• 90% of callers felt more knowledgeable about financial matters following the advice they had received. |
| **The Money Charity** | We continued to enable The Money Charity to deliver its 'Money Workshops' to students aged 11 to 19 in schools and colleges. The workshops, of varying lengths and formats to suit schools' requirements, were delivered across England, Northern Ireland and Wales, and covered five key areas: planning, saving, debt, financial products, and everyday money matters.<br>In 2015, the Money Charity delivered 346 workshops to 9,391 school and college students as a result of the funding that was provided by Provident Financial Group. The Money Charity's evaluation of these workshops revealed that:<br>• Over 90% of students said the workshops were 'valuable' with a further 95% feeling they had 'learnt' something new.<br>• 75% of student's showed that their knowledge in relation to what the Government spends tax and national insurance contributions on had improved.<br>• 76% of students displayed increased confidence in their ability to explain how a student finance loan is repaid.<br>The funding that was provided to The Money Charity also enabled it to deliver a financial education training programme to adults. The workshops cover the same five key areas and were delivered to adults in a range of organisations including credit unions, prisons, youth groups, churches, housing associations, homeless charities, further education colleges, and local councils. During 2015, 26 workshops were delivered which reached 369 adults. The feedback that The Money Charity receives from workshop attendees suggests that large numbers of participants leave the training feeling more in charge of their money. |

and how the Trust could support them. This resulted in the publication of the 'Cost of Doing Business' report which was based on the experiences of 104 of the Trust's Business Debtline clients and its advisers. The research found that many small business owners paid a high personal cost for being self-employed and lacked a financial safety net, which had the potential to lead to significant personal financial problems. The report set out a series of recommendations, including:

> The UK Government must take steps to improve access to support and information for small business owners, throughout the life-cycle of their business.

> Creditors must look to extend the best practice that has been developed in personal lending to include the self-employed and small businesses.

> Work should be undertaken to develop a new Basic Business Bank Account to support those with a history of payment problems.

# CREATING AN INCLUSIVE WORKPLACE

We have to attract the best people so that we can continue to grow and be successful. We provide our employees with a safe, inclusive and meritocratic working environment, and give them opportunities to develop their skills, ultimately helping them to meet their career and personal goals.

# Creating an inclusive workplace

Our 3,667 people across the group are significant stakeholders. Every one of them contributes to our performance and, through their diversity, they drive the development of new services and products to suit the varied needs of our 2.4 million customers.

## 2016 targets

- Establish a business-wide working group to explore the viability of introducing apprenticeship programmes within the subsidiary businesses of Provident Financial Group
- At Vanquis Bank, support the Mencap work experience week during 2016
- Develop and publish a Provident Financial Group equality, diversity and inclusion policy
- Relaunch the Consumer Credit Division's colleague forum to enable a wider range of views to be factored into its decision-making processes

## 2015 targets

- Undertake an assessment of the full range of equality, diversity and inclusion issues across Provident Financial Group's businesses by 2018, identifying areas for improvement and ways to achieve them.

**Partial progress:** See page 44 for more information (National Equality Standard information).

## KPIs: our 2015 performance

- Percentage of workforce from Black, Asian and Minority Ethnic groups: 20% (2014: 11%)
- Percentage of women in senior management roles: 30% (2014: 30%)
- Learning and development hours per employee per annum: 40.1 hours average (2014: 20.4 hours)
- Average number of days lost to absence per employee per annum:
  - Vanquis Bank – 10.0 days (2014: 10.6 days)
  - Consumer Credit Division and corporate office – 8.4 days (2014: 9.2 days)
  - Moneybarn – 6.4 days (2014: 2.0 days)
- Number of calls made to the group-wide whistleblowing hotline: 11 (2014: 1)

This section of the report relates to our employees across the three operating businesses of Provident Financial: Vanquis Bank, the Consumer Credit Division (including the corporate office), and Moneybarn. Information on the Consumer Credit Division's 5,237 self-employed Provident home credit agents is set out on pages 28 and 33.

Workplace

## Our people in numbers

| Employees by division* | 2015 | 2014 |
|---|---|---|
| Vanquis Bank | 1,303 | 1,021 |
| Consumer Credit Division | 2,179 | 2,390 |
| Moneybarn | 127 | 102 |
| Central | 58 | 55 |
| **Total** | **3,667** | **3,568**[3] |

| Employees by employment type* | 2015 | 2014 |
|---|---|---|
| Full-time | 3,310 | 3,105 |
| Part-time | 357 | 463 |
| **Total group** | **3,667** | **3,568**[3] |

* Based on the average monthly number of people employed by the group

Vanquis Bank's and Moneybarn's employee numbers increased by 28% and 25% respectively during the year, reflecting growth in these businesses. The Consumer Credit Division's size decreased by 9%, reflecting ongoing market changes away from this method of lending, and the incorporation of technology into the way we manage this business. In total, the headcount across the group increased by 3% during 2015.

## Policy commitments

Our group-wide corporate policy manual outlines our approach to supporting our people. It includes policy commitments around:

> Business conduct – including health and safety, whistleblowing, and corporate hospitality

> Diversity and equality – including reference to the United Nations Universal Declaration of Human Rights and the International Labour Organisation core standards

> Human resources – including the recruitment, promotion and treatment of employees

> Bribery and corruption, and political donations

In our operating divisions, we also have grievance and harassment policies and procedures which enable employees to raise concerns about discrimination and harassment, should they occur.

3%

the increase in our overall headcount in 2015

## Employee turnover

If we behave responsibly as an employer, our people are likely to stay with us for longer; so, as long as other things do not change within the business, we see low employee turnover rates as a good proxy indicator of our employees' satisfaction. Employee turnover also enables us examine the reasons why people leave our businesses, and determine whether there are any trends in particular parts of the group. Our aim is to ensure that employee turnover is kept at manageable rates, as high rates can lead to increased spending on recruitment and training, and can indicate we need to make management improvements.

However, over the past three years, the overall employee turnover rate has been much higher than normal. This has reflected the programme of organisational change that has been implemented in the Consumer Credit Division – 520 redundancies in 2013 and another 225 in 2014. In June 2015, there was a further reduction of 500 field manager and field administration roles. These job losses have taken place as a result of the introduction of new technology, which has reduced the amount of paperwork the business, its agents and customers have to deal with, and led to a corresponding reduction in the amount of clerical work managed by field management and administration teams.

Collective consultation took place with employees representing the Division's Colleague Forum and USDAW (the Union of Shops, Distributive and Allied Workers). The Colleague Forum is made up of elected representatives who ensure all employees' voices are heard through discussing a wide range of important business decisions with senior management, while USDAW is a trade union officially recognised by the home credit business. The 45-day consultation focused on the proposed job roles that would be reduced, enabling the field administration teams and their representatives to give feedback on the proposal and for senior management to respond to that feedback.

Employees affected by redundancy received financial compensation that exceeded the statutory minimum level and, where appropriate, were offered early retirement. They also received the following support:

> Paid time off, if needed, to search for alternative positions or undertake additional training

[3] Restated from 3,555 in 2014's report

# Creating an inclusive workplace

- Outplacement support, including personal coaching, a suite of online tools and resources, and 24/7 support
- Access to an Employee Assistance Programme, which offered support relating to financial, work, personal, health or family matters. The externally-provided service is totally confidential and available 24 hours a day, 365 days a year.

In 2015, the employee turnover rate across Provident Financial Group increased from 31.6% in 2014 to 36.1%. This, due to the organisational change described on the previous page, significantly exceeds the median labour turnover rate for the private sector of 13.6%[4].

| Year | % employees leaving |
|---|---|
| 2015 | 36.1 |
| 2014 | 31.6 |
| 2013 | 20.6 |
| 2012 | 16.9 |
| 2011 | 13.9 |

## Employee communication channels

Knowing how our employees feel about work-related issues enables us to know when we are doing well, and also pinpoint where we need to make improvements. We keep employees well informed of the strategy and the financial and operational performance of the divisions through weekly huddles or monthly 'town hall' style meetings, personal briefings and, increasingly, through the use of modern communication technology.

All three divisions now use social network sites, intranet discussion boards, and blogs by employees and managing directors, covering topics such as proposed changes to business structures, newly-published company reports, and planned social and sporting events.

We consult with employees regularly, including through trade unions, so that views can be taken into account when making decisions that are likely to affect our employees. Prior to 2015, the Consumer Credit Division officially recognised two trade unions, Unite and USDAW (the Union of Shops, Distributive and Allied Workers). However, following the organisational change that took place during 2015, the agreement with USDAW was ended. We still have two agreements with Unite – a recognition agreement for Area Managers and a consultation and negotiation agreement for Development Managers.

In addition, formal employee representation groups are in place within the subsidiary businesses. These groups enable employees' views to be heard and factored into management decision-making processes. One such group is the Vanquis Bank Employee Forum, comprising seven representatives who are elected every two years and engage with senior management to discuss a wide range of important business decisions. In 2016, the Consumer Credit Division plans to relaunch its Colleague Forum with an improved structure which will enable more views and opinions to be heard. The Division also plans to work with leaders in the business to improve the communication of decisions that create long-term growth and support the delivery of the Division's strategic priorities.

The subsidiary businesses of Provident Financial Group also conduct regular employee satisfaction surveys:

71%

**Consumer Credit Division's overall employee engagement score**
(2014: 65%)

71%

**Vanquis Bank's employee satisfaction score**
(2014: 70%)

- Consumer Credit Division's overall employee engagement score in 2015 was 71% (2014: 65%), determined by employee responses to a range of survey questions. This business accounted for 59% of the group in terms of employee number in 2015, and 81% responded to the survey (2014: 90% responded[5]).
- Vanquis Bank carries out annual employee feedback questionnaires (EFQs) which score employee satisfaction on a scale of 1 to 10 (where 1 is not at all satisfied and 10 is extremely satisfied). The Vanquis Bank EFQ overall satisfaction score for the past five years is shown in the table below (converted to a percentage figure). Vanquis Bank accounted for 36% of the group in terms of employee number in 2015.

| Year | % employee satisfaction |
|---|---|
| 2015 | 71% |
| 2014 | 70% |
| 2013 | 70% |
| 2012 | 75% |
| 2011 | 72% |

## A safe workplace

### Managing health and safety

For our people to perform at their optimum, they need to feel safe, healthy and happy in their workplace. To ensure health, safety and well-being receives the focus it requires, we have a range of governance procedures in place:

- **Policies** – we outline our health and safety commitments in our group-wide corporate policy manual; each of our divisions is responsible for managing any health and safety issues which may arise, and each has additional policies on a range of health, safety and well-being issues. Such policies are available to all employees via intranet sites, employee handbooks and through induction programmes.
- **Division-specific boards** – each divisional board regularly considers health and safety topics and produces an annual

[4] As reported by the Chartered Institute of Personnel and Development (CIPD) in its 2015 'Resourcing and Talent Planning' survey
[5] Restated from 91% in 2014's report

report to show how they have complied with the group-wide health and safety policy.

- **Division-specific steering groups** – these groups promote health and safety. They plan a range of initiatives each year to enhance health, safety and well-being and reduce absenteeism; these activities are linked to a range of internal KPIs so that we can monitor progress. Examples of current activities include producing guides and delivering personal safety campaigns twice each year.
- **Health and safety representatives** – these representatives work across our businesses to implement initiatives and manage impacts.
- **Risk assessments** – these are carried out to identify and reduce risk, and are supported by comprehensive training and guidance to ensure each individual is equipped to work safely. For example, personal safety training is carried out for those employees in customer-facing roles.

## Managing absence

We believe an effective absence management programme should work in conjunction with a focus on supporting health – helping individuals to prevent health issues, or deal with them at an early stage. With an estimated cost of absence to employers of around £550 per employee per year[6], ensuring we can keep sickness absence to a minimum has a positive impact on our labour costs too.

Our average number of days of absence for Provident Financial Group as a whole is 8.6, which exceeds the private sector average of 6.9[6].

Our subsidiary businesses monitor the underlying causes of absenteeism. For example, the Consumer Credit Division captures this information using its absence-reporting form, and typically categorises causes according to the Chartered Institute of Personnel and Development's guidance – minor illnesses, stress, depression and anxiety, musculo-skeletal injuries, back pain, home/family responsibilities, recurring/long-term medical conditions, and other absence not related to ill-health. Should specialist medical advice be required to resolve a period of employee absence, we provide access to an Occupational Health Practitioner. Details relating to these absence-management programmes are made available to all employees through intranet sites.

> WE BELIEVE AN EFFECTIVE ABSENCE MANAGEMENT PROGRAMME SHOULD WORK IN CONJUNCTION WITH A FOCUS ON SUPPORTING HEALTH

## Group-wide accident rates

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

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

### Average number of days of absence per employee

| | Vanquis Bank | Consumer Credit Division (and corporate office) | Moneybarn |
|---|---|---|---|
| 2015 | 10.0 | 8.4 | 6.4 |
| 2014 | 10.6 | 9.2 | 2.0 |
| 2013 | 7.6 | 8.5 | - |
| 2012 | 7.8 | 7.4 | - |

[6] Estimate from the CIPD's 2015 absence management survey report

# Creating an inclusive workplace

## Supporting well-being

To ensure good health encompasses both mind and body, the group provides a well-being programme designed to promote physical and mental health. We offer all employees and their family members access to an Employee Assistance Programme – a confidential service to provide them with support on personal issues, including bereavement, legal matters, medical information, and stress. This service is provided by two external organisations in the UK and Republic of Ireland.

Our subsidiary businesses also undertake a range of activities to improve the fitness and well-being of their people. Both Provident Financial Group and Moneybarn head offices have gym facilities, with subsidised gym membership available more widely throughout the group. Also, all our offices with restaurant facilities make healthy food options available to staff.

### Vanquis Bank's well-being campaign

**In 2015, Vanquis Bank rolled out its well-being campaign, focusing on a different well-being aspect each month, from helping staff to quit smoking to encouraging them to take regular exercise. There was a high take-up rate of associated activities and, given the success of the campaign, the well-being programme is being further expanded in 2016, and will include the launch of a Cycle to Work scheme.**

## Raising concerns

We are committed to the highest standards of equality, honesty, openness and accountability – and if our people have any concerns that these standards are being breached, we want them to tell us.

We have grievance and harassment policies and processes in operation in each division to enable employees to raise grievances relating to their employment, protect them from incidents of harassment, and ensure any issues they raise are dealt with appropriately. These concerns can be raised with their manager or, if they prefer, through our dedicated external whistleblowing helpline, 'Safecall'.

'Safecall' is available 24 hours a day, and is operated by a third party to ensure impartiality and confidentiality. It provides employees with a mechanism to raise concerns or complaints in relation to any matters of business conduct or malpractice, and is intended to be a last resort for employees who feel unable to raise concerns via the normal channels. The Company Secretary is required to report to the Audit Committee annually on the integrity of these procedures, the state of ongoing investigations and conclusions reached.

The Republic of Ireland introduced new whistleblowing legislation in 2014, so we took this as an opportunity to review and update our whistleblowing procedures for both the UK and Republic of Ireland and to ensure that employees are aware of the availability of the external helpline.

During 2015, 11 complaints (2014: 1) were received. This is an increase from previous years and is likely to have been influenced by the whistleblowing awareness campaign we carried out in 2015, following updates to the whistleblowing policy and the third-party provider's marketing material. All complaints made via the external helpline were thoroughly investigated and dealt with in accordance with the appropriate internal procedures.

## An inclusive workplace

The customers and communities we serve are diverse, and having a workforce that is also diverse helps us to deliver, and adapt, services to meet our customers' needs. With this in mind, we are committed to creating a diverse, open, and inclusive place to work, where everyone feels a valued member of the team.

During 2015, we initiated work to develop a new corporate equality, diversity and inclusion policy. This will state that we are committed to supporting diversity and to creating an inclusive culture for employees and other stakeholders, including customers, suppliers and contractors. At the root of this is the understanding that everyone can bring value to the workplace, regardless of their age, gender, marital or family status, race, sexual orientation, religion or belief, or any disability they may have.

In 2015, we began to work towards the National Equality Standard (NES) – to help us achieve continuous improvement. The NES is the first industry-recognised national standard for equality, diversity and inclusion in the UK and has been developed by EY (Ernst & Young) in partnership with 18 large UK employers. It aims to become the accepted equality standard for businesses across the UK. The NES assessment process includes a review of policies and practices, identifies areas for improvement and provides implementation recommendations. We anticipate the assessment process will take around 18 months to complete, and hope to be fully certified in 2017. The work undertaken by Provident Financial Group of businesses on the NES towards the end of 2015 involved delivering workshops to all relevant employees to raise awareness of the NES and to facilitate discussions in terms of the assessment process.

NES NATIONAL EQUALITY STANDARD
Provident Financial
has signed up

## Spotlight on gender balance

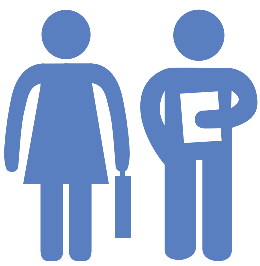
Our commitment to valuing diversity applies at all levels of the group workforce, including the most senior levels. The board has had 29%[7] female representation since 2013, exceeding the minimum recommendation contained in Lord Davies' report 'Women on Boards' (25% by the end of 2015). The board uses the nomination committee to ensure that the board's composition is diverse, particularly in terms of different backgrounds and experience, as this brings a variety of perspectives, skills and knowledge to the board. We also extended this 25% minimum female recommendation to cover our wider senior management group, and achieve a similar gender split here too.

The board also supports the challenge in Lord Davies' final report to aspire to a minimum of 33% female representation on the board by 2020, and remain dedicated to strengthening the opportunities for female senior managers within the group.

| | Female | Male | Benchmarking our gender diversity |
|---|---|---|---|
| Proportion of female/male company directors (%) | 29 | 71 | FTSE 100 boards average: 26.1% female representation (up from 12.5% in 2011)[8] |
| Proportion of female/male employees in senior management positions (%) | 30 | 70 | European average: 24% female representation in senior business roles[9] |
| Proportion of female/male employees (%) | 52 | 48 | The UK average: 53% men to 47% women[10] |

**29%**

**female representation on our group board since 2013**



## Spotlight on ethnicity

20%

percentage of employees from Black, Asian and Minority Ethnic (BAME) communities (2014: 11%). The 2015 UK average is 12%[11].

## Spotlight on disability

0.8%

percentage of our employees who have declared a disability (2014: 1.1%). The 2015 figure for the UK workforce is 11%[12].

7 Reported last year as 28%

8 'Women on Boards Davies Five Year Review Report', published October 2015 by the Department for Business, Innovation and Skills

9 Grant Thornton's 2015 International Business Report

10 The Office of National Statistics (ONS), gender split of those in full-time and part-time employment in the UK during 2015

11 The ONS, percentage of the UK's population aged between 16 and 64 from BAME communities that were in employment during 2015

12 The ONS, percentage of the UK's population aged between 16 and 64 that were in employment and are work-limiting disabled, and/or have disabilities consistent with the core definition under the 2010 Equality Act, during 2015

# A meritocratic workplace

## Training and development

Being in a stimulating working environment keeps our workforce motivated, which develops them personally, and benefits our business too. We are committed to encouraging employees at all levels to improve their skills through training. We have performance management and career development processes in our businesses which enable employees to identify and discuss training and development needs with their managers. These processes identify development opportunities in line with the individual employee's current role, future roles and future business requirements.

Performance management is supported by comprehensive learning and development programmes which enable employees to do their jobs and develop new skills. This includes the detailed induction programmes that are delivered to new starters which introduce them to the business, their legal responsibilities and our CR activities. It also includes the computer-based training modules that are delivered to employees which cover compliance issues such as personal safety, data protection and anti-money laundering. To read more on customer-focused training, see page 34. In addition, the group has initiated a series of talent and development initiatives as part of our investment in the career progression of our employees.

40.1

average number of training hours per employee (2014: 20.4 hours)

Our divisions also have processes in place which enable employees to pursue relevant educational qualifications to continue their professional development. The group is authorised by the Solicitors Regulation Authority and the Institute of Chartered Accountants of England and Wales to issue training contracts to employees wishing to qualify as solicitors or chartered accountants, respectively.

During 2015, employees across the group received a total of 137,867 (2014: 69,982) hours of training, equating to 40.1 hours to each person. According to the Chartered Institute of Personnel and Development, the median range of training delivered to employees per year in the UK is 21–25 hours[13]. This significant increase is attributed to an uplift in the induction and compliance training that is delivered to employees across Provident Financial Group.

## Salary and benefits

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

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

## Encouraging responsible finance

As well as lending responsibly, we encourage our employees to become involved in the financial success of the company by investing in the company's shares in preferential ways to increase their savings:

- **Provident Financial Savings Related Share Option Scheme** – enables employees to save a fixed sum each month for three or five years. After this time, they can, if they wish, use the savings to buy shares in the company at a discounted price set at the start of the three- or five-year period. 1,093 employees (2014: 1,246) are saving money through this scheme.
- **HMRC-approved Share Incentive Plan (SIP)** – enables employees to acquire Provident Financial shares in a tax-approved manner and benefit from our offer to match that investment (one share for every four shares they purchase) if certain criteria are achieved. 285 (2014: 285) employees are participating in this plan.
- **Two main pension schemes for new employees** – new employees are enrolled automatically into the Provident Financial Workplace Pension Scheme after two months' service. After two years, they are invited to join the PFG Retirement Plan instead – whereby employees choose to contribute between 3% and 8% of their pensionable salary, and the company then contributes between 5% and 10%. The plan also allows employees to choose to invest their contributions in an ethical fund, incorporating social, ethical and environmental considerations.

| Job Grade | Description | Average salary paid |
|---|---|---|
| **1** | Director and senior executive | **£183,048** (2014: £183,712) |
| **2** | Senior managers | **£82,878** (2014: £90,112) |
| **3** | Other managers | **£41,890** (2014: £44,267) |
| **4** | Other employees | **£21,989** (2014: £21,530) |
| **All** | All employees | **£31,599** (2014: £30,502) |

[13] 2015 Chartered Institute of Personnel and Development (CIPD) survey of learning and talent development

# TREATING OUR SUPPLIERS FAIRLY

Our approach to CR means treating our suppliers fairly and using our purchasing power to choose sustainable products and services.

## Treating our suppliers fairly

As part of the financial services sector, our supply chain is relatively straightforward, with the majority of our suppliers based in the UK and Ireland. In 2015, our spend on products and services was £194 million (2014: £144 million). This means we have the buying power to engage with and potentially to help our suppliers to be more sustainable.

## 2016 targets

- Ensure that our group of businesses comply with the principles of the Prompt Payment Code, which covers prompt payment as well as wider payment procedures.
- Establish a baseline in terms of the percentage of suppliers used by Provident Financial Group businesses that are paid within 30 days during 2016.
- Deliver workshops to the procurement functions of our subsidiary businesses on the Modern Slavery Act 2015.
- Publish a statement on the steps that have been taken by the group to ensure there is no slavery or trafficking within our own organisations or supply chains.
- Develop and launch an intranet portal within the Consumer Credit Division which enables the outputs from the Due Diligence Questionnaires (which cover CR matters) submitted by suppliers to be recorded and monitored.

## 2015 targets

- Ensure that Provident Financial Group's businesses are signatories to the Prompt Payment Code.

  **Achieved:** The group – our corporate office, the Consumer Credit Division, Moneybarn and Vanquis Bank – became signatories in 2015.
- Following creation of the West and North Yorkshire Chamber of Commerce, roll out the Raising the Bar initiative to more of the Yorkshire region.

  **Achieved:** Please refer to page 50.
- Continue to review and, where appropriate, amend the processes in place within our subsidiary businesses to assess the sustainability performance of our suppliers and ensure compliance with the requirements of the Modern Slavery Act 2015.

  **Achieved:** Please refer to page 50.

## KPIs: our 2015 performance

- Provident Financial Group's compliance with the Prompt Payment Code[14]: Processes have been established to collect performance information on the percentage of suppliers paid in accordance with the principles of the Prompt Payment Code in Provident Financial Group businesses, except for Moneybarn.

Our performance against the requirements of the code during 2015:

- 100% of Provident Financial Group corporate office suppliers
- 95% of Vanquis Bank suppliers
- 94% of Consumer Credit Division suppliers

...were paid in line with the principles of Prompt Payment Code.

[14] This replaces a previous KPI

# Treating our suppliers fairly

## Our supply chains

We use a high number of suppliers, ranging from small and medium-sized enterprises (SMEs) to multinational corporations, who in turn have their own suppliers.

The nature of the products and services that we procure from suppliers has remained unchanged this year. Approximately two-thirds of our procurement spend falls into a generic services category – including mailing, marketing, security services, debt recovery, credit scoring and professional services (e.g. legal and accountancy). Our second largest spend relates to our IT infrastructure (hardware, software and support).

£194m

our spend on products and services (2014: 144 million)

Integrating CR considerations into supply chain management is achieved through our corporate procurement policy. This states that the procurement processes of our subsidiary businesses "must involve due consideration of the corporate responsibility practices of the supplier to ensure that there are no conflicts with group culture, relevant policies and the group's core values."

The group's corporate human resources policy supports this, ensuring the respect of all fundamental human rights in the conduct of the group's business, and that we remain guided by the provisions of the United Nations Universal Declaration of Human Rights and the International Labour Organisation's core standards.

## Assessing the CR performance of suppliers

The procurement teams within our subsidiary businesses assess the CR performance of the suppliers they engage with using a self-assessment questionnaire. This questionnaire is sent mainly to prospective suppliers at the 'pre-qualification' and 'invitation to tender' stage of the procurement process, although it is also sent to existing suppliers in some instances. The issues covered by the questionnaire include both environmental and social areas, including management of their supply chain.

The results of the questionnaires allow us to identify and act upon any potential sustainability risks, as well as to select products and services which have positive social and environmental impacts. The information is analysed to produce a score which is factored into procurement decision-making, and helps us raise awareness of our CR commitments with suppliers and also improve their performance.

During 2015, the Consumer Credit Division's procurement team began working to develop an intranet-based portal that will enable all the data collected from suppliers (including CR, data protection and information security) to be recorded and tracked in one place. It is anticipated that this portal will be launched in 2016.

## Prompt payment of suppliers

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

In 2015, the group became a signatory of the Prompt Payment Code. This code sets out standards and best practice for payment and is administered by the Chartered Institute of Credit Management. Compliance with the principles of the code is monitored and enforced by the Prompt Payment Code Compliance Board. The code covers prompt payment, as well as wider payment procedures. Signatories to the code undertake to pay their suppliers within a maximum of 60 days and work towards adopting 30 days as the norm.

**Our performance against the requirements of the code during 2015:**

- **100% of Provident Financial Group corporate office suppliers**
- **95% of Vanquis Bank suppliers**
- **94% of Consumer Credit Division suppliers**

**...were paid in line with the principles of Prompt Payment Code.**

Suppliers

# Treating our suppliers fairly

## Our response to the Modern Slavery Act

**The Modern Slavery Act came into force in October 2015. This introduced a new obligation for organisations (with a turnover of £36 million or more) to publicly report the steps they have taken to ensure their operations and supply chains are trafficking- and slavery-free.**

**To comply, organisations are required to report annually via a statement – for example, on policies, training and due diligence processes, as well as the effectiveness of measures taken to combat modern slavery and trafficking. This annual report must be approved and signed off at the highest level of the organisation and made accessible on the organisation's website.**

**The self-assessment questionnaire we use with prospective suppliers (see page 49, column 2) has already covered a range of issues that are material to the Modern Slavery Act 2015 for many years. These issues include child labour, forced and bonded labour, freedom to form/join trade unions, collective bargaining, disciplinary/grievance practices, working hours and overtime, benefits, transparency of employment contracts, minimum/living wages, and payment of wages.**

**We plan to use the impetus of the Act's introduction to build on our existing work. We will be engaging with our subsidiary businesses' procurement teams to raise awareness of the Act's new requirements and to reassess their supply chains, determining whether there are any potential risks from a slavery or human trafficking perspective. To achieve this, we will be running a series of workshops during early 2016, which will be followed by publication of our first statement in April 2016.**

## Supporting local business on CR matters

We remain committed to supporting smaller local businesses in the Bradford area (the location of our head office) to improve their environmental management and wider CR performance. We do this because we are aware there is a distinct lack of support available to help SMEs achieve these goals, and also because it enables us to engage further with those smaller businesses within our own supply chain who are part of the West Yorkshire economy. We continue to support businesses in this way through our collaboration with the West and North Yorkshire Chamber of Commerce, and support in delivering its Eco-Network and Raising the Bar initiatives.

### Eco-Network

We have provided financial support to the Chamber's Eco-Network since 2008 and our group-wide CR Manager continues to chair its steering group. This network works to help companies across West and North Yorkshire improve their environmental performance by providing them with support on recycling, energy saving opportunities and environmental regulations. The Eco-Network offers free advice, runs training courses and events, and can even arrange for expert consultants to visit businesses.

In 2015, the Eco-Network once again ran its environmental expo – Eco-Fair, sponsored by Associate Waste Management, the Institute of Environmental Management and Assessment (IEMA), and the Wallis Cutts Group. This year's event was held again at Elland Road, home of Leeds United Football Club, and remains the only event of its kind in north England. More than 800 delegates attended, with 50 exhibitor stands and 20 free briefings on sustainability, environmental management, and regulations such as the Energy Savings Opportunities Scheme.

### Raising the Bar

Supporting business of all sizes across West and North Yorkshire, the Raising the Bar initiative helps companies to get involved with, and benefit from, good CR practices. The initiative is organised around the priorities of community, economy, education and the environment. It provides support to businesses in these four areas through advice, case studies and sign-posting. It also acts as a benchmarking tool, enabling businesses to record, monitor and evaluate their CR activities. We have supported this initiative since 2013.

Raising the Bar also recognises the contributions made by businesses to the CR agenda through an annual awards evening, which Provident Financial Group sponsors. In November 2015, the third Raising the Bar Awards evening was hosted at Northern Ballet in Leeds, attended by around 50 businesses from across West and North Yorkshire to celebrate achievements in CR. There were a record number of entries this year, displaying the diverse initiatives which are making the region a better place to live and work.

Alongside winners in each of the four categories of community, economy, education and environment, the overall 'winner of winners' was Acorn Stairlifts, a regional manufacturer and exporter employing over 1,000 people worldwide. Acorn Stairlifts impressed the judges for its commitment to local employment and community activities, especially its work with the Sue Ryder Manorlands hospice.

"WHEN WE LOOKED BACK AT THE PAST 12 MONTHS, WE WERE PLEASANTLY SURPRISED AT WHAT WE HAD ACHIEVED AND WERE DELIGHTED TO BE RECOGNISED FOR THAT ACHIEVEMENT. WE WERE VERY PROUD TO PICK UP THE ACCOLADE AS OVERALL RAISING THE BAR WINNER; THIS IS AN AWARD THE WHOLE TEAM WILL RECOGNISE."

David Belmont
Company Secretary, Acorn Stairlifts – Raising the Bar winners

# SUPPORTING OUR COMMUNITIES

Provident Financial Group's primary social benefit is making financial products and services available in a responsible manner to those who are not well served by mainstream providers. Alongside this, we also want to do something to help the communities in which our customers live and work.

## Supporting our communities

We aim to invest 1% of profit before tax, as measured by the LBG's (London Benchmarking Group's) guidelines[15] in a range of programmes which align with our principle of supporting communities. This enables us to work with external organisations to play an active role in addressing complex social challenges by promoting social inclusion, increasing educational achievement and lowering unemployment. And this, in turn, contributes to the creation of sustainable economic conditions for our customers and their communities.

## 2016 targets

- Maintain an investment of 1% of profit before tax in community programmes, money advice programmes and social research.
- Continue to increase the number of hours volunteered by Provident Financial Group employees in community involvement activities by 25% by 2018, from the 2014 baseline.
- Undertake a review of Provident Financial Group's community investment strategy to ensure that it both responds to society's current needs and reflects the group's development into a broader lending business within the non-standard credit market.
- Improve the measurement and impact of Provident Financial Group's community investment programmes.
- Establish a scheme whereby Vanquis Bank will work in partnership with The Money Charity to deliver financial education workshops in schools in Bradford and London.

## 2015 targets

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

  **Achieved:** During 2015, 1.1% of group statutory profit before tax (£3.1m) was invested in these areas.
- Develop a community involvement programme within Moneybarn.

  **Partial progress:** Work was undertaken during 2015 to introduce a matched funding scheme at Moneybarn.
- Increase the number of hours volunteered by Provident Financial Group employees in community involvement activities by 25% by 2018, from the 2014 baseline.

  **In progress:** During 2015, the number of hours volunteered by Provident Financial Group employees in community involvement activities was 2,255. This is 17% more than the 2014 figure of 1,929 hours.
- Establish and implement a framework to support our Good Neighbour partners' organisational and funding sustainability.

  **Achieved:** During 2015, Provident Financial engaged the specialist community involvement organisation Participate Projects to provide sustainability support and advice to the group's Good Neighbour partners.
- Participate in the Esmee Fairburn Foundation-funded 'Lead the Change' Mentoring Programme to enable our employees to support Bradford-based community organisations and social enterprises.

  **Achieved:** During 2015, five employees participated in this programme and provided mentoring support to eight community organisations and social enterprises.
- Expand the scope of Vanquis Bank's financial education work with The Money Charity to include schools in Bradford and London, and workshops for adults.

  **Partial progress:** In 2015, an agreement was signed between Vanquis Bank and The Money Charity to build on the programme which saw 25 financial education workshops delivered in schools across Kent to over 600 students during the year, and extend it to cover its other office sites in Bradford and London.
- Establish an Active Community Fund for Vanquis Bank's offices in Bradford, Chatham and London which allocates funding to local community projects through the Community Foundations we have chosen.

  **Achieved:** During 2015, an Active Community Fund of £120,000 was allocated to local projects through the Leeds, London and Kent Community Foundations.

[15] Provident Financial Group is an active member of the LBG and we use their framework to quantify our contribution to communities on an annual basis. The LBG framework helps businesses to improve the management, measurement and reporting of their corporate community involvement programmes. It moves beyond charitable donations to include the full range of contributions (in time, in kind and in cash) made to community causes, and assesses the actual results for the community and the business. Visit www.lbg-online.net1 for further information

## KPIs: our 2015 performance

- Amount of money invested in support of community programmes, money advice programmes and social research: £3.1m (2014: £2.4m).
- Number of people who directly benefited from the support provided by the projects funded through our community involvement programmes: 42,938 (2014: 31,517).
- Number of people supported to develop new skills or improve their personal effectiveness as a result of their involvement in our community involvement programmes: 18,872 (2014: 30,539).
- Number of people who have accessed new services and activities delivered through our community involvement programmes[16]: 21,780 (2014: 19,432).
- Total number of hours volunteered by employees in community involvement activities: 2,255 (2014: 1,929).

## Our approach to community involvement

Provident Financial Group's community involvement strategy focuses on two main areas:

- Helping to address the social inclusion needs of people who live in some of the most deprived communities in the UK and Ireland.
- Supporting the money advice sector to address financial education issues, and carrying out research into broader, societal matters that relate to our customers.

Our community involvement activities continue to be delivered through two main programmes: 'Good Neighbour' and 'Vanquis Bank Active Community'. These programmes deliver support to the communities we serve in three ways:

- Identifying and supporting local, grass-roots projects which address complex, relevant social inclusion issues, mainly in the communities where our customers, employees and offices are based.
- Providing employees with matched funding for fundraising and volunteering activities undertaken both inside and outside work.
- Encouraging our employees to take part in company-supported volunteering initiatives.

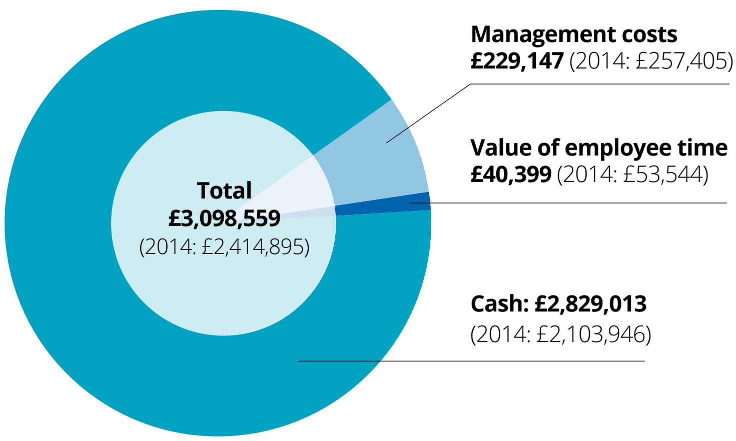
## Supporting local community projects

The projects supported through the group's two main programmes have a broad geographical spread throughout the UK and Republic of Ireland. The programmes invest in local community projects by providing cash support and creating opportunities for our staff to get involved. The cash support can be a one-off investment in a project or a longer term investment for three years or more. The projects we support on a longer term basis are set out on page 55.

50

Local community partners we have committed to support for three years or more

## 2015 community investment figures




[16] This replaces a previous KPI

# GOOD NEIGHBOUR PARTNERS

## United Estates of Wythenshawe, Greater Manchester

United Estates of Wythenshawe was established in 1996 by a group of Wythenshawe families and local community leaders who were concerned by the increasing instances of anti-social behaviour and the growing destructive influence of youth street gang culture, coupled with the desire to prevent a local landmark building – now used by the organisation – closing its doors for good. The project worked first with hard-to-reach young people 'not in education, employment or training' (NEETS) and is now open to the whole community. It is still under the management of local people, and the organisation is able to provide activities suitable for the very young through to the elderly. United Estates of Wythenshawe's approach has meant they have been able to create a route away from anti-social behaviour, leading to social responsibility for young people and beneficial results for the whole community.

Our three-year funding is paying for the post of the centre manager, as well as the building of a new outdoor gym. In addition, a group of families were able to benefit from a trip to Stirling, which we organised through our funding partnership with the Scottish Youth Hostel Association. The visit gave the families an opportunity to bond; for most of the children, this was their first holiday and for many, their first family outing.

"AS WELL AS THE GRANT ASSISTANCE, WHICH IS INVALUABLE IN ITSELF, THERE IS ALSO THE ADDED VALUE OF PROVIDENT SUPPORT, LIKE THE YOUTH HOSTEL TRIP TO SCOTLAND THAT THEY FUNDED. FOR MANY OF OUR YOUNG FAMILIES INVOLVED, THIS WAS THEIR FIRST TRIP OUT TOGETHER. THE RESULTS IN BENEFITS TO SELF-ESTEEM, SELF-WORTH AND JUST HUMAN HAPPINESS WERE OFF THE SCALE."

**Greg Davis**
**United Estates of Wythenshawe**

# Local community projects and organisations with long-term funding

## Good Neighbour projects (CCD)

**1** Boomerang, Dundee

**2** Scottish Youth Hostel Association, Stirling

**3** Oasis at Wallacewell, Glasgow

**4** The Royal Lyceum, Edinburgh

**5** Venchie Children and Young People's Project, Edinburgh

**6** Made4U in ML2, Wishaw

**7** Scholemoor Beacon, Bradford

**8** Joshua Project, Bradford

**9** Sedbergh Youth and Community Centre, Bradford

**10** The Edge, Bradford

**11** Participate Projects, Bradford

**12** One in a Million, Bradford

**13** Immanuel Project, Bradford

**14** Bradford City Women's Football Club, Bradford

**15** Bradford City Football Club Community Stand, Bradford

**16** Sycamore Project (Zac's Bar), Bolton

**17** Northfield Sports Association, Bootle

**18** Yorkshire Dance, Rotherham

**19** Harvey Girls, Burton on Trent

**20** Sycamore Adventure, Dudley

**21** Mowmacre Young People's Play and Development Association, Leicester

**22** Project for the Regeneration of Druids Heath, Birmingham

**23** United Estates of Wythenshawe, Manchester

**24** The Door, Stroud

**25** Youth Network MK CIC, Milton Keynes

**26** Ahoy Centre, Deptford

**27** Baggator, Bristol

**28** St Petrock's, Exeter

**29** Young People Cornwall, Truro

**30** REACH Across, Londonderry

**31** Hostelling International Northern Ireland, Belfast

**32** The Early Focus Project, Dublin

**33** Solas Project, Dublin

**34** Ballymun Schools Programme, Dublin

**35** Laois Partnership, Portlaoise

**36** An Oige, County Wicklow

**37** OLL St Saviours Boxing Club, Limerick Active Community projects

## Active Community projects (Vanquis Bank)

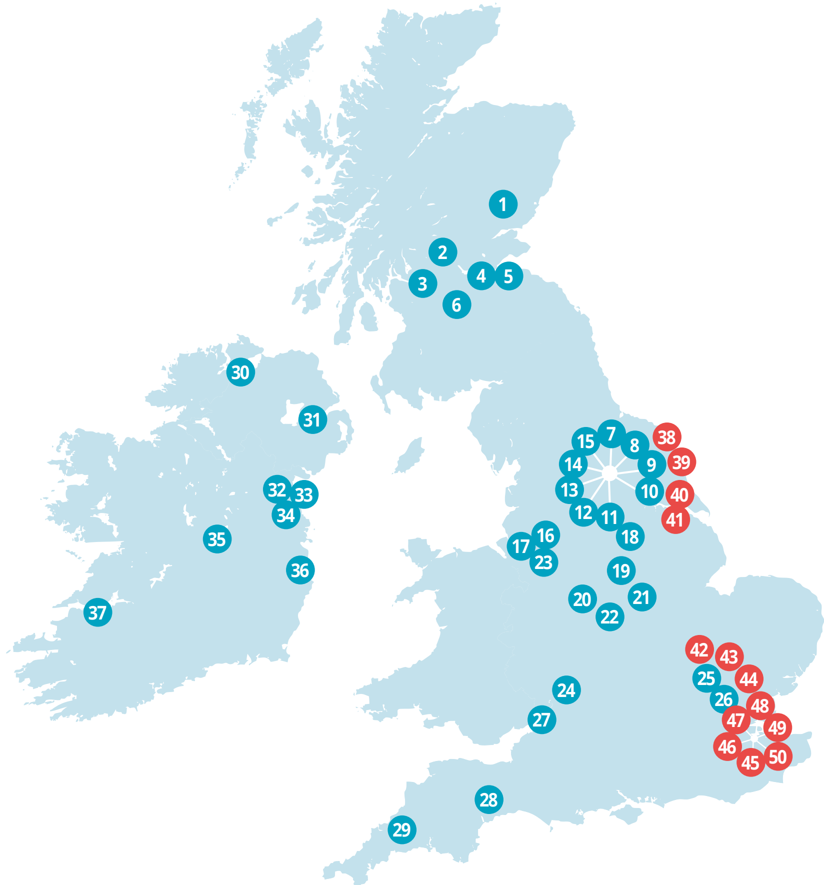
**38** Bradford Youth Development Partnership, Bradford

**39** The Outward Bound Trust, Bradford

**40** Leeds Community Foundation, Leeds

**41** Keighley Cougars Foundation, Keighley and Bradford

**42** London Community Foundation, London




**43** Foundation for Social Inclusion, London

**44** The Blue Elephant Theatre, Southwark

**45** Medway Education and Business, Kent

**46** Sure Start All Saints, Chatham

**47** Sure Start Lordswood, Chatham

**48** Phoenix Junior Academy, Chatham

**49** Byron Primary School, Gillingham

**50** Kent Community Foundation, Kent

# VANQUIS BANK ACTIVE COMMUNITY PARTNERS

## The Early Focus Project, Dublin

The Early Focus Project is based in St James' Primary School, Dublin. In one of the most disadvantaged areas of Dublin's south inner city, the project was born out of the needs of the children attending the school; its focus is on caring and providing opportunities for local children to experience a consistent relationship built on trust, developed with a supportive adult via one-to-one or group sessions.

Children attending the project come from families experiencing socio-economic hardship and they are highly vulnerable to leaving school at a young age, and the subsequent social problems. The project provides opportunities for the children to develop holistically in an environment that promotes social integration. There are areas for play, cooking, art, reading and using computers, along with a multi-sensory room. These facilities help to promote self-esteem and foster a nurturing atmosphere, promoting a positive experience of school for the children. Our funding helps to support the running costs of the project and to maintain the viability of their long-running programmes which enable these vulnerable children to better access education.

## The Outward Bound Trust, across the UK

The Outward Bound Trust has been a Vanquis Bank Active Community partner since 2014. The Trust is an educational charity which aims to develop young people through learning and adventure in the wild.

In 2015, the Outward Bound Trust worked in partnership with the Dixons Trinity Academy school in Bradford to deliver a three-day outdoor residential course to 48 Year 9 pupils at its centre in Gwynedd, mid-Wales.

Throughout the course, the Trust's instructors focused on how "soft skills", such as empathy, understanding, active listening, and certain experiences can be transferred back into the home or school. During their stay, the pupils experienced an expedition where they camped out overnight and spent over 24 hours away from modern-day amenities and distractions. Whilst the immediate goal was for pupils to become more effective learners, the course also focused on encouraging the pupils to develop skills that they can use in other aspects of their lives. The outcomes for the pupils included increased confidence and improved personal and emotional well-being; improved relationships; enhanced resilience and confidence in learning; and increased knowledge and understanding of the natural environment.

## Young Kent, Maidstone

Young Kent offers support programmes for disadvantaged, disengaged or disabled young people aged 8 to 25 from across Kent.

One aspect of Vanquis Bank's work with the charity supports the 'How to Save a Life' programme. Whilst equipping 40 unemployed young people with first aid and emergency lifesaving skills, the programme increases confidence, skills and qualifications. An additional benefit of the programme is that participants are also trained to become first aid 'Peer Educators' who, once qualified, train other young people across the county in first aid, and gain invaluable work experience in the process.

Vanquis Bank also supports Young Kent's 'Job Club', which provides support for unemployed young people. Job Club sessions provide one-to-one support on subjects such as CV writing, interview skills, job searching and completing job applications. The support of Vanquis Bank has allowed Young Kent to purchase the IT equipment necessary to help run the club.

"SUPPORT FROM VANQUIS BANK GAVE US THE OPPORTUNITY TO DIVERSIFY, INCREASE OUR ATTRACTIVENESS TO OTHER FUNDERS, AND INTRODUCE MORE PROGRAMMES TO PROVIDE DIRECT SUPPORT FOR YOUNG PEOPLE ACROSS KENT AND MEDWAY."

**Carol Bentall**
**Chief Executive, Young Kent**

## Working in partnership with Community Foundations

Last year, Vanquis Bank set itself a target of establishing an Active Community Fund for its offices in Bradford, Chatham and London which could allocate money to local community projects through existing Community Foundations. To this end, Vanquis Bank set aside £120,000 and established relationships with the Leeds, London and Kent Community Foundations.

Through Vanquis Bank's arrangement with these three partners, its Active Community programme is able to reach smaller charities and community projects in the areas where its offices are based, including those that it may have been otherwise unable to work with. A manager from each of the foundations works closely with Vanquis Bank to identify the most pertinent issues the money should be used for, and to establish funding guidelines which potential applicants need to follow. The foundation invites charity and community projects to apply for the money, and a shortlist of vetted applicants are then presented to an employee panel in each of Vanquis Bank's offices. This panel then make grant recommendations in line with the agreed funding guidelines.

During 2015, the Vanquis Bank Active Community Fund provided support to 22 charity and community projects. These include the Friends of Bowling Park in Bradford, the Medway Autism Group and Information Centre in Kent, and the Chain Reaction Theatre Company in London.

In addition, Vanquis Bank also funds the UK-based charities Friends of the Elderly and Mencap, as well as Hatua, a local education project in Kenya.

## Matched funding for employees

Our employees want to support the communities we serve as a business, especially as many of them live in these areas too. Therefore, in addition to direct funding for community organisations, we encourage employee-giving through offering matched funding. This enables employees to raise money for the causes that they are interested in, and then have it doubled by Provident Financial Group. During 2015, we provided matched funding worth £41,562 to employees, which went to a range of local, regional and national charity and community organisations.

£41,562

the matched funding provided to Provident Financial Group employees to support their fundraising activities during 2015

2,255

hours our employees volunteered (2014: £1,929)

OUR EMPLOYEES WANT TO SUPPORT THE COMMUNITIES WE SERVE AS A BUSINESS, AS MANY OF THEM LIVE IN THESE AREAS TOO.

## Supporting employee volunteering

We also encourage employees to give their time and skills to their local communities. This can be done through company-led team volunteering challenges and skills-based volunteering, or by volunteering to take part in initiatives and activities outside of work. During 2015, employees volunteered 2,255 hours (2014: 1,929 hours) to community involvement activities.

### Lead the Change

**Throughout 2015, five employees volunteered to take part in the 'Lead the Change' project, funded by the Esmee Fairburn Foundation, through UnLtd, a leading provider of support to social entrepreneurs in the UK. Lead the Change is being delivered across West Yorkshire by Participate Projects, and offers funding and a support programme for local people who are starting up social enterprises. The aim of the project is to bring skills and capacity to support entrepreneurs who are passionate about addressing the issues in their neighbourhoods. Volunteers from Provident Financial Group's corporate office and the Consumer Credit Division played a role in selecting the organisations that would be eligible for funding and provided them with mentoring support during the start-up phase of their ventures.**

## Supporting the money advice sector

We partner with a number of free and voluntary money advice organisations as part of our commitment to help non-standard credit customers. Our financial support enables these organisations to increase the quality and availability of free, independent money advice, and also helps those having problems repaying their debts. The money advice providers we support include: Advice UK, Citizens Advice, Step Change Debt Charity, Institute of Money Advisers, Money Advice Liaison Group, Money Advice Scotland, Money Advice Trust, and National Debtline. We also work with specialised money advice providers on a range of financial education initiatives and help finance publicly-available, independent research to help understand the financial behaviour of those on modest incomes (see page 37 of this report for more information).

### The Money Charity

**A long-term partner of the Vanquis Bank Active Community programme, The Money Charity delivers financial education through interactive workshops in schools across the UK. Each workshop empowers children to build the skills, knowledge, attitudes and behaviours to help them make the most of their money.**

**Through their volunteer programme, The Money Charity trains and pairs up employees from Vanquis Bank's contact centre in Chatham with local schools to deliver 'The Volunteer Money Workshop'. This is aimed at 11- to 16-year-old secondary school pupils in Kent, with the workshop covering key financial topics in line with the National Curriculum, including budgeting, the importance of savings, and understanding credit. The programme is a good professional development package for employees as it provides them with the opportunity to develop leadership, mentoring and communication skills. In 2015, Vanquis Bank employees delivered 25 workshops in schools across Kent, engaging with over 600 students.**

**In 2016, Vanquis Bank will work with The Money Charity to develop its relationships further and extend the volunteering programme to cover its other office sites in Bradford and London.**

Investors

# ENGAGING THE INVESTMENT COMMUNITY IN CR

Our consistently high performance in national and international sustainability indices helps demonstrate to our investors and other stakeholders that we are a responsible corporate citizen.

We benchmark our CR performance through our scores in sustainability indices and our representation on the registers of socially responsible investment (SRI) research and rating agencies. Reporting our performance in these indices provides our investors and other stakeholders with evidence of how we compare with other organisations, and gives them the information they require to make responsible investment decisions.

## 2016 targets

- Maintain or improve our ratings on the mainstream sustainability indices (e.g. CDP, DJSI, FTSE4Good).
- Undertake third-party reviews of the group's CDP and DJSI submissions.

## 2015 targets

- Maintain or improve our ratings on the mainstream sustainability indices (e.g. CDP, DJSI, FTSE4Good).
  **Achieved:** Refer to page 61 of this report.
- Review how Provident Financial Group's CR activities can be built into company-specific, and more general, investor engagement initiatives.
  **Achieved:** Refer to page 61 of this report.

## KPIs: our 2015 performance

- Dow Jones Sustainability Indices score: 61% (2014: 60%)
- FTSE4Good score: 97 out of 100 (2014: 99 out of 100)
- CDP score: 95 out of 100 (2014: 91 out of 100)
- Presence within Euronext Vigeo and Forum ETHIBEL indices: see page 61
- Information on investor engagement activities: see page 61

## Demonstrating to investors the value of CR

During 2015, Provident Financial Group took part in Business in the Community's (BITC) 'Investor Project' which aimed to create a better understanding between businesses and investors on what sustainable value looks like. The project intended to help businesses in communicating this value, and encourage investors to factor sustainable value into their investment decisions. The focus of the project was to work with other members of BITC to develop a framework which could provide shareholders with an understanding of the value of sustainability in protecting or creating competitive advantage, and help drive the goal of sustainable business.

Along with other BITC project partners, we developed a five-point framework to support companies which are developing an investor engagement strategy on responsible business. More information can be found at: http://www.bitc.org.uk/programmes/investor-project.

## Our investor engagement activities

We submit data on our CR performance to mainstream sustainability indices and established SRI agencies each year. This data includes our environmental, social and governance practices, and is independently evaluated by the agencies, and also considered in conjunction with information from external sources, including from non-governmental organisations, scientific bodies and the media.

Our most significant performance results for 2015 are summarised below.

### FTSE4Good

Following our annual review by the FTSE4Good Advisory Committee, we continued to be included as a constituent of the FTSE4Good Index Series.

97 out of 100

our overall FTSE4Good score in 2015 (2014: 99 out of 100)

### Euronext Vigeo

We continued to be included within three of the Euronext Vigeo indices:

> The Euronext Vigeo World 120 – the 120 most advanced sustainability performing companies in Europe, North America and Asia Pacific

> The Euronext Vigeo Europe 120 – the 120 most advanced sustainability performing companies in Europe

> The Euronext Vigeo United Kingdom 20 – the 20 most advanced sustainability performing companies in the UK

### DJSI

We maintained our place in both of the DJSI (Dow Jones Sustainability Indices) in which we are eligible to be included:

> Dow Jones Sustainability World Index (DJSI World) – the top 10% of the largest 2,500 companies in the Dow Jones Global Total Stock Market Index

> Dow Jones Sustainability Europe Index (DJSI Europe) – the top 20% of the largest 600 European companies in the Dow Jones Global Total Stock Market Index

61%

**our overall score in the DJSI in 2015** (2014: 60%) **– 15% higher than the average overall score of others in the financial services sector**

FTSE4Good

EURONEXT vigeo INDICES UK 20

MEMBER OF Dow Jones Sustainability Indices In Collaboration with RobecoSAM

## Forum ETHIBEL

We continued to be included in the Ethibel Sustainability Index (ESI) Excellence Forum, composed of companies that are considered by Forum ETHIBEL to display the best performance in the field of CR. The ESI Excellence Forum is an investment register managed and overseen by the Belgian SRI specialist, Forum ETHIBEL.

## CDP

We made our annual submission to the CDP (previously the 'Carbon Disclosure Project'). The CDP informs investors of the significant impacts, risks, and opportunities presented by climate change, and how companies are managing their shareholders' concerns around the effects on company value. The CDP provides the information they gather to over 800 institutional investors, who collectively represent US$95 trillion in assets.

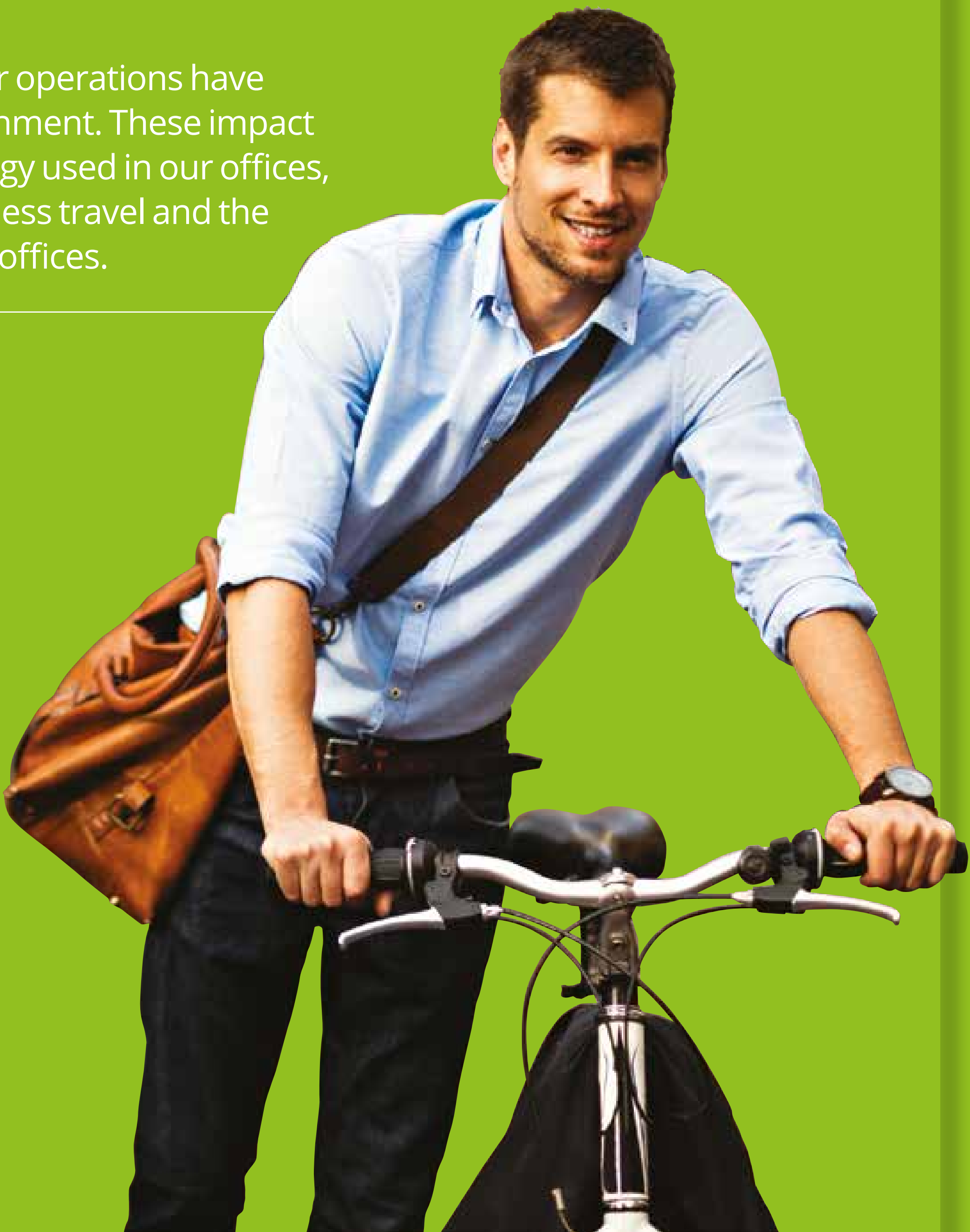
Our score acknowledges the quality and completeness of our reporting on the opportunities and risks to our business associated with climate change. Further details on our carbon submissions to the CDP can be found at: www.cdp.net.

95 out of 100

our CDP disclosure score in 2015 (2014: 91 out of 100)

# MINIMISING OUR ENVIRONMENTAL IMPACTS

Like all businesses, our operations have impacts on the environment. These impact areas include the energy used in our offices, the fuel used for business travel and the resources used in our offices.



## Minimising our environmental impacts

While our environmental impacts may be small when compared with some other business sectors, we remain committed to managing and minimising these impacts as part of our approach to CR. We are legally required to disclose our scope 1 and 2 emissions, and voluntarily report other emissions too, to provide our stakeholders with comprehensive information on our operations.

# 2016 targets

### Greenhouse gas (GHG) emissions

- Continue to reduce scope 1 and 2 GHG emissions by 30% by 2020, compared with the 2015 baseline.
- Continue to offset the GHG emissions associated with employees' business travel activities.
- Continue to identify opportunities to improve the way GHG emissions associated with Provident home credit agent business activities are calculated.

### Transport

- Continue to offer staff at our Bradford head office a subsidised annual season ticket for public transport.
- Provide facilities within the car park at the Provident Financial head office in Bradford to charge plug-in electric vehicles.

### Waste

- Continue to ensure that the vast majority of the waste that is generated by Provident Financial Group is diverted away from landfill during 2016.

### Water

- Continue to identify opportunities to improve Provident Financial Group's water consumption accounting and reporting.

### Environmental stewardship

- Ensure that the environmental management system (EMS) at the Provident Financial head office in Bradford continues to be certified to the international standard ISO 14001:2015 by 2017.
- Extend the scope of the ISO 14001-certified EMS to include the two Vanquis Bank offices by 2016.

## KPIs: our 2015 performance

- Total greenhouse gas emissions: 9,811 tonnes $CO_2e$ (2014: 10,461[17] tonnes $CO_2e$)
  - Scope 1 and 2 emissions: 4,612 tonnes $CO_2e$ (2014: 4,863 tonnes $CO_2e$)
  - Scope 3 emissions: 5,199 tonnes $CO_2e$ (2014: 5,598[18] tonnes $CO_2e$)
- Total energy use: 8,486 MWh (2014: 7,653 MWh)
- Total waste arising from our activities: 1,526 tonnes (2014: 1,160 tonnes)

# 2015 targets

### Greenhouse gas (GHG) emissions

- Following recent acquisitions and organisational change across the business, establish a new GHG emissions baseline for Provident Financial Group.

  **Achieved:** The group's overall GHG emissions footprint in 2015 was 9,812 metric tonnes of $CO_2e$. See page 66 for more information.
- Begin the process of reducing scope 1 and 2 GHG emissions by 30% by 2020, compared with the new 2015 baseline figure.

  **In progress:** The 2015 baseline scope 1 and 2 GHG emissions figure is 4,612 metric tonnes of $CO_2e$.
- Continue to offset the GHG emissions associated with employees' business travel activities.

  **Achieved:** During 2015 our business-related journeys accounted for 5,013 metric tonnes of $CO_2e$. These were offset through the purchase of Gold Standard carbon credits. See page 68 for more information.
- Explore the viability of using the self-employed agents' app to collect data on the GHG emissions associated with Provident home credit agent business activities.

  **Not achieved:** For technical reasons this was not feasible; see page 66.

[17] Restated from 10,763 in 2014's report

[18] Restated from 5,900 in 2014's report

Environment

### Transport

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

  **Achieved:** An annual season ticket for public transport, which is subsidised by 45%, continues to be available to staff at this location.

- Introduce a Cycle to Work scheme across Provident Financial Group.

  **Partial progress:** A Cycle to Work scheme was introduced at both Vanquis Bank locations.

- Introduce a Car Share scheme at Moneybarn's offices in Petersfield, Hampshire.

  **Achieved:** An informal car share scheme was introduced at Moneybarn's offices in Petersfield, Hampshire.

### Waste

- Ensure that the vast majority of group operational waste is diverted away from landfill by the end of 2015.

  **Achieved:** In 2015, Provident Financial Group's businesses generated 1,526 tonnes of waste. Of this, 1,517 tonnes (over 99%) was recycled, reused or composted and therefore diverted away from landfill.

### Water

- Improve our water consumption accounting and reporting.

  **Partial progress:** An account of the amount of water that was consumed during 2015 has been calculated for approximately 46% of Provident Financial Group by numbers of employees. This figure stood at 13,043m$^3$.

### Environmental stewardship

- Ensure that the environmental management system (EMS) at the Provident Financial head office in Bradford continues to be certified to the international standard ISO 14001:2004.

  **Achieved:** Following a reassessment audit conducted in April 2015, the EMS at our Bradford head office continues to be formally certified to ISO 14001:2004.

- Ensure that the EMS at the Provident Financial head office in Bradford meets the requirements of the new international standard ISO 14001:2015.

  **Not achieved:** This target has been carried over into 2016.

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

  **In progress:** Initial work was undertaken during 2015 to engage with a third-party environmental auditor to understand the requirements that would need to be met in order for the EMS at Vanquis Bank's offices to become ISO 14001-certified. This initial work will be built upon during 2016.

## Our approach to environmental management

Our commitment to managing and minimising our impacts on the environment is underpinned by the environmental management system (EMS) that we have in place across our operations.

The EMS provides the framework for controlling and improving environmental performance across the group. This includes managing the impacts we have through resource consumption, waste, emissions, travel and sustainable procurement. Our EMS ensures we are able to identify the areas where we can increase efficiencies, make savings and reduce risk. It also helps us to maintain and demonstrate compliance with increasingly demanding environmental legislation.

Audits are carried out on our EMS annually against the requirements of the ISO 14001 standard for environmental management. We have formal certification for our head office in Bradford and, in 2016, we are aiming for the EMS in our two Vanquis Bank locations – London and Chatham – also to be formally certified to the updated version of the standard, ISO 14001:2015. We will also aim to have our head office in Bradford formally certified to the updated standard.

### GHG emissions reporting

We recognise the need for us to play our part in minimising the contribution we make to climate change – by limiting the emissions associated with our operations. Our GHG emissions result from the energy and fuel we use, the disposal of waste, the travel of our staff when on business, and the travel of self-employed agents in the Provident home credit business.

An important part of limiting our emissions is understanding them, through monitoring and reporting. We report emissions in the group's Annual Report and Financial Statements, in line with our legal obligations. This reporting covers

## Minimising our environmental impacts

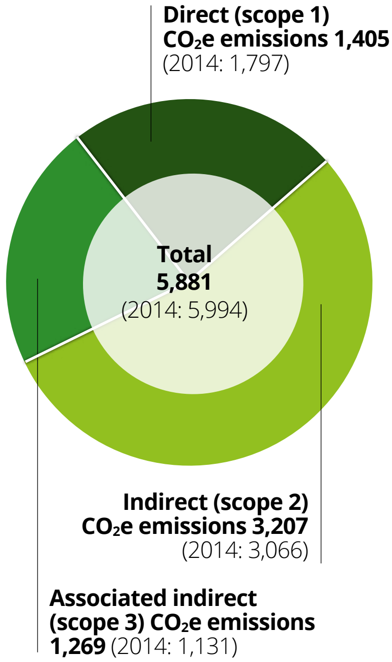
both the emissions from business activities we are directly responsible for (scope 1 emissions) and those we are indirectly responsible for (scope 2 emissions). In practice, scope 1 emissions relate to our fleet of company cars and the gas used within our office locations, while scope 2 emissions are those arising from the electricity we purchase. Our reporting also includes some of our other indirect emissions (scope 3) – specifically, indirect "well-to-tank" emissions associated with the full supply chain of the fuel we use, from extraction to retail. Details of the group's overall carbon footprint are set out below, including a breakdown of the sources of GHG emissions within each scope.

Investors are increasingly interested in emissions as they look to better understand the carbon intensity of our activities. Our measurement and reporting helps inform the investment community of the climate risks which may affect their portfolios, and helps them achieve better and more sustainable shareholder returns. Read more about our relationships with investors on page 61.

In 2015, our scope 1 and 2 emissions and associated scope 3 emissions accounted for 5,881 tonnes of $CO_2e$, down from 5,994 tonnes in 2014. A contributing factor is a reduction in our business travel, explained further on page 67.

## Mandatory GHG emissions reporting

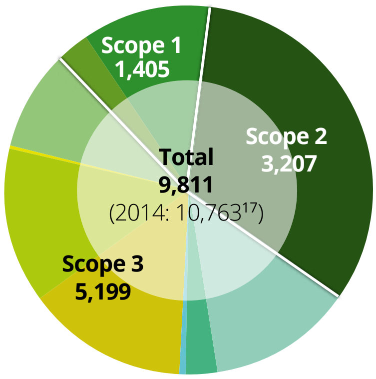
GHG emissions 1 January to 31 December 2015 (tonnes of $CO_2e$)*




* Our emissions are reported in accordance with the WRI/WBCSD Greenhouse Gas ('GHG') Protocol. We use an operational control consolidation approach to account for our GHG emissions and use emission conversion factors from Defra/DECC's GHG Conversion Factors for Company Reporting 2015. Our GHG emissions are calculated using energy use data accessed via meters and energy suppliers, and from records of fuel use.

## Overall carbon footprint

GHG emissions 1 January to 31 December 2015 (tonnes of $CO_2e$)*




**Sub-totals** (tonnes of $CO_2e$)

**Scope 1**

- Gas use 286 (2014: 268)
- Diesel and petrol use – 1,119 (2014: 1,529)

**Scope 2**

- Electricity use 3,207 (2014: 3,066)

**Scope 3**

- Scope 1 and 2 associated "well-to-tank" emissions – 1,269 (2014: 1,131)**
- Employee air travel – 276 (2014: 296)
- Employee rail travel – 56 (2014: 41)
- "Grey fleet" - employee own vehicle travel – 1,367 (2014: 1,950)
- Self-employed agent car use – 1,348 (2014: 1,474***)
- Waste collection and management – 36 (2014: 32)
- "Well-to-tank" emissions* – 847 (2014: 674)**

** The GHG emissions associated with the production, transportation and distribution of fuels used by transport and utilities providers in relation to scope 1, 2 and 3 emissions.

*** 2014 figure restated from 1,776 in last year's report, which also included "well-to-tank" emissions.

## Travel and transport

The business travel of our employees continues to account for the majority of our scope 1 and 3 emissions. In addition to reporting these emissions, we also estimate and disclose the emissions from self-employed agents in our home credit business, given the importance of the role that agents play. This covers GHG emissions resulting from the journeys they make when servicing their home credit customers in their homes. The information that was first reported in last year's CR report estimated the emissions using assumptions based on the average weekly mileages travelled by each agent.

A 2015 target was to explore the feasibility of using the self-employed agents' mobile app to collect more accurate data on GHG emissions from their business travel. Unfortunately, this has not proved feasible as the app the agents use does not track business travel activities. As a result, we continue to use assumptions to reach an estimated figure. We have assumed all 5,237[19] self-employed agents used a car and travelled an average of 16.5 miles per week across the year. The average mileage has increased by 32% since 2014 (12.5 miles); this increase is associated with the merger of some agencies into larger geographical territories.

## Air travel

| | Number of air miles travelled by employees | | Associated GHG emissions (tonnes of $CO_2e$*) |
|---|---|---|---|
| 2015 | 818,838 | 2015 | 307 |
| 2014 | 944,353 | 2014 | 329 |
| 2013 | 594,319 | 2013 | 231 |
| 2012 | 358,050 | 2012 | 74 |
| 2011 | 413,372 | 2011 | 89 |

## Rail travel

| | Number of rail miles travelled by employees | | Associated GHG emissions (tonnes of $CO_2e$*) |
|---|---|---|---|
| 2015 | 772,519 | 2015 | 66 |
| 2014 | 533,703 | 2014 | 48 |
| 2013 | 705,923 | 2013 | 65 |
| 2012 | 415,352 | 2012 | 39 |
| 2011 | 359,077 | 2011 | 31 |

## Car mileage

| | Number of miles travelled by employees using their own cars | | Associated GHG emissions (tonnes of $CO_2e$*) |
|---|---|---|---|
| 2015 | 4,557,211 | 2015 | 1,648 |
| 2014 | 5,307,792 | 2014 | 1,950 |
| 2013 | 5,954,205 | 2013 | 2,200 |
| 2012 | 6,395,755 | 2012 | 1,993 |
| 2011 | 5,206,111 | 2011 | 1,704 |

## Fuel consumption

| | Amount (litres) of diesel and petrol used by employees with company cars | | Associated GHG emissions (tonnes of $CO_2e$*) |
|---|---|---|---|
| 2015 | 448,306 | 2015 | 1,368 |
| 2014 | 606,918 | 2014 | 1,867 |
| 2013 | 594,277 | 2013 | 1,826 |
| 2012 | 700,528 | 2012 | 1,764 |
| 2011 | 726,987 | 2011 | 1,806 |

[19] Engaged as of 31st December 2015

# Minimising our environmental impacts

## Self-employed agents GHG emissions (estimate)

| | |
|---|---|
| Number of agents[18] | 5,237 (2014: 7,438) |
| Average agent mileage | 16.5 (2014: 12.5) |
| Weekly agent mileage | 86,411 (2014: 92,975) |
| Annual agent mileage | 4,493,346 (2014: 4,834,700) |
| Associated GHG emissions (tonnes of $CO_2e$) | 1,348 (2014: 1,474) |
| Associated "well-to-tank" GHG emissions (tonnes of $CO_2e$) | 277 (2014: 302) |
| Total associated GHG emissions (tonnes of $CO_2e$) | 1,625 (2014: 1,776) |

The air miles of our employees fell significantly during 2015. This was caused by the closure of Vanquis Bank's overseas pilot credit card operation, reducing the associated employee flights between the UK and Poland. Train travel increased as Vanquis Bank employees made an increased number of journeys between their offices in Bradford and Chatham. The mileage of employees in their own cars has fallen once again this year, along with the amount of petrol and diesel used in company cars. A contributing factor to the overall decrease in our travel emissions is the increased use of video conferencing to communicate across offices.

We have a travel plan in place at our city centre head office in Bradford to encourage use of sustainable modes of transport – such as walking, cycling, using the bus or car sharing. We are members of the West Yorkshire Travel Plan Network, entitling our employees to a 15% discount on public transport. We also provide an additional subsidy of 30% to further encourage our employees to commute using public transport.

During 2015, we introduced a Cycle to Work scheme for Vanquis Bank staff to get more employees to take up cycling, particularly for their daily commute. The scheme is provided as a tax-efficient, salary-sacrificed employee benefit. Vanquis Bank buys or leases approved cycling equipment and then hires it out to employees; at the end of the loan period, employees have the option to purchase the equipment. We plan to extend the scheme to other parts of Provident Financial Group in future years.

## Carbon offsetting

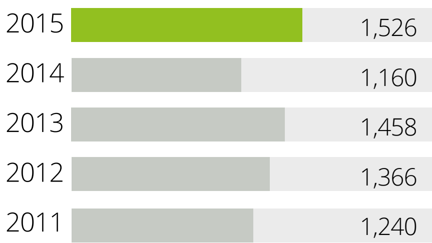
We understand that while travel is an important part of how our businesses operate, the emissions resulting from this are environmentally damaging and need to be limited. This is why we measure and monitor the journeys our staff make for business, and minimise them where possible. Having measured the GHG emissions which arise from this travel, we offset these by investing in renewable energy projects.

In 2015, we offset 5,013 tonnes of $CO_2e$ through the purchase of Gold Standard carbon credits in the Samsun landfill gas project in north Turkey. This project collects and utilises landfill gas to generate electricity – with power generation capacity which should reach 4.8MWe throughout the project's lifespan – and promotes environmental awareness activities in the local community. The project therefore reduces GHG emissions by displacing alternative carbon-intensive electricity production (e.g. using fossil fuels such as coal), and captures methane that would otherwise have been released from the breakdown of waste in the landfill site.

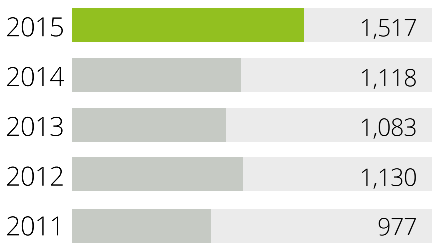
## Waste management and paper use

As expected for an office-based business, paper continues to dominate the waste we generate – used for office-based photocopying and printing, as well as marketing activities. We follow the principles of reducing, reusing and recycling to limit the waste we produce, and ensure paper we do use either contains a high recycled content or is manufactured from sustainably managed plantations.

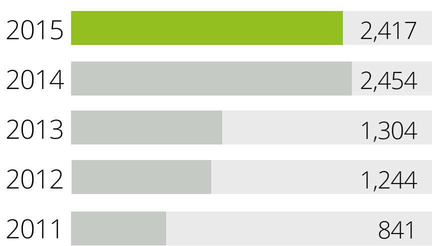
### Absolute waste arising (tonnes)



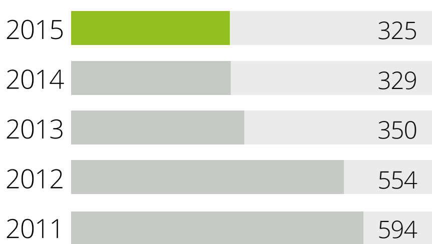

### Absolute waste recycled (tonnes)




### Group marketing paper use (tonnes)




### Group office paper use (tonnes)



# INDEPENDENT ASSURANCE STATEMENT AND COMMENTARY

## Independent assurance statement and commentary

CORPORATE CITIZENSHIP

AA1000
Licensed Assurance Provider
000-16

# Assurance statement

Provident Financial has commissioned Corporate Citizenship to provide external assurance and a commentary on its Corporate Responsibility Report 2015.

## The scope of our assurance

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

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

We have also assured the agreed performance information in the report. The criteria used are the GRI G4 Principles for Defining Report Quality: Balance; Comparability; Accuracy; Timeliness; Clarity; and Reliability.

The level of assurance offered is 'moderate' as defined by AA1000AS (2008). That is to say, our work obtained sufficient evidence to support the statement that the risk of our conclusion being in error is reduced. Our assurance does not cover Provident Financial's obligations to government codes, guidelines and regulations covering the financial services sector.

Provident Financial is entirely and solely responsible for the contents of the report, Corporate Citizenship for its assurance. Our assurance is confined to the printed Corporate Responsibility Report 2015.

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

### Opinion and conclusions

In our opinion Provident Financial's Corporate Responsibility Report 2015 reflects the principles of AA1000 (2008): inclusivity, materiality and responsiveness.

With regard to inclusivity, the principle that people should have a say in the decisions that impact on them, we find that the Corporate Responsibility Report 2015 demonstrates this by clearly identifying Provident Financial's main stakeholder groups and the most important issues that relate to them as well as the business. This is seen through, though not limited to, the materiality exercise the group has undertaken and its commitments outlined in its CR Strategy Scorecard.

With regard to materiality, the principle that decision makers should identify and be clear about the issues that matter, we find the report to be a reflection of this. This is evidenced in the materiality approach that underpins Provident Financial's updated strategy and the content and structure of the report. This is also seen at the start of each report section which gives an account of progress on 2015 targets and sets targets for 2016 in relation to Provident Financial's priority CR issues.

With regard to responsiveness, the principle that organisations should act transparently on material issues, we find the report to be an account of a number of activities undertaken to engage stakeholders in order to monitor and respond to their views on CR issues. This includes, but is not limited to, engagement with customers, employees, local communities, and involvement in regulatory consultations.

The specified sustainability performance information is the non-financial information and data outlined in the Corporate Responsibility Report 2015. 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 G4 Principles for Defining Report Quality: Balance; Comparability; Accuracy; Timeliness; Clarity; and Reliability.

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

## Independent assurance commentary

Provident Financial's Corporate Responsibility Report 2015 is a clear and comprehensive account of its actions, progress and future plans in relation to its most material issues. This is particularly demonstrated through the use of a materiality process to determine the most important issues for the business and its stakeholders, which has in turn informed the overall CR strategy and report contents.

There are a number of areas that we highlight below that would further improve the overall quality of reporting going forward, in line the principles of AA1000.

### Provident Financial's operating context

Provident Financial's operating context is changing. The group is undergoing a period of growth, increasingly offering online products and technological advances continue to shape the lending process, and concurrently, social, economic and political developments that will continue to affect Provident Financial's customer base, and in turn the business. Reporting could be further strengthened by giving a greater account of this macro context, how it will affect the group, and how the group is reacting to it. The changing operating context also reflects the need to review regularly and update the original materiality process that was undertaken in 2015.

## Delivering on Social Purpose

Last year Provident Financial articulated a formal Social Purpose: "Our ambition to lend to customers who find it difficult to access mainstream credit providers, or are excluded altogether, lies at the heart of Provident Financial Group." Whilst it is clear from the report that this is the core of the business, more could be done to articulate the impact the business has on individual customers in their personal lives. This could be articulated to a greater extent by demonstrating through qualitative and quantitative information the impact the group has upon its customers. This would also be strengthened by making a greater link between the Social Purpose and the CR scorecard, and overlaying this with data to demonstrate the progress made.

## Stakeholder voice

The report demonstrates a number of areas where Provident Financial takes account of stakeholder opinions in order to incorporate their priorities into the way the business makes decisions. Provident Financial's reporting would be strengthened further by conveying the stakeholder voice more fully. Case studies that convey the strength of relationship with different stakeholders would add greater context to the reporting. Giving space in the report for a selection of stakeholders to provide commentary would add further credibility to the report. Providing greater detail on stakeholder consultations, and in particular their outcomes, would further demonstrate the commitment of the business to be inclusive of, and responsive to, the views of its key stakeholders.

**Corporate Citizenship**

London

30 August 2016

# Methodological notes

The assurance work was commissioned in April 2016 and was completed on 30 August 2016. 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 four, led by a director, undertook the assurance and commentary process. A second director acted as adviser to the group. The team has a variety of professional and technical competencies and experience. For further information please refer to our website www.corporate-citizenship.com.

Our external assurance and commentary process for Provident Financial's Corporate Responsibility Report 2015 has involved, but not been limited to, the following elements:

- Understanding Provident Financial and its value chain, its culture and the broader social contexts in which it operates; its approach to and understanding of CR; and how it identifies issues material to its operations.
- A detailed evaluation of the reporting against the principles of AA1000AS.
- A detailed evaluation against the GRI Principles for Defining Report Quality.
- Conducting a benchmark review of other companies serving a similar customer base to Provident Financial, in particular other non-standard credit lenders as well as rent-to-own companies, to identify any potential issues not covered by Provident Financial as well as how they approach customer service and responsible lending.
- Analysis of Provident Financial's stakeholder engagement activity, including findings from employee and customer opinion research.
- Organising and facilitating a stakeholder roundtable as part of a wider community strategy review to identify further views on the group and its responsibilities, in particular to its communities.
- Examination of the report at set stages in its development and testing of the assertions throughout, drawing from evidence and supporting documentation, reporting mechanisms, frameworks and processes.
- A series of interviews with representatives from across the group's divisions to test assertions made in the report, give greater context to the assurance process, and review the systems in place that underlie assertions made in the report.

Our work did not extend to a complete audit of the report's contents. We have not been responsible for the preparation of the Corporate Responsibility Report 2015 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

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

We have worked with Provident Financial since 2001 and have provided assurance since 2010. Regarding independence, during the 2016 reporting period, except as noted below, our work with Provident Financial focused exclusively on assurance and stakeholder engagement.

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

The fees for this work comprised less than 1.25% of our total income.

## Feedback

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

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

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

## Paper and print specification


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

Seacourt are an award winning, EMAS, FSC and ISO14001-certified printer. They have been awarded three Queen's Award for Sustainable Development - 2007, 2011 and 2016; winners of the UK Water Efficiency Awards 2014 and Guardian Sustainable Business Award winners 2014.

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