PFG | Provident Financial Group

Our approach to sustainability

Corporate Responsibility Report 2019

In this report...

Provident Financial is the leading provider of credit products which offer financial inclusion to the 10 to 12 million consumers in the UK and Republic of Ireland (ROI) who are not well served by mainstream lenders or are excluded altogether. The Group serves 2.3 million customers through four brands: Vanquis Bank for credit cards, Provident for home credit, Satsuma for online loans and Moneybarn for car finance.

This Corporate Responsibility (CR) Report is designed to provide the reader with a balanced account of how Provident Financial's purpose and strategic drivers are aligned to the Group's responsible business strategy, as well as further details of the progress that has been made during 2019 in delivering against this strategy.

The report relates to the non-financial aspects of Provident Financial plc and its operating divisions – Vanquis Bank, Moneybarn and the Consumer Credit Division (CCD) – in the UK and ROI, and its key stakeholders: customers, employees, shareholders and debt investors, regulators, communities and suppliers. It provides information and updates on our CR activities, performance and achievements for 1 January to 31 December 2019 unless otherwise stated. Further information on Provident Financial can be found in its Annual Report and Financial Statements 2019.

As in previous years, this report has been independently assured by Corporate Citizenship in accordance with the ISAE 3000 Assurance Standard.

To view Provident Financial's past CR Reports and the Annual Report and Financial Statements 2019, go to **www.providentfinancial.com**

Our highlights for 2019

Here are some key highlights from the Group for 2019. You will find more of these throughout the report, and specifically at the beginning of each chapter.

86%

of colleagues care about the future of PFG

36%

of colleagues participate in Company-led saving schemes

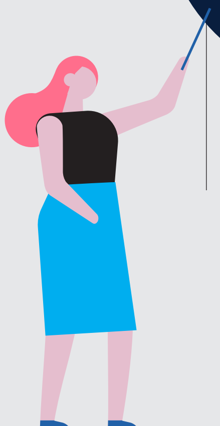
Read more on **page 41**

10,000

tonnes of CO_2e offset

41%

of management representation are female



£1.45m

invested in the community

53

staff have been trained as Mental Health First Aiders

Read more on **page 33**

Read more on **page 9**

Group snapshot

On this page you will find some key information about Provident Financial. To read more about the Group's businesses, see our Annual Report and Financial Statements 2019.

www.providentfinancial.com/investors

Adjusted profit before tax

£162.6m

Customers

2.3m

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

Employees

4,854

in the UK and ROI

To read more about the marketplace of each business go to **page 24 of our Annual Report**

Our divisions

Credit cards

VANQUIS

Credit cards and personal loans

Vanquis Bank is the leading supplier of credit cards to those not well served by mainstream lenders. We provide new customers with a low credit limit and only increase it when we have sufficient experience of the customer handling their account responsibly.

Customers:

1.7m

Credit card and loan range:

£250–£4,000

Vehicle finance

moneybarn Vehicle Finance

Vehicle finance

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

Customers:

77,000

Loan range:

£4,000–£25,000

Home credit and online loans

Provident

Home credit

Provident offers home credit loans, typically of a few hundred pounds, to consumers on low incomes and tight budgets who require affordable credit to manage the household budget or one-off items of expenditure.

Customers:

386,000

Loan range:

£100–£2,500

satsuma.

Online lending

Satsuma is our online instalment loan product. We give new customers a small-sum, short-term loan and collect repayments by continuous payment authority either weekly or monthly.

Customers:

136,000

Loan range:

£100–£1,000

A message from our CEO

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

Malcolm Le May
Chief Executive Officer

Introduction

Welcome to our 2019 Corporate Responsibility (CR) Report. This year, for the first time, our CR Report is being published on the same day as our 2019 Annual Report and Financial Statements. We have done this to further underline the important role that our CR programme plays in our business strategy and the long-term success of Provident Financial.

Provident Financial, for the last 140 years, has been helping to put people on a path to a better everyday life by providing our customers with the tailored and affordable credit products that meet their particular needs and enable them to do the things they want to do in their lives, and also by ensuring that we deliver fair outcomes to them throughout their journeys with us. I am proud to say that this is our purpose, our reason for being, and what motivates me to work for Provident Financial.

But I know that our purpose is about so much more than this. It also reflects the wider role that Provident Financial plays in society and is about ensuring that operating responsibly and sustainably is at the core of what our business does. This means addressing the wider impacts that our business has. From climate change to equality, diversity and inclusion, and social mobility to mental health, I recognise that Provident Financial has an important role to play.

Embedding our Blueprint

> "Our purpose reflects the wider role that Provident Financial plays in society and is about ensuring that operating responsibly and sustainably is at the core of what our business does.

The CR programme we have operated across Provident Financial for well over 15 years, and which underpins the content of our CR Reports, is therefore fundamental to the successful delivery of our purpose and is a key component of our corporate culture.

Embedding our Blueprint

When I became Chief Executive Officer at Provident Financial in early 2018, I made it clear that a key priority for our business was to realign the culture of the Group to the developing needs of our customers to deliver better outcomes for them. In addition to this I wanted to balance profit and purpose to generate a financial return while responding to the important needs and wants of our key stakeholders. To enable us to do this, we developed our Blueprint to support our purpose of helping to put people on a path to a better everyday life. This also comprised our strategic drivers and behaviours. And despite having to successfully defend an unsolicited bid for the Group made by Non-Standard Finance plc, which caused a huge amount of disruption throughout the first half of 2019, we have made a huge amount of progress in integrating the Blueprint into what we do and how we do it. This has seen us launch the Blueprint to 150 leaders and influencers from across our business, roll it out to all colleagues via workshops, meetings and digital communications, and then convene a series of 'Big Blueprint Conversation' events to help colleagues make the connection between the Blueprint and the work they do.

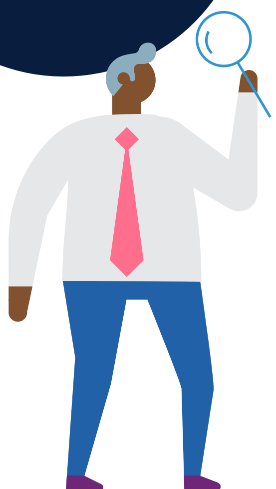
Read more on **page 9**

A message from our CEO continued

"A key focus for us during 2019 was on improving colleague engagement. To this end, we carried out a Group-wide colleague survey so that all our colleagues had the opportunity to share their honest thoughts and feelings with us.

We have made excellent progress in delivering our business strategy in accordance with our Blueprint

Read more on **page 9**



Governing and managing our Blueprint

Having successfully launched and explained our Blueprint to colleagues throughout 2019, a key priority for us in 2020 will be to demonstrate that it is being lived by everyone within our business regardless of their role. To help us to do this we developed and approved Blueprint and customer outcome dashboards which contain a series of metrics that can be applied across the Group to measure our progress in terms of implementing the Blueprint, as well as monitor whether we are delivering our business activities in accordance with our purpose, strategic drivers and behaviours. These will be used by the Group Executive Committee to support the ongoing embedding of our Blueprint and to monitor the culture and ethics of Provident Financial more generally. They will also be used by the Customer, Culture and Ethics (CCE) Committee we established in 2019 to monitor and challenge the Group's performance both in terms of Blueprint implementation and the customer outcomes that are being delivered at a Group-wide level. As such, the governance and management arrangements we now have in place will have an important role to play in continuing to deliver cultural change across the Group and ensure we always put the customer on the team.

Continual improvement in our CR programme

Despite the turbulence we experienced in 2019, we have made great progress in ensuring that our CR programme continues to support our Blueprint. This has seen us focus our attention on ensuring that we do more to create a talent pipeline of future women leaders within our business, and deliver a Next Generation Women's Leadership Programme to the first cohort of female colleagues at the middle/senior management level and host a number of 'speaker series' sessions at our main offices to encourage colleagues to think about how we can better nurture and celebrate a culture of equality, diversity and inclusion (EDI) across all our businesses. We also launched a new Group-wide volunteering policy in 2019 which builds on the great work we have been delivering in the communities we serve by offering colleagues a day of paid leave to volunteer for a community organisation of their choice. In doing so, our colleagues will hopefully be further motivated and engaged, and will understand the factors which can prevent people from getting onto a path to a better everyday life. Finally, it was heartening for Provident Financial to continue to be included in both the Dow Jones Sustainability World Index (DJSI World) and the Dow Jones Sustainability Europe Index (DJSI Europe). These important indices measure and analyse the impact that our business has in the world beyond our day-to-day business: in our environment, our industry and our wider society. Maintaining our position in these prestigious indices is, I feel, an acknowledgement of Provident Financial's continued efforts to ensure that our purpose is a core component of our business strategy.

Improving colleague engagement

I am aware that the past two years or so have been challenging and disruptive for many colleagues from across the Group. I was therefore keen that a key focus for us during 2019 was on improving colleague engagement. To this end, we carried out a Group-wide colleague survey through October and November so that all our colleagues had the opportunity to share their honest thoughts and feelings with us. Almost 70% of colleagues took the time to respond to the survey and headline results are set out on page 31 of this report.

We have started to make good progress in analysing the findings and sharing them with colleagues in all parts of our business, and throughout 2020 we will focus our attention on the areas where we can improve colleague engagement. I also know that colleague engagement helps support the development of a diverse, open and inclusive workplace culture. This is why we signed up to the Women in Finance Charter in 2019. Being a Charter signatory underlines our commitment to focus on attracting, retaining and developing talented women to not only enable us to achieve a gender balanced workforce, but also to create a diverse, open and inclusive culture where everyone is a valued member of the Provident Financial team.

Closing remarks

Despite the challenges we faced in 2019, we have made excellent progress in delivering our business strategy in accordance with our Blueprint. Our future is bright and we are uniquely placed within our market to continue to help put people on a path to a better everyday life. As ever, I welcome any feedback that you may have on this report and our approach to CR more generally, so please do not hesitate to get in touch with us on **corporateresponsibility@providentfinancial.com**.

Malcolm Le May
Chief Executive Officer
Provident Financial plc

A message from our Head of Sustainability

Operating a responsible and sustainable business

> “This report is one of the main opportunities we have to share an open and honest account of the progress we have made in delivering our business activities in accordance with our Blueprint.

In the words of that well-used sporting cliché, 2019 was very much a game of two halves.

We started the year in a positive manner by building on the foundations we laid in 2018 to realign the culture of the Group to the growing needs of our customers and other key stakeholders and launching our Blueprint to define our purpose and set out our long-term direction. However, much of the remaining first half of 2019 was spent successfully defending the unsolicited offer made by Non-Standard Finance plc which inevitably caused disruption and distraction for many colleagues across our business. Despite having had to deal with this challenge, during the second half of 2019 we made excellent progress embedding our Blueprint within the culture of our business and ensuring that our Group-wide CR programme supports our purpose of helping to put people on a path to a better everyday life.

This is, in and of itself, important for our business as we deliver our vision and plans, and continue to provide the one in five adults in the UK who are not well served by mainstream lenders with responsible and sustainable products and services. It also plays a vital role in enabling us to respond to the growing and varied needs of our key stakeholders, as well as be a positive force in tackling some of the significant shared challenges that are confronting the world and society.

We know that we have a responsibility to ensure that, through the running of our business, we have a positive impact on the natural world and the many communities that we interact with. Through the work we have undertaken over the past 18 months on the United Nations’ Sustainable Development Goals, we are acutely aware that addressing the causes of poverty, taking action on climate change, improving diversity and reducing inequalities, and contributing to the provision of quality education are some of the key challenges that are relevant to our purpose and business strategy. This is why our CR programme seeks to make a positive contribution towards addressing them. This has seen us, during 2019, continue to have a positive impact in the communities we serve through the customer vulnerability, education and social inclusion workstreams of our Social Impact Programme, provide mental health support to colleagues, build on our work in the gender diversity space to address the broader diversity and inclusivity agenda, and take some initial steps towards meeting the recommendations of the Task Force on Climate-related Financial Disclosures.

In order for Provident Financial to contribute to addressing these key challenges, at the same time as continuing to embed our Blueprint within the Group, it is essential that we integrate sustainability considerations into the governance and management arrangements of the business. This is another area where we have made good progress throughout 2019. This has seen us develop our performance management frameworks so that they take account of issues such as gender diversity and also reflect our purpose and behaviours. Also, the formal establishment of the Customer, Culture and Ethics Committee, whose meetings I attend on a regular basis, will, through the work that we carried out to develop dashboards for the reporting on metrics relating to both our Blueprint and customer outcomes, enhance the Board’s oversight of our culture and the journeys of our customers.

This report is one of the main opportunities we have to share an open and honest account of the progress we have made in delivering our business activities in accordance with our Blueprint, while at the same time managing our key sustainability impacts. It shows the areas where we have had great successes, as well as highlighting challenges where we know that there is a lot more for us to do. In terms of addressing these challenges, I recognise that it will require our continued commitment and dedication. However, I know that it will enable us to deliver our vision and plans, and ensure that we help put people on a path to a better everyday life.

If you have queries about our CR programme, please do not hesitate to contact us on corporateresponsibility@providentfinancial.com.

Rob Lawson
Head of Sustainability
Provident Financial plc

Our corporate responsibility strategy

In this section

The strategy that underpins our Group-wide CR programme is intimately aligned with our purpose of helping to put people on a path to a better everyday life.

Our responsible business strategy

Provident Financial's CR strategy of operating our business of lending to our customers in a responsible manner and acting responsibly and sustainably in all other stakeholder relationships is a key aspect of the Group's purpose.

Our purpose, first and foremost, is about ensuring that we provide our customers, many of whom are not well served by other lenders, or are excluded by them altogether, with the credit products that meet their particular needs and deliver fair outcomes to them throughout their journeys with us. We do this by responsibly providing our customers with sustainable and appropriate amounts of credit, maintaining close contact with them throughout the term of their loan and supporting them sympathetically if they experience difficulties.

Our purpose is also about building sustainable relationships with all our other key stakeholders, whether they are our colleagues, suppliers or people from the many communities we serve. This means that, in addition to lending in a responsible manner to our customers, we will focus on creating an inclusive and engaging workplace for our colleagues, supporting our purpose through the activities of our Social Impact Programme, responding to climate change, treating our suppliers fairly, engaging with the investment community on our approach to CR and being a responsible taxpayer.

"

For the past 140 years we have been helping to put people on a path to a better everyday life by providing our customers with the tailored and affordable credit products that meet their needs.

Read more online **www.providentfinancial.com**

Customer image: Kelly

Our Blueprint

Work on embedding the Blueprint that we developed in 2018 began in early 2019 and continued throughout the rest of the year. Our Blueprint, which comprises our purpose, four strategic drivers and three behaviours, is designed to help us balance delivering responsible products and services to our customers, maintaining high levels of regulatory compliance, and providing a stimulating and rewarding workplace for our colleagues, while generating appropriate, sustainable returns for our shareholders.

Purpose

Our purpose is to **help put people on a path to a better every-day life** which is the guiding principle for everything we do.

Strategic drivers

Our purpose is built upon four strategic drivers. These are designed to help drive our competitive advantage and provide a framework for our decision making, including how we prioritise our investment, set the strategic direction of the Group and operate to keep us true to our purpose.

Behaviours

These have been developed to help us deliver on our purpose and create a culture where we: think 'customer' all the time; constantly innovate and make things better for all our stakeholders; and hold ourselves and each other personally accountable for success.

Look out for our Blueprint throughout the report

A year of embedding our Blueprint

In early 2019, we launched our Blueprint at an event to approximately 150 leaders and influencers from across the Group. The focus of this event was to launch a clear, inspiring and motivating shared sense of purpose for Provident Financial, and unify the whole organisation framed in the context of the role that our business plays in the lives of our 2.3 million customers.

Following on from this, Blueprint roll-out sessions were delivered to 100% of colleagues in Bradford, Chatham, London and Petersfield, and to Consumer Credit Division branch office teams via divisional conferences. These sessions focused on galvanising and energising colleagues from across the Group around the Blueprint, and engaging them with the wider purpose, behaviours and strategic drivers.

Finally in 2019, we started delivering a programme of 'Big Blueprint Conversation' events, a regular series of Blueprint inspired face-to-face sessions with colleagues across different parts of the Group. Through these sessions we aim to help colleagues make the connection between the Blueprint and the work they do, thereby continuing the process of creating a common language based around the Blueprint which will help colleagues to connect with the longer-term ambitions, priorities and strategy of the Group. In doing so, the events will contribute to creating a sense of togetherness and show colleagues that they are all part of something big.

In terms of monitoring implementation of our Blueprint, we have also created a dashboard of initial key performance indicators which will enable us to determine whether colleagues are engaged with, and supportive of, the Group's purpose and culture, customer outcomes are consistent with the Blueprint, and we are running our business in an efficient manner (i.e. we are 'fighting fit').

These metrics will be monitored by the Board's Culture, Customer and Ethics Board Committee, as well as the Group Executive Committee, and have been embedded in the performance objectives of all colleagues.

To read more about how we have embedded our Blueprint into everyday business go to page 12 of our Annual Report
www.providentfinancial.com/investors

99%

of colleagues either agree or strongly agree that it is important for everyone to have a shared purpose across Provident

75%

of colleagues either agree or strongly agree that they are proud to work for Provident Financial Group

70%

of colleagues either agree or strongly agree that they can clearly see links between divisional plans, priorities and the broader Provident Financial agenda

88%

of colleagues either agree or strongly agree that the work they do connects to the Blueprint

CR and Blueprint governance and management

"A key focus of the Customer, Culture and Ethics Committee this year has been to enhance the Board's oversight of our culture and our customer focus through the development of Group and division-specific dashboards relating to both our Blueprint and our customer outcomes.

Elizabeth Chambers
Customer, Culture and
Ethics Committee Chairman

In order to effectively implement our Blueprint and deliver on both our purpose and CR strategy, it is important that we have effective governance and management structures in place within our business. This ensures that we are able to continue to align the Group's culture more closely to the developing needs of the customer. It also enables us to oversee the development, embedding and monitoring of the culture and ethics of the Group with regard to a range of other matters which relate to the CR agenda, and ensure we operate our business in a way that is consistent with being a trusted, responsible and sustainable business.

Effective governance and management structures

CR management

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

The day-to-day delivery of the CR programme is carried out by the Group's CR team, which is supported by colleagues from across the Consumer Credit Division, Moneybarn and Vanquis Bank. This includes the colleagues who sit on the Environmental Working Groups we have in place and oversee the operation of our environmental management system. It also includes the colleagues who sit on the Social Impact Programme Steering Group established in 2019. This Group-wide Steering Group will ensure a robust governance framework is in place for the Social Impact Programme and will engage with the right stakeholders on matters relevant to the effective running of the programme. It will also play a key role in identifying and promoting colleague volunteering opportunities.

"In order to effectively implement our Blueprint and deliver on both our purpose and CR strategy, it is important that we have effective governance and management structures in place within our business.

CR and Blueprint governance and management continued

CR governance

The Customer, Culture and Ethics (CCE) Committee is a Board Committee, which we established in 2019, and also plays a key role in providing oversight of matters that relate to the CR agenda. The Committee is chaired by Non-Executive Director Elizabeth Chambers and its members are Graham Lindsay (Non-Executive Director) and Robert East (Non-Executive Director). Through active participation in Committee meetings by key senior management members, such as the Chief Executive Officer, Group General Counsel and Company Secretary, Group Communications Director and Head of Sustainability, the Committee is able to effectively challenge and discuss the embedding of our culture and the delivery of fair customer outcomes.

The CCE Committee's focus during 2019 was on overseeing full compliance with the 2018 UK Corporate Governance Code by the end of 2019, which emphasises the importance of culture and stakeholder relationships, and reviewing of stakeholder engagement and reporting to ensure information flows continue to enable directors to perform their duties effectively.

The Committee, in discharging its duties, adopts a KPI and evidence-based approach to its work. The Committee has also worked with management throughout 2019 to develop dashboards that will be used at each of the Committee's meetings to:

- gain an insight into customer outcomes that are being delivered at a Group-wide level to ensure that they are consistent with the Group's strategy and purpose;
- oversee the Group's embedding of its Blueprint, with a particular focus on determining whether the Group is delivering its business activities in accordance with its purpose and behaviours;
- review whether the Group's culture is evolving to meet the changing expectations of stakeholders and identify areas where more focus is required in the Board's decision making; and
- ensure that any material issues which relate to the culture and ethics of the Group are reported to other relevant Board Committees.

Workforce engagement

In order to comply with the changes in the 2018 UK Corporate Governance Code, the Group has adopted a model of a combination of workforce panels and a designated Non-Executive Director to lead employee engagement and ensure that the voice of the employee is represented in the boardroom. The format of elected workforce panels has been used in two of the Group's three divisions for many years. During 2019, we built on this approach and updated terms of reference and the role for the workforce panels, and established a workforce panel in Moneybarn. During the year, workforce panels from across the Group were convened and discussed what they would consider to be the emerging themes from our Group-wide colleague survey. Open discussions were held and the feedback from the panels was then reported to our Group Executive Committee and Board.

The structure of workforce panels also works to support our designated Non-Executive Director Employee Champion, Graham Lindsay. Graham's role will be to lead the Board's engagement with employees through a combination of engagement with the workforce panels and direct employee engagement.

"During the year, workforce panels from across the Group were convened and discussed what they would consider to be the emerging themes from our Group-wide colleague survey.

Further information on the Customer, Culture and Ethics Committee and our workforce panels can be found in our **Annual Report**

The market we serve

The Group has been providing financial inclusion for consumers whose needs are not well met by mainstream lenders for nearly 140 years, since the Company was founded in Bradford in 1880. We are a responsible lender providing tailored products and service propositions for 2.3 million customers throughout the UK and ROI. Today, we do this through our three divisions: Vanquis Bank, which offers a range of credit card products, unsecured personal loans for its existing customers and savings products; Moneybarn, which offers secured motor finance for cars, motorbikes and light commercial vehicles; and the Consumer Credit Division, which offers unsecured personal loans through Provident home credit and Satsuma online loans. All three divisions are united by our purpose of 'helping to put people on a path to a better everyday life'.

The market we serve is large, with around one in five UK adults, or 10–12 million people, who are looking to access credit but are not well served by mainstream lenders. The three main categories of products in our market are revolving credit accounts including credit cards; secured loans, where an asset is used as security for the loan; and unsecured loans of various forms including home-collected credit and online lending.

Our customers

The customers in the market we have responsibly served since 1880 may not be well served by mainstream providers for a number of reasons. These include:

- They have experienced a significant life event, e.g. divorce, loss of a job, or other challenge.
- They are managing everyday life on low, irregular or average incomes with no savings.
- They are new to credit in the UK and therefore have little or no credit history.
- They have variable incomes, e.g. are self-employed or have a number of part-time jobs.
- They are looking to build or rebuild their credit rating.
- They are seeking or value a more tailored product and service.

The customers we specialise in serving are similar to customers in the wider market, but have specific characteristics due to their specific circumstances. Because of these characteristics, they require a tailored approach and a wider range of suitable and sustainable credit solutions to best serve their more varied needs and circumstances. These needs and circumstances also tend to change more over time, requiring us to provide a more flexible approach.

What are the typical characteristics of our customers?

Provident	satsuma.		moneybarn Vehicle Finance	VANQUIS
Not working/benefits/part time and casual		Income source	Full-time salaried/15–20% self-employed	
Below national average (£10–15k)		Income levels	Around national average (£20–30k)	
Rented accommodation/ social housing		Housing	Renters/c.20% mortgages	
35–64 years	18–34 years	Typical age	25–44 years	35–54 years
>80%	100%	Bank account	100%	100%
Limited or no savings		Savings	Some savings for specific goals	

Our Blueprint: *Purpose*

Read more on **page 9**

Engaging with our stakeholders

Acting responsibly and sustainably in our stakeholder relationships

Our key stakeholders have an important role to play in enabling us to operate our business in accordance with our purpose. This is why a key aspect of our CR strategy relates to acting responsibly and sustainably in all the relationships we have with our key stakeholders. We have therefore identified the following stakeholders as being key to our business activities: customers, colleagues, communities, suppliers, investors (both debt and equity), regulators and government. The Group can also impact, or be impacted by, the environment.

This year, in order to comply with the requirements of section 172 of the Companies Act 2006, we have produced a statement which is included in our 2019 Annual Report and Financial Statements and explains how the Provident Financial plc Board of directors has taken wider stakeholders' needs into account while performing its duties throughout 2019. This statement sets out more about the stakeholders we have identified as being relevant to our businesses, as well as how we engaged with them during 2019.

Our 2019 Annual Report and Financial Statements also provides an overview of how the Group more generally engages with key stakeholders to ensure that we can understand, and where appropriate respond to, their views and concerns with regard to a wide range of issues. By balancing the interests of our stakeholders, lending responsibly, and contributing to wider society we can maintain a reputation for high standards of business conduct. More information on our section 172 statement and wider stakeholder engagement activities can be found in our 2019 Annual Report and Financial Statements at www.providentfinancial.com/investors.

Undertaking materiality assessments

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

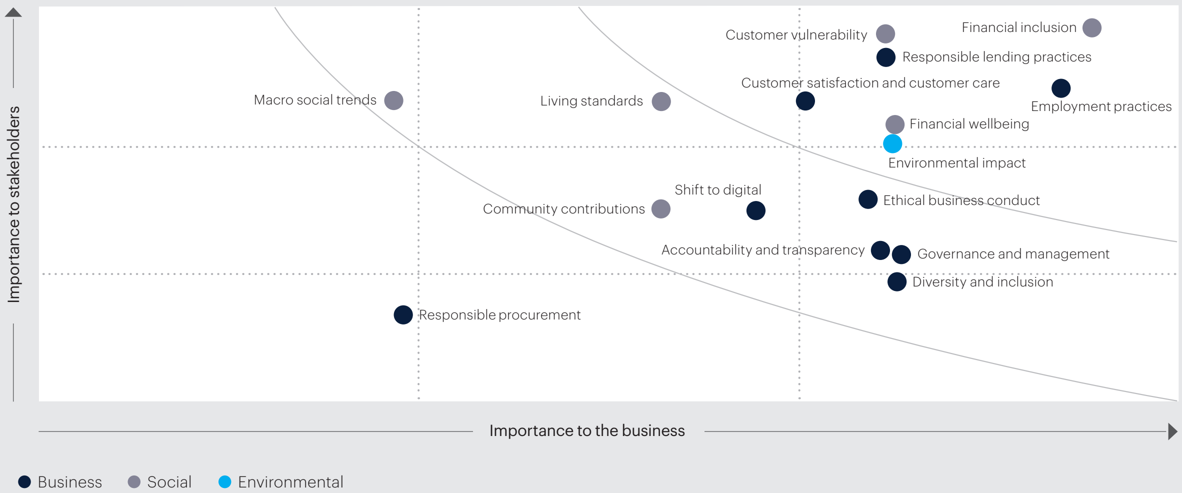
Clearly issues such as responsible lending practices, customer satisfaction and customer care, financial wellbeing and customer vulnerability continue to be priorities for the Group given what we do as a business. This is why we, in the day-to-day running of our business, place such emphasis on ensuring that we responsibly provide our customers with the credit products that meet their particular needs and deliver fair customer outcomes throughout their journey with us, whilst supporting their financial wellbeing and inclusion. The exercise also underlines how important issues such as environmental protection and equality, diversity and inclusion (EDI) have become to a business like ours.

> "In accordance with sustainability reporting best practice, we also continue to engage with our stakeholders to ensure that we manage and report on the CR issues that matter most to them and our business.

Engaging with our stakeholders continued

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

Materiality matrix



Purpose

A great purpose leads to great action

- Financial wellbeing and financial inclusion

Strategic drivers

Customer progression

- Responsible lending practices

Head AND heart decisions

- Customer satisfaction and customer care

Behaviours

Be hungry for better

- Employment practices

Put the customer on the team

- Customer vulnerability

Act like it's yours

- Environmental impact

Our commitment to the Sustainable Development Goals

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

We have chosen five of the SDGs to focus on where we think we can have a genuine impact. These are our 'priority goals': **No.1 – No Poverty**, **No.4 – Quality Education**, **No.5 – Gender Equality**, **No.8 – Decent Work and Economic Growth** and **No.10 – Reduced Inequalities.**

Our core focus in 2020 will be aligning our CR strategy and Blueprint with our priority goals so that the strategic drivers of our business and the everyday behaviours of our colleagues have a direct positive impact on sustainable development, improving lives of the underserved people that make up our customer base, as well as millions of others facing hardship around the world.

Our responsible business targets

Achieved | On track | Partial progress | Not achieved

Each year we establish targets and objectives to ensure that we strive for continual improvement in our CR performance. Please find below the targets we set in 2017 and an update in terms of the progress we have made against them. We will review our CR targets and objectives in 2020 and align them to our priority goals and Blueprint.

Lending responsibly to our customers	Timeframe	Progress
Improve our customer satisfaction levels.	Ongoing	Partial progress: Customer satisfaction rates have improved in Vanquis and Provident home credit, but have slightly decreased in Moneybarn and Satsuma. See page 24 for further information.
Extend the scope of the work delivered by the partnership between IncomeMax and Vanquis Bank into other parts of Provident Financial (e.g. Provident home credit and Satsuma).	By June 2020	Not achieved: Due to the unsolicited offer these discussions were put on hold until 2020.
Establish a single view of the customer to leverage the customer and capability synergies which exist across our businesses and which represent a significant competitive advantage for Provident Financial.	By December 2019	Partial progress: This is being done to enable us to work towards our medium-term vision to become a broader bank for the underserved which will, subject to regulatory approval, deliver further funding synergies and improved product offerings.
Finalise the dashboard of KPIs/metrics for the Provident Financial plc Board's Customer, Culture and Ethics Committee which relate to both the delivery of good customer outcomes and the wider corporate culture agenda.	By September 2019	Achieved: The Board's Customer, Culture and Ethics Committee approved Blueprint and customer dashboards so that it is able to effectively challenge and discuss the embedding of our culture and the delivery of fair customer outcomes.

Ensuring the sustainability of our people	Timeframe	Progress
Ensure that there is at least 33% female representation on the Provident Financial plc Board, the Group's Executive Committee and their direct reports.	By December 2020	Partial progress: 33% female representation on the Board has been achieved and we continue to progress towards this target at Group Executive Committee level as well as their direct reports.
Achieve 40% female representation in the Group's senior management population.	By December 2025	On track: Female representation at senior management level increased by 3% in 2019 when compared to 2018 and also increased by 3% at senior management level, inclusive of female directors. See page 35 for these figures.

Our responsible business targets continued

Achieved | On track | Partial progress | Not achieved

Ensuring the sustainability of our people continued	Timeframe	Progress
Establish a steering group to enable the effective management of equality, diversity and inclusion issues across the Group.	By December 2019	Achieved: A network of EDI Ambassadors has been appointed across the Group. See page 35 for more information.
Provide mentoring opportunities for all colleagues.	By December 2019	Achieved: We offered a number of mentorship opportunities to our colleagues last year through 'speed-mentoring' networking events, talks from both internal and external leaders and an online portal where colleagues could sign up as either a 'mentee' or 'mentor' and connect with others in the business based on their interests and aspirations.
Publish a new Provident Financial equality, diversity and inclusion vision and policy to create a consistent approach to recruitment, retention and pipeline development of the best talent.	By September 2019	Achieved: This policy has been created. Please see page 35 for further information on our gender diversity strategy and progress.
Deliver equality, diversity and inclusion face-to-face training to the Group's senior leaders and e-learning to all colleagues.	By December 2020	On track: To further support the EDI agenda throughout 2019, we have rolled out a mandatory e-learning module on EDI to all colleagues and started to deliver unconscious bias training.
Establish a network of Mental Health First Aiders across Provident Financial.	By June 2020	Achieved: We have established a Mental Health First Aider Network of 53 people and will continue to support them. Please see page 33 for further information on the mental health and wellbeing agenda.
Introduce a new reporting framework to enable the Group to improve the way it monitors performance in areas like ethnicity, race and physical/mental wellbeing or disabilities.	By June 2020	Partial progress: We have made improvements in this area through the establishment of a Group-wide colleague engagement survey which you can read more about on page 31.

Investing in communities	Timeframe	Progress
Continue to invest in community programmes, money advice programmes and social research.	Ongoing	Achieved: Community investment has continued in line with the Social Impact Programme strategy and plans.
Maintain our ongoing commitment to the Vision for Literacy Business Pledge and contribute to the development of research in partnership with the National Literacy Trust to explore the links between reading and using numbers over the lifespan.	By June 2019	Achieved: During 2019, we continued to support National Literacy Trust's Words for Work programmes which support young people ranging from primary school age to post 16 (see page 52 for more information). In addition, the results of the research we have carried out in partnership with National Literacy Trust will be published in 2020.

Our responsible business targets continued

Achieved | On track | Partial progress | Not achieved

Investing in communities continued	**Timeframe**	**Progress**
Support the National Numeracy Day campaign to ensure more adults in the UK benefit from knowing how to use numbers well and develop a numeracy programme for partner schools in Bradford.	By June 2019	Achieved: During 2019, Provident Financial was a lead supporter of the National Numeracy Day campaign and commenced work on establishing a numeracy campaign with National Numeracy (see page 49 for more information).
Develop and implement a school governor volunteering programme.	By June 2019	Not achieved: This project was put on hold for a year due to the uncertainty of future Social Impact Programme funding, caused by the unsolicited offer in 2019. We will explore implementing this programme in 2020.
Launch new social impact funds with two community foundations.	By June 2019	Partial progress: An additional partnership has been established with Essex Community Foundation to create The Tina Cantello Fund in memory of our former colleague. There are now seven community foundation partners in place. An eighth was put on hold due to the unsolicited offer in 2019.
Develop a consistent approach to providing money advice and enhanced customer support across all areas of the business.	By December 2019	Partial progress: Vanquis Bank continued to work in partnership with IncomeMax to support customers that are experiencing financial difficulties. We also started to raise awareness of this partnership in other parts of our business, with a view to extending the scope of this work over the next year.

Minimising our environmental impacts	**Timeframe**	**Progress**
Extend the scope of the environmental management system that is in place across the business that is certified to ISO 14001:2015 to include Moneybarn.	By June 2020	On track: The ISO 14001:2015 audit is scheduled to take place in April 2020, so we are on track to achieve this objective in the set timeframe.
Review the waste management process in our Provident home credit branch offices and at head office with the aim of implementing recycling schemes, as well as sending waste for energy recovery.	By December 2019	Partial progress: We implemented a new recycling stream at our head office in 2019, where we have introduced coffee cup recycling. We continue to monitor the waste streams of our branch offices through annual internal audits; however, we have less control of the waste management processes in our branch offices as many of them are in serviced office buildings.
Work with industry professionals to align the United Nations' Sustainable Development Goals (SDGs) with our CR strategy.	By June 2019	Partial progress: We have made progress in identifying our 'priority goals'. In 2020, we will undertake a broader piece of work to align these goals with our Blueprint and CR strategy (see page 16 for more information).

Our responsible business targets continued

Achieved | On track | Partial progress | Not achieved

Minimising our environmental impacts continued	**Timeframe**	**Progress**
Engage with the Provident Financial plc Board through its relevant Committees (e.g. the Customer, Culture and Ethics Committee and General Risk Committee) on the United Nations' SDGs, the Task Force on Climate-related Financial Disclosures (TCFD) and UNEP-FI Principles for Responsible Banking.	By June 2020	On track: The Provident Financial Group Executive Committee has approved five priority SDGs for the Group. These will be shared with the Board's Customer, Culture and Ethics Committee in 2020. This Committee will also discuss how the Group might work towards meeting the recommendations of the TCFD in 2020.
Review the use of plastic across our entire business operations, with the aim of eliminating single-use plastic.	By June 2019	Partial progress: A review has been undertaken, starting with all of our catering facilities and marketing materials, and we are happy to report we have reduced our single-use plastic waste as well as entirely eliminating it in some areas of catering and marketing. We will continue to work with our Facilities teams on this important matter, and will broaden the scope of the target to work with colleagues from other areas, such as Procurement and Marketing, to reduce and eliminate single-use plastic in whatever other areas we can.
Reduce our scope 1 and 2 emissions by 30% compared with our 2015 baseline.	By December 2020	Achieved: We have reduced our scope 1 and 2 emissions by 54%.

Treat our suppliers fairly	**Timeframe**	**Progress**
Implement a Group-wide corporate responsibility questionnaire as part of the onboarding and due diligence process of all new suppliers.	By December 2019	Partial progress: A detailed corporate responsibility questionnaire has been developed and is being used within both the Vanquis Bank and the Consumer Credit Division.
Provide more in-depth information for our annual Modern Slavery Act Statement.	By June 2019	Achieved: Our most recent statement, dated March 2019, sets out details of the work we have undertaken to date to engage with our procurement team to raise awareness and understanding of supply chain-based human rights and modern slavery risks.

Engaging with the investment community through CR	**Timeframe**	**Progress**
Maintain or improve our ratings on the mainstream sustainability indices (e.g. Carbon Disclosure Project (CDP), Dow Jones Sustainability Indices (DJSI), FTSE4Good and Euronext Vigeo Indices).	Ongoing	On track: During 2019, Provident Financial continued to be included in the DJSI World, DJSI Europe and FTSE4Good Index Series, and its CDP submission was rated 'C Awareness'.
Increase communication regarding the CR strategy and relevant updates to shareholders and potential investors.	Ongoing	On track: Information on the Group's Blueprint was included in material that was used to engage with shareholders and investors (e.g. via the Capital Markets Day held in November 2019) throughout the year.
Increase engagement with Provident Financial's shareholders and debt investors on the Group's new purpose and strategy, and how the CR programme is linked to both of these.	By June 2020	On track: Work is underway to engage with our shareholders and debt investors on our Blueprint.

Supporting customers by lending responsibly

In this section

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

Our customer journey

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

Consumer credit
Customer needs

We create value for customers by generating high satisfaction and loyalty.

We develop tailored products to meet customers' needs

Vehicle finance
Credit cards

TV adverts
Direct mail
Face-to-face meetings
Online applications

We create value for customers through offers of financial inclusion, and for colleagues and brokers through the income and commission they earn.

We attract customers who we can serve

Attractive offers
Great service

Data analytics
Face-to-face interaction

We create value for customers by ensuring loans are appropriate to their situation, and thereby generate sustainable returns for shareholders.

We carefully assess customer affordability and creditworthiness

Enhanced affordability

Building credit scores
From £100

We create value for customers by helping them access credit, stay in control and build their credit score to improve future access and choice.

We lend responsibly

Corporate responsibility

Call centre communications
Digital communications
Face-to-face meetings

We create value for customers by helping them minimise the impact of any difficulties in an understanding way.

We collect payments due

We manage arrears and customer difficulties

We create value for customers by helping them stay on track and adapt to life's challenges whilst building their credit score.

Sympathetic approach
Dialogue with customers

To read more about our customers' typical characteristics go to page 3 of our Annual Report
www.providentfinancial.com/investors

Our Blueprint:
Strategic drivers

Serving our customers in a responsible manner

The Group's core business is to provide tailored and responsible products, services and partnerships that help put our customers on a path to a better everyday life. The 2.3 million customers we are proud to serve come from all across the UK and ROI.

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

The products, services and partnerships that we offer through our three divisions are therefore tailor-made to meet the particular needs of our customers. In general, the approach we take to providing credit to our customers involves lending smaller amounts over shorter periods of time. Under this approach, new customers to Vanquis Bank, Satsuma and Provident home credit get lower credit limits, or smaller, shorter-term loans to begin with. This enables us to observe and understand the behaviour of our customers before we consider granting further lending and it also enables the customers to experience our products and see if they suit their needs. It also enables our customers to enter or re-enter the credit market, stay in control of their finances and build credit scores for greater future access and choice. In the case of Moneybarn, where a vehicle is held as security, we are able to lend more credit for longer periods.

Customer image: Nav

Improving customer satisfaction rates

> Although customer satisfaction improved in some areas, it decreased in others. So, we recognise that there is more we can do in 2020 to continue to improve our customer satisfaction scores.

One of the key performance indicators we track to determine whether we are providing our customers with products, services and partnerships that meet their particular needs and help put them on a path to a better everyday life is customer satisfaction. Measuring this year on year also gives us some insight into where we can make improvements to our offerings so that we can continually meet or surpass customer expectations. Information on customer satisfaction is collected through a variety of methods such as online forums and phone and face-to-face surveys, as well as focus groups. The overall customer satisfaction rates in 2019 for each of our brands are set out on the right.

Although satisfaction improved in some areas, it decreased in others. So, we recognise that there is more we can do in 2020 to continue to improve these scores.

VANQUIS

Customer satisfaction rates for 2019
90%
(2018: 86%)

Customer complaints received in 2019
34,123
(2018: 38,767)

moneybarn Vehicle Finance

Customer satisfaction rates for 2019
4.6/5 Feefo rating
(2018: 4.7/5)

Customer complaints received in 2019
5,053
(2018: 4,551)

Provident

Customer satisfaction rates for 2019
89%
(2018: 87%)

satsuma.

Customer satisfaction rates for 2019
4.6/5 Reviews.co.uk rating
(2018: 4.7/5)

Consumer Credit Division (Provident and Satsuma)

Customer complaints received in 2019
36,722
(2018: 36,584)

6%
of complaints made to the Group in 2019 were referred to the Financial Ombudsman

Handling our customer complaints responsibly

Ensuring that we keep customer complaints to an absolute minimum is also a good indicator that we are treating our customers fairly and that our products, services and partnerships meet their specific needs. Understanding the reasons behind complaints also helps us to improve the services we offer. We have well-established complaint-handling processes, procedures and timescales to guide our customer relations teams in resolving issues in a professional and timely way. Vital to resolving customer complaints satisfactorily is ensuring our staff are trained well enough to deliver excellent customer service whether face to face, on the telephone or via email. The total amount of hours employees spent on customer-focused training in 2019 was 19,140.

We provide the contact details of the Financial Ombudsman Services (FOS) to all our customers, so they have another option if they feel we have been unable to resolve their complaint to their satisfaction.

During 2019, the total number of complaints referred to the FOS was

4,253

(2018: 4,302)

Of these, 1,481 or 35% (2018: 30%) were upheld in favour of the customer

Read more in our Annual Report and Financial Statements 2019 at **www.providentfinancial.com**

Case study:
How Moneybarn is putting the customer on the team

Moneybarn has progressed its customer engagement agenda in 2019 by extending a partnership to Trustpilot, as well as maintaining its existing relationship with Feefo. It has also enhanced its direct customer insights work with the launch of its customer panel which allows it to seek opinion on its products and services, as well as communications strategies. This work will be extended further in 2020 to enable Moneybarn to gain insights into how it can better support customers in financial difficulty.

Moneybarn also launched a new insights platform towards the end of 2019, which allows it to obtain volume feedback directly from its customers, outside of its existing feedback loops. This will benefit Moneybarn's customer-facing teams and allow them to drive further improvements in the way that it supports customers as well as develops its staff.

Read more

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Supporting customers in vulnerable situations

The purpose of our business is to help put people on a path to a better everyday life, by offering credit to those who really need it and struggle to access it from mainstream banks. However, we understand that with this comes great responsibility. This is why we have reviewed our Social Impact Programme, which traditionally focused on providing grants to local community organisations and charities, to include a workstream dedicated to improving the level of support we provide to our vulnerable customers, as well as our staff who are working on the front line with them.

We understand that our customers can find themselves, at times, in financially challenging situations due to unforeseen circumstances such as ill health, loss of income, family bereavement or other significant life events. Therefore, we ensure that our call centre employees are trained in recognising signs that might indicate a customer could be classified as 'vulnerable', or may be facing financial difficulty, whether in the short term or long term. We have also recently implemented a programme of work with Surviving Economic Abuse. This initiative will allow us to deliver awareness sessions on domestic and economic abuse to a variety of employees.

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

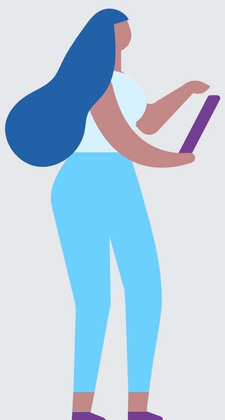
Case study:
Identifying financial benefits for a customer in difficulty

A customer had been living on a very low income and due to poor health conditions had been forced to reduce their hours of work which had a huge impact on their finances. The Vanquis financial difficulties team provided forbearance support for them and, seeing that they may be entitled to additional income, referred them to IncomeMax. IncomeMax called our customer and quickly identified that they were unfamiliar with the benefits system and had no idea that they would be eligible for some extra help. After talking through their situation, IncomeMax identified that the customer was eligible for £2,076 in Universal Credit. Our customer was surprised about this news as no one had advised them of this before.

It transpired that although the customer had heard of Universal Credit, they had not been able to search or apply for it because they struggled to use technology. With support from IncomeMax, the customer was able to create an email account and make an application for Universal Credit via the Gov.uk Gateway.

Case study:
Moneybarn's vulnerable customer approach

Moneybarn continues to identify opportunities to improve and reinforce its approach to dealing with vulnerable customers. Moneybarn has introduced a dedicated customer account handling team for its high-risk vulnerable customer interactions and has a plan to extend this to the majority of vulnerable customer segments in the second half of 2020. Moneybarn is also leveraging the FCA paper, 'Guidance for firms on the fair treatment of vulnerable customers', released last year, ensuring alignment with the direction it provides and the practical support that it offers to customers.



PAPYRUS
PREVENTION OF YOUNG SUICIDE

We partnered with PAPYRUS to help our employees better identify customers who are having thoughts of suicide. This training will help enable our colleagues to respond empathetically and signpost customers to appropriate support.

Supporting customers in vulnerable situations continued

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

Vanquis Bank continues to work with IncomeMax, through an innovative partnership that began in 2015, to support customers of the bank that are experiencing financial difficulties. IncomeMax is a community interest company that helps people to maximise their household income by providing them with independent personal welfare advice that helps them take control of their finances. The advice provided by IncomeMax helps households to increase their income, reduce household bills and get the debt advice they need. Vanquis Bank's dedicated financial difficulties team, which offers additional support through financial capability and capacity assistance, puts customers in touch with IncomeMax. IncomeMax then provides independent personal money advice to help customers take control of their finances. Since 2015 IncomeMax has identified £865k of additional income for Vanquis customers experiencing financial hardship and struggling to make ends meet.

While our divisions are working to collect outstanding debt from customers, sometimes they enter debt agreement plans with leading debt charities such as StepChange Debt Charity (a similar arrangement is in place with Christians Against Poverty (CAP)). We continue to accept the offers of payment when customers have sought advice from these charities and a financial assessment has been made. Through the 'Fairshare' agreements we have with these charities, we contribute almost 12% of any payment we receive from a customer who has entered a debt agreement plan to the charities. The 'Fairshare' contributions mean our subsidiary businesses pay for the debt advice received by the customer. They provide the charities with financial support so that they can continue to provide free, independent advice and operate independently of taxpayer support. During 2019, the Group's operating companies paid £766,631 (2018: £864,107) to StepChange Debt Charity and CAP in 'Fairshare' contributions.

"IncomeMax is a genuine customer first, outcome driven force for good. They are fantastic with our customers, often in very difficult and complex situations, and indisputably change people's lives. As we partner with IncomeMax we are directly helping individual customers, but there is a broader opportunity to connect to their culture to treat customers as individuals and tailor our service and support to their distinct needs.

Duncan Barton
Head of Financial Difficulties

Case study:
Supporting CAP clients with complex needs

As a long time supporter of Christians Against Poverty, we had become aware that their client base increasingly comprised individuals with multiple personal and health challenges, in addition to debt difficulties. And that the complexity of many of their clients might require a revision to the assistance provided within their current model of advice provision. We therefore agreed to fund them to undertake a Vulnerability Project. The project began by diagnosing and quantifying CAP clients' key vulnerabilities beyond debt and evaluating which particular vulnerabilities were most likely to impede an individual successfully interacting with them. These findings were then used to inform how CAP's client servicing processes should be adapted in order to better meet the needs of its most vulnerable clients.

Supporting customers in vulnerable situations continued

In 2019 we funded the equivalent of one specialist National Debtline advisor. National Debtline offers free and impartial debt advice by phone, webchat and online, and its specialist advisors help callers to understand their debt options and to confidently manage their money. In 2019, National Debtline helped 147,000 people. 84% of those who spoke with a specialist advisor said their debts had reduced or stabilised within 12 months of making contact.

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

84%

of those who spoke with a specialist advisor said their debts had reduced or stabilised within 12 months of making contact with National Debtline

The Institute of Money Advisers held its annual conference in Manchester in June 2019 with the theme 'Money Advice, does one size fit all?'. We contributed £4,000 to the cost, to help ensure the event remained affordable and accessible to money advisors from the not-for-profit sector. Over 285 debt advisors attended the conference over two days, which offered opportunities to network, acquire credits for continuing professional development and gain insights into sectoral innovations and good practice.

The funding received by AdviceUK was used for the majority of the year to support the work undertaken by its National Money Advice Coordinator (NMAC) and for the last quarter to support its Policy and Campaigns Coordinator (PCC). Some functions previously undertaken by the NMAC have now been migrated to the new PCC role.

As a whole, our funding enabled the holders of these two roles to fulfil a suite of responsibilities ranging from supporting the ongoing capacity of the money advice membership of Advice UK to provide professional and authorised assistance to its clients, to representing the interests of members and clients to relevant external stakeholders and in policy development and regulatory processes.

The funding we provided to Money Advice Scotland (MAS) in 2019 contributed to the successful delivery of its conference, which delegates from the money advice sectors, the credit industry, regulators and government attend for training and networking purposes. Our funding subsidised the attendance of 15 money advisors, who would otherwise not have been able to come to conference.

Our funding also enabled Money Advice Scotland to retain the Gold Investors in People Standard it progressed to in 2018. Given that one of MAS' key objectives is ensuring the ongoing professional development of its members, our funding enables them to maintain this ethos with their own staff, ensuring they too have opportunities for training and progression.

In 2019 the funding we provided to The Money Charity (TMC) enabled it to:

- deliver 295 financial education workshops to 5,268 young people;
- deliver 78 budgeting and money management workshops to 771 adults; and
- distribute 1,263 teacher resource packs to schools.

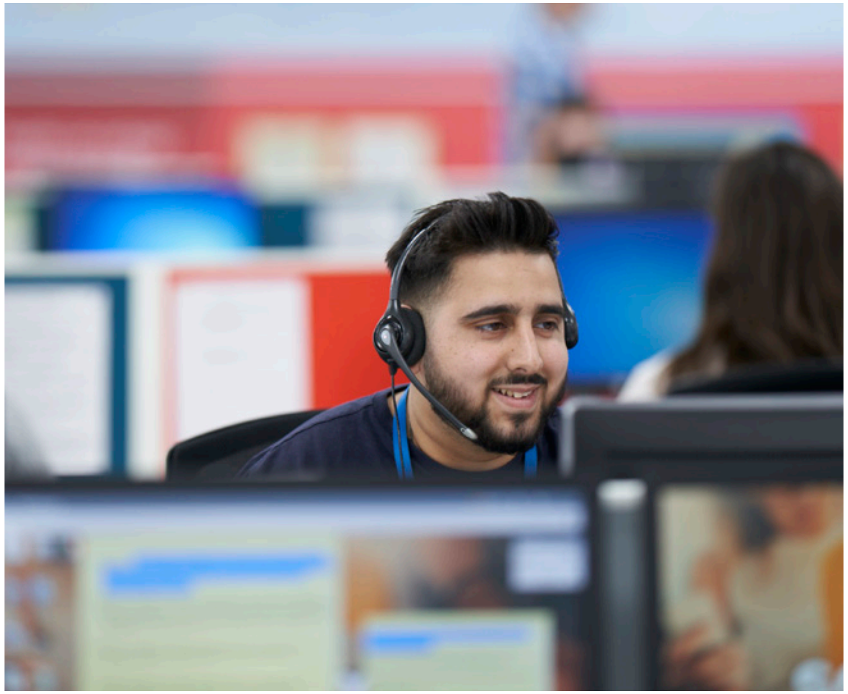
Following discussion of our mutual ongoing priorities, we agreed that a proportion of our funding be earmarked for provision to hard to reach groups.

In 2019 this enabled TMC to develop a specific programme for those in young offenders centres, resulting in the delivery of five sessions at the Medway Secure Training Centre. This pilot work has been well received and TMC is assessing the practicality of replicating it in other locations and extending support to the families of offenders.

In addition, TMC continued to expand their relationship with third-sector organisations in order to reach those individuals and families who might benefit most from learning how to manage their money well but who are often unaware of or unable to access support of this kind. The relationships TMC has established with carer groups, family support organisations, homelessness support organisations, refugee groups and women's refuges mean their hard to reach clients were able to participate in the 78 adult workshops held in 2019.

How we manage arrears

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



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

Vanquis Bank, Provident home credit and Satsuma loans all have internal recovery procedures in place which are aimed at reconnecting with customers via letter, telephone or SMS text message. These procedures enable us to determine whether customers are experiencing any personal difficulties which are preventing them from making repayments. Then, we can agree with them any appropriate forbearance options (e.g. a reduced payment arrangement). If, having used these internal processes to reconnect with a customer who we believe has the capacity to repay, it is still not possible to secure payments from them, we may appoint a debt collection agency (DCA) to pursue the debt. When this occurs, we retain the title and responsibility for the actions of the DCA and the DCAs will only receive commission on the payments they collect. Our operating businesses only use DCAs whose track record is known to them and who are members of the DCA trade body, the Credit Services Association. The activity DCAs undertake on our behalf is contractually based and we formally audit their activity and performance every 12 months. These audits focus on all aspects of work that the DCAs undertake on our behalf, including ensuring that their activities are responsible and comply with our processes and procedures.

The management of accounts in arrears for Moneybarn is less straightforward than our other subsidiaries due to the nature of the business. Moneybarn's policy is to try to keep as many customers who are in arrears in 'live' agreements as possible. They do this through a series of forbearance strategies, including payment plans based on detailed income and expenditure assessments, providing breathing space and debt management agency referrals as well as debt reduction or write-off, on a case-by-case basis. Particular emphasis is placed on higher risk vulnerable customers, again, applying a case-by-case approach. Even with forbearance strategies available, some customer agreements will prove to be unsustainable. In these situations, the agreement will be ended and the vehicle recovered and sold. The sale value of the vehicle is offset against any shortfall debt the customer might have on their agreement. Any further shortfall debt is then recovered through payment arrangements with the customer. All payment arrangements are only entered into if the customer can afford them, validated by full income and expenditure assessments.

Supporting our colleagues so they can be themselves

Providing an encouraging, supportive and inclusive workplace culture is vital to the happiness of our colleagues and the sustainability of our business.

In this section

Understanding our colleagues' thoughts and opinions

We value our colleagues because they play a key role in driving our business forward and ensuring both its short-term and long-term sustainability. Needless to say, the past few years have been challenging for many of our colleagues, so their interests and wellbeing have become more important to us than ever because, without our committed and resilient colleagues, our business would not be where it is today. We also recognise that there is a lot more we can do to support them.

In 2019, we carried out a Group-wide colleague survey because we recognised that listening to what our people have to say is a hugely important step towards us becoming better at what we do and truly living our purpose of helping to put people on a path to a better everyday life. This was the first time we have carried out a survey across every Provident Financial Group business. Nearly 70% of colleagues from across the Group took the time to have their say and respond to the survey. The headline findings from the results are set out to the right.

Staff engagement levels

'Engagement' in this scenario refers to satisfaction.

- Moneybarn **80%**
- CCD **76%**
- PF corporate office **70%**
- Vanquis Bank **58%**

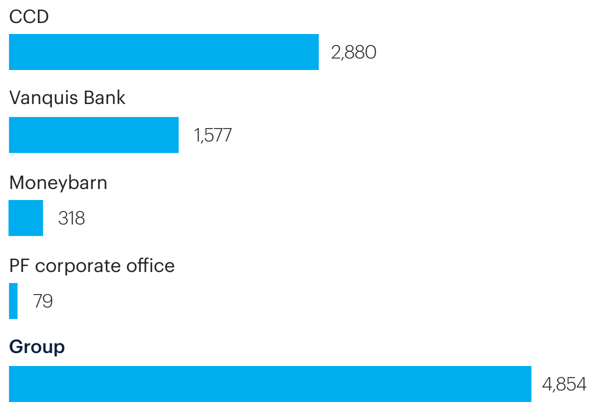
- **86%** of colleagues care about the future of PFG.
- **82%** of colleagues understand PFG's purpose and what we are trying to achieve.
- **74%** of colleagues feel like they can be themselves at work.
- **74%** of colleagues feel like they work in a helpful and supportive environment.
- Only **38%** of colleagues feel secure in their job.
- Only **37%** of colleagues feel they know how well the Group is progressing against its plans.
- Only **36%** of colleagues feel their career development aspirations are being met.

Throughout 2020, the more detailed findings from this survey will be shared with our different divisions and individual teams. These results show that there is a clear need to focus on several key areas across the Group. These include: bringing our purpose and strategy to life; leadership in and across our businesses; people development and reward; and how we can better put customers on the team.

86%

of colleagues care about the future of PFG

Number of employees at 31 December 2019: 4,854
(2018: 5,708)



Getting to know our colleagues

Staff engagement levels continued

The survey results show both a positive and a negative story, which is what we expected. On the positive side, we know our colleagues care about our business and they understand the purpose of why we exist as a company. **74%** of colleagues feel like they can be themselves at work, which is great – but we need to work towards this being 100% of colleagues. This is why we are driving our EDI agenda forward, to ensure Provident Financial is a workplace where everyone feels free to be themselves because they feel included, represented and valued.

With the low engagement scores from colleagues who do not feel like they know how well the Group is progressing against its plans, it is clear that we have an opportunity to communicate with our colleagues more frequently and in more detail. Our colleagues clearly have much more interest in the wider business than just their own personal responsibilities. This is reflected in the fact that **84%** of our colleagues care about the future of the Group. We have already begun reviewing our colleague engagement and communications. This includes undertaking a review of the visibility of senior leadership across all of our sites – whether this is face to face or digitally.

With the turbulence the Group has experienced over the past few years, and the redundancies we have had to make over the past two years, it is not surprising colleagues feel a sense of insecurity and that their career aspirations are not being met. So, as the business continues to deliver on its recovery plan, colleagues will begin to feel an increased sense of security. In the meantime, it is clear that we need to revisit learning and development opportunities across the Group, and with a new Human Resources Director in place as of December 2019, we are in a great place to do so.

5%
of colleagues disclosed to us that they had a disability

8%
of colleagues told us that they are part of the LGBTQ+ community

43%
of colleagues told us that they had caring responsibilities outside of the workplace

Spotlight on equality, diversity and inclusion

We want our business to be diverse and inclusive as employing people with different skills and backgrounds will help us understand our customers' needs and develop products and services that support them better. But more than this, having a diverse workforce means more opportunity to learn, to grow and meet people from different backgrounds – which is when people can really make a difference.

So, as part of our colleague engagement survey in 2019, we invited colleagues to disclose further information about themselves such as their ethnicity, religious beliefs, sexual orientation, disability status, caring responsibilities and gender identity. We did this to gain a broader understanding of who our colleagues are so that we could open up new dialogue, educate ourselves and give support and representation for colleagues no matter their age, sex, disability, religious beliefs, gender identity or any other characteristic that makes them who they are, or may want to be.

Having collected this data, we now have a benchmark to work against in the future, so we can measure how many colleagues feel comfortable disclosing this information to us. Our aim is that through our EDI initiatives we will give even more colleagues the confidence and trust to disclose this information to us in future.

It is important to state that although approximately **68%** of colleagues completed our colleague engagement survey, not all of these colleagues chose to disclose this somewhat personal information. The below information represents approximately **62%** of our workforce.

Finally, to further support the EDI agenda, we have recently published a new corporate EDI policy and rolled out a mandatory e-learning module to all colleagues.

- **5%** of colleagues disclosed to us that they had a disability.
- **12%** of colleagues disclosed to us that they came from a black, Asian or minority ethnic (BAME) background.
- **0.5%** of colleagues disclosed to us that they identified as a gender other than male or female.
- **43%** of colleagues told us that they had caring responsibilities outside of the workplace.
- **13%** of colleagues told us that they had caring responsibilities outside of childcare, e.g. caring for family members who may be elderly or have long-term illnesses.
- **0.3%** of colleagues told us that their sex is different to what it was when they were born.
- **8%** of colleagues told us that they are part of the LGBTQ+ community.

Recognising the importance of mental health

We are committed to creating a safe and healthy workplace where our employees feel they can talk about their mental health and wellbeing openly and freely.

The mental health and wellbeing of our colleagues underpins the long-term success of our Blueprint and our ability to support our customers while creating a culture of empathy, support and inclusion. We are currently putting in place new initiatives that will better support our colleagues' wellbeing which will, in turn, support the wellbeing of our customers.

Thriving at Work – the Stevenson/Farmer review of mental health and employers

From 2020, we will use the standards as identified in the Thriving at Work (set out to the right) review to monitor our commitment to supporting mental health and wellbeing in the workplace. We will complement the standard by closely monitoring the wellbeing of employees who support our customers, especially those in high-risk vulnerability-focused roles and providing training opportunities and mental health and wellbeing support.

> "If your team isn't mentally fit to do the job, then they can't deliver 100%… I'm proud that Provident has approached the mental health aspect of work. Working for a company that supports mental health is great.

Aaron Bailey
Mental Health First Aider

1. Produce, implement and communicate a mental health at work plan that promotes good mental health of all employees and outlines the support available for those who may need it.
2. Develop mental health awareness among employees by making information, tools and support accessible.
3. Encourage open conversations about mental health and the support available when employees are struggling. During the recruitment process and at regular intervals throughout employment, offer appropriate workplace adjustments to employees who require them.
4. Provide employees with good working conditions and ensure they have a healthy work–life balance and opportunities for development.
5. Promote effective people management to ensure all employees have a regular conversation about their health and wellbeing with their line manager, or leader, and train and support line managers in effective management practices.
6. Routinely monitor employee mental health and wellbeing by understanding available data, talking to employees, and understanding risk factors.

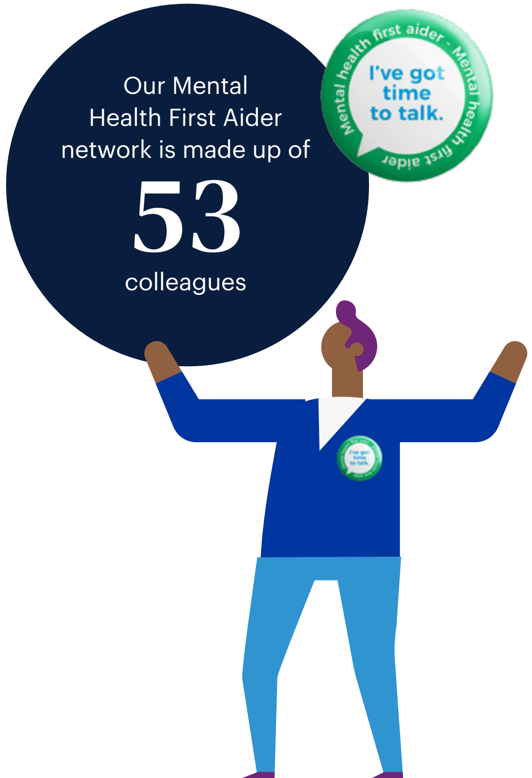
We recognise that challenging stigma associated with mental health requires commitment, investment and focus; we are committed by 2024 to be 'excelling' at all six of the core standards of the Thriving at Work review, as identified by the City Mental Health Alliance, in all of our operating businesses.

Mental health first aid

We have partnered with a variety of leading mental health charities to establish a Mental Health First Aider network, in line with best practice as outlined by Mental Health First Aid England. To date, our Mental Health First Aider network is made up of 53 colleagues across the UK with further plans to extend this network to include colleagues in ROI. Working with the Bank Workers Charity, approximately 120 managers attended positive mental health sessions to help create a culture of wellbeing. In May 2019, we participated in Mental Health Awareness Week. A variety of events took place across our businesses with the objective of encouraging colleagues to speak up and seek support, and to create awareness of the support framework colleagues have access to.

Mental wellbeing and innovation

Over a six-month period Vanquis Bank employees piloted a mobile app solution – 'Thrive Mental Wellbeing' – to identify feelings and monitor and support their mental wellbeing. This pilot was delivered in partnership with the Bank Workers Charity and Thrive Therapeutic Software, a social enterprise. Following a successful pilot, Thrive Mental Wellbeing will be available to all colleagues by the end of March 2020.



Colleague absence and turnover

Colleague absence

Over the last few years, colleague absence in some areas of the business has increased. Therefore, in 2019, we decided to undertake a review of the reasons for absence and whether absence is higher or lower depending on the role that colleagues work in. In the first instance, we measured absence rates of customer-facing staff compared with non-customer-facing staff, and the absence of people managers compared to non-people managers. We also factored into this review whether the absences were reported as physical ill health or mental ill health.

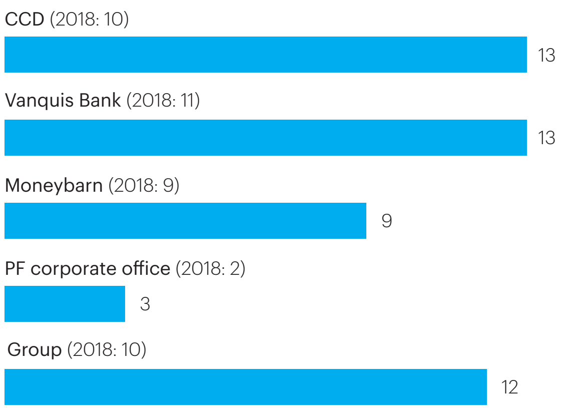
- **33%** of absence days were reported to be for mental ill health.
- Of the absence days reported to be for mental ill health, **9%** of those were reported to be due to workplace stress.
- **86%** of all absence days were taken by customer-facing staff, which make up **23%** of our workforce.
- **9%** of all absence days were taken by those with people management responsibilities.
- Of the absence days customer-facing staff took, **35%** of them were reported to be for poor mental health and, similarly, **33%** of those with people management responsibility stated mental health for their absence reason.

The Mental Health First Aider initiative, which you read about on page 31 of this report, was introduced to the Group in 2019 to better support colleagues facing stress and mental health challenges. We are also launching a Managers Mental Health Toolkit in 2020 that will provide guidance and resources to managers on how to support their colleagues and themselves when they are facing difficult challenges whether inside the workplace, or at home. We will continue to closely monitor absence rates and deliver initiatives to support the wellbeing of colleagues and reduce absence.

Colleague turnover

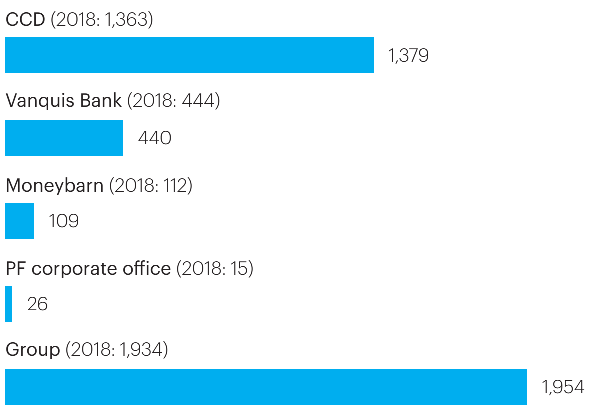
Our employee turnover rates remain higher than national average. This relatively high figure is mainly affected by the high turnover we have in our customer-facing roles, both in the field in Provident home credit and within our contact centres for all businesses, which is typical in this type of role. Our aim in 2020 is to address the findings of our colleague engagement survey and, by doing this, we will improve engagement scores and reduce turnover rates.

Average number of absence days per employee



Number of employees who left the business*

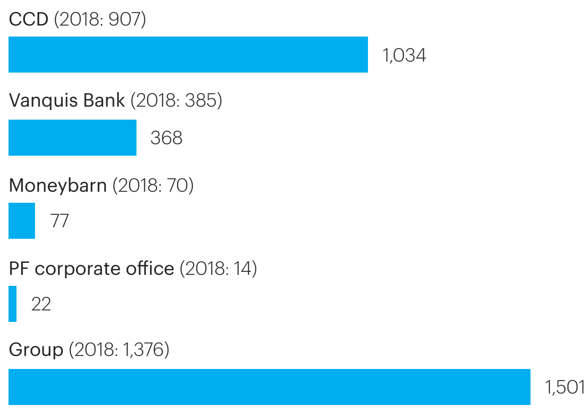
40% of our workforce left in 2019 (2018: 34%)



* These figures also include colleagues who have moved from one Group business to another.

Number of employees who left the business voluntarily

77% of employees who left the business in 2019 left voluntarily



Gender diversity

Improving female representation at senior management and director level is extremely important for the long-term sustainability of the Group. In 2019 we implemented an EDI strategy and here you can read about the progress we have made since implementation as well as how the gender diversity levels look from colleague level, right up to director level.

EDI targets:

Achieved

Become a signatory to the Women in Finance Charter (WiFC)
We became a WiFC signatory in 2019.

Achieved

Deliver the Next Generation Women's Leadership Programme
This six-month programme made up of a variety of upskilling training and mentorships was successfully concluded with 10 women being nominated based on their performance, perceived potential and commitment to personal development and development of others, by an Executive Committee member. Cohort 2 began in January 2020 with 11 more women, and planning for cohort 3 is already underway.

Achieved

Design a new Group EDI policy that will create a consistent approach to recruitment, employee retention and pipeline development of our best female talent
Approved by the Nominations Committee in December 2019.

Achieved

Appoint 'EDI Business Ambassadors' who can drive progress in each division
Five colleagues who sit on either the Group Executive Committee or their subsidiary Executive Committees were given the responsibility of ensuring EDI had a voice at all Executive Committee meetings. These representatives will be reviewed in 2020 to ensure continued representation at Executive Committee level.

Achieved

Develop a new balanced performance scorecard and remuneration policy
A new balanced scorecard of non-financial measures was also introduced for the 2019 annual bonus with the aim of increasing focus on key objectives and the continuing transformation of the business. The scorecard considered performance within five categories: (i) strategy; (ii) customer; (iii) regulatory risk and conduct; (iv) investor relations; and (v) employee. Within each of these headings the targets were split into corporate/strategic objectives and personal objectives. Performance scores are measured for ensuring the Equality, Diversity and Inclusion Policy is taken into account for all succession planning achievements in the 'employee' category. This is evidenced on page 152 of our Annual Report and Financial Statements 2019.

Gender diversity across employee levels at 31 December 2019

	Female		Male	
Employee level	Number	%	Number	%
Total staff	2,673	55	2,181	45
Director*	6	21	23	79
Senior management	32	30	76	70
Middle management	152	41	222	59
First level management	148	47	152	53
Other colleagues	2,335	58	1,708	42

* Any employee listed on an Executive Committee or as a director on Companies House.

Gender pay gap

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

Our pay and bonus gender gap as at 5 April 2019

	Hourly pay 2019 (2018)		Bonus 2019 (2018)	
	Mean	Median	Mean	Median
Provident Financial Management Services Limited	29.7% (30.4%)	28.1% (30.2%)	71.7% (61.3%)	27.7% (84%)
Vanquis Bank	32% (23.5%)	21.7% (11.6%)	67.9% (62.9%)	38.5% (25.6%)
Provident Personal Credit	5.6% (4.9%)	0.1% (0%)	28.3% (21.8%)	0% (0%)
Moneybarn	38.1% (35.2%)	27.1% (27.3%)	75.5% (85.8%)	0% (0%)
Provident Financial plc	42.7% (71.4%)	34.6% (51.9%)	85.7% (94.3%)	52.1% (95%)
Cheque Exchange Limited	5.9% (3.9%)	21% (6.5%)	(14.9%) (95.3%)	7.4% (96.1%)

“Our ambition is to create a truly diverse workforce. One that reflects the broad diversity of our local communities and the customers we serve. That diversity comes through having a culture of inclusion and providing equal opportunity.

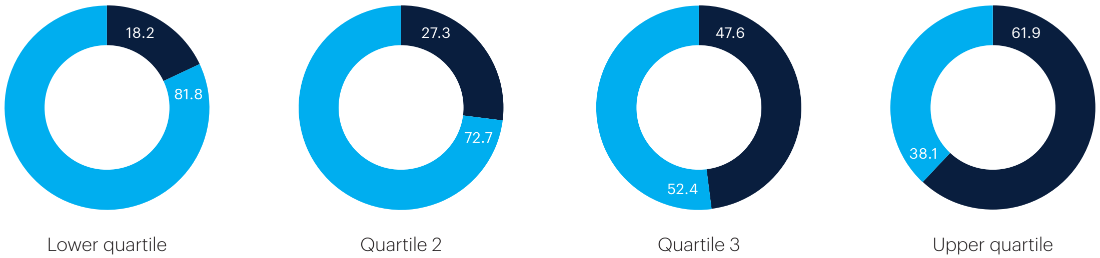
Rob Lawson
Head of Sustainability
Provident Financial plc

Gender pay gap continued

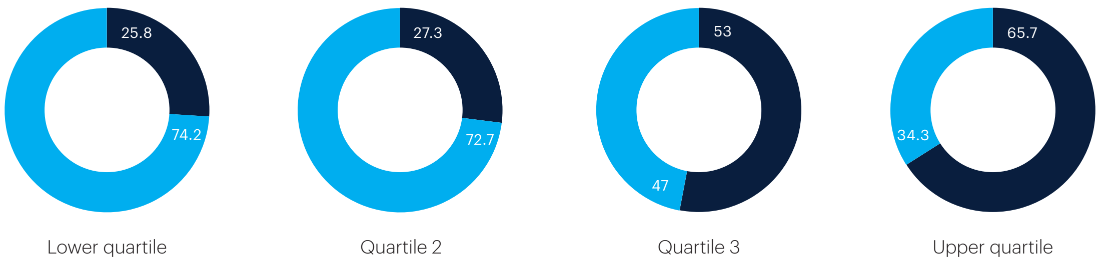
Gender representation by pay quartiles (%)

● Male ● Female

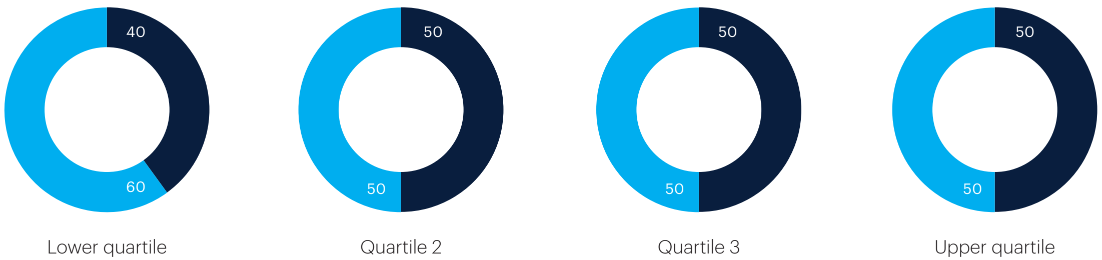
Provident Financial plc



Moneybarn



Cheque Exchange Limited



Provident Financial plc
Proportion of males and females receiving a bonus in 2019:

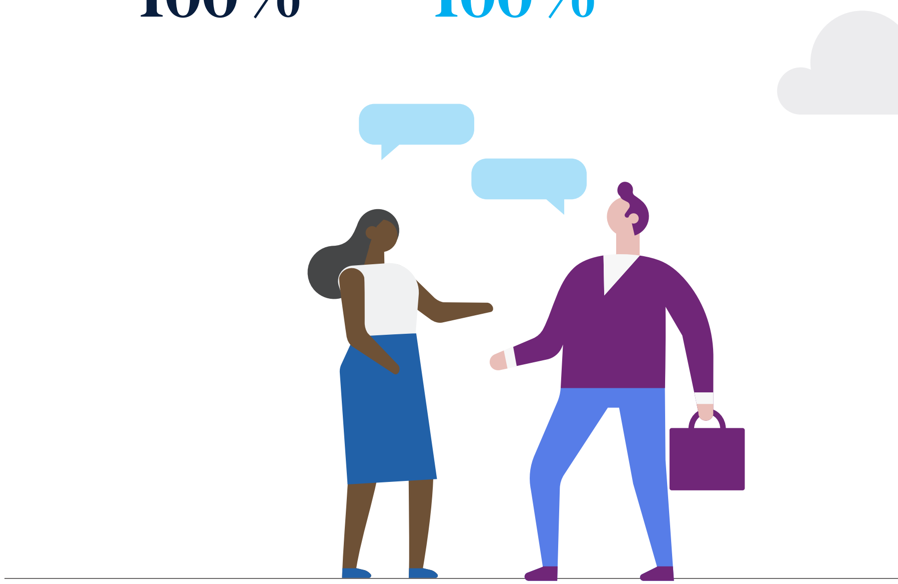
Male	Female
93.5%	86.8%

Moneybarn
Proportion of males and females receiving a bonus in 2019:

Male	Female
71%	65.2%

Cheque Exchange Limited
Proportion of males and females receiving a bonus in 2019:

Male	Female
100%	100%

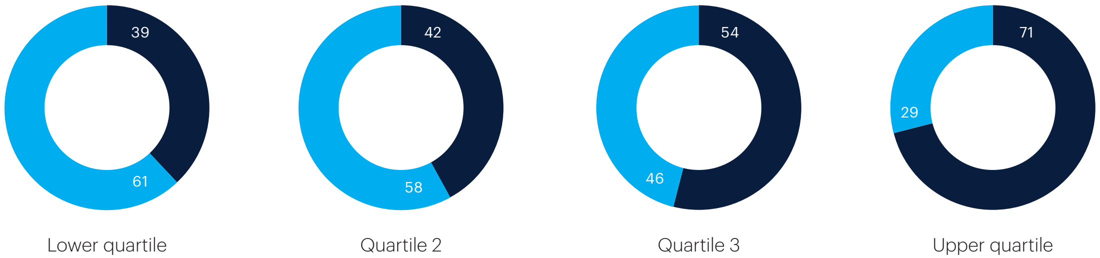


Gender pay gap continued

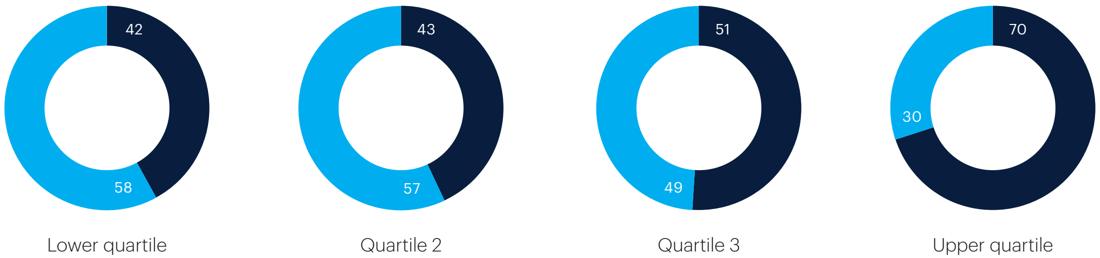
Gender representation by pay quartiles (%) continued

● Male ● Female

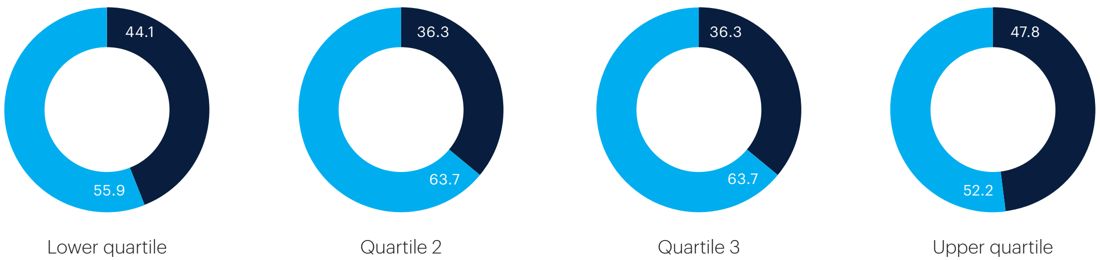
Provident Financial Management Services Limited



Vanquis Bank



Provident Personal Credit



Provident Financial Management Services Limited
Proportion of males and females receiving a bonus in 2019:

Male	Female
88.7%	**91.2%**

Vanquis Bank
Proportion of males and females receiving a bonus in 2019:

Male	Female
87.3%	**90.5%**

Provident Personal Credit
Proportion of males and females receiving a bonus in 2019:

Male	Female
95.9%	**96.8%**

To read more about our gender pay gap visit **www.providentfinancial.com**

Upskilling our people

Ensuring our colleagues undertake continued professional development (CPD) is extremely important to the viability of our businesses. We continue to place a strong emphasis on supporting our customer-facing staff by equipping them with a broader range of skills, so that they can better support customers in vulnerable situations, whilst looking after their own mental health.

Although we have introduced some positive things, like EDI training for colleagues, our recording of learning and development hours has not been aligned across the Group. Therefore, in 2020, we will aim to create a framework in which to collect and analyse learning and development data, as well as encouraging people managers to review their colleagues' CPD.

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

80

Total number of learning and development hours

105,978

(2018: 161,560)

Average number of learning and development hours per employee

28

(2018: 28)

Total number of customer-focused training hours

19,140

(2018: 134,055)

Our Blueprint:
Behaviours

Ensuring the health, safety and wellbeing of colleagues

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

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

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

12*
reportable accidents
(2018: 8)

268*
reportable accidents when scaled up to 100,000 employees
(2018: 140)

740
non-reportable accidents
(2018: 693)

16,934
non-reportable accidents when scaled up to 100,000 employees
(2018: 12,141)

* 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.

Empowering staff to raise concerns

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

In 2019, this helpline received 21 complaints, which were thoroughly investigated and dealt with in accordance with the appropriate internal procedures.

Encouraging staff to save for their future

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

Pensions

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

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

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

Employee share schemes

Share schemes are a long-established and successful part of the total reward package offered by the Group, encouraging and supporting employee share ownership.

1,756

employees participate in our save as you earn schemes

The Group's four schemes aim to encourage colleagues' involvement and interest in the financial performance and success of the Group through share ownership.

The current schemes for colleagues resident in the UK are the Provident Financial Savings-Related Share Option Scheme 2013 and the Provident Financial Share Incentive Plan (SIP).

The current scheme for colleagues resident in the ROI is the Provident Financial Irish Savings-Related Share Option Scheme 2014.

1,756 colleagues were participating in the Company's save as you earn schemes as at 31 December 2019 (2018: 1,786). The Group's SIP offers colleagues the opportunity to further invest in the Group and to benefit from the Group's offer to match that investment on the basis of one matching share for every four partnership shares purchased. 553 colleagues were participating in the SIP as at 31 December 2019 (2018: 483).

Supporting our purpose through our Social Impact Programme

In this section

Our social impact strategy supports our Blueprint by addressing key barriers to financial inclusion and helping people overcome them.

Our theory of change

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

Our core themes	What we do	We do this through	Why we do this
Customers	Invest in activities and initiatives that address key factors which may affect someone's likelihood of being accepted for credit.	Ensuring staff have the skills to deal with customers with additional needs. Supporting independent research into financial decision making. Supporting financial education, including for hard to reach groups. Funding a range of debt advice organisations.	To ensure our customers and others have access to appropriate financial services. Where they do not, to help them recognise and overcome the barriers to financial inclusion. To ensure help is available to those with additional needs and those in financial difficulty.
Skills for inclusion	Support children, young people and adults to boost their education, skills and aspirations, in order to participate in society and secure a brighter financial future.	Providing support for programmes to boost the literacy and numeracy of children, young people and adults. Offering young people and adults insights into the world of work and the skills that will help them secure opportunities, including employment.	The right skill set is essential for social inclusion. Those who live in disadvantaged communities can lack confidence, as well as awareness of where and how they might acquire skills or boost those they have. Developing skills promotes personal confidence, aspiration and the potential to participate in society.
Community partners	Support community projects in areas where people are more likely to face social and financial exclusion.	Providing grants to grassroots organisations and charities through community foundations which will support local people in improving aspects of their life.	To help people overcome personal difficulties that might be preventing them from feeling socially or financially included in the communities in which they live and work.

Our social impact in 2019

Here, you will find some of the highlights from our Social Impact Programme in 2019.

143

young people supported to improve their school attendance through School-Home Support interventions

£1.45m

invested to support community programmes, money advice programmes and social research
(2018: £1.7m)

2,224

hours volunteered by employees during work hours
(2018: 2,415)

£29,817

donated to employee fundraising efforts
(2018: £30,389)

292

young people took part in National Literacy Trust's Words for Work programme

Read more on **page 46**

Our Blueprint:
Purpose

Supporting our communities

Grants totalling over
£587k
awarded to 96 community organisations

The primary way in which Provident Financial fulfils its purpose is through the provision of credit to customers who are not well served by other lenders or are excluded altogether by them.

We do this by responsibly providing our customers with appropriate amounts of credit, maintaining close contact with them throughout the term of their loan and supporting them sympathetically if they experience difficulties. It is through this knowledge and understanding of our customers, and the market we have proudly served since 1880 that we have been able to develop our approach to community investment and ensure that it is aligned to the Group's purpose of helping to put people on a path to a better everyday life.

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

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

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

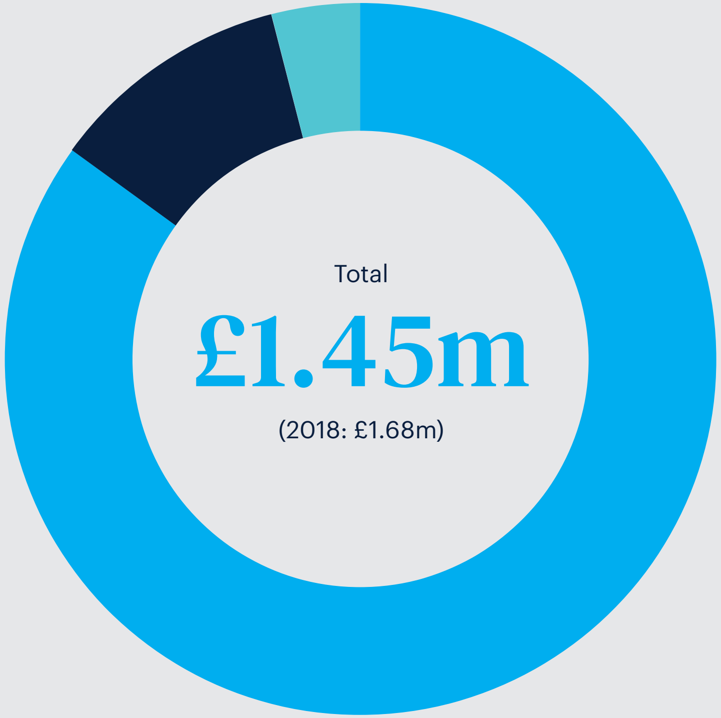
Customer and vulnerability – working with charities and specialist partners to address issues such as money/debt advice, customer vulnerability, product accessibility and financial difficulties.

Skills for inclusion – support children, young people and adults to boost their education, skills and aspirations in order to participate in society and secure a brighter financial future.

Community – supporting community foundations and other partners to address the wide range of social inclusion and social mobility issues that are relevant to our customers and the communities where we operate.

Customer image: Natasha

2019 community investment figures



- **Cash: £1,249,818**
  (2018: £1,431,990)
- **Management costs: £149,605**
  (2018: £210,759)
- **Value of employee time: £48,715**
  (2018: £37,829)

Customer and vulnerabilities

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

To read more about how we identify customers who might be considered as vulnerable, see page 26, and to find out more about how we are working to support the mental health and wellbeing of our colleagues, to ensure they are fighting fit and can support our customers in the best way possible, see page 33.

> "This year has been all about focusing on aligning our Group businesses to ensure they receive specialist vulnerability training from charities such as Money Advice Trust, PAPYRUS and IncomeMax. This training will allow us to better meet the needs of our customers by building knowledge and confidence within our customer-facing teams. One benefit that has come from the training so far is that it has created a sense of a safer environment for open and honest conversations to be had. We have seen more of our colleagues feel able to ask for support when facing personal challenges such as financial difficulties, poor mental health and hidden disabilities. It is essential that we listen and are understanding when customers and colleagues find themselves in times of need, so we will continue to challenge any stigma that may exist that prevents someone from speaking up.

Annette Saunders
Corporate Responsibility Manager
Vanquis Bank

Many individuals may not have the skills needed to fully participate in society and access goods and services, including financial services. We support skills for inclusion: solutions which help individuals acquire or boost the skills they need in order to overcome the barriers to inclusion they may face.

What are the barriers to inclusion?

Limited education or skills attainment

32.2m
people of working age lack numeracy confidence

National Numeracy, 2019, Autumn Report

11.9m
people do not have the basic digital skills for day-to-day life in the UK

Lloyds, UK Consumer Digital Index 2019

The home environment

3 in 5
people in the UK will be carers at some point in their lives

Carers Trust, carers.org/key-facts-about-carers-and-people-they-care

1 in 9
children across England were persistently absent from school

DfE pupil absence in schools in England: 2017–2018 national statistics

Lack of confidence

5.1m
adults do not have the literary skills expected of an 11 year old

National Literacy Trust, Literacy and Life Expectancy, 2018

1 in 7
adults feel highly knowledgeable about financial matters

FCA Financial Lives Survey 2017

Health issues

43%
of adults have at least one longstanding medical condition

HSE, 2019

1 in 6
people of working age have a diagnosable mental health condition

Public Health England, Spotlight on Mental Health 2016

Not aware of or unable to access support

3.8m
UK households are without an internet connection

ONS, 2015

36%
of individuals with financial problems seek help

MAPS, Building the Financial Capability of Adults, 2019

Variable or challenging personal finances

30%
of employees say they are 'just getting by' financially

AEGON, CEBR, Financial Wellbeing in the Workplace, 2019

17.5m
hours lost from the UK economy in 2016 to workers feeling financial stress

CIPD, Employee financial wellbeing, 2017

Skills for inclusion

Social mobility is about ensuring that a person's occupation and income are not tied to where they started in life. It is also about fairness across society and making sure that people of all backgrounds get equal opportunities in early years, at school, in higher education and in work.

We have developed a Skills for Inclusion programme to help individuals acquire or boost their skills and aspirations in order to participate in society and progress in education, the workplace or the communities they live in.

Skills for Inclusion offers solutions to children, young people and adults so they can overcome the barriers to inclusion they may face.

By supporting bespoke and targeted initiatives delivered by expert partners, our Skills for Inclusion programme takes a wide-ranging approach to education and skills acquisition. We support both literacy and numeracy interventions, as well as opportunities to gain insights into the world of work and acquire crucial life skills that contribute to social mobility.

We also recognise that it is important for support to be delivered in different ways and in different locations, such as schools, workplaces and community settings, in order to better match the needs of those who would benefit most from participation.

The solutions we support fall into three categories:

- education solutions;
- family and community solutions; and
- aspiration solutions.

Education solutions

- We work with education consultant Leading Children on a bespoke literacy and numeracy programme which supports primary school children who are slower graspers to be able to catch up with their peers.
- We are lead supporters of National Numeracy Day which looks to raise awareness of the importance of numeracy and helps people take steps to improve their numeracy skills.

Family solutions

- We work with School-Home Support which places practitioners in schools to work with young people and their families who need support the most.
- Our partnership with The Money Charity enables them to deliver financial education to individuals in disadvantaged communities and hard to reach sectors.

Aspiration solutions

- Support National Literacy Trust's (NLT) 'Words for Work' programme which helps to develop the literacy skills of young people and gives them the confidence and desire to widen their aspirations.
- Deliver enterprise and employability activities such as CV building, career talks and work experience to both young people and adults in areas where we have large numbers of employees.
- Work with the Outward Bound Trust to take young people from disadvantaged areas on adventure courses where they are able to defy their limitations by learning to believe in themselves.

Skills for inclusion case studies

Official lead supporter of National Numeracy Day

Education solutions case study:
Supporting National Numeracy Day

In a recent report published by National Numeracy – **Numerate nation? What the UK thinks about numbers** – it was revealed that millions of adults in the UK could be missing out on the benefits of improved numeracy skills due to a failure to appreciate their importance in everyday life. The report finds that:

- **43%** of people say they do not want to improve their maths and numeracy skills. This is despite government data showing that half of working-age adults have the numeracy level of a primary school child.
- **23%** say they do not want to improve their skills because they do not see how it would benefit them, yet a quarter have been held back from applying for a job they were interested in because it listed 'using numbers and data' as a requirement.

So what do we mean by numeracy? It is the ability to use maths in everyday life, skills that are not always taught in the classroom. It means having the confidence and skill to use numbers in all aspects of life, for instance:

- at work – using spreadsheets and understanding data;
- at home – working out how many minutes until our train, increasing a recipe to serve extra guests; and
- as consumers – understanding how much we will save with a 15% discount.

As a financial services business we need to ensure that any potential customers understand the terms of the products they are purchasing from us. In order to do this, they require basic numeracy skills.

That is why we were lead supporters of National Numeracy Day for the second year running in 2019 and are signed up again for 2020. The day looks to raise awareness of the importance of numeracy and helps people take steps to improve their numeracy skills.

National Numeracy Day 2019 led to more than 22,000 people signing up to take part in the National Numeracy Challenge, a free online assessment tool. Once completed, anyone who needs help to improve their skills will be signposted to a set of modules to help them learn in manageable steps, building confidence along the way as they improve their skills with numbers.

"We know from experience that even a small investment of time can make a significant difference to people's confidence and ability with numbers, and this in turn has a positive knock-on effect to many areas of life, from careers and financial management to mental health.

Mike Ellicock
Chief Executive Officer
National Numeracy

43%
of people say they do not want to improve their maths and numeracy skills

Skills for inclusion case studies continued

"

Katy saw that something was wrong when other people just thought I was naughty. Without her I wouldn't be who or where I am today.

Maria, who improved her attendance and behaviour and is now studying at college with the support of School-Home Support practitioner Katy.

To be able to have this much continual support means so much to my family. Despite my disability and the fact that I cannot go out to work to earn the money for my children's basic school stuff, they still get to go to school in uniform and be the same as the other kids in the playground. I am very grateful for this.

Mum whose family has received help from School-Home Support.

Provident Financial Group works with us to break down barriers to learning facing vulnerable children. Their financial support means we have been able to leverage additional investment for new services to reach some of Bradford's most vulnerable families. We are looking forward to working together on future initiatives that help raise aspirations and tackle poverty.

Jaine Stannard
Chief Executive Officer, School-Home Support

shs
Children in school, ready to learn

Family solutions case study:
Providing School-Home Support to those in need

During the academic year 2017–2018 one in nine children across England were persistently absent from school.[1]

1 Government definition of persistent absence – if a student misses 19 or more days over an academic year they will be classed as persistently absent.

The more school a pupil misses, the less likely they are to achieve good grades.[1]

1 Department for Education pupil absence in schools in England: 2017–2018 national statistics.

That is why we partner with School-Home Support in schools in Bradford and Chatham where persistent absence levels are high. In these regions we also have large numbers of employees who volunteer to support the vulnerable children to ensure they do not lose out on education because of disadvantage at home.

Through this partnership we have seen improvements in school attendance, in behaviour, and in children being more engaged with their learning. Achieving and sustaining this improvement involves working with the whole family, and that is why School-Home Support's approach is to support parents too and break down barriers to learning such as poverty, poor housing, domestic violence and other complex issues.

As a direct result of our funding in Bradford and Chatham:

- 143 individual young people were supported through targeted intervention programmes;
- 94 family members were supported; and
- of the 62 young people supported who were persistently absent from school, 57% have since improved their attendance.

Skills for inclusion case studies continued

Family solutions case study:
Helping The Money Charity work with hard to reach groups

The Money Charity's vision is to empower people across the UK to build the skills, knowledge, attitudes and behaviours to make the most of their money throughout their lives. One of the main ways it seeks to achieve this is by delivering tailored face-to-face workshops which establish or enhance participants' knowledge of and capability in money matters.

Our relationship with The Money Charity has enabled it to deliver workshops in schools and colleges, and in the last school year our funding meant that 5,268 students could take part in workshops: 85% of these UK-wide workshops were in disadvantaged schools.

However, often those individuals and families who might benefit most from learning how to manage their money well are unaware of or unable to access support of this kind. With this in mind, we tasked The Money Charity to increase the participation of hard to reach groups in adult financial capability workshops. They did this by building relationships with a range of third-sector support organisations. And the links they have built with carer groups, family support organisations, organisations supporting the homeless, offenders and women's refuges mean the formerly hard to reach clients of these organisations participated in the 78 adult workshops held in 2019.

5,268
young people took part in financial wellbeing workshops

"We have been long-term partners of The Money Charity and so were well aware of their professionalism and successful track record delivering financial capability to a wide range of audiences. Nonetheless, we were very encouraged by their positive response to our request that they use part of our funding to enhance the participation of hard to reach groups in their adult workshops and to develop an offer specifically for young offenders. What's been achieved to date demonstrates that it's possible for even very socially excluded individuals to be offered the chance to acquire the skills they need to participate in society.

Carole King
Head of Public Affairs
Provident Financial plc

Skills for inclusion case studies continued

I think it was a fantastic experience for the students, in particular the speed interviewing session as this really gave the students the chance to ask questions and to find out that not everyone has taken the traditional route to the job they are now in.

Tutor
Leyton College

I thought today was a very good and interesting way to learn about other people and their roles within a company.

Student
Hanson Academy

I'm really grateful for the opportunity I have had to volunteer, and I hope that I can help make a difference to encourage these young people to believe in themselves and their aspirations.

Rose Morris
Complaints Officer
Moneybarn

Over
1,000
books donated by staff to children on World Book Day

National Literacy Trust

Aspirations solutions case study:
Giving young people confidence and new skills

Thinking about life after school can be a daunting experience, even more so for young people in disadvantaged areas who might not have achieved the outcomes they needed or wanted to at school. These youngsters are more likely to face unemployment when they leave school due to the many and often complex barriers they face. These can include poor educational experiences and low attainment at school.

Research shows that nearly half of pupils on free school meals do not know anyone in a job they would like to do. This affects their perception of their own ability, their expectations of future achievements, and the extent to which they value their schoolwork.[1]

1 Future First – https://futurefirst.org.uk/our-purpose/.

As a large employer we can be one of the best sources of advice and guidance for these students and that is why we support National Literacy Trust's Words for Work programme, which gives young people the skills that will support them through school while giving them the confidence and desire to broaden their aspirations.

Throughout 2019, we supported almost 300 pupils ranging from primary school age to post 16 across Bradford, Birmingham, London, Middlesbrough and Petersfield. Colleagues from local offices also volunteered to engage with the students and deliver programme activities.

Community partners

UK COMMUNITY FOUNDATIONS
GIVING FOR LOCAL GOOD

We have developed seven partnerships with community foundations throughout the UK to enable us to distribute grants effectively to organisations who are supporting the communities where our business operates. Community foundations are place-based funders, working with local donors, funders and businesses to ensure that their grant making is location specific, tackling issues that are pertinent to their locality. Their insight and expertise are crucial to our partnerships.

Through our business operations, we encounter organisations and charities doing amazing things in their communities through the services they provide. They are often made up of people who have grown up there and feel a deep connection and understanding of the social mobility issues that may exist in that area making them ideally placed to be able to address local issues.

By working with community foundations, we have the confidence that we are directing our funding to the places where it is needed the most, and in doing so contribute to the sustainability of the small charity sector.

The Group has also been working closely with Leeds Community Foundation over the last few years to help them capacity build through the growth of their giving proposition in the city of Bradford. Involvement in this collaboration is considered important to the business as a long-established and large employer in the city – it ensures that a robust giving platform is in place which will help to ensure the longevity of some of the small community organisations which bring so much to our communities. The Group also contributes to the wider functioning of Leeds Community Foundation as a member of its Board.

In 2019, through our community foundation partnerships, we awarded grants totalling over £416k to 86 community organisations. A further £171k was awarded to 10 organisations with which we had direct multi-year funding partnerships.

You can read more about how we involve our colleagues in the grant-making process on page 54.

Our current partners are listed on **page 54**

“Working with Provident Financial as both a fund holder and as a Trustee has really developed our partnership. The Company provides insights and a perspective that has shaped our work on Give Bradford, building that proposition and giving platform in Bradford to the point where we have substantially increased our philanthropy work and the investment offer. Provident Financial has also been invaluable in guiding the work we've undertaken on impact, evaluation, monitoring and other metrics.

Kate Hainsworth
Chief Executive Officer
Leeds Community Foundation

Leeds Community Foundation

“Our partnership with Provident Financial is a great example of the corporate and community sectors working together. They have a clear vision of who they want to support, but they listen to those communities to make sure that their support is effective, and they genuinely value the role that The London Community Foundation plays in enabling and delivering their community programme where it's needed most in the capital.

Kate Markey
Chief Executive Officer
The London Community Foundation

The London Community Foundation

How our community foundation partnerships work

PFG £ + Strategic criteria

Strategic criteria

- Improving people's personal finance capabilities (debt and financial advice/education)
- Improving physical and/or mental health
- Providing support which enhances, creates and sustains positive family relationships
- Addressing issues of low educational attainment and improving learning outcomes
- Providing people with opportunities to reduce inequality, exclusion and disadvantage, including projects which increase access to employment

Community foundation partners

- Community Foundation Wales
- Essex Community Foundation
- Foundation Scotland
- Hampshire & Isle of Wight Community Foundation
- Kent Community Foundation
- Leeds Community Foundation
- London Community Foundation

7 PFG social impact funds

Funding disbursement

1. PFG agrees grant sizes and any special criteria with community foundation
2. Community foundation opens and advertises the Provident social impact fund
3. Community foundation receives and assesses grant applications and undertakes due diligence
4. Community foundation presents short listed applications to PFG colleague panel
5. Colleague panel meets to assess applications and agree grants to be awarded
6. Community foundation distributes grants and carries out ongoing monitoring and evaluation

Community foundation case studies

Helping to deliver

50

weekly sports sessions

Community foundation grant case study:

Building ambition through extracurricular clubs

Newham All Star Sports Academy (NASSA) started out in a local park when mum Natasha Hart introduced her two sons and some of their friends to her favourite sport – basketball. Within a few weeks she had 20 teenagers joining them. From this Natasha realised the potential for using basketball to engage young people in positive activities and divert them from involvement in crime and anti-social behaviour, so she decided to set up a basketball-centred charity. 13 years later NASSA delivers sessions to 2,000 young people per week across East London to help build ambitious, successful and responsible young adults and provide a real alternative to engaging in anti-social behaviour. It provides community programmes based around basketball, including extracurricular school training clubs, a Saturday Academy, a High Flyers Developmental Programme, a volunteer programme, opportunities to gain coaching qualifications and NVQs, a summer scheme, holiday clubs and outreach work.

We provided funding to NASSA through our fund with The London Community Foundation. The project fits our funding criteria of improving physical and/or mental health as well as providing people with opportunities to reduce inequality, exclusion and disadvantage, and to increase access to employment. The Group's funding is helping to deliver 50 weekly sports sessions with one-to-one mentoring support to 30 Not in Education, Employment or Training (NEET) young people in Barking and Dagenham; 40 NEET young people are also being supported to complete Level 1 and/or Level 2 accredited basketball coaching qualifications and to practise their skills in a voluntary or paid capacity for NASSA and its partners. The coaching qualifications will help to increase aspirations, support young people into employment, provide enhanced educational attainment and reduce isolation through improved social networks. In addition, participants benefit from increased activity levels, improving both physical and mental health.

Community foundation case studies continued

Community foundation grant case study:
Overcoming challenges by harnessing the power of music

Re:Tune Project, Glasgow, was established in 2014, following a personal encounter by the founder, David McHarg, with a homeless gentleman who was struggling with post-traumatic stress disorder (PTSD) after leaving the army. This had led to alcoholism and family breakdown. His tragic death a few months later and the founder's personal interest in guitars provided the idea for this project.

The idea behind the project was to provide therapeutic guitar-making classes and workshops to repair broken instruments. The project works primarily with veterans suffering from PTSD, who are isolated and struggling with civilian life, although they also welcome other vulnerable adults who have conditions such as autism, disabilities or mental health problems, or are from asylum-seeking and refugee communities.

Their workshop space is located in the Easterhouse area of Glasgow where they work with small groups who attend twice per week over a nine to 12 month period. They will learn new skills in fine woodwork and instrument making, which is then used as the basis for group discussions and improving self-esteem and confidence.

Participants also enjoy music sessions together as they tune and play the instruments. This all encourages them to become familiar with a working environment and take further steps in education and/or employment. Participants who have successfully completed the course are also encouraged to become volunteer tutors.

Re:Tune's change model aims to overcome problems of isolation, loneliness and negative coping strategies and behaviours. Participants are supported and encouraged to address harmful use of alcohol and other substances, to develop their social skills, to communicate their feelings and emotions and to develop new positive interests. Participants are encouraged to re-engage with the wider community and support services, and to plan for a more fulfilling future.

Through our partnership with Foundation Scotland, our grant funding is covering the cost of materials for making new guitars, enabling Re:Tune to continue to work with new groups to deliver its therapeutic wrap-around services, while ensuring participants have access to materials which will enable them to make something that is high quality and that they are proud of.

Colleague volunteering and fundraising

We know that colleagues want to work for a business that supports them to make a positive and meaningful impact in their communities, so in addition to being the 'right thing to do', enabling this to happen is a crucial element of our recruitment and retention. We provide the support and tools for them to engage in a variety of ways.

We have recently reviewed our volunteering and matched-funding policy to ensure all colleagues across the Group benefit from volunteering opportunities. Colleagues are able to take a full day's paid leave to volunteer for a community organisation or charity of their choosing.

In addition, we offer a number of Company-led opportunities to colleagues through our Social Impact Programme. There is no limit on how much Company-led volunteering colleagues can take part in. Here are some examples of volunteering opportunities that colleagues can participate in:

- residential activity breaks for under-privileged children;
- community foundation grants panels;
- developing employment skills;
- developing literacy skills for the workplace;
- reciprocal reading;
- school business enterprise days; and
- mental health first aid.

Colleagues in Bradford can also take part in community team challenges. Not only do these provide valuable resource in the community but they also help staff develop key interpersonal skills, such as communication and leadership which they can apply in their work environment.

Our matched funding programme continues to be popular with colleagues who tell us that being able to fundraise for the organisations that are close to their hearts is important to them. We provide matched funding up to £500 per person each year and in 2019, colleagues' causes benefited from matched funding of over £29,000.

We will continue to encourage colleagues to volunteer and fundraise by improving awareness of and, engagement with, our Social Impact Programme.

Case study:
Employee grants panels

Our community foundation partnerships provide the perfect opportunity for colleagues to input into the decision-making process around how our funds are allocated in their local communities. Panel volunteers spend time reviewing funding applications and then sit as a collective group to discuss and agree which organisations will become the grant beneficiaries. This process enables us to access the local knowledge that our colleagues have, helping us to make better-informed decisions. It also gives them valuable insight and a better understanding of the issues that exist in the communities where our customers and employees live.

> "The panels give us a better chance to understand our customers – to know what's going on in those communities and have a better understanding of the struggles that people are having... It helps us as a business understand how we can better support them.

Chris O'Sullivan
Senior Operations Manager
Consumer Credit Division

Colleague volunteering and fundraising continued

THE OUTWARD BOUND TRUST®

Aspiration case study:
Outward Bound Trust: Improving confidence through adventure

Outward Bound Trust is an educational charity dedicated to unlocking the potential of young people from deprived backgrounds through learning and adventure in the wilderness. Through their courses, young people are able to develop essential skills such as self-confidence, resilience and determination to succeed.

In November 2019 colleagues from Vanquis Bank's Chatham offices joined Byron Primary School on their visit to Wales.

"It was really rewarding to see the enjoyment on the faces of the children but to also see them develop over the course of the week. Taking part really pushed me out of my comfort zone. I did things I never would have done otherwise. It made me more confident and helped to develop my leadership skills which I have been able to bring back into the business.

Paige Collins
Loans Collection Agent
Vanquis Bank

Colleague volunteering and fundraising continued

292

young people have taken part in the Words for Work programme with us

Volunteering case study:

Helping young people improve their literacy and employability skills

Colleagues from the Group were involved in the delivery of our Words for Work programme, working with primary, secondary and post 16 students to help them understand how literacy is used in everyday life. You can find out more about the programme on page 52.

We also worked closely with local enterprise and employability providers in Bradford to deliver activities that support the building of employability skills in young people. 22 colleague volunteers helped to deliver CV building workshops, interview practice, careers talks and work experience to local schools.

> I'm really glad to be a part of this programme. It was nice to go back to the school I attended as a child to help the students. It was fantastic to hear about their aspirations and to try to give them the confidence to reach their goals.

Rose Stubbington
Asset Management Agent
Moneybarn

Volunteering case study:

Supporting parents to get back in to work

Volunteers from Vanquis Bank got involved in an employment skills workshop for a group of parents at King's Cross Academy in London.

During the session they helped the parents with their CV writing and interview skills. These are really important interventions that School-Home Support does not have the resources to deliver, so it is fantastic that our colleagues were able to deliver these important sessions. Parents very much appreciated the opportunity to work with someone in business, getting advice and support. The activity resulted in a real boost to their confidence and self-esteem.

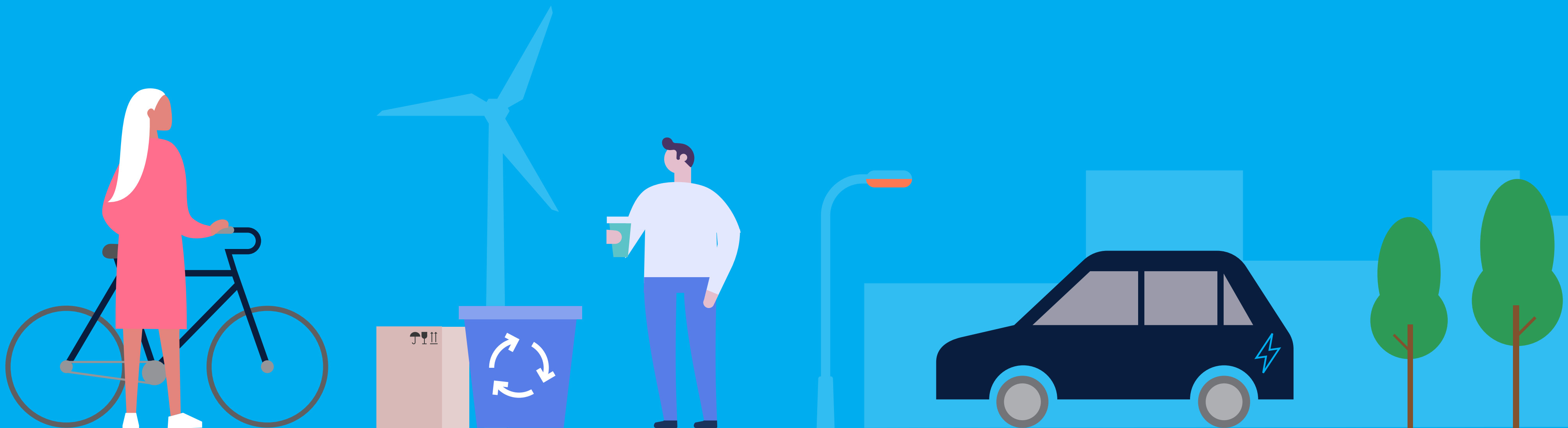
> I really enjoyed the morning. I just wanted to say a big thank you for all the help with my CV and helping me put everything I needed to on there. Thank you. It was a big help.

Parent

Responding to the climate crisis

In this section

We recognise that reducing carbon emissions is for the whole of society and we are committed to minimising our environmental impacts as well as determining the risks climate change presents to our business and its stakeholders.



Understanding and disclosing how climate change may impact our business

With millions of people taking to streets of the world throughout 2019 to demand climate action and with the effects of extreme weather events becoming more visible, it is clear climate change has moved to the centre of public debate and is an issue that businesses from all sectors will need to address.

We are cognisant of the findings of the Intergovernmental Panel on Climate Change (IPCC) whose recent reports state that climate change is progressing faster than anticipated and that if greenhouse gas emissions continue at the current rate, the atmosphere will warm up by as much as 1.5°C above pre-industrial levels by 2040, inundating coastlines and intensifying droughts and poverty.

As such, we also acknowledge that in 2019, the UK Government passed laws which made the UK the first major economy to commit to ending its greenhouse gas contribution by 2050. This established a legally binding target that will require the UK to bring all greenhouse gas emissions to net zero by 2050.

To help drive progress within the financial services sectors towards the UK's 2050 net zero target, the Green Finance Strategy was launched by the Government in 2019. The strategy argues that financial risks and opportunities from climate and environmental factors need to be at the heart of the strategies of financial services companies. The Government is therefore now expecting all listed companies and large asset owners to report in line with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) by 2022. Our investors and regulators are expecting a fundamental reshaping of finance to take place, as clearly stated in both the 2019 and 2020 letters from BlackRock's Chairman and CEO, Larry Fink, to their clients, and they also are asking us to report in line with the TCFD.

54%
reduction in our carbon footprint against a 2015 baseline
(scope 1, 2 and associated scope 3s)

The TCFD explained

The TCFD is an industry-led initiative created to develop a set of recommendations for voluntary climate-related financial disclosures. The recommendations are split across four 'thematic areas' that represent core elements of how organisations operate: governance, strategy, risk management, and metrics and targets. In order for companies to assess and disclose the resilience of their strategies, TCFD recommends that an analysis is undertaken which takes into consideration multiple climate scenarios.

In 2019, Vanquis Bank's regulator, the Prudential Regulation Authority, required the bank to allocate responsibility for identifying and managing financial risks from climate change to the relevant senior management function(s) (SMF(s)) most appropriate within its organisational structure and risk profile.

We did this, and the SMF for Vanquis Bank is its Finance Director. The bank also carried out some initial work to understand the short-term and long-term financial risks that climate change presents to its business models. This risk assessment exercise involved exploring the physical risks from climate change that might arise from a number of factors, and relate to specific weather events (such as heatwaves and floods) and longer-term shifts in the climate (such as extreme weather variability and sea level rise). It also investigated the transition risks that might arise from the process of adjustment towards a low-carbon economy, including changes in climate-related developments in policy or shifting sentiment and societal preferences. Through this exercise, the bank was able to start to explore how climate change might impact customer spending patterns, business continuity and colleague health and wellbeing.

In 2020, we will build on this and undertake a Group-wide scenario analysis as a first step in meeting the TCFD recommendations.

Offsetting our carbon footprint

Carbon offsetting

We continue to offset our direct operational carbon footprint. We do this by financing renewable energy projects around the world which help to mitigate the effects our operations have on our climate.

During 2020, we offset 10,000 tonnes of CO_2e, which accounted for all of the Group's 2019 operational footprint. These emissions were offset through the purchase of Verified Carbon Standard-certified carbon credits in a wind power generation project which operates across various states in India which have traditionally been reliant on fossil fuel generated electricity.

The project is playing a vital role in India's shift towards a low-carbon economy by generating electricity from a renewable resource and supplying it to the state grid. It also has a range of positive impacts and benefits by providing jobs in local communities across India, improving the livelihoods of families employed by the project and reducing India's reliance on energy generation from fossil fuels.

Through the investment we make to this project, we are also able to contribute to four of the SDGs which relate to the development of affordable and clean energy, decent work and economic growth, industry, innovation and infrastructure, and climate action.

SUSTAINABLE DEVELOPMENT GOALS

7 AFFORDABLE AND CLEAN ENERGY

8 DECENT WORK AND ECONOMIC GROWTH

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

13 CLIMATE ACTION

Reducing our carbon footprint

Set out below are some key reductions we achieved in 2019, when compared with relative data for 2018. We want to deliver services to customers as efficiently as possible whilst reducing our carbon footprint to minimise the impact that we have on our environment and that climate change could have on our business and communities in the future.

54%
reduction in our air travel mileage

30%
reduction in our total scope 1 and 2 (and associated scope 3) emissions

13%
reduction in the total waste arising from our activities

74%
reduction in the tonnes of CO_2e emitted through company car travel

22%
reduction in our total reported greenhouse gas emissions (2018: 12,409)

18%
reduction in the amount of miles colleagues drive their own cars on business

Doubled
the amount of waste we recycle

Our Blueprint: *Behaviours*

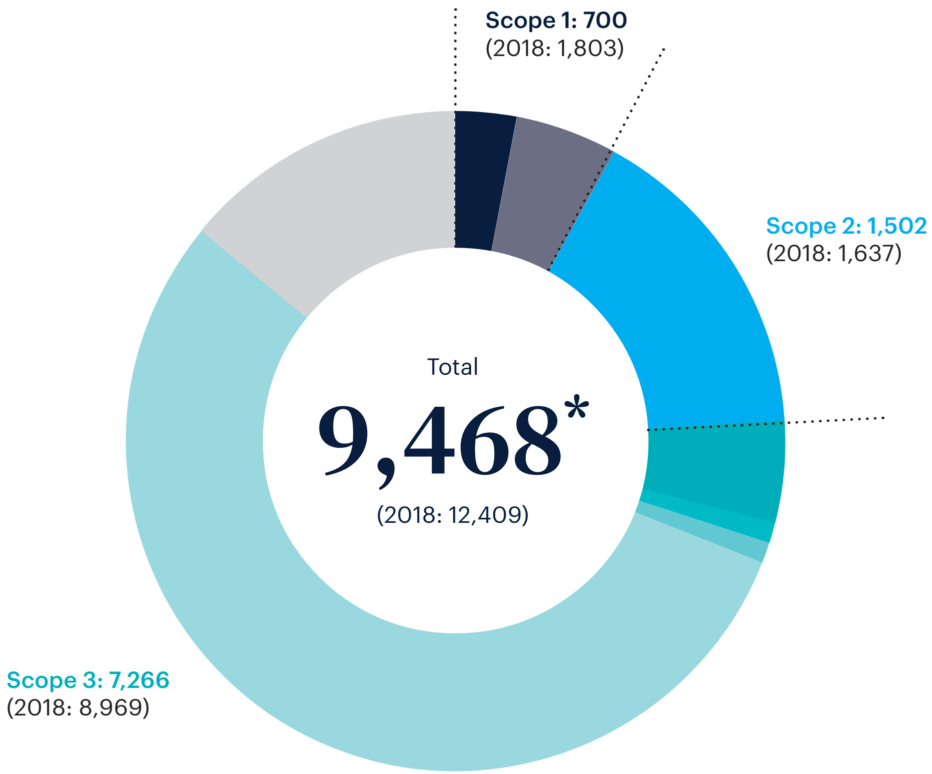
Our approach to environmental management

A key tool in helping us to manage our environmental impacts is our environmental management system (EMS). This helps us to identify, assess and reduce key environmental risks and impacts; set and deliver against environmental targets; and ensure our legal compliance. Our EMS is independently audited each year. The scope of these audits covers the business activities of our Bradford-based head office, a small sample of the Consumer Credit Division's branch offices, and Vanquis Bank's business premises in London and Chatham. The EMS at our Bradford head office has been certified to the international management standard ISO 14001:2015 since 2011. Following the independent audit that was carried out in 2018, we successfully extended this ISO 14001:2015 certification to cover all of Vanquis Bank's other operations in London and Chatham. Having recently set up an Environmental Working Group in Moneybarn, we hope to extend this certification to Moneybarn in April 2020.

21
colleagues are members of environmental working groups

Our carbon footprint
(tonnes CO_2e)

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



	2019	2018
Scope 1 (tonnes CO_2e)		
Gas use†	**266**	154
Diesel and petrol†	**434**	1,649
Scope 2 (tonnes CO_2e)		
Electricity use	**1,502**	1,637
Scope 3 (tonnes CO_2e)		
Scope 1 and 2 associated 'well-to-tank' emissions†‡	**500**	412
Employee air travel	**91**	217
Employee rail travel	**77**	86
Grey fleet (employee own vehicle travel)	**5,218**	6,524
Waste collection and management	**13**	15
Scope 3 associated 'well-to-tank' emissions‡	**1,367**	1,700

* Our emissions are reported in accordance with WRI/WBCSD Greenhouse Gas (GHG) Protocol. We use a financial control approach to account for our GHG emissions and use emission conversion factors from Defra/DECC's GHG Conversion Factors for Company Reporting 2019. Our GHG emissions are calculated using energy use data accessed via meters and energy suppliers, and from records of fuel use, business travel bookings and waste management data. Where challenges have occurred in obtaining data, estimates have been used and assured by our assurance provider. Water has been totally excluded from reporting this year due to severe difficulty in obtaining accurate data. We have plans in place to review this in 2020 and hope to be in a position to report on water in 2021.

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

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

A closer look at scope emissions

1 Scope 1

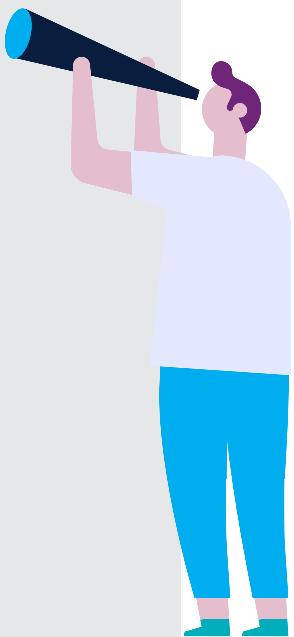
Direct emissions from sources owned or controlled by us, e.g. gas used in our boilers or petrol in company cars.

2 Scope 2

Indirect emissions from the generation of purchased energy in our business, specifically from electricity.

3 Scope 3

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



Intensity ratio

1.16

scope 1 and 2 (and associated scope 3) kg of CO_2e/per customer

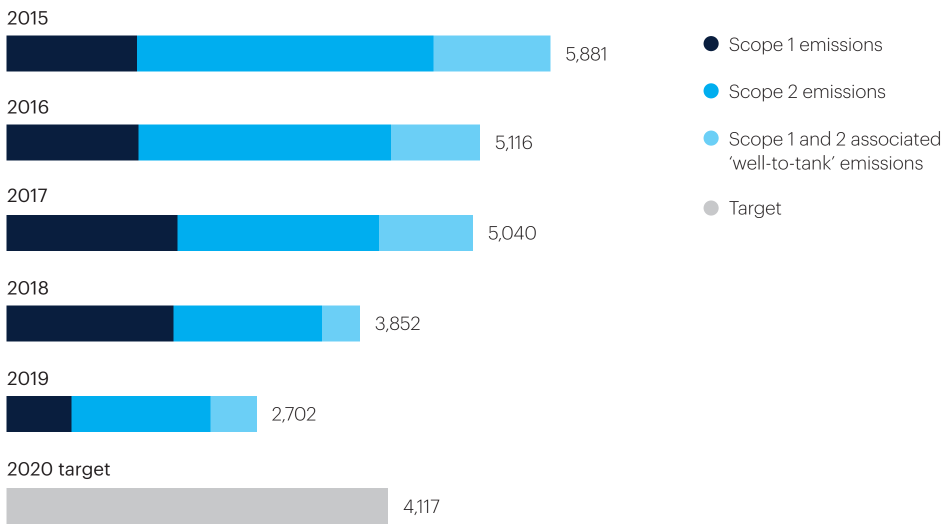
1 2

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

During 2019, our scope 1 and 2 (and associated scope 3) emissions accounted for 2,702 tonnes of CO_2e.

This means we have reduced our carbon by 54% against our 2015 baseline, which is outlined in the chart below.

Scope 1 and 2 (and associated scope 3)



A closer look at scope emissions continued

3

Scope 3 emissions and business travel

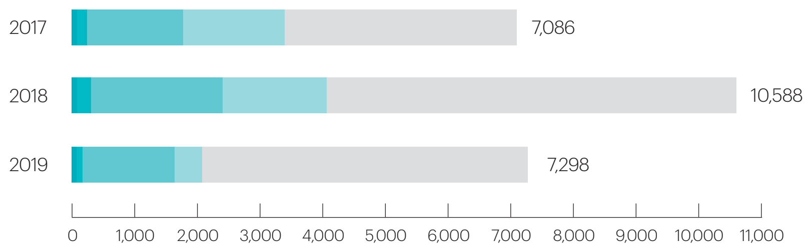
We continuously look to increase the breadth of our scope 3 reporting; however, we have not added any new elements in to our reporting whilst we focus on improving our data accuracy and transparency.

We have continued to reduce our air and rail travel mileages, and this year, reduced our grey fleet mileage after a large increase last year due to the business structure change in CCD, which saw the recruitment of Customer Experience Managers following the fundamental change of the operating model in the UK. The previous operating model in the UK used Self-Employed Agents who were not eligible to claim business travel.

You will note our Company car mileage has massively increased and our Company car fuel usage has massively decreased. This is simply due to a change in our data collection and analysis method. In 2020, we will report all our Company car business travel in mileage rather than fuel usage.

87%
of waste was recycled or sent for energy recovery
(2018: 85%)

Business travel GHG emissions (tonnes CO_2e)



- **Rail travel: 77** (2018: 86)
- **Air travel: 91** (2018: 217)
- **Travel-associated 'well-to-tank' emissions: 1,478** (2018: 2,112)
- **Company car (diesel and petrol use): 434** (2018: 1,649)
- **Grey fleet: 5,218** (2018: 6,524)

Business travel distance (miles)

Air travel
288,776 (2018: 623,488)

Rail travel
1,167,100 (2018: 1,208,771)

Grey fleet mileage
18,305,919 (2018: 22,441,766)

CCD and Moneybarn Company car mileage
1,465,211 (2018: 137,570)

Waste (tonnes)

Total waste generated
397 (2018: 457)

Recycled
206 (2018: 103)

Sent for energy recovery
138 (2018: 284)

Landfill
53 (2018: 70)

PF Company car fuel usage (litres)

6,922 (2018: 660,397)

Ensuring strong ethics and compliance

In this section

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

Our supply chain

Responding to the Modern Slavery Act 2015

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

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

Our next annual statement will be published by April 2020.

You can view our statement on the homepage of our corporate website at **www.providentfinancial.com**

Treating our suppliers fairly

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

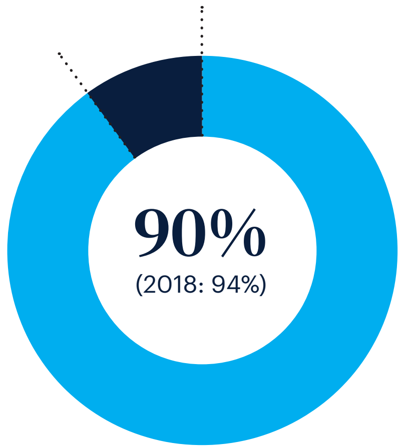
We use a large number of suppliers that range from small and medium-sized enterprises to large multinational corporations, and we are always seeking to be forward thinking in our approach to supply chain management and develop strong supplier relationships to ensure we only procure products and services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

We also understand that many of our suppliers are small and medium-sized businesses and if we do not pay them on time, this can result in cash flow challenges. Therefore, we have signed up to the Prompt Payment Code, which requires us to pay suppliers within 60 days of receiving an invoice, and aim to pay all suppliers within 30 days of receiving an invoice.

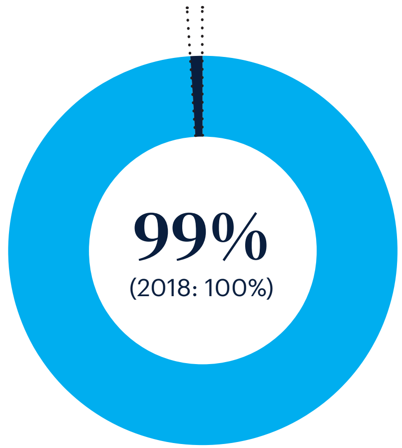
In 2019, 96% of the Group's invoices were paid in line with the Prompt Payment Code and 86% of them were paid within 30 days.

Our Blueprint: *Strategic drivers*

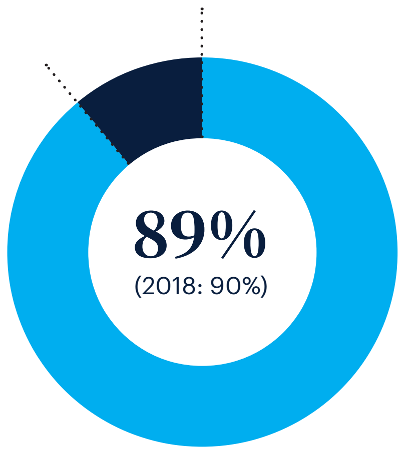
Percentage of companies paid in line with the Prompt Payment Code



PF corporate office



moneybarn Vehicle Finance



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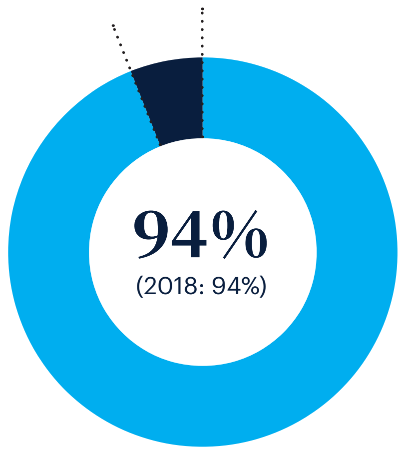


Consumer Credit Division

Engaging investors on CR

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

In 2019, the Group engaged with:

CDP DRIVING SUSTAINABLE ECONOMIES

We made our annual submission of climate change data to CDP in August 2019. CDP requests information on the risks and opportunities of climate change from the world's largest companies, on behalf of institutional investor signatories with a combined US$96 trillion of assets under management. Through the CDP submission, we can inform investors of any material climate change-related risks and opportunities, and how we manage them. Our 2019 CDP submission was rated 'C Awareness', demonstrating that we have knowledge of our impacts on climate change and of climate change issues more broadly. Our CDP submissions are published at www.cdp.net.

MEMBER OF Dow Jones Sustainability Indices In Collaboration with RobecoSAM

In September 2019, we were notified of our inclusion in both the Dow Jones Sustainability World Index (DJSI World) and Dow Jones Sustainability Europe Index (DJSI Europe) with a score of 61 out of 100. The DJSI is a category of the S&P Dow Jones Indices, one of the world's leading index providers, and our submission will be assessed by RobecoSAM, the investment specialist that focuses exclusively on sustainability investing. The DJSI World represents the top 10% of the largest 2,500 companies in the S&P Global BMI, and the DJSI Europe selects the top 20% of the largest 600 European companies in the S&P Global BMI based on long-term economic, environmental and social criteria.

FTSE4Good

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

What makes us a responsible taxpayer

Our approach to tax

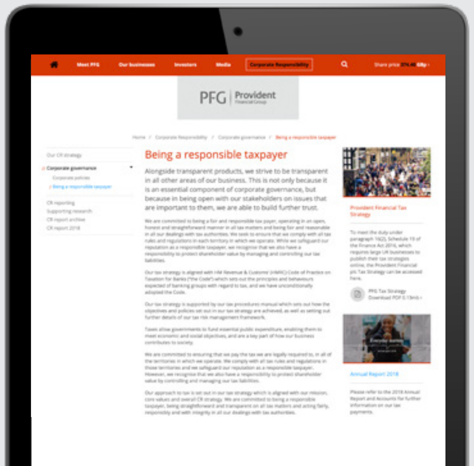
Taxes allow governments to fund essential public expenditure, enabling them to meet economic and social objectives. Paying tax is a key part of how our business contributes to society.

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

Our tax strategy

Our tax strategy, which was last updated and approved by our Board in September 2019 and can be accessed on our website at www.providentfinancial.com, follows our corporate mission and values.

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



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

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

It comprises a number of key principles, including:

- **Payment of taxes.** We seek to ensure that we always pay the tax we are legally required to pay and comply fully with our tax obligations in all territories in which we operate.
- **Dealings with tax authorities.** We are committed to dealing with tax authorities openly, honestly and proactively. This includes having a regular and constructive dialogue with HMRC across all taxes, seeking advance clearance where tax treatment is uncertain and discussing contentious issues as early as possible.
- **Mitigating tax liabilities.** We seek to ensure that genuine commercial transactions are structured with clear and unambiguous legislative support so that tax liabilities are controlled and minimised, but artificial structures without commercial or economic substance which give a result which is inconsistent with the underlying economic position will not be considered.
- **Mitigating and controlling tax risk.** We have a low appetite for tax risk. We set out how tax risk is mitigated and controlled by having documented processes and controls to ensure the correctness and completeness of data for tax returns and tax reporting purposes, 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 principles for the involvement of external advisors.
- **Prevention of tax evasion and the facilitation of tax evasion.** We do not tolerate any of our employees, agents or suppliers undertaking tax evasion themselves or facilitating tax evasion by another person whilst acting for us.

What makes us a responsible taxpayer continued

Our tax strategy continued

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

Our total tax contribution in 2019

Our total tax contribution comprises the direct tax we contribute to governments out of our own financial resources as well as the indirect tax we collect on behalf of governments, such as employment taxes deducted from payments to employees. Over the last five years, our total tax contribution has been as follows:

	2015 £'m	2016 £'m	2017 £'m	2018 £'m	2019 UK £'m	2019 ROI £'m	2019 Total £'m
Direct tax contribution							
Corporation tax	48	57	40	7	**14.2**	**(0.2)**	**14**
Bank corporation tax surcharge	—	8	15	15	**10.0**	**—**	**10**
Employer's national insurance and equivalent (note 3)	16	18	23	23	**21.4**	**0.6**	**22**
Irrecoverable VAT	21	22	28	35	**29.6**	**0.4**	**30**
Business rates	3	3	3	2	**2.0**	**—**	**2**
	88	108	109	82	**77.2**	**0.8**	**78**
Indirect tax contribution							
Employees' income tax and national insurance (through PAYE) (note 3)	44	46	59	51	**48.3**	**1.7**	**50**
Tax deducted from interest paid on Vanquis Bank deposits and redress payments (note 4)	3	2	—	1	**1.0**	**—**	**1**
	47	48	59	52	**49.3**	**1.7**	**51**
Total tax contribution	135	156	168	134	**126.5**	**2.5**	**129**

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

Note 2: Our Provident home credit business operates as a branch in the ROI. In 2019, it generated revenue of £28m (2018: £34m) and a loss of £5.4m (2018: loss of £4.6m) and had, on average, 119 (2018: 126) employees.

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

Note 4: Prior to the abolition of the requirement to withhold tax from interest on retail deposits in March 2016, basic rate income tax was withheld from such interest and paid to the UK Government. In 2018 and 2019, basic rate tax has been withheld from Repayment Option Plan (ROP) redress payments made to Vanquis Bank customers, and to redress payments made to customers elsewhere in the Group.

What makes us a responsible taxpayer continued

Our total tax contribution in 2019 continued

Our direct tax contribution comprises:

- **Corporation tax** – this is the tax on the profits we generate in the UK and ROI. In the UK, corporation tax is paid in quarterly instalments whereby 50% of the estimated corporation tax liability for the year is payable in the year concerned with the remaining amount in the subsequent year. Tax paid in 2019 comprised around 50% of the corporation tax liability for 2018 and 50% of the estimated liability for 2019. The reduction in corporation tax paid in 2017 and the further reduction in 2018 arose as a result of the losses generated in the home credit business in both 2017 and 2018 which substantially reduced the Group's estimated corporation tax liabilities for both years. The reduction in the home credit losses in 2019 has resulted in corporation tax payments increasing to £14m in 2019.

- **Bank corporation tax surcharge** – a bank corporation tax surcharge of 8% was introduced with effect from 1 January 2016. It applies to the taxable profits of Vanquis Bank above £25m where taxable profits are calculated after adding back bank compensation payments and the additional 10% deemed taxable receipt on such payments as well as other tax disallowable items, and, like corporation tax, it is payable through quarterly instalments. The settlements payable to Vanquis Bank customers in respect of ROP following resolution with the FCA in 2017, and the further amounts recognised in 2019 related to balance reductions on charged off accounts net of the release of provisions related to other accounts following completion of the ROP refund programme, are treated as bank compensation payments, as explained in note 5 to the Annual Report and Financial Statements 2019. As well as increasing corporation tax liabilities, they also have the impact of increasing the bank corporation tax surcharge liabilities for 2017 and 2019 and therefore the amounts of bank corporation tax surcharge paid in 2017, 2018 and 2019.

  The bank corporation tax surcharge liability does not benefit from losses generated elsewhere in the Group as tax law prohibits this. Accordingly, the losses generated by the home credit business in 2017, 2018 and 2019 have no impact on the bank corporation tax surcharge liability.

- **Employer's national insurance contributions** – in 2019 we employed, on average, 4,854 (2018: 5,849) employees in respect of whom we pay 13.8% employer's national insurance contributions in the UK and the equivalent in the ROI. In 2019, along with the Apprenticeship Levy, this comprised £22m (2018: £23m) of our direct tax contribution.

- **Irrecoverable VAT** – as a provider of loans and other credit products, we are unable to recover VAT on most of the costs we incur. In 2019, £30m (2018: £35m) of our direct tax contribution comprised irrecoverable VAT incurred by our businesses.

- **Business rates** – the remaining £2m of our 2019 direct tax contribution (2018: £2m) comprised business rates payable on the various business premises we occupy.

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

Corporation tax and bank corporation tax surcharge are accounted for through the tax charge as explained in note 5 to the Annual Report and Financial Statements 2019. The corporation tax and bank corporation tax surcharge we paid in 2019 of £24m differed from the current tax charge for the year of £34m due primarily to the timing of quarterly instalment payments in the UK and changes to profit estimates.

Our indirect tax contribution comprises:

- **Employees' income tax and national insurance contributions** – this represents the income tax and employees' national insurance contributions and the equivalent in ROI that we deduct from amounts paid to employees through PAYE. In 2019 it amounted to £50m (2018: £51m).

What makes us a responsible taxpayer continued

Tax risk management and principal tax risks

Our tax strategy, as well as setting out how we mitigate and control tax risk, also sets out our tax risk management framework. This explains: (a) how we identify, evaluate and manage tax risk; (b) independent review and challenge of first-line actions; and (c) independent assurance provided through a rolling programme review by the Internal Audit function of the processes and internal controls underpinning the reporting and payment of UK taxes.

Insight into risk management and the principal risks facing the Group in 2019 is set out on pages 42 to 53 of the Annual Report and Financial Statements 2019. The principal tax risks facing the Group, how we mitigate those risks and progress made in 2019 are as follows:

Risk	Mitigation and progress in 2019
Self-employed status of agents The Group has been, and may continue to be, subject to claims brought against it by tax authorities challenging the historic employment status of the group's home credit agents in the UK and the employment status of agents in the ROI, particularly given recent employment status cases reported in the media. Were the Group to be unsuccessful in defending such claims, it may be required to pay additional taxes, in particular employer's national insurance contributions, to the relevant authorities.	• In July 2017, the Group changed the operating model of its home credit business in the UK from a self-employed agent model to an employed workforce so as to take direct control of all aspects of the customer relationship. In the ROI the Group continues to operate a self-employed agent operating model. • Policies and procedures were in place in the UK up to the transition to the new operating model in 2017 and continue to be in place in the ROI to ensure that the relationship between the business and the agents it engages is such that self-employed status is maintained. Compliance with policies has been routinely evidenced and tested. • To date the Group has successfully defended claims and challenges against the historical employment status of its home credit agents, although there is no guarantee that this will also be the case with future claims and challenges. • It is understood from discussions with HMRC that they have started undertaking an industry-wide review of the self-employed status of agents in the UK. • The Group's discussions with HMRC, which are focusing on the period from when the FCA took over responsibility for the regulation of consumer credit in April 2014 to the change of operating model in July 2017, remain in the initial fact finding stages. The Group is working positively and collaboratively with HMRC and HMRC expects that the review could continue for another year.

What makes us a responsible taxpayer continued

Tax risk management and principal tax risks continued

Risk	Mitigation and progress in 2019

Other tax risks
The Group has a number of tax risks across corporation tax, VAT and employment taxes. These include:
(a) The risk that there is an unforeseen breakdown in the systems and processes which underpin the preparation of tax returns and identification of tax sensitive matters which results in an item being treated incorrectly for tax purposes.
(b) The risk that the Group has not put in place adequate procedures to meet its legal and compliance obligations.
(c) The risk that tax authorities take a view that is different to the view that the Group has taken on the treatment of particular items in its tax returns.
	• We place considerable importance on having in place robust processes and internal controls to ensure the correctness and completeness of data which needs to be captured and treated correctly in the various tax returns that the Group is required to make. As well as allowing the annual Senior Accounting Office certification to be made, these processes are a key control in our overall tax governance framework, providing assurance that tax sensitive issues are identified and taxes are correctly calculated.
	• During 2019, the Internal Audit function carried out its annual review of different aspects of the operational effectiveness of processes and internal controls over UK corporation tax, UK VAT returns and UK employment taxes.
	• The risk assessment and implementation plan developed in 2017 following the changes introduced by the Criminal Finances Act 2017 has now been largely implemented to ensure reasonable procedures are in place to prevent tax evasion and the facilitation of tax evasion by associates. Improvements to supplier onboarding are continuing to be developed.
	• An experienced central in-house tax function is in place, supported by tax aware personnel in the businesses, which deals with, or has oversight of, all of the Group's tax matters. During the year, the Head of Tax provided the Group Audit Committee with a further update of progress against the risk assessment and implementation plan related to prevention of the facilitation of tax evasion, an update to the tax strategy was provided and approved, and regular updates were provided to both the Group Risk Committee and the Board on the progress of HMRC's review of the historical employment status of the self-employed agents.
	• Expert third-party tax advice is obtained on all material transactions and wherever the necessary expertise is not available in house. During 2019, advice was obtained on a range of issues including the tax treatment of the securitisation of Moneybarn receivables, HMRC's review of the historical employment status of agents in the UK and the appropriateness of the model for recovering VAT from HMRC where Moneybarn recovers a vehicle as a result of customer default or voluntary termination of a conditional sales contract.
	• In keeping with our strategy of having a regular and constructive dialogue with HMRC across all taxes:
	  • We have worked constructively and collaboratively with HMRC in relation to its review of the historical employment status of agents in the UK, agreeing a number of key aspects of how the review was to be approached and carried out.
	  • We consulted HMRC on a range of employment taxes issues where the tax treatment was uncertain, including certain distributions from the Employer Funded and Unfunded Retirement Benefit Schemes, certain life assurance payments and a historical car fleet issue in the Consumer Credit Division.
	  • We completed work on an improved model for recovering VAT from HMRC where a VATable car has been provided to a customer under a conditional sales contract and the car is subsequently returned to Moneybarn following default or voluntary termination.
	  • We sought guidance on the tax treatment of a number of other issues across a range of taxes, including matters related to withholding of basic rate tax on certain customer redress payments.

Information about our business

In this chapter you can read more about how our businesses are regulated and trade association memberships. You can also access our historical CR data.

How we are regulated

As a Group, building and maintaining strong and proactive relationships with our regulators is extremely important. It influences our strategic thinking as well as enabling us to plan for regulatory change with greater certainty and confidence. Over the last 12 months, we have made substantive progress in closing down the majority of our agreed regulatory actions, while further strengthening our regulatory operational processes including horizon scanning, change management and reporting.

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

In the UK, the Group's operating companies are regulated by the Financial Conduct Authority (FCA), which monitors all consumer credit lenders to ensure they comply with the Consumer Credit Act 1974 (as amended). Complaints are dealt with by the Financial Ombudsman Service. In the ROI, the Provident home credit business is regulated by the Central Bank of Ireland. Under the UK regulatory regime, both Moneybarn and the Consumer Credit Division are fully authorised by the FCA. Vanquis Bank is authorised by the PRA and dual-regulated by the FCA and the PRA.

Following implementation of the Senior Managers and Certification Regime (SMCR) within the banking sector, the SMCR has been extended to all solo regulated firms. In the context of Provident Financial, this means that from 9 December 2019, all three regulated entities (Vanquis Bank, CCD and Moneybarn) are now captured under SMCR. The programme of work completed in 2019 has ensured that the individual accountabilities of Senior Manager Functions (SMFs) have been considered in the context of the Group's wider governance arrangements.

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

Enhanced supervision by the FCA

As a consequence of: (i) the disruption to the home credit business following the migration to the employed operating model in July 2017 and the subsequent implementation of the recovery plan in response to the disruption; (ii) the FCA's investigation into Vanquis Bank's ROP product; and (iii) the FCA's investigation into Moneybarn, the Group continues to be subject to enhanced supervision as notified by the FCA in its Watchlist Letter.

Firms placed under enhanced supervision may be required to provide formal commitments, where appropriate, to tackle the underlying concerns raised by the FCA and the FCA may also exercise other wide-ranging powers. The Group has a detailed plan of activities agreed with the FCA with plans to formally attest that it has addressed the outstanding regulatory concerns by the end of 2020.

Case study:
What is the SMCR?

The SMCR is part of the FCA's drive to improve culture, governance and accountability within financial services firms. The regime's overarching aim is to reduce harm to consumers and to strengthen market integrity. This is achieved by raising the standards of conduct for everyone who works in financial services, and by making senior people in firms more responsible and accountable for their conduct, actions and competence. The regime shifts the responsibility of activities within a firm onto senior managers and brings into scope non-executive directors.

How we are regulated continued

Provident Financial trade association membership

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

Consumer Credit Association (CCA) – the CCA is the trade association for the home credit industry in the UK and ROI, promoting the highest possible standards of business and customer service.

Finance and Leasing Association (FLA) – the FLA is the leading trade body for the asset, consumer and motor finance sectors in the UK.

Consumer Finance Association (CFA) – the CFA is the principal trade association representing the largest share of the short-term lending sector in the UK.

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

During the last financial year, the Group has focused on a number of key regulatory-related initiatives which are summarised below:

FCA review of high-cost credit

On 18 December 2018, the FCA published CP18/43 in respect of its review of high-cost credit, including final rules and guidance in respect of home-collected credit. The rules introduced a package of reforms to raise standards in disclosure and sales practices to prevent home credit firms from offering new loans or refinancing existing loans during home collection visits without the customer specifically requesting it. CCD made the necessary changes to its processes to ensure compliance with the new rules in advance of them coming into force on 19 March 2019. This included the requirement for CEMs to explain all available options to a customer who wishes to borrow, including refinancing their existing loan or taking out a concurrent loan. The changes made to the home credit operating model over the last two years, including the voice recording of all sales interactions with customers, mean that the business can effectively evidence compliance with the revised requirements.

FCA Credit Card Market Study (CCMS)

In February 2018, the FCA published PS18/4 setting out its final policy rules in respect of persistent debt and earlier intervention remedies from the CCMS. The overall objective of the package of remedies is to reduce the number of customers in problem credit card debt and put borrowers in greater control of their borrowing. In particular, the rules require credit card firms to undertake specific measures in respect of customers defined as being in persistent debt.

The FCA defines persistent debt as a customer who pays more in interest, fees and charges than principal over an 18-month period. Under this definition, where customers are in persistent debt, firms need to undertake the following actions:

- at 18 months, prompt customers in persistent debt to change their repayment behaviour if they can afford to;
- at 27 months, send another reminder if payments indicate a customer is still likely to be in persistent debt at the 36-month point. Customers need to be made aware that, if they do not change their repayment behaviour, their card may be suspended, which may be reported to credit reference agencies. The customer should also receive contact details for debt advice services; and
- at 36 months, intervene again if a customer remains in persistent debt with strategies to help the customer repay their outstanding debt more quickly over a reasonable period, usually between three and four years.

The proposals in PS18/4 came into force on 1 March 2018 and firms had six months to be fully compliant. Approximately, 11% of Vanquis Bank's active customers met the FCA's definition of persistent debt at September 2018 and the first 36-month checkpoint for persistent debt customers is in March 2020. Vanquis Bank increased its minimum payment rates in the second half of 2018 and has introduced a number of proactive measures in 2019, including recommended payments and the testing of a number of communication strategies, to encourage increased monthly repayments and reduce the number of customers meeting the FCA's definition of being in persistent debt.

FCA review of the motor finance market

In the FCA's Business Plan for 2017/18 the FCA stated that it was looking at the motor finance market to ensure that it works well and to assess whether consumers are at risk of harm. The FCA published an update on this work on 15 March 2018 with its final findings issued on 4 March 2019. The FCA's final findings indicated that they have concerns regarding four areas of the motor finance market: (i) commission arrangements, in particular non-flat rate structures; (ii) sufficient, timely and transparent information, mainly in respect of broker practice and information about difference in commission (DIC) type commission arrangements; (iii) lender controls in respect of the oversight of dealers and brokers; and (iv) affordability assessments, whereby the FCA referenced the additional clarity given in PS18/19 last year around affordability checks, and the expectation that all lenders have implemented the appropriate additional practices.

Moneybarn has flat fee commission structures and has never given discretion to brokers in setting the interest or commission levels. Customers are made aware of the existence of a payment of commission in Moneybarn's pre-contractual paperwork that all brokers must provide to the customer and evidence that the customer has received it. Moneybarn has an active physical audit programme for all of its brokers and was the first vehicle finance lender in the market to have such an audit process in place. Like all of the Group's other businesses, Moneybarn made all necessary changes to its processes required by PS18/19 in advance of the 1 November 2018 deadline and there have been no further updates since then from the FCA.

Data table

Metric	2019	2018	2017	2016
Customer satisfaction				
Vanquis Bank customer satisfaction rate	**90%**	86%	87%	89%
Provident home credit customer satisfaction rate	**89%**	87%	85%	93%
Satsuma Reviews.co.uk score	**4.6/5**	4.7/5	4.8/5	Not measured
Moneybarn Feefo score	**4.6/5**	4.7/5	4.7/5	4.7/5
Customer complaints				
Total number of complaints	**75,898**	79,902	70,713	48,651
Total number of complaints referred to the Financial Ombudsman (FOS)	**4,253**	4,302	1,792	1,194
% of complaints referred to FOS upheld in customer's favour	**35%**	30%	20%	27%
Total customer-focused training hours	**19,140**	134,055	49,754	48,390
Employee numbers				
Group total	**4,854**	5,708	4,864	3,550
CCD	**2,880**	3,735	3,118	1,943
Vanquis Bank	**1,577**	1,612	1,469	1,370
Moneybarn	**318**	284	211	174
PF corporate office	**79**	77	66	63

Metric	2019	2018	2017	2016
Female representation				
Female employees	**55%**	55%	55%	49%
Female directors	**21%**	23%	15%	22%
Female employees in senior management positions	**30%**	26%	29%	28%
Female employees in middle management	**41%**	35%	New measure for 2018	
Female employees in first level management	**47%**	44%	New measure for 2018	
Female employees at colleague level	**58%**	57%	New measure for 2018	
Equality, diversity and inclusion				
Employees from BAME communities	**12%**	9%	15%	17%
Employees who have declared a disability	**5%**	0.40%	0.37%	0.70%
Employees with caring responsibilities	**43%**	New measure for 2019		
Employees with caring responsibilities beyond childcare	**13%**	New measure for 2019		
Employees that identify as a gender other than male or female	**0.5%**	New measure for 2019		
Employees from LGBTQ+ community	**8%**	New measure for 2019		

Data table continued

Metric	2019	2018	2017	2016
Learning and development				
L&D hours	**105,978**	161,560	137,983	64,520
Average number of L&D hours per employee	**28**	28	28	18
Absence and turnover				
Average number of absence days per employee	**12**	10	7	9
Average number of absence days CCD	**13**	10	4*	9*
Average number of absence days PF corporate office	**3**	2	New measure for 2018	
Average number of absence days Vanquis Bank	**13**	11	11	9
Average number of absence days Moneybarn	**9**	9	8	4
Employees who left	**40%**	34%	37%	22%
% of employees who left that left voluntarily	**77%**	71%	New measure for 2018	
Health and safety				
Reportable accidents	**12**	8	3	1
Reportable accidents scaled up to 100,000 employees	**268**	140	61	27
Non-reportable accidents	**740**	693	208	85
Non-reportable accidents scaled up to 100,000 employees	**16,934**	12,141	4,211	2,290

Metric	2019	2018	2017	2016
Whistleblowing				
Calls made to whistleblowing hotlines	**21**	37	6	4
Social impact				
Employee volunteering hours	**2,224**	2,415	220	3,632
Grants distributed through Community Foundations	**96**	17	31	29
Employee matched funding	**£29,817**	£30,389	£43,348	£20,977
Community investment breakdown				
Cash	**£1,249,818**	£1,431,990	£2,354,863	£2,700,944
Management costs	**£149,605**	£210,759	£227,581	£285,744
Value of employee time	**£48,715**	£37,829	£9,552	£66,756
Total community investment	**£1,448,138**	£1,680,578	£2,591,996	£3,053,444
Environment				
Total greenhouse gas emissions (tonnes CO_2e)	**9,468**	12,409	10,697	8,435
Scope 1 emissions (tonnes CO_2e)	**700**	1,803	1,846	1,422
Gas use (tonnes CO_2e)	**266**	154	235	330
Diesel and petrol (tonnes CO_2e)	**434**	1,649	1,611	1,092
Scope 2 emissions (tonnes CO_2e)	**1,502**	1,637	2,176	2,728
Electricity use (tonnes CO_2e)	**1,502**	1,637	2,176	2,728

Data table continued

Metric	2019	2018	2017	2016
Environment continued				
Scope 3 emissions (tonnes CO_2e)	**7,266**	8,969	7,693	4,285
Scope 1 and 2 associated 'well-to-tank' emissions (tonnes CO_2e)	**500**	412	1,018	966
Air travel (tonnes CO_2e)	**91**	217	162	261
Rail travel (tonnes CO_2e)	**77**	86	88	105
Grey fleet (tonnes CO_2e)	**5,218**	6,524	3,699	1,057
Waste collection and management (tonnes CO_2e)	**13**	15	16	20
Water (tonnes CO_2e)	**Not measured**	15	Not measured	Not measured
Scope 3 associated 'well-to-tank' emissions (tonnes CO_2e)	**1,367**	1,700	1,127	530
Intensity ratio**	**1.16**	1.78	2.18	2.22
Air travel (miles)	**288,776**	623,488	500,321	847,329
Rail travel (miles)	**1,167,100**	1,208,771	1,173,865	1,335,074
Grey fleet (miles)	**18,305,919**	22,441,766	14,525,238	3,514,034
Company car mileage	**1,465,211*** **	137,570	116,159	Not measured
Company car fuel consumption for PF corporate office (litres)	**6,922********	660,397	638,541	436,824

Metric	2019	2018	2017	2016
Absolute waste arising (tonnes)	**397**	457	729	879
Recycled (tonnes)	**206**	103	89	Not measured
Sent for energy recovery (tonnes)	**138**	284	New measure for 2018	
Landfill (tonnes)	**53**	70	New measure for 2018	
Paper usage for admin and marketing (tonnes)	**Not measured**	994	1,593	1,987
Suppliers paid according to the Prompt Payment Code				
PF corporate office	**90%**	94%	96%	95%
Vanquis Bank	**89%**	90%	95%	95%
CCD	**94%**	94%	93%	95%
Moneybarn	**99%**	100%	99%	99%
Investor indices				
Dow Jones Sustainability Indices	**61**	62	75	65
FTSE4Good score	**4.5/5**	4.5/5	96	95
Carbon Disclosure Project	**C Awareness**	C Awareness	C Awareness	C Awareness

* This figure includes data for PF corporate office staff.

** We changed the measurement in 2019 from CO_2e/£1,000 of receivables to CO_2e/per customer.

*** 2019 figures include both CCD and Moneybarn. In recent years this was just Moneybarn.

**** 2019 figure is just for PF corporate office. 2018 data and before was made up of both PF and CCD.

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