

Provident Financial

# CORPORATE RESPONSIBILITY REPORT 2011

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# About this report

Welcome to our 2011 CR report - our 11th such report. To access our past reports go to [www.providentfinancial.com](http://www.providentfinancial.com)

This report relates to Provident Financial plc, our subsidiary businesses and our six key stakeholders. It aims to provide our stakeholders with information on our CR activities, performance and achievements for the 2011 calendar year.

The data and accompanying commentary is externally assured by the management consultancy Corporate Citizenship. Please see the assurance statement on pages 52 to 55 of this report for more information.

Any queries which relate to this report should be directed to Rob Lawson, Provident Financial's Corporate Responsibility Manager at [corporateresponsibility@providentfinancial.com](mailto:corporateresponsibility@providentfinancial.com).

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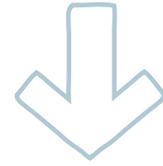


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**WE HAVE 2.5 MILLION CUSTOMERS IN THE UK AND IRELAND**

**WE RECEIVED THE MAXIMUM RATING SCORE OF 100 IN THE FTSE4GOOD INDEX**

**91% OF HOME CREDIT CUSTOMERS WERE EITHER VERY OR QUITE SATISFIED WITH THE SERVICE PROVIDED TO THEM**

**WE HAVE 3,700 EMPLOYEES ACROSS THE UK AND IRELAND**

**OUR 2011 PROCUREMENT SPEND WAS £100.3M**

**WE SUPPORT 34 COMMUNITY PROJECTS THROUGH GOOD NEIGHBOUR**

**OUR NEW HEAD OFFICE'S EMS IS NOW CERTIFIED TO ISO 14001**



**INTRODUCTION**

# PETER CROOK, CHIEF EXECUTIVE

## Welcome to the Provident Financial Corporate

**Responsibility Report for 2011.** 2011 was a successful year for the Provident Financial group. Despite the challenging UK and global economic conditions that continued to prevail throughout the year, we were able to deliver an excellent financial performance. A key factor that has contributed to this success is the group's corporate responsibility (CR) programme.

CR is a hugely important part of how we do things at Provident. It is not only part and parcel of the group's mission and values statement but is also explicitly referenced in one of our four strategic aims. As such, it guides how we treat our customers, employees and other stakeholders, as well as committing us to take account of and report on our wider environmental and societal impacts. By ensuring that we continue to operate in a way that delivers against our strategic aims, which in turn enables us to work towards achieving our mission, Provident can continue to be a successful, responsible and sustainable business.

To understand the significance and importance of CR to a company like Provident, it is helpful to have an appreciation of the market we serve. Provident has a long and proud history of serving customers in what is referred to as the non-standard credit market. This is a market that comprises over 10 million people who are characterised by having modest incomes and by being often overlooked by mainstream banks and lenders who consider this market to be too risky to lend to. This makes serving our customers our most important corporate responsibility as it is essential that we lend to them in a responsible manner.

We are able to do this by having a business model that is based on the wealth of expertise we have amassed in the over 130 years we have been serving the non-standard credit market. It is a model that allows us to structure our loans in a way that takes account of customers' circumstances and, as such, embraces the concept of responsible lending. This enables us to differentiate ourselves from most mainstream credit organisations as we provide credit products

that are simple and transparent, and we make a point of maintaining close contact with our customers throughout their relationship with us.

During 2011, as a response to the ongoing challenges that existed in the economy which have put pressure on the household budgets of many consumers, both our operating businesses maintained tight underwriting standards for customers which further underlined our commitment to responsible lending. Despite these challenging economic conditions, it was pleasing that we were able to increase our profits whilst delivering on our commitment to lend responsibly, which enabled us to achieve customer satisfaction rates of 91% for our home credit business and 84% for Vanquis Bank.

Of course, our commitment to CR not only manifests itself in a way that relates to lending responsibly to our customers. It's also about taking account of the wider environmental and social issues that are material to our business activities. As you read through this report you will see the progress we have made in terms of managing our impacts on the environment and creating a workplace that enables the over 3,700 people we employ across the UK and Ireland to achieve their potential and help our business flourish.

You will also be able to read about the impressive work we carried out during 2011 in the many communities we serve. Community involvement is an important part of our CR programme. This is borne out by the fact that we have a presence in almost every town and city in the UK and Ireland which brings with it responsibility because our group mission commits us to play a positive role in these communities. The vast majority of our community involvement activities are delivered

**"CR IS A  
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PROVIDENT."**

*Continued overleaf*

**"I AM DELIGHTED THAT WE RECEIVED A MAXIMUM SCORE OF 100 IN THE FTSE4GOOD INDEX SERIES."**

through our Good Neighbour programme. Good Neighbour was launched in 2009 and enables us to work towards ensuring that the communities we serve are safe and vibrant places. Through Good Neighbour we provide financial support and employee time to organisations based in the communities we serve which are addressing issues such as crime prevention, unemployment, low levels of educational attainment, health and well-being.

The Good Neighbour programme has been a real success and the progress we have made and impacts we have had to date in many communities throughout the UK and Ireland have been impressive. As of the end of 2011, the number of three-year community projects we are supporting increased from 22 to 34. We monitor the impacts and outputs of these projects, which is an important part of our CR programme, and it is clear that they are making a real difference to the lives of many people. For example, our analysis of our community projects shows that over 43,000 people have benefitted from the support provided by the projects that are funded through Good Neighbour. Our people have also delivered community and business benefits through their considerable volunteering efforts, with almost 700 of them taking part in volunteering activities during 2011. Again, our evaluation of the volunteering activities delivered via the Good Neighbour programme showed that over 98% of volunteers felt that they had made a positive contribution to the community. I am truly proud of our community involvement achievements. They not

only benefit the many communities we serve but are tangible evidence that we are 'living' our mission and values.

The progress we have made in managing our CR impacts during 2011 has come about as a result of the hard work and commitment of many colleagues from across the Provident Financial group. These contributions were rewarded during 2011 by our high profile presence in the mainstream sustainability indices. I am delighted that we received a maximum score of 100 and were joint first globally amongst financial services companies in the FTSE4Good Index Series and that we retained our platinum status in the 2012 Business in the Community CR index with a score of 95%. These achievements reflect the continued investment that the group and its employees have made in embedding our CR programme across all areas of the business.

I, along with the rest of the Provident Financial board, remain committed to ensuring that our CR programme continues to evolve and address the issues that are relevant to our business activities, and deliver sustainable benefits to all our key stakeholders.

As ever, I encourage you to share with us any views you have on the content of the report and, more broadly, the programme that underpins it. Please email these to us at [corporateresponsibility@providentfinancial.com](mailto:corporateresponsibility@providentfinancial.com).

**Peter Crook**  
Chief Executive



## **"THE PROGRESS**

**WE HAVE MADE IN MANAGING OUR CR IMPACTS HAS COME ABOUT AS A RESULT OF THE HARD WORK AND COMMITMENT OF MANY ACROSS THE PROVIDENT FINANCIAL GROUP."**



## OUR MARKETPLACE

Our customers are often overlooked by high street banks and other mainstream lenders. They generally live on modest incomes and are more likely to face financial uncertainties because of complex and changeable financial and socio-economic situations. Because of this they want credit products which provide them with reliability, control, flexibility and certainty.

This market is the non-standard lending market. It is made up of 10 million consumers who in 2011 borrowed £65bn. To put this in the wider market context, during 2011 a total of £319bn was lent to UK borrowers, £141bn

secured and £178bn unsecured.

The UK non-standard credit market is increasingly a domain of specialists. Mainstream providers pulled out of the market at the end of the last decade with no sign of them returning.

The non-standard market specialists offer their customers a wide range of different lending models and products. Home credit stands out as a highly personal, in-home offer with a long history of customer popularity. Non-standard credit cards are a more recent development offering modern mainstream retail convenience and protection to non-standard consumers.

## The Marketplace

Non-standard lenders by product

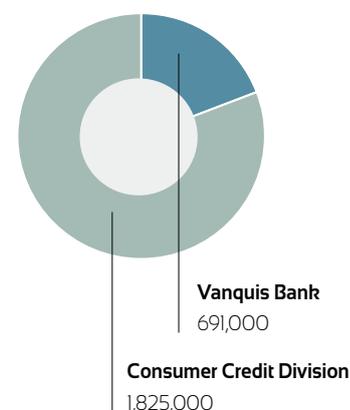
	Typical customer traits	Example companies
<b>Rent to own</b>	Live within 3 miles of store, do not own cars, credit impaired, low income	BrightHouse, PerfectHome
<b>Home credit</b>	Mostly employed, hourly rate, female, renting, low income	Provident Personal Credit, Greenwood Personal Credit, S&U, Shopachek, Morses, Mutual
<b>Payday lending</b>	Wide range, banked, debit card, employed, reasonable credit score	MoneyShop, Cheque Centre, Payday UK, QuickQuid, Wonga
<b>Mail order</b>	Wide range, mostly online shoppers, mostly female with brands targeted at C, D, E socio-demographic groups	ShopDirect, OTTO, N.Brown
<b>Overdrafts</b>	Mostly home owners	LBG, HSBC, Barclays, RBS
<b>Credit cards</b>	Employed but not salaried, banked with low credit score, renting	Capital One, Barclaycard, Vanquis Bank, SAV

## OUR BUSINESS



- We are the UK's leading supplier of personal credit products to the non-standard lending market.
- Provident Financial is a FTSE mid-shares 250 company listed on the London Stock Exchange.
- We employ over 3,700 employees and serve 2.5 million customers in the UK and Ireland.
- Our mission is to be the leading non-standard lender in the UK, acting responsibly in all our relationships and playing a positive role in the communities we serve.
- Consumer Credit Division – has offices throughout the UK and Ireland and offers home credit loans to customers through a network of 10,500 local agents who reach one in 20 households in the UK every single week.
- Vanquis Bank – offers credit card and retail deposit products to customers in the UK from its headquarters in central London and call centres in Chatham and Bradford.

## SPLIT OF CUSTOMER NUMBERS BY BUSINESS





## CONSUMER CREDIT DIVISION

**Provident Personal Credit (PPC) and Greenwood Personal Credit (GPC) home credit loans**

**Small cash loans with weekly or monthly repayments**

**Operating since 1880**

**Customers – 1,825,000**

**Typical loan – £500**

**Typical APR – PPC loan 272.2% and GPC loan 433.4%**

## VANQUIS BANK

**Visa credit card with lower limits and retail deposit products**

**Operating since 2003**

**Customers – 691,000**

**Average balance – £650**

**Typical APR – 39.9%**

## TRENDS IN OUR MARKETPLACE

As with all businesses, external trends and events affect our business, market, customers and their behaviour. The current economic situation is affecting all businesses and sectors, however we are well-suited to succeed in these difficult conditions.

### CONSUMER SITUATION

The current economic situation, and related uncertainty over employment and incomes, has made many consumers wary about borrowing and spending. When customers do borrow they often want small amounts over short periods. They increasingly want to access credit quickly and easily so are turning to the internet to find and arrange credit.

Overall, access to credit in general and non-standard lending in particular is starting to increase again after dramatic falls in the lead up to and after the credit crunch in mid 2007.

### MARKET TRENDS

The non-standard sector has changed dramatically over the last couple of years – in response to the economic situation and the development of new products and brands.

Consumers' demand for shorter, fixed terms and smaller amounts of credit has led to higher APRs unseen in the UK five years ago. Areas such as payday lending, pawnbroking, rent-to-own, and car finance have grown considerably. There is also a new drive to expand and develop high street stores in a range of different forms, including second-hand goods and pawnbrokers and specialist rent-to-own retailers.

The home credit and credit card markets have remained stable, as have bill of sale/logbook credit, overdrafts, mail order credit, mortgages and credit unions/Community Development Finance Institutions (CDFIs).

Other areas are shrinking, in particular storecards, second charge secured lending and some coin meter-based rent-to-own.

### OUR PRODUCTS

Our portfolio of products is tailored to meet the needs of our customers and is split between our two businesses: consumer credit and credit cards.

Our business is simple – we provide small amounts of money to ordinary people on lower than average incomes.

Our products have been developed to enable us to manage the inherent risk of lending to our market and ensuring that we do so in a responsible manner. Our approach to lending includes:

- A 'low and grow' approach to responsible lending – the Vanquis Bank starting credit card limit is £250 and home credit loans start at £50.

- Flexibility where it is needed – there is no charge for missing a home credit repayment.
- Selective lending and conservative credit criteria – we only approve around 20% of new applications.

Through our knowledge of our market, we have developed products which are:

- Priced appropriately and transparently – we are open about fees and treat our customers fairly.
- Simple products that people understand and trust – our products are straightforward and accessible to customers in our market.
- Small-sum and short-term – products which meet the needs of our customers.

## FINANCIAL HIGHLIGHTS

**Group results – year ended 31 December 2011**

	2011 (£m)	2010 (£m)	Change (£m)
Home Credit	127.5	129.1	(1.6)
Real Personal Finance	–	(1.8)	1.8
<b>Total Consumer Credit Division</b>	<b>127.5</b>	<b>127.3</b>	<b>0.2</b>
Vanquis Bank	44.2	26.7	17.5
<b>Central:</b>			
- costs	(10.2)	(8.1)	(2.1)
- interest receivable/ (payable)	0.6	(1.4)	2.0
<b>Total central</b>	<b>(9.6)</b>	<b>(9.5)</b>	<b>(0.1)</b>
<b>Profit before tax from continuing operations</b>	<b>162.1</b>	<b>144.5</b>	<b>17.6</b>

**OUR BUSINESS IS SIMPLE – WE PROVIDE SMALL AMOUNTS OF MONEY TO ORDINARY PEOPLE ON LOWER THAN AVERAGE INCOMES.**

## GROUP HIGHLIGHTS

During 2011, revenue less impairment was £610 million. Of this, £317 million was paid to brokers and suppliers of goods and services (including agents). The remaining £293 million is value added by Provident Financial which was distributed to employees (£136 million), shareholders (£87 million) and government in the form of taxes (£62 million). A further £1 million was donated to our community partners and a profit of £7 million was retained by the business.

A more detailed account of Provident's financial performance is published in our Annual Report and Financial Statements 2011 (go to [www.providentfinancial.com](http://www.providentfinancial.com) for more information).

## WHY MANAGING CR IS IMPORTANT TO US

We have been disclosing information on our CR performance in reports such as this for just over 10 years. However, our track record of ensuring that we operate our business in a responsible manner goes back much further.

We have long recognised that lending responsibly and supporting the communities we serve contributes to making our business successful and profitable. But our CR programme also enables us to manage a range of

wider social, environmental and economic issues that are relevant to our business activities and stakeholders. This, in turn, provides our business with cost savings, reputational and workplace-based benefits.

By demonstrating to our stakeholders that we are a responsible, well-managed business we differentiate ourselves from the other companies in our market and in financial services generally. This transparency enables us to maintain a presence on the leading global sustainability indices which contribute to making our shares attractive to prospective institutional investors and asset managers, and delivers long-term value to our existing shareholders.

## OUR STRATEGY

Our company mission to be *'the leading non-standard lender in the UK and Ireland, acting responsibly in all our relationships and playing a positive role in the communities we serve'* underlines our commitment to be both a successful company and a good corporate citizen.

To assist in the delivery of our mission, we have a number of core values that are embedded in the business.

Our values help us to run our business in a sustainable, responsible way, to the benefit of all our stakeholders and be a source of pride for our employees.



## OUR VALUES

### FAIR

**we are fair and reasonable in our dealings with stakeholders.**

### RESPONSIBLE

**we conduct our business dealings responsibly and ensure that we have a positive impact on the environment and communities we serve.**

### ACCESSIBLE

**we provide our customers with access to products which meet their needs.**

### STRAIGHTFORWARD

**we are straightforward, open and honest in all our dealings.**

### PROGRESSIVE

**we anticipate and respond to the challenges of a changing world.**

## DELIVERING OUR CR STRATEGY

### OUR CR STRATEGY

**Acting responsibly in our relationships with customers and making a positive contribution to the communities served by the group's businesses**

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

### KPIs

#### Customer satisfaction

The % of customers who are satisfied with the service they have been offered

#### Investment in the community

The amount of money invested in support of community programmes (based on the London Benchmarking Group's guidelines) and donated for charitable purposes



**\*OUR MISSION  
COMMITTS US TO PLAY A  
POSITIVE ROLE IN THE  
COMMUNITIES WE SERVE**

# **GOVERNANCE & MANAGEMENT**

## GOVERNANCE AND MANAGEMENT

Our CR programme is underpinned by strong governance and management structures. These structures enable us to identify and manage the CR issues that are material to our key stakeholders and operate in a responsible, sustainable way. While strong governance is important for our CR programme, it is essential for our entire business. For information on corporate governance at Provident Financial, including how we have applied the principles and provisions set out in the UK Corporate Governance Code and on directors' remuneration, see our Annual Report and Financial Statements 2011 at [www.providentfinancial.com](http://www.providentfinancial.com).

**OUR CR PROGRAMME IS UNDERPINNED BY STRONG GOVERNANCE AND MANAGEMENT STRUCTURES.**



### OUR COMMITMENT TO CR

We are committed to being both a successful company that delivers value to our key stakeholders, and a model, responsible corporate citizen. In particular:

- We lend responsibly to our **customers** by providing them with products that meet their needs – small sums with high levels of contact with our staff and agents.
- We provide a working environment that is safe, inclusive and meritocratic and which enables our **people** to achieve their potential and help our business to flourish.
- We invest in our Good Neighbour programme to help the **communities** we serve to be safe and vibrant places in which to live and work.
- We provide financial help to the **money advice sector** to support its important work of helping people struggling with debt.
- We aim to purchase products and services that are ethically and sustainably sound, and treat our **suppliers** fairly and with respect, ensuring that they are paid promptly.
- We want to protect the **environment** and so we work hard to manage our use of energy, water and paper.

## TARGETS 2011



Maintain or improve Provident's rating on the mainstream sustainability indices (eg BITC CR Index, Dow Jones Sustainability Indices, FTSE4Good).

**Achieved – see page 15 of this report for more information.**

Continue to respond to requests for information on the Provident Financial corporate responsibility programme from stakeholders.

**Achieved – see page 12 of this report for more information.**

Continue to engage with stakeholders on the Provident Financial CR programme.

**Achieved – see page 12 of this report for more information.**

Ensure that Provident's CR programme and reports continue to be subject to processes of independent audit and assurance.

**Achieved – see page 15 of this report for more information.**

Continue to identify opportunities to embed Provident's core values within the policies, processes and procedures of the business.

**Partial progress – see page 10 of this report for more information.**

## TARGETS 2012



**Maintain or improve Provident's rating on the mainstream sustainability indices (eg BITC CR Index, Dow Jones Sustainability Indices, FTSE4Good).**

**Aim to ensure that the Provident Financial plc board comprises 25% women by 2015.**

# OUR MISSION

**'To be the leading non-standard lender in the UK and Ireland, acting responsibly in all our relationships and playing a positive role in the communities we serve'**



## VALUES

We will be:

- Fair
- Responsible
- Accessible
- Straightforward
- Progressive

## KPIs

Percentage of customers surveyed who are satisfied with the service they have been given.

The amount of money invested in support of community programmes and donated for charitable purposes.

**WE INVEST IN THE COMMUNITIES IN WHICH OUR CUSTOMERS AND AGENTS LIVE AND IN WHICH OUR STAFF WORK.**

## OUR CR STRATEGY

Acting responsibly in our relationships with customers and making a positive contribution to the communities served by the group's businesses:

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

## OUR SIX THEMES

- Governance and management
- Customers
- Employees
- Suppliers
- Communities
- Environment



## HOW CR IS GOVERNED

As well as being committed to CR, our board also has responsibility for our CR programme. On the board, Peter Crook, Provident's Chief Executive, has responsibility for the group-wide CR programme; Peter also chairs the group's management committee which provides oversight of our CR programme.

We also engage other board members in CR. Reports, which are submitted ahead of every board meeting, keep the board updated on CR and our performance against our headline CR KPIs. In addition, the board receives periodic presentations on aspects of the CR programme.

Ongoing training and briefing is provided to all board

directors to suit their individual needs. This includes environmental, social and governance issues as appropriate and in 2011 included a briefing on our Good Neighbour programme.

## POLICIES

Our commitment to CR is built into our corporate policies. They support our corporate values and commitment to operate our businesses in a sustainable, socially responsible and ethical way.

These policies are a key element of our corporate governance framework and help us to demonstrate that we meet the requirements of the UK Corporate Governance Code and comply with all applicable laws and regulations.

Our policies set out codes of conduct, controls, processes and requirements against a range of sustainability and operational issues. In addition, our corporate policy manual includes our code of ethics and HR policy which set out requirements concerning the way our business should operate and our employees should behave.

To ensure staff understand our commitment and their responsibilities, details of policy requirements are included in the staff handbook, induction and other training, and on our intranet. Some policy requirements are communicated to other stakeholders, for example in the contract we have with agents on which agents receive briefings and with which agents are required to comply.

The divisions are responsible for ensuring they comply with and implement corporate policies. To this end they develop policies and procedures on CR issues which are specific to their business activities.

To demonstrate compliance, each divisional managing director and relevant managers in head office must

certify compliance with the group's corporate policies bi-annually. The certification must be supported by documentary evidence that a due process has been followed and the status of compliance is then reported to the board.

## HOW CR IS MANAGED

The day-to-day management of our CR programme is undertaken by Provident's CR manager, community affairs manager and community affairs executive. This CR team report through the company's corporate affairs director and are based at our head office in Bradford.

Management and co-ordination of the CR programme is delegated to a number of steering and working groups (see below).

In addition to this, a range of other committees are in place to manage issues that specifically relate to our operating divisions including the credit committees in both divisions, and Vanquis Bank's Treating Customers Fairly committee.

**WE FOLLOW OUR CORPORATE VALUES IN THE TREATMENT OF OUR STAKEHOLDERS.**

Working group	Chair	Membership	Role
<b>Corporate responsibility working group</b>	David Stevenson, Director of Communications, Provident Financial	HR, procurement, corporate office and communications functions	<ul style="list-style-type: none"> <li>• Contribute to our CR programme and ensure cross-functional involvement.</li> <li>• Generate CR performance information.</li> <li>• Help co-ordinate CR management activities.</li> </ul>
<b>Environmental working groups within the CCD and Vanquis Bank</b>	Rob Lawson, CR Manager, Provident Financial	HR, procurement, facilities management, property and communications functions	<ul style="list-style-type: none"> <li>• Contribute to our environmental management programme.</li> <li>• Generate environmental performance information.</li> <li>• Help co-ordinate environmental management activities.</li> </ul>
<b>Vanquis Bank active community programme board</b>	Michael Lenora, Managing Director, Vanquis Bank	Representation from its local, national and international community activities	<ul style="list-style-type: none"> <li>• Evaluate and select Vanquis Bank's community/charity partners.</li> <li>• Oversee the management of Vanquis Bank's community involvement activities.</li> </ul>
<b>Head office travel plan steering group</b>	Mike Elliott, HR Director, Consumer Credit Division	HR, facilities management, and communications functions	<ul style="list-style-type: none"> <li>• Input into and co-ordinate the delivery of the head office travel plan.</li> </ul>

**OUR SIX MAIN  
STAKEHOLDER  
GROUPS ARE:  
CUSTOMERS,  
COMMUNITIES,  
EMPLOYEES,  
SUPPLIERS,  
SHAREHOLDERS  
AND REGULATORS.**

## STAKEHOLDERS

We have identified six main stakeholder groups who have an interest in, or are affected by, our activities. These are: customers, communities, employees, suppliers, shareholders and regulators.

We continue to engage with our stakeholders to ensure we can, where appropriate, respond to their views and concerns. This helps us monitor the performance of our CR programme as well as ensuring it evolves and continually improves. One of the main ways we do this is by convening annual stakeholder roundtables. These sessions, which are facilitated by Corporate Citizenship, are attended by individuals from a range of stakeholder groups, who represent issues that are material to our business activities. They explore the expectations that our stakeholders have of our approach to managing our corporate responsibility programme and how we report our performance to external audiences. The feedback we receive from stakeholders via these sessions and our responses to it can be found at [www.providentfinancial.com](http://www.providentfinancial.com).

We also undertook stakeholder engagement activities with a range of stakeholder groups during 2011. These included:

- **Customers:** We continue to conduct regular customer surveys and focus groups to obtain feedback on the products and services we provide. This also helps us to engage with our customers on broader issues and allows us to collect intelligence to further improve our products and services.
- **Community partners:** Throughout 2011, we met with community partners and volunteers associated with our Good Neighbour programme to maintain relationships, ensure the efficient delivery of the programme, and provide a forum for discussion. This helps us to evaluate the impacts of our community involvement activities.
- **Employees:** In 2011, we undertook an in-depth assessment of all employee volunteers and carried out a staff survey to feed into our travel plan for our head office. For wider employee engagement activities, please see page 32.
- **Government and regulators:** We engage with government and regulators to understand how changes to national and international legislation will impact our business and stakeholders. We respond to consultations by participating in government-sponsored initiatives and attending meetings with representatives from the government. For example, in 2011, our contributions included our Chief Executive attending the Department of Business, Skills and Innovation meeting on debt management.
- **Money Advice and the Financial Education Sector:** We provided funding to support core activities, training and development. Our support helps to increase the availability and quality of free

independent money advice in the UK, and allows us to engage with the sector on issues that affect our business and stakeholders.

- **Research partners:** We engage with research partners, such as think tanks, the money advice sector and academic institutions, to understand the financial behaviour of consumers with low incomes. During 2011, we supported research projects which resulted in the publication of a number of reports. Please see page 27 for more information. All of the research reports we support are freely accessible in the public domain.
- **CR professionals:** During November 2012, we carried out our third web-based survey of people working in the CR 'industry', for example, CR consultants, academics and policy-makers, to explore current trends in CR management, particularly in relation to the financial services sector. The survey findings will be used to help shape our approach to CR management.

## MANAGING OUR RISKS

The board is responsible for the alignment of strategy and risk, and for maintaining a sound system of risk management and internal controls. The system is designed to manage rather than eliminate risk and, as with any system, can only provide reasonable, and not absolute, assurance against material misstatement or loss.

Our internal control and risk management framework defines our risk appetite and enables us to manage risk effectively. This ensures that we manage our business prudently, within regulatory requirements and to the benefit of our shareholders.

Our audit committee runs an annual programme of work which targets and reports on higher risk areas as identified by the group's key risk registers. The divisional boards also have implemented various controls to mitigate the risks specific to their businesses.

Our CR programme is involved in mitigating some of the risks to the business. One of our key risks is damage to our reputation through adverse publicity from the activities of legislators, pressure groups and the media. Our CR programme is one of the controls to mitigate this risk – in particular to manage and explain our business, products and commitment to responsible lending.

For more information on our approach to risk management and a summary of the group's key risks, please refer to the Directors' report in our 2011 Annual Report and Financial Statements or go to [www.providentfinancial.com](http://www.providentfinancial.com).



**AGENTS ARE A HUGE ASSET TO THE COMPANY, THE RELATIONSHIP THEY BUILD WITH THEIR CUSTOMERS MEANS WE CAN MAKE THE RIGHT, RESPONSIBLE LENDING DECISIONS.**

See page 20 for more details.



Joyce, Home Credit agent (left)  
Fiona, Home Credit customer (right)



**WE ACHIEVED  
A MAXIMUM  
RATING SCORE  
OF 100 IN THE  
FTSE4GOOD  
INDEX**

Committee	Membership	Meeting frequency	Responsibilities
<b>Audit Committee</b>	The non-executive directors. The executive directors, head of audit and risk, group financial controller and the external audit partner attend meetings by invitation.	Four times a year	<ul style="list-style-type: none"> <li>• Monitors group-wide internal financial controls, and the appointment and appraisal of the external auditors.</li> <li>• Agrees the internal audit plan each year.</li> <li>• Reviews internal audit reports, whistleblowing policy, financial statements, interim reports and preliminary announcements.</li> </ul>
<b>Risk Advisory Committee</b>	Three non-executive directors and the finance director. The executive directors, head of audit and risk and group financial controller attend meetings by invitation.	At least three times a year	<ul style="list-style-type: none"> <li>• Manages the risk management framework.</li> <li>• Keeps the group's risk registers under review and considers the most important risks.</li> <li>• Approves the formal risk management documentation prior to submission to the board.</li> </ul>
<b>Executive Committee</b>	The three executive directors. Is chaired by the chief executive.	At least once a week	<ul style="list-style-type: none"> <li>• Deals with matters relating to the general running of the group, including:</li> <li>• Monitoring the weekly performance of the businesses.</li> <li>• Approving capital expenditure projects and contracts.</li> <li>• Approving treasury-related transactions.</li> <li>• Annually reviewing corporate and accounting policies.</li> </ul>
<b>Risk Advisory Group</b>	The executive directors, company secretary, head of audit and risk, and group financial controller.	Four times a year	<ul style="list-style-type: none"> <li>• Considers the group's risk management framework and risk appetite.</li> <li>• Reviews the risk registers prepared by the divisional risk committees, challenging and making changes where appropriate.</li> </ul>

## TAX

### TAX STRATEGY

Our approach to tax is aligned with our mission and core values. We are committed to being a responsible taxpayer, acting in a straightforward, open and honest manner in all tax matters and being fair and reasonable in all our dealings with tax authorities. Our approach to tax is embodied in our board-endorsed tax strategy which we have also shared with HM Revenue & Customs ("HMRC").

This strategy seeks to ensure that we comply with all tax rules and regulations, we pay the tax we are legally required to pay in the territories in which

we operate and we safeguard our reputation as a responsible taxpayer, whilst recognising that we also have a responsibility to protect shareholder value by managing our tax liabilities. The strategy also sets out our approach for managing tax risk and ensuring tax receives the appropriate consideration at board level.

We are committed to building open and honest relationships in our day-to-day interaction with tax authorities. We have a regular and positive dialogue with HMRC on all UK taxes which regularly includes advance discussion of transactions where the tax treatment is uncertain.

We have documented systems, processes and control documents to support the UK taxes we pay and the

preparation and submission of related tax returns. We also have policies and procedures which support the management of key tax risk areas. During 2011, we have further developed our policies and processes to ensure that the relationship between the group and the agents it engages is such that self-employed status is maintained.

## TAX CONTRIBUTION

In 2011, our net cash tax contribution in the UK and the Republic of Ireland was £68 million. This comprised £42 million of corporate taxes, £13 million of employer's National Insurance, £3 million of business rates and £10 million of irrecoverable VAT.

In addition, through PAYE, we accounted for tax as well as National Insurance on employees' pay amounting to a total of £34 million.

The £13 million of employer's National Insurance, the £3 million of business rates and the £10 million of irrecoverable VAT were all accounted for as administrative costs in arriving at profit before taxation. The corporate taxes were accounted for through the tax charge.

The £42 million of corporate taxes paid in cash in 2011 was higher than the current tax charge of £37.7 million shown in note 5 to the Annual Report and Financial Statements 2011. This is primarily due to the timing of corporation tax instalment payments in the UK coupled with the positive current tax impact of the transitional adjustments that arose in 2011 on adopting IFRS in the group's subsidiary accounts with effect from 1 January 2011.

## MEMBERSHIP

We continue to be an active member of a number of organisations and groups which enable us to access best practice information on social and environmental issues, and to share our experience of CR with others. These include:

- Associate Parliamentary Corporate Responsibility Group
- The Better Business Environmental Forum
- Bradford Cares
- Business in the Community
- Employer's Forum on Disability
- Opportunity Now
- National Council for Voluntary Organisations

## SUSTAINABILITY ASSESSMENTS

We continue to engage with the socially responsible investment (SRI) community through our participation in the main global sustainability indices and by responding to SRI analysts' enquiries.

This demonstrates our commitment, and success, in running our business in a responsible and sustainable way. In 2011:

- We achieved a maximum rating score of 100 in the FTSE4Good Index, making us one of the highest scoring companies in the global financial services sector.
- We were included on the Dow Jones Sustainability World Index (DJSI World) and Europe Index (DJSI Europe) for the seventh successive year. These list the top 10% and 20% of companies for sustainability from the mainstream indices.
- We were awarded a 'prime' rating from German rating agency Oekom Research AG. This means our shares will qualify for ecologically and socially-based investment by Oekom's clients.
- We are included in the Ethibel Pioneer and Ethibel Excellence Investment Registers.
- We submitted our sixth response to the Carbon Disclosure Project, which provides over 655 institutional investors representing \$78 trillion in assets with information on carbon management.
- We achieved a score of 95% and retained our platinum performance rating in the Business in the Community CR index following our eighth annual submission.

## ASSURANCE AND AUDIT PROCESS

The commentary and data contained within this report is independently assured by Corporate Citizenship against AccountAbility AA1000 Assurance Standard (AA1000AS) and the Global Reporting Initiative's G3 sustainability reporting guidelines.

Assurance is provided to reassure stakeholders that CR is well managed in our business and any data we disclose is accurate, complete and material.

An assurance statement is set out on pages 52 to 56 of this report.

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



FTSE4Good



**WE ACHIEVED A SCORE OF 95% AND RETAINED OUR PLATINUM PERFORMANCE RATING IN THE BUSINESS IN THE COMMUNITY CR INDEX**



**\*91% OF HOME CREDIT CUSTOMERS WERE  
EITHER VERY OR QUITE SATISFIED WITH THE  
SERVICE PROVIDED TO THEM**



**CUSTOMERS**

## CUSTOMERS

**2.5 million people in the UK and Ireland use our products; typically hard-working people living on modest incomes. The Consumer Credit Division has been providing small-sum loans, issued in the home and collected weekly, since 1880. Vanquis Bank issues credit cards to people often excluded by mainstream card issuers.** For more than 130 years, we have built our knowledge and tailored our products to meet the needs of our customers. At the heart of our approach is responsible lending.

With high levels of personal contact and simple transparent loans, we deliver credit that is right for our customers and achieves consistently high levels of customer satisfaction.

**2.5 MILLION  
PEOPLE AND FAMILIES  
IN THE UK AND  
IRELAND USE OUR  
PRODUCTS.**



## TARGETS 2011



Ensure that at least 80% of customers are either 'very satisfied' or 'quite satisfied' with the Consumer Credit Division and Vanquis Bank.

**Achieved. During 2011, 91% (2010: 92%) of home credit customers were either very or quite satisfied with the service provided to them, and 84% (2010: 84%) of Vanquis Bank customers rated their experience as good or excellent.**

Review and amend the tools (the System Enhanced Lending (SEL) programme and Single View of Customer (SVC) system) used in the Consumer Credit Division to support lending decisions.

**Achieved. Both the SEL and SVC tools were amended during 2011 to support lending decisions – see page 22 of this report for more information.**

Support research to examine how the current economic conditions are affecting low and middle income consumers' spending, borrowing and money management.

**Achieved. During 2011, we supported a number research projects which examined issues that are material to our sector – see page 27 of this report for more information.**

## TARGET 2012

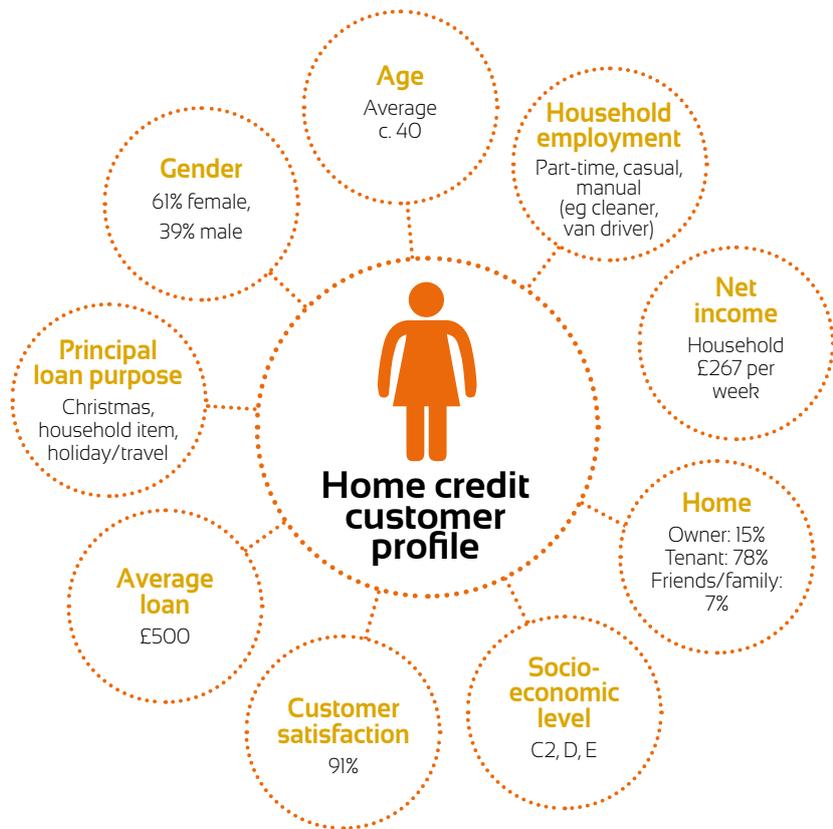


Continue to ensure that at least 90% of Consumer Credit Division and 80% of Vanquis Bank customers are either 'very satisfied' or 'quite satisfied' with their experience.

## THE CUSTOMERS WE SERVE

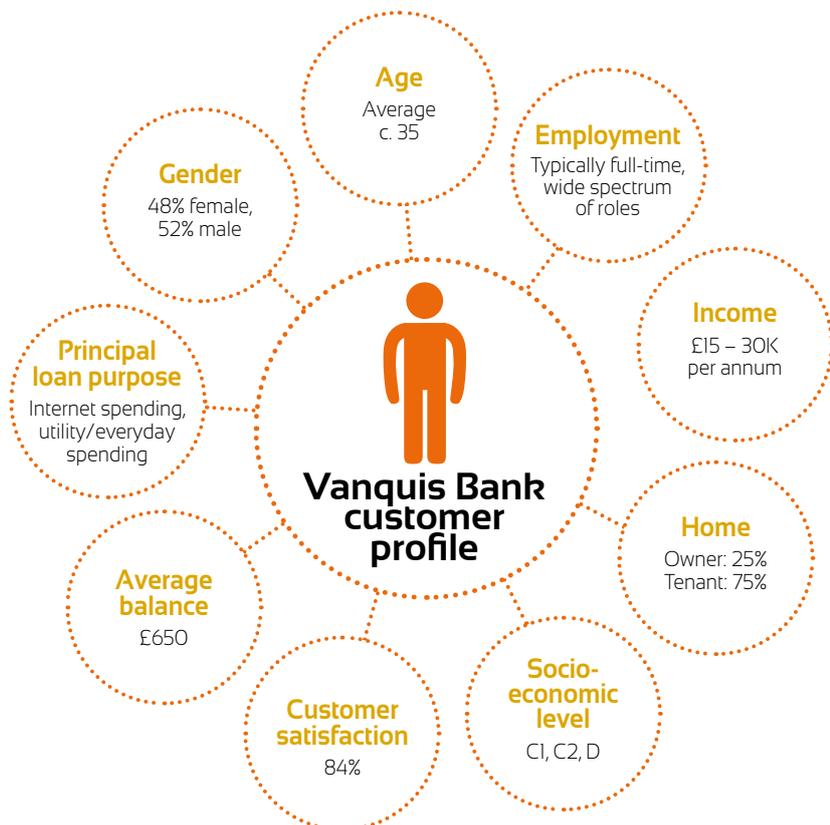
### HOME CREDIT CUSTOMERS

Our home credit customers have average to below-average incomes which are less predictable than those of borrowers in the mainstream market. Because of this, they may find it more difficult to obtain or manage other forms of finance. Home credit is popular with our customers for very clear reasons: it's personal, friendly, flexible, and is well-suited to their needs.



### VANQUIS BANK CUSTOMERS

Since 2003, Vanquis Bank has operated in the non-standard market helping people on average or below-average incomes to make simple, everyday things even easier such as supermarket shopping or on-line purchases. Many of our customers have been refused credit by mainstream card lenders because they have credit histories that are limited or uneven.



## OUR PRODUCTS

Our home credit and credit card products are built on the same tried and tested foundations and have been designed to meet our customers' needs. They differ from mainstream products in three significant ways:

- High levels of personal contact – Our home credit customers see their agent every week and Vanquis Bank keeps an ongoing dialogue with its customers by telephone. This means any difficulties or queries can be identified early, discussed with the customer and actions agreed.
- Small, straightforward loans over a short period – Each of our businesses grant simple, small-sum credit products which are transparently priced. This is what our customers want because it helps them stay in control of their finances.
- A flexible approach to collections – Our home credit loans allow customers who are experiencing financial difficulties to miss the occasional repayment or temporarily make reduced repayments at no additional cost. Vanquis Bank customers who sign up for our Repayment Option Plan can miss one repayment every six months.

## HOME CREDIT

**Operating division: The Consumer Credit Division (CCD)**

Home credit explained:

CCD offers small-sum loans – typically around £500, issued in the home by self-employed local agents supported by 400 branch offices throughout the UK and Ireland. 10,500 self-employed agents call regularly, usually weekly, on our 1.8 million customers to issue new loans and collect repayments, reaching around one in 20 households in the UK.

Unlike other forms of lending, home credit includes all the costs upfront. There are no extra charges whatsoever, even if a customer misses a payment. For those managing on a tight budget it's important to know that the amount to be repaid is fixed at the start and will never go up.

**Brands: Provident Personal Credit (PPC) and Greenwood Personal Credit (GPC)**

## PRODUCTS:

- Home credit cash loans over periods from 14 weeks to 106 weeks.
- Shopping vouchers typically over periods from 25 weeks to 48 weeks.

## HOW HOME CREDIT WORKS:

# 1

### FIRST CONTACT

Many customers hear about our home credit loans through a recommendation. Much of our new business comes from word of mouth, direct mail or is sourced through the network of self-employed agents. We are also recruiting increasing numbers through online advertising. **Responsible marketing is key to responsible lending. For more information see page 24.**

# 3

### TRANSPARENT TERMS

There are no hidden charges. The maximum amount to be repaid is clear and fixed at the start, even if the customer misses payments. **For more information about the APR of our products see page 23. 87% of our customers believe we are open about fees and 92% that we are fair.**

# 5

### BUILDING TRUST

We operate a 'low and grow' policy. First-time borrowers typically get smaller, shorter-term loans. Those able to manage their repayments become eligible for larger amounts over longer periods. **This approach works – 91% of our home credit customers said they were satisfied with their experience and 89% said we offer products that meet their needs.**

# 2

### THE AGENT'S VISIT

After receiving a request to call at the customer's home, the agent will visit to discuss the various products the company offers and make an appointment to call back. **All agents are self employed and many are former customers. For more information see page 20. In 2011 we accepted just 1 in 5 loan applications.**

# 4

### APPLYING FOR A LOAN

An agent will visit the customer in their own home to conduct affordability and creditworthiness checks, complete the paperwork required, and agree a suitable loan amount, having fully explained the loan terms and determined it to be suitable. They will then agree an appropriate collection routine to suit the customer and deliver the loan in person. **By visiting customers in their home agents can understand their circumstances and ensure they only offer what the customer can afford. For more information see page 20.**

**MANY SELF-EMPLOYED AGENTS ARE FORMER CUSTOMERS THEMSELVES AND THEY OFTEN COME FROM THE SAME COMMUNITIES AS THEIR CUSTOMERS.**

## THE ROLE OF LOCAL AGENTS

Agents are an important part of the home credit service. A network of 10,500 self-employed agents advance credit and collect payments in the communities they serve.

Many self-employed agents are former customers themselves and they often come from the same communities as their customers. As a result, they are able to build up strong, professional relationships with their customers.

The majority of the agents are female (69%) and run their agency on a part-time basis covering two to four days a week. This gives them the flexibility to concentrate on other commitments such as childcare and other part time work.

Agents are an important feature of the home credit service; the relationship they build with their customers and the knowledge they have of their circumstances means we can make the right, responsible lending decisions. Crucially, agents almost entirely earn commission on amounts repaid, so it is in their interests to lend responsibly.

The agent's weekly visit is the cornerstone of their relationship with their customers. It is not only convenient; it's also a useful reminder to put the money aside for the repayment. And if customers get into difficulty, they know they'll get a sympathetic response and help from their agent to reschedule their repayments.

To help agents deliver the home credit service, they are provided with a Starter Pack which includes a comprehensive manual, brochures on anti-money laundering and data protection, and information on safety. The agent manual, which forms part of our contract with the agent, sets out detailed information on the legal and regulatory aspects of lending and collecting, as well as the various administrative aspects of running an agency.

## ENGAGING AGENTS

An agent's role gives them privileged access to customers. It is important to us that agents are fit to carry out that role, something with which the Office of Fair Trading must also be satisfied.

To this end, agents are required to complete a 'Fit and Proper Introduction' programme. This programme sets out the procedures and detailed requirements they need to follow so that the Consumer Credit Division complies with all its legal and regulatory requirements and treats its customers properly. The programme also sets out the various administrative requirements agents need to follow in running their agency.

The 'Fit and Proper Introduction' programme uses three main tools: a buddy system, support from a development manager, and e-learning on legal and regulatory issues. Each helps to ensure the agent

understands the role, the paperwork involved, and the legal and regulatory requirements, and what they mean in practice.

Agents must comply with a wide variety of legislation including: The Consumer Credit Act 1974 (as amended), OFT Irresponsible Lending Guidance 2010, OFT Debt Collection Guidance 2006, Money Laundering Regulations 2007, Proceeds of Crime Act 2002, and Data Protection Act 1998.

## AGENT SAFETY

Whilst agents are responsible for their own personal safety, the Division assists by providing an agent safety pack which comprises a personal safety brochure, a personal alarm, a personal safety DVD, and emergency contact cards.

## HOME CREDIT THE WEEKLY ROUTINE

- Agents typically collect payments two to four days per week (Friday and Monday are the most popular days).
- Collections are 'paid-in' on either Tuesday or Wednesday. This enables reconciliation and compliance checks to be carried out, and customer payment data to be collected.
- Wednesday is processing day, when all customer behavioural score data is updated and refreshed. This helps inform discussions at the agent's weekly interview with a development manager on Thursday so that agents can plan the next week's activity.
- Development managers provide support to between 8 and 10 agents on a range of issues including products, arrears activities, compliance and agency development.
- Daily performance data, at the individual agency level, is produced at 11am each day, which helps us to manage the business on a day-to-day basis.

## MODERNISING OUR APPROACH WITH AGENTS

One of our focus areas for 2012 is to ensure that we continue to attract and engage the right agents to exacting standards and to encourage and support them in operating their agency. Whilst the core of the agent force will continue to operate their agency on a part-time basis, there is room for more agents, who see being an agent as their main source of income. Engaging and retaining good quality agents is very important in ensuring that we meet our customers' needs, lend responsibly and deliver strong financial performance.

## VANQUIS BANK

### Operating division: Vanquis Bank

Vanquis Bank explained:

Our credit card business serves almost 700,000 credit card customers - some of whom have been refused credit by mainstream lenders and would like to repair their credit rating. In 2011, Vanquis launched its retail deposit programme and now counts 4,000 savers among its customers. Its headquarters are in central

London with call centres in Chatham and Bradford which handle over 400,000 customer calls per month.

The Bank has a much closer relationship with its customers than mainstream lenders as it has much higher levels of contact and support. The Bank's employees are trained to manage the accounts of customers who are in difficulty and support them accordingly.

**Brands: Vanquis Bank Visa credit card and Vanquis Bank High Yield deposit accounts**

### PRODUCTS:

- Visa credit cards
- 1, 2, 3 and 5-year term high yield fixed-rate deposit accounts.

## HOW THE VANQUIS CREDIT CARD WORKS:

# 1

### FIRST CONTACT

In 2011, 52% of new customers came from online channels, 37% from direct mail and 11% from partner recommendations.

Responsible marketing is key to responsible lending for more information see page 23.

# 2

### APPLYING FOR A CARD

Online applicants get a provisional response within minutes. We aim to interview candidates by phone before making a final decision.

Our customers appreciate these high levels of contact - 84% rated their experience as good or excellent.

# 3

### TRANSPARENT TERMS

Every new customer receives a 'welcome pack' outlining their rights and responsibilities and offering tips on managing finances and improving their credit rating. Our website provides detailed advice.

Our customers say we are straightforward and trustworthy.

# 5

### CREDIT LIMIT

With our 'low and grow' lending policy, new customers typically receive a £250 initial credit limit. We will then review the account after four months for potential credit line adjustments. We will only provide credit line increases to accounts being managed appropriately. In no circumstances will we increase credit lines of customers who have fallen behind in making payments. When appropriate, we increase credit lines in small manageable steps.

For more information on how Vanquis makes lending decisions see page 23.

# 4

### PAYMENT CHANNELS

Payments can now be made online through internet account servicing (eVanquis) or directly at [www.vanquis.co.uk](http://www.vanquis.co.uk) for all customers. Debit card payments can be made by phone (through the Interactive Voice Response system or with a call centre operative) or a standing order or direct debit can be established to pay the account on a regular basis. Customers can also pay over the counter at The Post Office or a bank, or send a cheque by post.

We continue to develop new payment channels including in 2011 a service that allows customers to pay via SMS. [eVanquis, our new online account servicing, makes it easier for customers to manage their money online and make payments.

## RESPONSIBLE LENDING

Being a responsible lender is our most important corporate responsibility. It's in nobody's interest for us to lend more than people can afford to repay. As such, our products are structured in a way that takes account of the needs of customers on modest incomes and are delivered in a fair and responsible manner.

But what do we mean by responsible lending? For Provident, it's about continuing to deliver products that meet the needs of our customers, whilst ensuring that we do not lend in a way that they cannot afford to repay. We do this by offering simple and transparent

financial products delivered through a friendly, personal and flexible service.

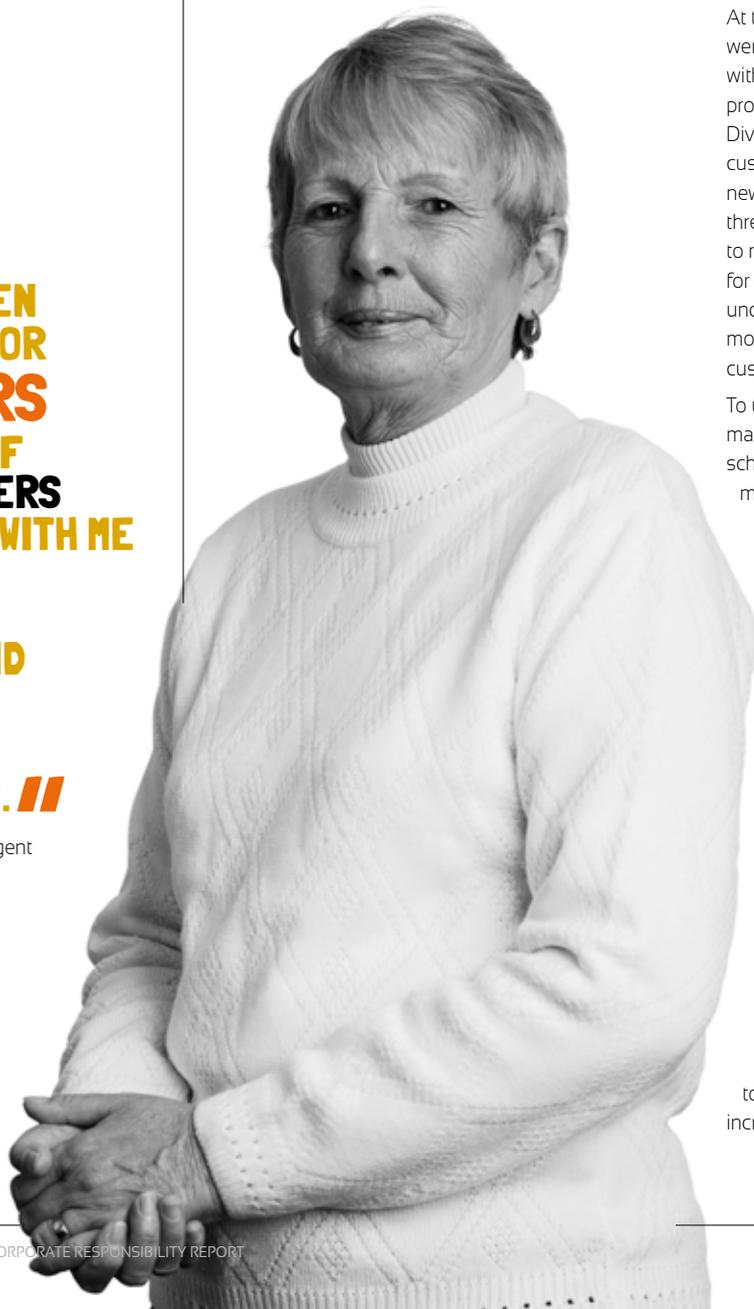
Our commitment to do this is enshrined in our corporate Treating Customers Fairly policy. This policy commits our businesses "to ensure that the group businesses operate in a manner that is aligned to the core values of the group with regard to operating responsibly and fairly and in the case of Vanquis Bank meeting the FSA's Treating Customers Fairly principles."

By lending responsibly we can help our customers to meet their repayments and keep impairment, or bad debt, to a minimum.



**// I'VE BEEN  
AN AGENT FOR  
20 YEARS  
AND MANY OF  
MY CUSTOMERS  
HAVE BEEN WITH ME  
FROM THE  
START, SO I  
UNDERSTAND  
EACH  
OF THEIR  
SITUATIONS. //**

Sandra, Home Credit agent



The decision-making processes and systems that underpin our lending decisions ensure that we issue credit to new and existing customers at the right time and at the right rate.

Both our operating businesses maintain high levels of contact with our customers through face-to-face meetings or over the telephone. This enables us to discuss any difficulties or queries that they may have at an early stage and agree a course of action to resolve them.

### CONSUMER CREDIT DIVISION

We believe that the home credit model is the best way of understanding our customers and responding to their individual circumstances.

As with other forms of credit, we carry out appropriate checks before issuing the loan including credit scoring

and examining the individual's payment history. However, the face-to-face nature of the interaction also helps inform the agent's lending decision.

Meeting the customer in their home gives the agent a good understanding of the customer's attitude to credit and what they can afford. We call this the '3 Cs', that is: character (the customer's intent to repay the loan), capacity (the customer's ability to repay the loan) and conditions (the stability of the customer's circumstances). For new customers, character is the most important consideration – it is intent to repay the loan that the agent is looking for.

Two decision support tools are used which support the underwriting process for both new and existing customers. Our System Enhanced Lending (SEL) programme, for existing and previous customers, and Single View of Customer (SVC) system, for new customers, support agents' lending decisions by filtering out higher credit risks.

At the start of the year, both the SEL and SVC tools were rebuilt. This involved redeveloping the scorecards within the tools that are used to create credit risk profiles of both new and existing customers. The Division also tightened its acceptance criteria for new customers, and it is now only accepting around 1 in 5 of new applications compared with around 1 in 3 around three years ago. This is consistent with our approach to responsible lending during these difficult times for consumers. The Division has also tightened its underwriting criteria for existing customers and is now more cautious on extending repeat or further credit to customers in some lower risk grades.

To underline our commitment to lend in a responsible manner, the Division adjusted the agents' commission scheme last year to ensure that agents focus on minimising early stage arrears.

To encourage responsible lending, agents have always earned commission almost entirely on amounts repaid rather than on loans issued.

The adjustments made to the scheme will strengthen this crucial part of our business model.

The changes include a mechanism to clawback commission paid to agents if a customer slips into mid-arrears stages or moves to the highest arrears stage. Conversely, if agents can get customers to improve from either of these trigger points they will recover the commission previously clawed back. The face-to-face relationships agents develop mean that we can take action to help customers having trouble making repayments. This is because home credit is designed to be flexible and agents can reschedule payments at no extra cost which helps our customers to manage their finances. The total amount the customer pays is fixed and cannot increase, even if a payment is missed altogether.

Of course, we ultimately want our loans to be repaid, but it is preferable and certainly possible to do this whilst taking individual circumstances into account; nobody benefits if our customers develop unsustainable debts. In the most serious cases where a customer is struggling to make the repayments, their account will be transferred to the Central Debt Recovery (CDR) department at head office.

The amended scheme has proved successful in improving CCD's impairment, with impairment to revenue reducing from 32.9% at the end of 2010 to 32.1% at the end of 2011 despite the deteriorating economic conditions.

These changes have also led to a large proportion of agents' earning more commission.

## VANQUIS BANK

Vanquis is confident about operating in a market which inherently carries more risk because of its specific and extensive experience in lending to non-standard customers. Lending decisions for mainstream credit cards are based on credit scoring and credit bureau data. Vanquis takes account of credit scores and credit bureau data but has also developed its own bespoke scoring and underwriting assessments.

Vanquis operates a 'low and grow' strategy – customers are typically given a credit limit of just £250. This allows Vanquis to observe and understand its customers' behaviour before extending limits in a responsible and sustainable manner. The bank won't increase the credit of customers who have fallen behind in making payments. When appropriate, it will increase credit limits in small, manageable steps.

Vanquis is often a 'second chance' for customers who have been declined for a credit card elsewhere. Despite this, our robust underwriting standards mean only 20% of applicants are approved.

## THE APR OF OUR PRODUCTS

People are often concerned about the APR of our products which can appear high when compared to mainstream products. But APR is not a useful reflection of our charging structure or a good measure for the small, short-term loans we provide.

APR was introduced to help people compare the cost of loans, but because our loans are structured differently to mainstream credit and include all the costs up-front, it is not a good method to use to measure the cost of our products – it is like comparing apples with oranges.

APR is not a good measure of the cost of our products for three main reasons:

- **We will lend to higher risk, lower income borrowers. Mainstream lenders are often reluctant to lend to higher risk borrowers.** Lending to those on lower incomes differs from lending to those on average or higher-than-average incomes, which is reflected in the

APR of the products offered to these consumers.

- **The charges associated with our home credit products include all costs and will never go up even if a customer misses a payment.** Lower income borrowers tend to have more volatile incomes and are less likely to have a buffer of savings. This means there is a higher chance that at some point during the course of a loan they will be unable to make a payment. When fees or charges are added to a low APR product - whether it is a loan, credit card or overdraft - the cost to the borrower can quickly match or exceed that of loans with a much higher APR where charges are not made for a missed payment. The potential risks to lower income borrowers of using mainstream credit have been highlighted in research for the Financial Inclusion Taskforce.
- **Our home credit business provides the small, short-term loans our customers want and can afford.** Mainstream lenders tend to lend larger amounts over longer periods. Our home credit customers want to borrow relatively small amounts over short periods of time and want to repay weekly and often in cash. As APR looks at the annual cost of loans and our loans are often for shorter periods this makes comparison difficult.

## MAINTAINING HIGH LEVELS OF CUSTOMER SATISFACTION

Customer satisfaction is one of the key performance indicators we use to measure whether we are delivering our business strategy and acting responsibly in our relationships with our 2.5 million customers.

We measure customer satisfaction as the percentage of customers surveyed who are satisfied with the service they have been given. With 91% of home credit customers and 84% of Vanquis customers happy with their experience, we are delighted that customer satisfaction remains high.

## COMPLAINTS

The other measure of customer satisfaction is customer complaints. We take all complaints seriously and our operating businesses seek to resolve them in a professional and timely manner. Both operating divisions have clear complaint-handling processes and procedures including set timescales to deal with complaints.

Our focus is to deal with customers' grievances sympathetically and seek to resolve them as soon as possible. If a customer's complaint is not resolved to their satisfaction, they may refer the complaint to the Financial Ombudsman Service (FOS), the details of which are provided to all customers.



## CUSTOMER SATISFACTION

Year	% of home credit customers either very or quite satisfied with PPC/GPC	% of Vanquis Bank customers rating their overall experience as good or excellent
2011	91	84
2010	92	84
2009	94	86
2008	95	88

## CUSTOMER COMPLAINTS

Year	% of customers who have made a complaint to PPC/GPC	% of customers who have made a complaint to Vanquis Bank
2011	6	3
2010	6	9
2009	6	13
2008	4	7

**“PROVIDENT USE CK EDRUPT TO ADMINISTER REPAYMENT ARRANGEMENTS ON ITS BEHALF. THIS ARRANGEMENT HAS LONG BEEN PRAISED BY ADVISERS WHOSE EXPERIENCE IS THAT ACCOUNTS ARE TRANSFERRED EFFICIENTLY, AVOIDING DISRUPTION TO EXISTING ARRANGEMENTS. AS A RESULT OF THIS EFFICIENT TRANSFER, THE NUMBER OF LETTERS AND CALLS ADVISERS HAVE TO MAKE IS REDUCED AND SUSTAINABLE REPAYMENT ARRANGEMENTS FOR CLIENTS CAN BE ACHIEVED MORE QUICKLY.”**

*Source: How to do the right thing: Examples of good practice that help consumers address and overcome period of financial difficulty, 2011, A Citizens Advice publication produced by the Addressing Financial Difficulties good practice working party and funded by the British Bankers' Association*

During 2011, the total number of complaints referred to the FOS was 940. Of these, 71 (8%, 2010:15%) were resolved in favour of the complainant. This percentage is significantly lower than the average for all businesses within the financial services sector which stands at over 40%.

## ENGAGING WITH CUSTOMERS TO COLLECT DEBT

From time to time, some of our home credit customers experience difficulty in making payments through no fault of their own. For example, their income may change as a result of reduced hours, redundancy, illness or death of a partner.

Because the agent has the relationship with our home credit customers, they know whether the customer has a long or short-term problem and therefore what the appropriate response should be. In most cases, the customer misses a couple of repayments until their financial situation has improved. And because our products include all charges upfront, this is done at no extra cost to our customer.

There are cases however, where a customer, in spite of all efforts to assist them, either cannot or will not co-operate with the efforts of the agent or local management. In these cases the account is transferred to the Central Debt Recovery (CDR) department at head office. The CDR department includes a firm of solicitors, CK Edrupt, who undertake work to contact the customer and re-establish payment.

Our focus is, as always, to be fair, responsible and straightforward and treat our customers with courtesy. We let the customer know what they must do to either pay the balance in full or in instalments. In some instances we accept repayment instalments of as little as one or two pounds a week.

Debt recovery will always be a tricky area for us and our customers. Despite this CK Edrupt and the Consumer Credit Division have been recognised for positive customer service by the main free money advice providers including AdviceUK and Citizens Advice.

If correspondence has been sent and payments have not been made or maintained the Consumer Credit Division will take legal action providing several criteria have been met, for example, suitable employment or residency information has been confirmed.

The processes at Vanquis Bank with credit card customers who fall into arrears are different. The Bank's collections strategy is designed to help customers stay on track and uses a combination of letters, telephone calls, SMS text messages and emails to engage with them. Vanquis's internal collections team, called Impact Collections Services, engages with customers who are in arrears for up to four months, and uses a range of innovative channels to enable them to make payments.

These include facilities that allow customers to make payments online or via SMS text.

The staff in the Bank's collections team are trained to manage the accounts of customers who are in difficulty so they can be given appropriate support.

If, having used their internal processes to engage with the customer, it is still not possible to secure payments from them both operating businesses will 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. DCAs only claim commission on the payments they collect. Both the Consumer Credit Division and Vanquis Bank place accounts with a DCA and if they have not been able to make an arrangement for repayment, the accounts are passed to a second DCA for further recovery action.

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

## POLICY AND REGULATION

The legislation affecting our business, both as part of the financial services sector and as a non-standard lender, is constantly changing and evolving.

We have in-house legal teams across our business that ensure our lending processes and procedures, and our marketing activities, comply with all relevant legislation and codes.

These teams are supported by a number of committees and functions in both the Consumer Credit Division and Vanquis Bank. These include:

- Credit committees in both divisions which implement the credit policies and monitor credit performance.
- The Treating Customers Fairly committee in Vanquis Bank which is responsible for embedding the Financial Services Authority's Treating Customers Fairly initiative within its operations.
- Risk management and compliance functions which are responsible for the identification and management of risks, and ensuring compliance with laws and regulations.

All relevant employees continue to receive compliance training on a range of regulatory issues. This ensures that marketing and lending practices are conducted in a responsible manner. This training is delivered to employees via our intranet-based learning management system or formal training sessions.

## CURRENT REGULATORY FRAMEWORK

- **Office of Fair Trading and the Consumer Credit Act (CCA)** – The CCA and the supporting regulations and guidance cover all aspects of credit transactions from advertising to debt recovery. Our home credit businesses and Vanquis Bank hold consumer credit licences issued by the OFT who also ensure compliance with the CCA.
- **Financial Services Authority (FSA)** – Vanquis Bank holds a banking licence and is regulated by the FSA. Regulation covers a number of areas comprising: (i) code of conduct; (ii) treating customers fairly (TCF); (iii) regulatory capital requirements; (iv) liquidity requirements – including the requirement to hold a liquid assets buffer; and (v) monthly and quarterly reporting to the FSA.
  - As the parent of a regulated bank, Provident Financial itself is the subject of consolidated supervision by the FSA. This means we are subject to regulatory capital requirements and quarterly reporting to the FSA.
  - Vanquis Bank continues to ensure that the six outcomes of the FSA's TCF Initiative are embedded into all aspects of its business activities. Monitoring performance using 'dashboards' enables the Bank to determine its progress on the six TCF outcomes.
- **The Department for Business, Innovation and Skills (BIS) and HM Treasury (HMT)** – the policy recommendations made by BIS and HMT frequently relate to and affect the financial services sector. In 2011, this included proposals to restructure the regulatory regime for financial services and a review of consumer credit and personal insolvency.
- **Central Bank of Ireland** – Provident Personal Credit Limited holds a licence issued by the Central Bank of Ireland and is regulated by the Consumer Credit Act 1995, the European Communities (Consumer Credit Agreements) Regulations and the provisions of the Consumer Protection Code for Licensed Moneylenders.
- **EU Consumer Credit Directive and OFT's Irresponsible Lending Guidance** – the OFT's Irresponsible Lending Guidance was updated in February 2011 to reflect the EU Consumer Credit Directive. This introduced and formalised a number of rights and obligations for lenders and customers:
  - the need to provide customers with adequate pre-contractual explanations of the product;
  - a duty for lenders to assess customer affordability and creditworthiness before an agreement is entered into;
  - amendments to the form and content of pre-contract information and credit agreements; and
  - a right for the customer to withdraw from a credit agreement, request a statement of account, and rights to partial early settlement rebates.

This required significant changes to the Consumer Credit Division's IT systems, processes and documentation throughout the branch and agent network and could only be completed with the hard work of our 3,000 field employees and 10,500 agents.

## FUTURE REGULATORY LANDSCAPE

- **Financial services regulation** – The Government is in the process of reviewing the way financial services are to be regulated. The outcome will be the creation of three key institutions, including the new Financial Conduct Authority (FCA), which will have responsibility for the conduct of firms, markets regulation and consumer credit regulation. The government published a Financial Services Bill in January 2012 which includes provisions enabling the transfer of responsibility of consumer credit regulation from the OFT to the FCA, whilst retaining the existing consumer rights and protections contained in the CCA. The Government has stated that it will exercise these powers if, and when, it has identified a mode of FCA regulation that is proportionate for the different segments of the credit market.
- **Research into a cap on the total cost of credit** – As part of its review of consumer credit and insolvency, the Government is researching the concept of a cap on the total cost of credit for certain 'high cost' credit products. These include pay day loans, pawnbroking and home credit. The findings are expected during late summer 2012.

## PREVENTING MONEY LAUNDERING AND FRAUD

Both our operating businesses have policies, controls and procedures to anticipate and prevent money laundering or the financing of terrorism. Both have appointed a nominated Money Laundering Reporting Officer (MLRO), who receives and considers internal disclosures of suspicious activity from within the business, and delivers activity reports to the Serious Organised Crime Agency (SOCA).

Both businesses continually monitor that all transactions are consistent with their knowledge of the customer and their business. Training in money laundering awareness is regularly provided to employees and other business stakeholders, including agents.

The MLROs produce an annual report setting out the procedures in place, reporting on compliance, and highlighting any areas of concern.

To ensure internal compliance, our internal audit function periodically carries out independent audits on the efficacy of the anti money laundering measures in place in both subsidiary businesses, and a formal audit

# 6 TCF OUTCOMES

THE FAIR TREATMENT OF CUSTOMERS IS CENTRAL TO THE CORPORATE CULTURE

PRODUCTS AND SERVICES ARE DESIGNED TO MEET CUSTOMER NEEDS AND ARE TARGETED ACCORDINGLY

CUSTOMERS ARE PROVIDED WITH CLEAR INFORMATION AND ARE KEPT INFORMED BEFORE, DURING AND AFTER THE POINT OF SALE

WHERE CUSTOMERS RECEIVE ADVICE, THE ADVICE IS SUITABLE AND TAKES ACCOUNT OF THEIR CIRCUMSTANCES

CUSTOMERS ARE PROVIDED WITH PRODUCTS AND SERVICES THAT PERFORM AS FIRMS HAVE LED THEM TO EXPECT

CUSTOMERS DO NOT FACE UNREASONABLE POST-SALES BARRIERS

**WE CONTINUE TO WORK WITH AND SUPPORT A WIDE RANGE OF MONEY ADVICE AND FINANCIAL EDUCATION ORGANISATIONS ACROSS THE UK.**

report is produced. Issues raised as part of the audit process are categorised, and actions agreed are put in place with designated individuals responsible for the actions. Issues are tracked for completion and updates are provided to the subsidiary businesses, the Risk Advisory Committee (RAC), and Audit Committee of the Provident Financial plc board.

The Consumer Credit Division and Vanquis Bank also have teams in place who deal with first- and third-party fraud, financial crime, and disputed transactions. Each has systems and procedures in place to identify and block unusual transaction patterns.

## SUPPORTING THE MONEY ADVICE SECTOR

We continue to work with and support a wide range of money advice and financial education organisations across the UK.

Despite lending responsibly, sometimes our customers may have problems repaying their debts to us and others. We make financial contributions to support the work of a range of free and voluntary money advice organisations, share platforms at discussion events at national conferences and attend sessions with regionally-based money advice liaison groups.

### MONEY ADVICE ORGANISATIONS SUPPORTED DURING 2011

Organisation	Nature of support
<b>AdviceUK</b>	Our funding supports the National Money Advice Co-ordinator's work. This includes developing money advice policy and strategy and providing practical support in response to the 400 consultancy enquiries from network members.  Our funding also helped AdviceUK provide support to voluntary sector advice organisations in England and Wales such as local and regional advice networks across the South West.
<b>Christians Against Poverty (CAP)</b>	Through our 'Fairshare' agreement with CAP we contribute almost 12% of any payment we receive from a customer who has entered into a debt agreement plan with the charity. This helps to fund debt counselling through CAP's network of 125 church-based centres. We paid £13,545 (2010: £7,523) to CAP in 'fairshare' contributions.
<b>Citizens Advice</b>	Our funding helps the Specialist Support money advice team at Citizens Advice and their partners deal with 4,802 of the most complex cases. The telephone and online individual case consultancy deals with the clients' cases through help with legislation, case law, court process, access to journals and tactics.  Citizens Advice Specialist Support also provides a range of support to money advisers. This includes networking events, a bi-monthly debt advice newsletter which attracts over 2,000 readers, and training and development opportunities.
<b>Consumer Credit Counselling Service (CCCS)</b>	Our 'Fairshare' contributions of almost 12% enable CCCS to provide free, independent advice to people in financial difficulty. In 2011, the Consumer Credit Division made 'fairshare' contributions of £134,335 (2010: £130,888) and Vanquis Bank made contributions of £47,779 for the first time.
<b>Institute of Money Advisers (IMA)</b>	Our funding enabled the IMA to deliver nine training sessions and workshops at their two-day annual conference. Topics included business debts, combating fuel poverty and promoting financial inclusion.  Our funding also paid for new membership system software to help the IMA operate more efficiently and improve the service it provides.
<b>Money Advice Liaison Group (MALG)</b>	With our funding, MALG run regional meetings to improve communication, understanding and good practice between advisers and creditors.
<b>Money Advice Scotland (MAS)</b>	In 2011, we once again supported MAS's annual conference. Around 250 people involved in money advice and the credit industry attend the event which is the largest training event for the sector.  Our funding also enabled MAS to maintain its status as an 'approved centre' for the delivery of Advice and Guidance Vocational Qualifications and Professional Development Awards in Money Advice which is accredited by the Scottish Qualifications Authority.

Education can go a long way to prevent people from getting into financial difficulties. We also work with more specialised organisations on a range of financial education initiatives, including:

Organisation	Nature of support
<b>Credit Action</b>	Our funding helped Credit Action cover their core costs. This enabled it to engage with and educate adults on money matters through their website, 'moneymaterials' and other information and advice. Credit Action also used our funding to produce their 'Debt Statistics' report which gives figures and information on debt and finance in the UK. The report is widely used by industry, the media, charities and lobby groups.
<b>DebtCred</b>	We provide funding to DebtCred to enable them to continue delivering money education workshops in schools throughout the UK. DebtCred aim to improve young people's confidence and skills in managing their finances through events such as finance fairs and accredited training. Our funding was also used to roll out the DebtCred Volunteer Educator programme in Kent. The Volunteer Educator programme connects volunteers from financial organisations with schools in the local area to deliver financial education workshops. Through the programme eight volunteers from Vanquis Bank attended a training day run by Credit Action to prepare them to deliver financial capability training to students aged 11-16.

We share an interest with these and other money advice groups in the financial behaviour of those on lower incomes. This understanding helps us develop appropriate products and make responsible lending decisions. To this end, we continue to support publicly available, independent research that will contribute to increasing the quality and availability of free, independent money advice in the UK. During 2011, this included:

- **'Facing the Squeeze'**, commissioned by the Money Advice Trust and undertaken by the Personal Finance Research Centre (PFRC) at the University of Bristol.

The research focussed on how individuals and families across the UK are dealing with the harsh economic climate. The findings suggest that there needs to be a greater awareness of the signs of financial strain that lead to financial difficulties. There also appear to be gaps in understanding about what money and debt advice services exist.

- **'Towards a nation of savers: understanding and overcoming the challenges to saving on a lower income'**, commissioned the Financial Inclusion Taskforce and undertaken by the PFRC.

The research looked at how people could be helped to prioritise saving over spending and how they can be encouraged to move from saving informally to saving formally. The study found ambivalence towards saving and a perception among non-savers that saving is not the social norm.

- **'Savings on a Shoestring: A whole new approach to savings policy'**, undertaken by the Social Market Foundation.

The research analysed the previous Government's efforts to promote saving and lessons for future public policy makers. This research calls for creativity from policy-makers, banks and businesses to develop savings policy for people who are not regular savers.



**OUR CREDIT  
CARD BUSINESS  
SERVES  
ALMOST  
700,000  
CUSTOMERS**



**\*OUR EMPLOYEES  
RECEIVED  
12,610 TRAINING  
DAYS IN 2011**



**OUR PEOPLE**

## TARGETS 2011



Review training content and address any identified gaps to ensure responsibilities for managing diversity and the benefits of a diverse workforce are understood by all employees.

**Achieved.** More than 25 HR managers received training that was developed and delivered by the Employers' Forum on Disability. Also, the Consumer Credit Division's training programme was reviewed during 2011 and a framework developed to embed diversity content into relevant existing training material. See page 31 for more information.

The Consumer Credit Division to make proposals to promote diversity in the business and improve under-represented groups.

**Achieved.** The Consumer Credit Division undertook a review during 2011 of its diversity performance in areas of the UK with high numbers of black and minority ethnic communities in order to identify opportunities to improve diversity performance. See page 30 for more information.

Identify the benefits and constraints around tracking of job applicants and appointments in the recruitment process and make recommendations to progress.

**Partial progress.** The Consumer Credit Division determined that its recruitment website would need to be developed to enable it to track job applicants. The Division did, however, establish links with partner organisations in Bradford that will provide it with opportunities to recruit a more diverse workforce.

## OUR PEOPLE

**In 2011, our workforce continued to grow and now includes over 3,700 people across the UK and Ireland. Our employees are a key stakeholder and play a fundamental role in developing and delivering products that meet the needs of our 2.5 million customers.** To run our business successfully, we need to attract talented individuals and provide a working environment that nurtures and develops them. We do this by creating a workplace that is safe, inclusive and meritocratic: where we recognise and reward our employees' contributions, provide opportunity for development, and listen and respond to our employees' views. In this way we enable our people to meet their own personal goals as well as respond to the needs of our customers.

The human resources (HR) departments within our two divisions are responsible for helping our employees fulfil their potential through training and performance management. They are also responsible for issues such as diversity, health, safety and well-being. HR play a prominent role in embedding our CR programme within our businesses and sit on a number of our CR committees and working groups.

# TARGETS 2012



Investigate how management practices and HR processes can be improved to increase the number of women in senior roles.

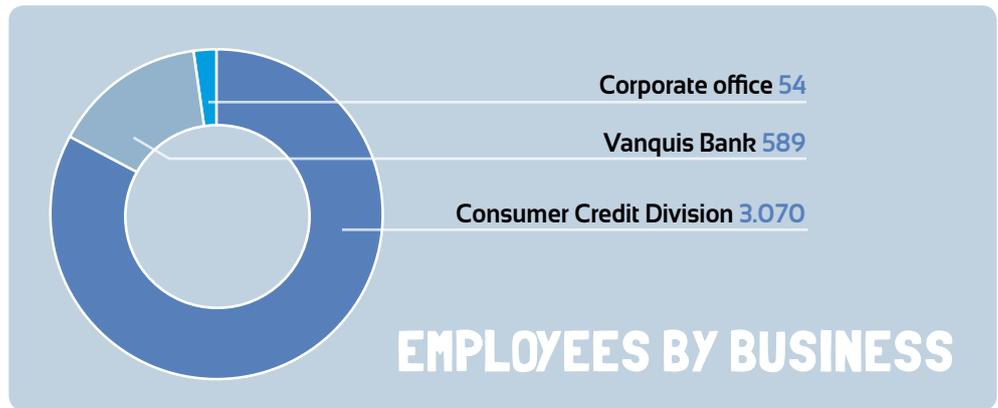
Review recruitment practices to attract a more diverse mix of job applicants – to include black and minority ethnic (BME) and younger candidates, and more women in senior roles.

Establish links with the Bradford Metropolitan District Council, local education institutions and training providers to help young people to develop employability skills.

Work with local partners to attract young people to the organisation through apprenticeships, work experience and graduate placements.

Finalise diversity training content and update existing training programmes for new starters and those who have been promoted.

Ensure that 25% of the wider senior management group is female by 2015.



## ENSURING A DIVERSE WORKFORCE

We are committed to ensuring that the recruitment, promotion and treatment of all employees is based only on their merits and abilities. We strive to ensure that no applicant or employee receives less favourable treatment on the grounds of race, nationality, religion, gender, sexual orientation, gender reassignment, pregnancy and maternity, age or disability.

We continued to build on the work we carried out in 2010 to ensure our workforce is diverse, inclusive and broadly representative of the populations of the UK and Ireland. We use a wide range of indicators to measure and monitor the diversity of our workforce (see charts).

While the gender split of our workforce as a whole is fairly equal this does not carry forward into management. Currently 14% of our senior managers are female. This is lower than the figure for managers or senior officials who are female in England and Wales as a whole which, according to the Office of National Statistics (ONS), currently stands at 32.54%\*. We are committed to ensuring that women within the group are given the opportunities to progress to senior management roles. As such, we have set a target to ensure that 25% of the wider senior management group is female by 2015.

\*This figure is based on the ONS Annual Population Survey (October 2010 to September 2011)

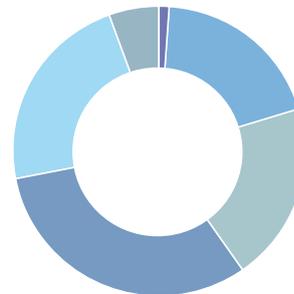
## PROPORTION (%) OF FEMALE EMPLOYEES

Year	Female employees
2011	51
2010	54
2009	50
2008	50

## PROPORTION (%) OF FEMALE STAFF IN MANAGEMENT ROLES

Year	Female staff in management roles	Female staff in senior management roles
2011	28	14
2010	29	9
2009	28	10
2008	28	7

## AGE OF OUR WORKFORCE



Age	Percentage
Under 20	2.4%
20-29	19.9%
30-39	20.2%
40-59	30.2%
50-59	22.4%
60+	4.9%

In 2010, we collected management information on diversity in the Consumer Credit Division and corporate office, covering almost 85% of our workforce. Since then we have established systems to capture more diversity information and established a baseline that will enable us to set targets. In 2012, we want to look for ways to attract younger people as well as candidates from black and ethnic minority groups. This will involve working with a range of partners that are local to our

## % OF BLACK AND MINORITY ETHNIC STAFF

Year	% of black and minority ethnic staff
UK	10.7*
2011	9.5
2010	7.4
2009	5.2
2008	5.2

\* This figure is drawn from the ONS Annual Population Survey (July 2009 to June 2010) and is based on the % of the economically active population from black and minority ethnic groups.

business premises, in particular our head office in Bradford, to ensure that our workforce is representative of the populations in the UK and Ireland. Disability is also a key issue for our employees.

By 2020, it is predicted that nearly 60% of people in their 50s will have a disability. It is therefore important for businesses to respond to the needs of disabled stakeholders, either as employees or customers.

2.2% (2010: 2.6%) of our employees have declared a disability. We continue to improve our working environment for disabled people. Employees who have a disability are encouraged to discuss their requirements for reasonable adjustments in their working environment with their line manager and our HR officers.

We are members of the Employers' Forum on Disability and receive regular updates on its work which are forwarded to all HR personnel across the business. During 2011, we commissioned the Forum to develop and deliver a workshop to over 25 HR managers. The training aimed to build their knowledge of disability by considering the policy, procedural, legal and practical issues. During 2012, the Consumer Credit Division will undertake work to embed a component on managing workplace diversity issues into existing, relevant training material. The focus of this training will be to ensure that all staff understand their responsibilities and the benefits of having a diverse workforce.

## TRAINING AND DEVELOPING OUR PEOPLE

Through training and development we can provide a working environment in which our employees can both develop personally and contribute to the ongoing success of the business.

During 2011, employees across the group received a total of 12,610 training days. This equates to 3.6 days of training per employee. Although this is an increase on last year (2.4 days), it is still below the UK median figure of 5.0 days per employee (Chartered Institute

of Personnel and Development 2011 training and development survey).

Training generally falls into three categories: role-based, developmental and compliance. Comprehensive learning and development programmes enable employees to understand our businesses, do their jobs and develop new skills. These range from induction training, which includes an overview of our CR programme, to a five-day management training programme to introduce new development managers to all aspects of their job.

## COMPLIANCE

Legal requirements are constantly changing. To support our customers and business it is vital that our employees understand their and the business's legal and regulatory responsibilities. With that in mind, we constantly refresh our employees' training and knowledge to ensure compliance.

We delivered a significant amount of compliance training in 2011. This was due to the changes in our systems and processes to implement the EU Consumer Credit Directive and the Office of Fair Trading's Irresponsible Lending Guidance.

Compliance training, in particular, is supported by learning management systems which are accessed via the intranets in both subsidiary divisions. These systems enable employees to access learning modules on compliance issues such as data protection and anti-money laundering.

## DEVELOPMENT

Development of our people is necessary to ensure employee satisfaction and our business success. Both our operating businesses have performance management and career development processes. These processes help identify development opportunities in line with an employee's current role, future aspirations and the business's requirements.

Both CCD and Vanquis deliver leadership and management programmes that have been approved by the Chartered Management Institute and Institute of Leadership and Management respectively. These programmes enable our employees to gain formal qualifications while developing skills they will use now and in future roles. They also play a key role in our succession planning and are focused on retaining and developing future senior managers and leaders.

## SALARY AND BENEFITS

Many aspects of our business help us to attract and retain the right people, including our commitment to CR; however, the salary, rewards and benefits we offer are clearly important too.

In addition to the salaries we pay, we also provide our employees with a range of benefits. These include: childcare vouchers, holidays over the statutory requirement, discounted public transport season tickets,

**DEVELOPMENT OF OUR PEOPLE IS NECESSARY TO ENSURE EMPLOYEE SATISFACTION AND OUR BUSINESS SUCCESS.**

## 2011 AVERAGE SALARIES

### GRADE 1

**Director and senior executive**  
**£214,950** (2010: £199,309)

### GRADE 2

**Senior managers**  
**£79,244** (2010: £78,433)

### GRADE 3

**Other managers**  
**£39,903** (2010: £39,010)

### GRADE 4

**Other employees**  
**£20,532** (2010: £19,219)

### ALL

**All employees**  
**£26,174** (2010: £25,018)

## % EMPLOYEES LEAVING

Year	% employee leaving
2011	13.9
2010	16.7
2009	6.8
2008	15.9

## MANAGING ABSENCE

Business unit	Average number of days lost to absence per employee
Consumer Credit Division and corporate office	6.7 (2010: 7.1)
Vanquis Bank	7.1 (2010: 7.5)
CIPD average for all organisations	7.7 (2010: 7.7)

and bonus and incentive schemes. In addition, 1,356 (2010: 1,398) employees are currently saving money through our savings-related share option scheme.

Salary, rewards and benefits are linked to appraisals and performance management and we offer non-financial rewards too. Both operating divisions recognise contributions that have had a positive impact on the business through reward and recognition schemes.

## PENSIONS

We have two main pension schemes: the final salary and cash balance sections of the Provident Financial Staff Pension Scheme, and the PFG Retirement Plan.

All new employees are invited to join the PFG Retirement Plan. Under the plan, employees contribute 3-8% of their pensionable salary while Provident contributes 5-10%. The plan, allows employees to incorporate social, ethical and environmental considerations into their pension arrangements by choosing to invest in an ethical fund.

## EMPLOYEE TURNOVER

Employee turnover can be a good indicator of employee satisfaction. In addition, the costs relating to loss of skills and recruitment can be significant. As a result, we try to minimise avoidable employee turnover by creating a working environment that develops and supports our employees.

Total employee turnover in 2011 was 13.9%, down from 16.7% in 2010. According to the CIPD's 'Resourcing and Talent Planning' survey, this is about average for the private sector.

## HEALTH, SAFETY AND WELL-BEING OF OUR PEOPLE

We are committed to maintaining a healthy and safe working environment for our employees and operating our businesses in accordance with health and safety legislation.

This commitment is underpinned by group-wide and local policies. These policies cover all aspects of employee health, safety and well-being and are available on our intranet sites, employee handbooks and through our induction programmes.

Our health and safety policies and standards are audited annually by our insurers based on the requirements of OHSAS 18001. Our health and safety teams also carry out internal audits to ensure that our policies are implemented, being adhered to and suitable.

Steering groups manage health and safety across the business. They regularly produce reports on health and safety performance and this information is reported

direct to the board. The steering groups plan a range of health and safety activities and initiatives which are run locally by health and safety representatives. In 2011 these activities included:

- guides for employees and agents
- 'Current Best Approach' documents which recommend the best ways of dealing with health and safety issues at work
- biannual personal safety campaigns
- annual computer-based training for both employees and agents

To promote employee well-being, we have an Employee Assistance Programme (EAP). The programme, which is operated by an external company, is open to all employees and their family members. The EAP provides support on issues like bereavement, legal matters, health, illness and stress.

## PROVIDENT FINANCIAL ACCIDENT RATES

	2011	2010
Total number of reportable accidents	6	7
Number of reportable accidents per 100,000 employees*	172.3	205.0
Total number of non-reportable accidents	120	141
Number of non-reportable accidents per 100,000 employees*	3,446.1	4,128.7

\*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.

## MANAGING ABSENCE

By managing and understanding the reasons for absence we can support our employees' well-being and increase the productivity of our business.

Both the Consumer Credit Division and Vanquis Bank have policies and procedures in place to monitor and measure rates of absenteeism. These are supported by guidelines and training which help line managers deal with absenteeism and monitor the underlying causes.

## EMPLOYEE REPRESENTATION AND ENGAGEMENT

It is essential that our employees are engaged and informed about what the business is doing. But communication goes both ways and we also need to listen to our employees, understand their concerns and take on board any suggestions. This ensures they are

committed and motivated, and brings benefits to our business.

With over 400 branch offices across the UK and Ireland, we have to use a variety of channels to communicate with employees; these include intranet sites, newsletters and e-bulletins. We also have formal employee representation structures to ensure our employees' views are shared with management and included in decision-making processes. These are:

- The Consumer Credit Division's Business Consultation Group (BCG) – The BCG is made up of 25 elected representatives from across the Division.
- Vanquis Bank's Employee Forum – Forum representatives are elected every two years by their colleagues.

## WHISTLEBLOWING

To ensure our business is run in a fair, ethical way, our employees need a way to raise concerns or complaints regarding business conduct or malpractice.

Safecall is a 24-hour whistleblowing helpline. It is operated by an independent third party to ensure impartiality and confidentiality and all calls are reported to the board's Audit Committee. Details of Safecall are displayed on our intranet sites and on notice boards.



**// I HELPED TO TRAIN STAFF AT THE NEW CONTACT CENTRE IN BRADFORD. IT WAS A BRILLIANT OPPORTUNITY TO DEVELOP MY OWN MANAGEMENT AND COACHING SKILLS. //**

Harry, Vanquis Bank contact centre operative, Chatham

Agents can also access details of the helpline from posters that are displayed in our branch offices.

In 2011, 2 calls (2010: 8 calls) were made to Safecall. All have been investigated and resolved internally.

## TRADE UNION RECOGNITION

The Consumer Credit Division recognises two trade unions: Unite and USDAW. The trade union representatives are responsible for overseeing all trade union membership and are consulted and negotiated with by the company where applicable.

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





**\*WE ASSESSED 17  
OF OUR TOP 100  
SUPPLIERS IN 2011**



**OUR SUPPLIERS**

## TARGETS 2011



Gather information on the CR performance of the Consumer Credit Division's top 100 suppliers.

**Partial progress. We have completed 17 assessments and will continue in 2012, see page 36.**

Identify opportunities to support suppliers that are local to our head office to improve their environmental performance.

**Achieved. We continued to support the Better Business Environment Forum, see page 37 for more information.**

Continue to ensure that our suppliers are paid within their agreed terms.

**Achieved. We continue to ensure that our suppliers are paid within their agreed terms.**

Review the arrangements with couriers in the Consumer Credit Division to identify opportunities to improve our environmental performance.

**Not achieved. An alternative environmental target has been developed for 2012, see page 49.**

## OUR SUPPLIERS

In 2011, the procurement spend of the group was £100.3 million (2010: £89.7million). This means that suppliers are an important stakeholder group who have a great influence on our CR performance through the social and environmental impacts of the products and services they supply. The main areas of procurement spend include information technology, professional services, and vehicles and other equipment. It also includes the commission that is paid to agents. For more details about agents see page 20 in the Our Customers section.

**IN 2011**  
**THE PROCUREMENT**  
**SPEND OF THE**  
**GROUP WAS £100.3**  
 **MILLION**

# TARGET 2012



**Continue to gather information on the CR performance of the Consumer Credit Division's top 100 suppliers.**

**Reduce total annual third party courier mileage by 5% by the end of 2012 through location analysis and the use of combined collection points.**

**Add car models to the Consumer Credit Division's fleet list which extend the choice of vehicles with emissions of <160 g/km.**

**Launch an employee vehicle scheme which offers a cost effective method of obtaining new, lower emission cars for our non-fleet drivers.**

## SUPPLY CHAIN MANAGEMENT

As a responsible purchaser, we aim to treat our suppliers fairly and with respect, and pay them for the goods and services we use in a prompt manner. We also aim to purchase products and services that are ethically sound and have good sustainability credentials.

When selecting suppliers, we consider their social, environmental and economic performance alongside cost and other factors. This is built into procurement policies and procedures at group and subsidiary level. In particular:

- Our corporate procurement and outsourcing policy states that our 'procurement processes must involve due consideration for the ethical management processes, the environment policies and other corporate social responsibility of the supplier to ensure that there are no conflicts with group culture, relevant policies and core values.'
- Our group code of ethics states that 'all fundamental human rights should be respected and, in the conduct of our business, should be guided by the provisions of the United Nations Universal Declaration of Human Rights and the International Labour Organisation core standards.'

Representatives from the procurement functions in our subsidiary businesses sit on our CR working groups. As members of these groups, they are responsible for ensuring that CR is embedded within our supply chain management processes. They also sit on the environmental working groups to ensure that our suppliers and contractors are engaged on issues that relate to our environmental management programme.

## SUPPLIER CR PERFORMANCE ASSESSMENTS

Our procurement teams use a self-assessment CR questionnaire at the pre-qualification or invitation to tender stages of the procurement process. The questionnaire covers issues such as business integrity, governance, environmental performance, equality, diversity, and health and safety.

The questionnaire helps us understand our suppliers and their sustainability policies, commitments and performance. This enables us to determine any sustainability risks in our supply chain and helps us procure products and services that have positive social, environmental and ethical impacts. If issues of non-compliance are raised, they are referred to the group CR manager for approval.

In 2011, we began a programme of CR assessments looking at the Consumer Credit Division's top 100 suppliers using our CR self-assessment questionnaire.

This work will enable us to understand any sustainability risks in our supply chain, raise our suppliers' awareness of our CR commitments, and provide information on the sustainability of the products and services we procure. To date, 17 suppliers have been assessed and the programme will continue in 2012.

We also conduct periodic audits of suppliers to verify their compliance with legislation and our policy commitments. In 2011, we carried out site visits and audits of the companies responsible for waste management and disposal at our head office.

In 2012, we intend to review the courier arrangements in the Consumer Credit Division. This will determine whether there is scope to make environmental improvements by eliminating unnecessary courier journeys.

## PROMPT PAYMENT

We are committed to paying for goods and services that are provided to us in a prompt manner. Prompt payment is an important issue as late payment can cause serious cash flow problems, especially for small businesses.

While our subsidiary businesses do not have standard payment terms, we endeavour to pay suppliers within any terms agreed.

## REDUCING THE CARBON INTENSITY OF OUR ENERGY

In 2011, we used our supplier CR assessment processes to help us select a new energy provider for our new head office and the Consumer Credit Division's branch network. By assessing the sustainability credentials of energy providers, we have been able to identify providers that will help us to reduce the carbon intensity of the energy we use and continue our programme to install smart meters in our branch offices. We will choose the new supplier in 2012.

## CONTINUING TO SUPPORT LOCAL BUSINESSES

Throughout 2011, we continued to support Bradford Chamber's Better Business Environment Forum (BBEF). BBEF works in partnership with environmental agencies and experts to promote environmental awareness and good practice to organisations across West Yorkshire.

BBEF has been operating for nineteen years, helping local companies find ways to reduce waste, energy use and greenhouse gas emissions, conserve raw materials, comply with legislation, and promote good practice.

BBEF is a not for profit organisation which offers its members confidential environmental advice, monthly updates and bulletins, signposting to funding and specialist support, and access to events and seminars. 2,500 people subscribe to BBEF's newsletters and over 1,000 people have attended BBEF events and training since 2009.

During 2011, BBEF delivered events on the new 2011 Waste Regulations, green buildings, environmental management systems, and carbon footprinting, as well as providing practical information on environmental improvements and cost savings.

**WE AIM TO  
TREAT OUR  
SUPPLIERS  
FAIRLY  
& WITH  
RESPECT  
AND PAY THEM  
IN A PROMPT  
MANNER.**





**\*WE SUPPORT 34  
COMMUNITY PROJECTS  
THROUGH GOOD  
NEIGHBOUR**



**COMMUNITY**

# TARGETS 2011



Increase the number of three-year funded projects by 30% in 2011.

**Achieved – We are supporting nine new projects an increase of 36% on 2010.**

Publish output and impact data for the Good Neighbour programme.

**Achieved – output and impact data can be found on page 43.**

Implement the London Benchmarking Group (LBG) measurement and evaluation standard to the Vanquis Bank community programme.

**Partial progress – An LBG workshop was delivered to Vanquis Bank staff during 2011 and processes implemented to enable them to collect 'top-line' community involvement data which adheres to the LBG guidelines. Further work will be undertaken during 2012 to embed the standard within Vanquis Bank.**

Monitor the impact of national and local government cut-backs on our community partners.

**Achieved – We held meetings with all our community partners to monitor the impacts of national and local government cut-backs. See page 44 for more details.**

Review all one-off employee volunteering projects carried out in 2009 and 2010 and investigate potential new support activities.

**Achieved – All employment volunteering activities were evaluated during 2011 to determine how the skills of our head office staff could be aligned with new volunteering initiatives. See page 26 for more details.**

## COMMUNITY

**Our business mission underlines our commitment to play a positive role in the communities we serve. We want to help make the communities in which our employees and customers live and work to become safer and more vibrant places.** Our mission is supported by a group-wide community involvement policy which commits our businesses to invest in community involvement programmes that are aligned with the group's mission, values statement and business activities, and supports and encourages employees to participate in community involvement activities.

Our approach to community involvement reflects the fact that we have a presence in almost every town and city in the UK and Ireland. These towns and cities differ greatly so we work with a variety of community partners to address a wide range of issues depending on the local community's needs. It also underlines our commitment to use our community involvement programmes, to train, develop and motivate our employees.

### OUR COMMUNITY INVOLVEMENT STRATEGY

The strategy behind our community involvement activities comprises two strands:

- Helping to address the social inclusion needs of people who live in deprived communities.
- Supporting the money advice sector to address issues such as financial education and carry out research into matters which relate to our customers. For more information about our work with the money advice sector please see page 26.

### HOW WE GET INVOLVED IN OUR COMMUNITIES

The vast majority of our community involvement activities are delivered through our Good Neighbour programme. Established in 2009, Good Neighbour builds on the presence we have in almost every town and city in the UK and Ireland.

The success of the programme depends on the people we have on the ground in communities from Dundee to Dublin and Bradford to Bristol. Our people identify the projects which we can support and which meet the needs of their community. As such, our community involvement activities reflect the variety of issues affecting the communities we work in and for – including crime prevention, unemployment and low levels of educational attainment, and health and well-being.

# TARGETS 2012



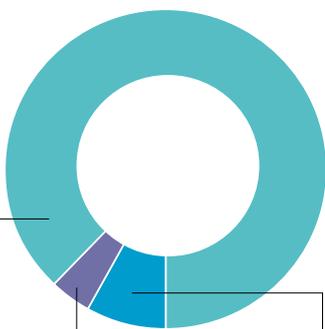
**Trial a new methodology to demonstrate the alignment of the Good Neighbour programme to the company mission statement and values.**

**Obtain external accreditation for our employee volunteering team leader training.**

**Expand our external measurement and evaluation programme to include financial education and 'number partner' programmes.**

**FOR MORE INFORMATION ABOUT OUR WORK WITH THE MONEY ADVICE SECTOR PLEASE SEE PAGE 26.**

## INVESTMENT IN OUR COMMUNITIES



**Value of employee time: £67,802**  
(2010: £73,772)

**Cash: £1,468,827**  
(2010: £1,237,180)

**Total management costs: £132,718**  
(2010: £157,035)

Through Good Neighbour we deliver support in three ways:

- Local community project support – we identify and support projects for one or three years
- Employee volunteering – our employees take part in a range of company-led volunteering initiatives.
- Employee matched-giving – employees can apply for grants to match the fundraising and volunteering activities they undertake outside work.

Vanquis Bank also run a separate 'Active Community Programme' to encourage employee volunteering and support local and international charities.

## INVESTING IN OUR COMMUNITIES

In 2011, we made donations for charitable purposes of £1,291,459 (2010: 1,190,619). The group invested a further £377,888 (2010: £277,368) in support of community programmes (based on the London Benchmarking Group's guidelines).

## GOOD NEIGHBOUR

During 2011, the number of three-year projects we supported rose by nine, bringing the total to 34. These new projects are:

### • BRADFORD AND DISTRICT SENIOR POWER

– Bradford and District Senior Power (BDSP) works to represent older people's needs, ensure that they have a safe, secure and healthy lifestyle, and combat poverty and isolation amongst elderly people in Bradford. Our three-year funding will cover the running of BDSP's office and support activities to increase membership, in particular the production of their three-monthly newsletter which is distributed to 650 members.

### • BE INVOLVED, BRADFORD

– Be Involved (formerly the Bradford Business Brokerage) is a private partnership between Bradford Chamber, Bradford Council, and the voluntary and private sectors. It promotes responsible business practices by providing information, advice and practical support to businesses. Be Involved's volunteering programme sends 1,500 business volunteers into the community every year including several hundred Provident Financial staff. Our funding will be used primarily to support the main volunteering programme and subsidise transport. This will allow Be Involved to develop the volunteering programme and will enable small businesses, who may not be able to make a financial contribution, to access the programme.

### • CEN8, NEW CROSS, LONDON

– Creative Enterprise Network 8 (CEN8) works with young people from disadvantaged communities in east London to inspire and develop creativity. In 2010, we

gave £10,000 to help CEN8 set up their academy. The academy helps young people into employment in the creative industry through further education, apprenticeships and work experience, and gives them the opportunity to present and showcase their work. Our new, three-year partnership will be used to extend the membership of the academy, develop relationships with local colleges and universities, grow the online community, and launch a virtual academy.

### • JOSHUA PROJECT, BRADFORD

– The Joshua Project works in Great Horton and the surrounding areas, some of the most economically deprived areas in Bradford and indeed the UK. The project provides safe and self-esteem enhancing activities for 9-18 year olds, directed by the young people themselves. Our support will fund the Project Director and part of the Operations Officer's post enabling them to continue the project's work including running five open youth clubs a week, working with young offenders, providing education and debt support, and delivering a range of sporting activities.

### • ROYAL LYCEUM, EDINBURGH

– The Lyceum Theatre aims to engage young people in creative activities. Our partnership will support its new 'Discover' project. The project will provide weekly high quality drama sessions for 9-12 year olds who cannot easily access the theatre because of financial and social reasons. Our funding will be used to recruit a part-time Youth Theatre Trainee to develop and run the project. 'Discover' is being run in partnership with three other community organisations: Whale Arts Agency, North Edinburgh Arts Centre and Venchie.

### • ST PETROCK'S, EXETER

– St Petrock's supports and encourages people who are homeless or inadequately housed to improve their circumstances and take more control of their lives. Our funding will help set up Project Petrock, an independent Co-operative Community Interest Company. This will help people who are, or have recently been, homeless get back into employment, education or training by offering volunteering opportunities, improving confidence and self-esteem, and giving additional support.

### • SYCAMORE ADVENTURE, DUDLEY

– Sycamore Adventure provides free, public access play sessions to 1,400 children from Dudley. Our funding will ensure the continuation of free public access play sessions by covering the cost of a sessional play worker, contributing towards running costs, and helping develop the paid services which help fund the charity.

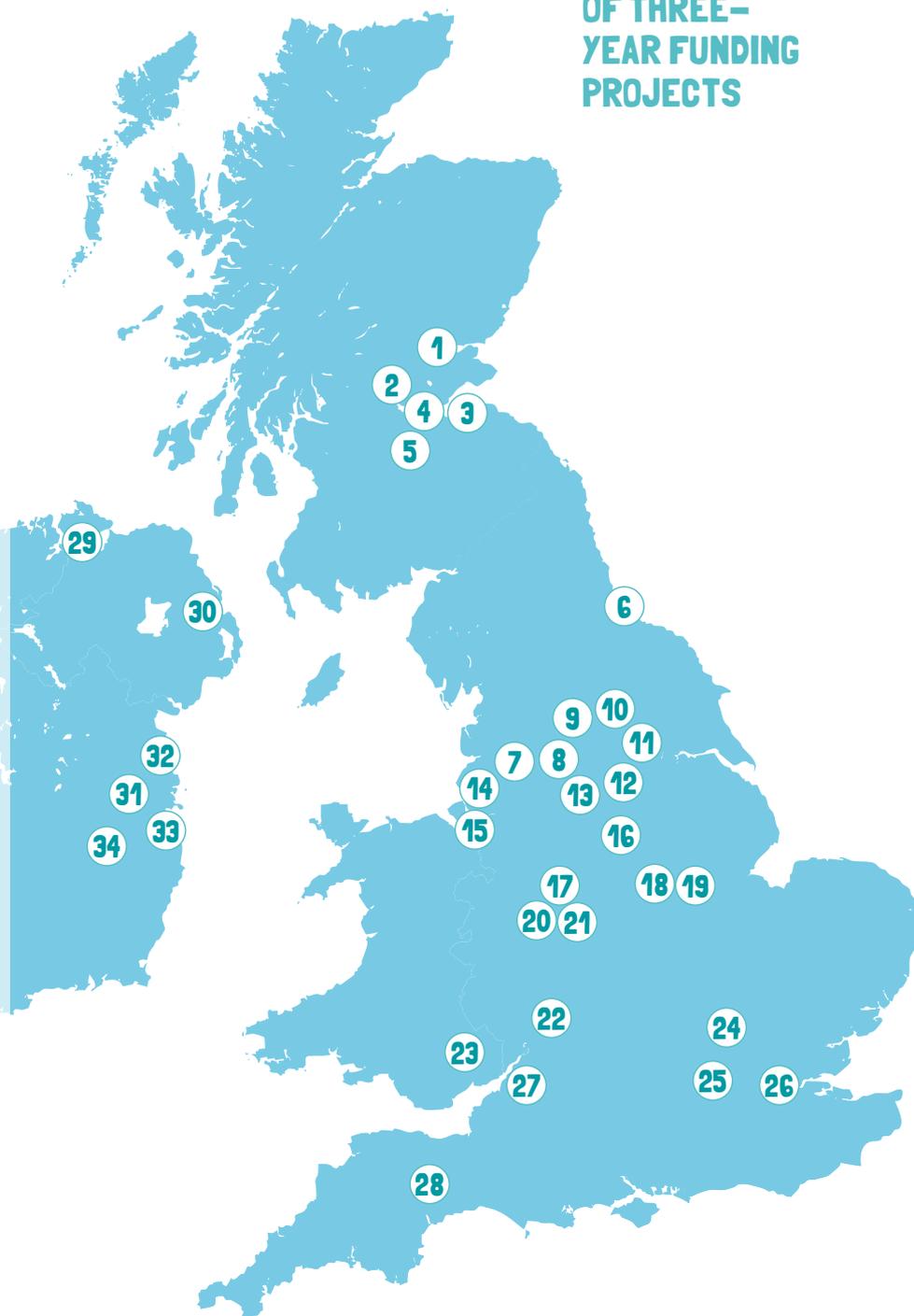
### • SYCAMORE PROJECT (ZAG'S BAR), BOLTON

– The Sycamore Project engages young people in long-term constructive activities that develop positive attitudes, self-esteem, aspiration and facilitate personal development. Our funding will support a gap year scheme. The scheme will recruit four people

## OUR COMMUNITY INVOLVEMENT

**34**  
THE NUMBER  
OF THREE-  
YEAR FUNDING  
PROJECTS

1. **Boomerang**, Dundee
2. **Scottish Youth Hostel Association**, Stirling
3. **The Venchie Children and Young People's Project**, Edinburgh
4. **The Royal Lyceum**, Edinburgh
5. **Made4U in ML 2**, Wishaw
6. **Stockton Borough Council**, Stockton-upon-Tees
7. **Sycamore Project (Zac's Bar)**, Bolton
8. **Be Involved**, Bradford
9. **Scholemoor Beacon**, Bradford
10. **Joshua Project**, Bradford
11. **Holmewood Executive**, Bradford
12. **Sedbergh Youth and Community Centre**, Bradford
13. **Bradford and District Senior Power**, Bradford
14. **Northfield Sports Association**, Bootle, Merseyside
15. **Sefton Enterprises Ltd**, Sefton, Merseyside
16. **Yorkshire Dance**, Rotherham
17. **Sycamore Adventure**, Dudley
18. **New Parks Club for Young People**, Leicester
19. **Mowmacre Young People's Play and Development Association**, Leicester
20. **Project for the Renewal of Druids Heath**, Birmingham
21. **Shard End Youth and Community Centre**, Birmingham
22. **The Door**, Stroud
23. **Riverfront Theatre**, Newport, Wales
24. **Battersea Arts Centre**, London
25. **Ahoy Centre, Deptford**, London
26. **CEN 8, New Cross**, London
27. **Baggator**, Bristol
28. **St Petrocks**, Exeter
29. **REACH Across**, Londonderry
30. **Hostelling International Northern Ireland**, Belfast
31. **Solas After School Project**, Dublin
32. **Early Focus Project**, Dublin
33. **An Oige**, Dublin
34. **Laois Partnership, Portlaoise**, County Laois





**OUR APPROACH TO COMMUNITY INVOLVEMENT REFLECTS THE FACT THAT WE HAVE A PRESENCE IN ALMOST EVERY TOWN AND CITY IN THE UK AND IRELAND.**

each year to work with the organisation, bringing new skills and giving the recruits experience working with young people. The funding will also allow the Sycamore Project to maintain and further develop their work rather than reduce provisions in response to funding cuts.

- **YORKSHIRE DANCE, ROTHERHAM** – Yorkshire Dance champions the development of dance in Yorkshire. Our funding will support a grass-roots dance development project for boys in Rotherham - engaging the boys with dance and technology, to increase their knowledge and skills and raise their confidence and aspirations.

We also provide one-off funding to projects across the UK and Ireland. In 2011 these included:

- Funding to enable Milltown Foroige Club to buy much-needed computer equipment so they can keep the community and other clubs up-to-date with developments.
- Contributing to the general running costs of the Londonderry Citizens Advice Bureau.
- Funding the refurbishment of a room used by Outreach 3 Way, a Sussex-based charity supporting people with learning disabilities, to enable it to facilitate the delivery of more activities.

- Funding the expansion of a new service called Breaking The Cycle, offered by Veronica House, which offers therapeutic sessions to children who have been seriously affected by the domestic abuse they have witnessed.
- Giving funding to the charity Volunteer Reading Help to enable it to provide literacy support to 15 children in east Kent.

## ARE WE BEING A GOOD NEIGHBOUR?

Evaluating the community and business benefits of our community involvement is key to ensuring that we are investing in the right places and continually improving. The projects we started funding in 2010 reported these top-line results:

### GROUPS & HOW OUR FUNDING HAS HELPED

**Battersea Arts Centre**, London, delivers free creative workshops, talks and assemblies to partner secondary school and youth offending teams.

- The delivery of **Homegrown**, a programme of weekly workshops in music, theatre and dance for 12–25 year olds.
- The provision of drop-in style creative workshops for members of the community who want to try something new.

**The Door**, Stroud, offers mentoring and personal support to build young people's confidence and address issues such as drug and alcohol abuse.

- Delivery of a mentoring programme working with families to help parents provide support to young people on a range of issues.
- Empowering parents and young people to become healthier, more economically proficient and improve their emotional resilience.

**Laois Partnership**, Portlaoise, County Laois, helps disadvantaged individuals achieve a better standard of life including the unemployed, older people, people with disabilities, single parents and young people at risk.

- A dancing project has been introduced for older people, single parents and young people at risk.
- Laois have recruited a dance professional to hold dance workshops in four areas throughout the county. The workshops will help build the self-confidence of those left out of mainstream society.

**Mowmacre Young People's Play and Development Association**, Leicester, promotes the personal development of young people through sports, arts and crafts including a Friday night club, a holiday arts project and residential camping trips.

- 108 sessions and events have been facilitated which over 5,300 children and young people have attended.
- As a team challenge, Provident employees cleared debris from a local spinney and installed a seating area in Mowmacre's playground.

**Northfield Sports Association**, Bootle, Merseyside, promotes good health and educational achievement through sports coaching for 6-18 year olds.

- A community development officer has been employed who has developed strong links with the local community and other agencies.
- The range of services offered to the local community has increased, including activities during school holidays.

**Project for the Renewal of Druids Heath's** regeneration worker promotes community involvement and improvements.

- Support for a range of youth and children's activities including residential breaks, teaching basic life skills, encouraging team building, and environmental awareness schemes.
- Celebrations for the royal wedding brought the community closer and created a more positive atmosphere.

**REACH Across**, Londonderry, provides positive developmental opportunities to 14-17 year olds vulnerable to the influences of sectarianism, anti-social behaviour, drugs abuse and gang violence.

- 100 people experienced positive changes in their behaviour with reductions in sectarian behaviour and young people showing greater respect to each other.
- 30 people gained qualifications in a variety of areas including level one drugs awareness, first aid certificates and catering qualifications.

**Riverfront Theatre's** Aspire programme delivers arts education to schools and community groups across Newport and engages 16-18 year olds who are not in education, employment or training in visual and performing arts.

- Work with eight primary schools, one special-needs school and a number of community groups across Newport.
- 680 people have directly benefitted from Good Neighbour supported programmes in the past year.
- 400 people have experienced a positive change in their behaviours and attitudes.
- 600 people have experienced a direct positive impact on their quality of life.

**Scholemoor Beacon's** Community Sport Development Officer organises a range of community sports and activities and develops sport and recreational facilities on the Scholemoor estate in Bradford.

- Regular sport and recreation activities for all ages and groups has helped break down barriers and support social cohesion.
- Sessions on issues such as education, health and employment have contributed to the community and people's social development.



// WE FEEL THAT WE ARE TRULY IN A PARTNERSHIP WITH PROVIDENT. THEY NOT ONLY PROVIDE FUNDING, THEY SUPPORT AND CARE IN SO MANY WAYS. //

**Brendan Conboy**,  
Chief Executive, The Door, Good Neighbour Partner in Stroud





**94%**  
THE PERCENTAGE OF  
VOLUNTEERS

who experienced an increased sense of satisfaction and well-being following their team challenge.

**689**

The number of employees that took part in volunteering activities in 2011 (2010: 615)

**4,324**

The total number of employee volunteering hours

**Stockton Borough Council's** Countryside and Greenspace team is working with resident and friends groups helping them improve their areas of open or green space.

- A much-needed play area has been developed on an underused playing field creating a safe, secure, environment for children to play in.
- Strong links have been established with secondary schools and other community partners who are now better engaged in the Council's community development schemes.

**The Venchie Children and Young People's Project**, Edinburgh, provides morning, afternoon and evening activities based around play, recreation and issue-based youth work.

- The number of children benefiting from the services has quadrupled as a result of a new kitchen, mini-bus, gym hall equipment and dress-up clothing.
- A new 20-man tent now provides a space to hold breaks during the two summer camping trips

## ACTIVE COMMUNITY PROGRAMME

At Vanquis we use our Active Community Programme to support international and local charities and provide employee volunteering opportunities.

Close to Vanquis's London Headquarters we work with the Tower Hamlets Education Business Partnership. This programme gives our employees the opportunity to volunteer to provide reading assistance to school children. Near our Chatham call centre, our 'Active Kids Breaks' initiative enables local schoolchildren to experience educational, social, cultural and recreational activities within a youth hostel setting.

At an international level, Vanquis continues to provide support to communities in Nairobi, Kenya. In 2011, the Bank established a new charity, called Hatua, which means 'a step' in Kiswahili. Hatua will build on Vanquis's work with Teach Africa and secure places for children from the slums of Nairobi at the best high schools in Kenya. More information about Hatua can be found at [www.hatua.net](http://www.hatua.net).

## EMPLOYEE VOLUNTEERING

We encourage employees from across our group to participate in their communities by volunteering and through matched funding. In 2011, 689 employees (2010: 615) from across the group got involved in volunteering initiatives.

Our policies not only encourage volunteering but highlight how it can be used to train and develop staff. Our team challenges give employees the chance to support their local communities by refurbishing and regenerating community spaces and promote team building.

We have given our employees the opportunity to provide one-to-one reading support to schoolchildren for the last three years. Following a review of our employee volunteering activities, we have introduced an initiative called 'number partners'. This allows our staff to provide mathematics support to pupils in schools close to our head office. During 2011, eleven head office staff volunteered to take part in the 'number partners' initiative.

We also encourage employees to get involved in volunteering initiatives independently – offering match funding grants for fundraising activities.

**Holme View Team Challenge** – In August 2011, 47 members of the Consumer Credit Division's finance team took part in a team challenge at the Holme View Residential and Day Care Centre on Bradford's Holmewood estate. The team built six new allotment plots which will give users of the centre and members of the local community the opportunity to grow their own fresh produce.

## EVALUATING OUR COMMUNITY INVOLVEMENT ACTIVITIES

We continue to evaluate the efficacy of all the parts of our community involvement programme so that we can understand the impact of our activities.

During 2011, we also held meetings with all the community partners we support through the Good Neighbour programme to, among other things, determine whether national and local government cut-backs were impacting the way they deliver services to the people they serve.

These meetings revealed that these cut-backs had caused a shortfall in funding for some partners. As a result we initiated further discussions with our community partners on how the financial support we provide to them can best be used to get funding from additional sources. The amount of money acquired by our community partners during 2011 as a direct consequence of the financial support we provide to them came to £1,029,799.

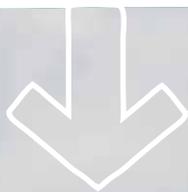
**Community projects – key numbers:**

- **43,172** The number of people who have benefited from the support provided by the projects we have funded through our Good Neighbour programme.
- **34,556** The number of people who have accessed new services or activities as a result of the support they have received through Good Neighbour-funded projects.
- **23,597** The number of people who developed new skills as a result of their involvement in the programmes supported by Good Neighbour.
- **3,202** The number of people who received direct benefits as a result of the work undertaken via team challenges in 2011.
- **92.5%** The percentage of volunteers who experienced an increased sense of satisfaction and well-being following their team challenge.

**“THIS WAS A GREAT OPPORTUNITY TO BUILD ON PROVIDENT’S PREVIOUS WORK ON THE ESTATE. THE LOCAL COMMUNITY HAS BEEN SO ENTHUSIASTIC ABOUT THE ALLOTMENTS WE BUILT AND NOW HAVE EVEN MORE SPACE TO GROW THEIR OWN PRODUCE.”**

**Olga Rayner**, Provident employee and Good Neighbour team leader





**\*WE HAVE REDUCED  
OUR ENERGY USE BY  
33% SINCE 2008**



**ENVIRONMENT**

# TARGETS 2011



## Energy

Reduce energy consumption by 15% by 2013 based on 2008 levels

**Achieved – energy use data can be found on page 48.**

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

**Achieved – see page 49 for details.**

## Greenhouse gas emissions

Continue to identify opportunities to offset the carbon dioxide emissions associated with our transport activities.

**Achieved – see page 49 for details.**

Continue to disclose information to stakeholders on the carbon intensity of our business activities.

**Achieved – see page 48 for details.**

Establish a baseline relating to the carbon dioxide emissions associated with our waste management activities.

**Not achieved – This target was not pursued during 2011 because of the lack of conversion factors to enable carbon dioxide emissions to be calculated.**

Establish a baseline relating to the carbon dioxide emissions associated with our use of couriers.

**Not achieved – This target will be pursued during 2012. See page 49 for more details.**

## Transport

Make more fuel-efficient and hybrid vehicles available to company car drivers

**Achieved – A wide range of fuel-efficient and hybrid vehicles are now available and we have introduced an incentive scheme to encourage company drivers to choose them.**

## ENVIRONMENT

The impact our business activities have on the environment is small compared to that of businesses in other sectors. Despite this, we endeavour to minimise our environmental impacts where possible. Our main environmental impacts are the energy we use to power our buildings; business travel; waste, in particular paper; and the CO<sub>2</sub> emissions associated with all of these.

We manage these impacts through our environmental management programme and regular reviews ensure we are dealing with the most material issues. Our environmental management programme is supported by an annual audit process and is overseen by working groups who maintain a register of our environmental aspects and impacts.

Our focus for environmental management is internal because, as we don't ask our customers how they spend their loans, we have limited opportunities to develop green products.

**OUR CORPORATE ENVIRONMENTAL POLICY HAS BEEN IN PLACE FOR OVER A DECADE.**



# TARGETS 2011



Establish a steering group to manage the travel plan at our new head office.

**Achieved – see page 49 for details.**

## Paper

Develop proposals to reduce the amount of paper used in our back office functions.

**Partial progress – A modernisation programme is being delivered across the Consumer Credit Division which will contribute to reducing paper use.**

## Waste

Review the waste management arrangements in place within the Consumer Credit Division's network of branch offices to identify opportunities to minimise the amount of waste that is sent to landfill and maximise the amount that is recycled/reused.

**Achieved – see page 50 for details.**

## Communications and stewardship

Attain ISO 14001 accreditation for our new head office.

**Achieved – Certification was achieved in April 2011, see page 48 for more information.**

Continue to encourage individual employees to reduce their environmental impacts with particular emphasis on recycling, energy efficiency and waste reduction.

**Partial progress – During 2011, details of Provident's environmental commitments were included in a staff newsletter article.**

## ENVIRONMENTAL MANAGEMENT

Our corporate environmental policy has been in place for over a decade. It underlines our commitment to manage the direct and indirect environmental impacts of our operations.

We do this not just because it's the right thing for us to do. It also enables us to manage regulatory and reputational risks, and benefit from the cost savings associated with energy and resource efficiency and improved waste management.

Responsibility for managing our environmental impacts lies with a number of environmental working groups. These groups oversee our environmental management and consist of representatives from a range of functions, including facilities management, HR and procurement.

They are also responsible for the setting of environmental objectives and targets, and assist in the development and delivery of activities to ensure that there is continual improvement in our environmental performance.

This is supported by our environmental management system (EMS) which has been in place for over a decade and covers 100% of our operations. The EMS enables our divisions and departments to understand their impacts on the environment, manage these in a structured way, and evaluate and improve their environmental performance.

## ENVIRONMENTAL AUDIT

Our EMS is independently audited each year. The scope of the audit covers the business activities of our Bradford-based head office, a small sample of the Consumer Credit Division's branch offices, and Vanquis Bank's business premises in London and Chatham, Kent. As part of the audit we also ask the area managers in our branch offices to complete a questionnaire about compliance.

The aim of the audit is twofold: to verify our performance against the requirements of ISO 14001; and to assess our compliance with environmental legislation and our policy commitments. The audit also provides us with practical help on how we can improve the effectiveness of our environmental programme and verifies the accuracy, completeness and relevance of the data that underpins our EMS.

Although we have used ISO 14001 as an audit framework for many years, we have never sought formal certification. However, in April 2011, we obtained formal certification to ISO 14001 for our new head office in Bradford.

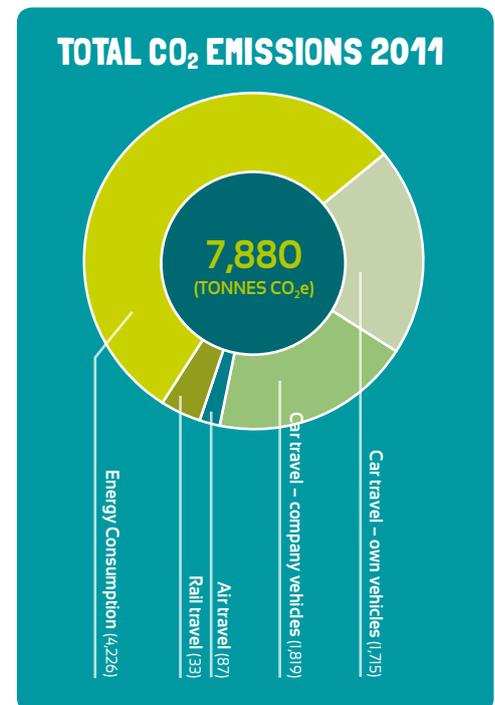
## MONITORING AND REPORTING OUR CARBON EMISSIONS

Managing our carbon footprint is a key part of our environmental management programme.

In recent years this area has become of increasing interest to the investment community, non-governmental organisations and other stakeholders.

We therefore measure and benchmark our carbon footprint, adhere to best practice in carbon management and reduction, and disclose information on our performance. We do this via this CR report and through submissions to the Dow Jones Sustainability Indices and Carbon Disclosure Project (CDP). Details of our CDP submissions can be found at [www.cdproject.net/](http://www.cdproject.net/)

We have reduced our carbon footprint by 25% in the last 4 years (from 10,525 tonnes of CO<sub>2</sub> in 2008 to 7,880 tonnes in 2011), reducing the carbon intensity of our operations, products and services. We do this by improving efficiency, purchasing electricity from renewable sources, offering more fuel efficient and hybrid vehicles, and offsetting our carbon emissions.



# TARGETS 2012



## Paper

Reduce energy consumption by 15% by 2015 based on 2010 levels.

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

Introduce a new, renewably sourced, electricity supply contract across the corporate office and Consumer Credit Division branch network.

## Greenhouse gas emissions

Continue to identify opportunities to offset CO<sub>2</sub>e emissions associated with travel.

Continue to disclose information to stakeholders on the carbon intensity of our business activities.

Reduce total annual third party courier mileage by 5% by end 2012 through location analysis and combined collection points.

## Transport

Undertake an annual survey of head office staff to understand how they travel to and from work and what the company can do to encourage the use of more sustainable forms of transport.

## Paper

Ensure that 100% of the direct marketing mail and transactional mail is printed on sustainably sourced paper by end 2012.

## Waste

Introduce dry mixed recycling (DMR) throughout the Consumer Credit Division's branch network and reduce waste to landfill by 20% by end 2012.

## Communications and stewardship

Introduce an intranet site which encourages employees to reduce their own environmental impacts.

## ENERGY USE

Managing our energy consumption is an important issue for our businesses. As well as reducing our impact on climate change, energy efficiency offers opportunities to reduce costs.

During 2011, energy use across the group decreased by 25% compared with the previous year to 9,115 MWh (2010: 12,135 MWh).

The data we collect on energy use comes from two main sources: direct from meter readings and via the electricity and gas bills we receive on a regular basis.

Towards the end of 2011, we initiated work to find an electricity supplier for our head office and Consumer Credit Division's 400 branch offices. To reduce the carbon intensity of our operation we intend to purchase electricity derived from renewable sources.

To help us improve the accuracy of the energy usage data we collect from across our business premises, we are continuing a programme of work to install 'smart' meters in the branch offices of the Consumer Credit Division. This programme will be taken on by our new energy provider.

## ENERGY CONSUMPTION

Year	Head office and Vanquis Bank energy consumption (MWh)	CCD branch energy consumption (MWh)
2011	4,229	4,886
2010	5,410	6,725
2009	6,331	8,572
2008	6,677	7,309

## TRAVEL AND TRANSPORT

With offices across the UK and Ireland, travel is vital to our business – so it is important that we manage it effectively. We continue to measure and monitor flights, train travel, car journeys and the fuel used by company drivers. This enables us to manage the environmental impacts that relate to our business travel activities, as well as calculate and report the associated CO<sub>2</sub> emissions.

The data we capture relates solely to the business-related activities of employees. It does not include agents' travel.

The total CO<sub>2</sub> emissions associated with business travel was 3,654 tonnes, down 22.4% on 2010 (4,709 tonnes). This reduction was achieved despite an increase in the number of air miles travelled by employees.

Air travel has risen predominantly due to an increase in short-haul flights between UK and Ireland. However, the car miles travelled by employees and fuel used by company car drivers have continued to fall and the level of rail travel has remained relatively stable.

Our commitment to reducing the environmental impact of travel extends to the way our employees commute. During 2011, we established a travel plan management group to oversee the travel plan for our Bradford city centre head office. The plan aims to encourage employees to use alternatives to single car occupancy on their commute to work.

The group ensures that resources are available to implement the plan, updates the plan, and oversees key elements, for example, a public transport season ticket scheme. The group also coordinates an annual staff travel survey to understand travel behaviour and the barriers preventing people from using more sustainable alternatives.

## AIR TRAVEL

Year	Air travel (miles)
2011	413,372
2010	344,089*
2009	358,950
2008	338,410

## RAIL JOURNEYS

Year	Rail travel (miles)
2011	359,077
2010	360,076*
2009	312,340
2008	255,984

## EMPLOYEE CAR TRAVEL

Year	Employee own car travel (miles)
2011	5,206,111
2010	8,363,142
2009	8,512,014
2008	7,802,046

\* Data restated to reflect more accurate information

**THE TOTAL CO<sub>2</sub> EMISSIONS ASSOCIATED WITH BUSINESS TRAVEL WAS 3,654 TONNES, DOWN 22.4% ON 2010 (4,709 TONNES).**

## COMPANY CAR TRAVEL

Year	Company car travel (litres of diesel and petrol)
2011	726,987
2010	735,794
2009	1,097,218
2008	1,035,872

## CARBON OFFSETTING

We offset the 3,654 tonnes of carbon associated with our 2011 business travel.

The emissions were offset through Verified Carbon Standard (VCS) offset credits in a 86MW run of river hydropower project in the Himachal Pradesh state of India. The project will feed power directly to large energy users, and, because it operates without storage dams, has no adverse impacts on the local environment or communities.

By offsetting our greenhouse gas emissions, we reduce the carbon intensity of our operations and ensure that our carbon management programme follows best practice.

## WASTE MANAGEMENT AND PAPER USE

We are working to reduce the amount of waste we generate and in particular the amount of paper we use, to reduce our impact on the environment and make cost savings. As well as reducing our use of materials we are recycling as much as possible – 79% in 2011.

Our biggest waste stream continues to be paper which is used in photocopiers and printers, and for our marketing activities. To reduce the impact of this resource, we try to use less and ensure what we do use has a high recycled content or is made from sustainably produced timber. Paper use increased in 2011 due to the higher levels of direct marketing.

The amount of waste we produced dropped by 17%. However the proportion we recycled, while still high, dropped by 7%.

We hope to continue reducing the waste we generate and reverse the drop in recycling rates in the next year. Having made improvements to waste management at our head office, we have now turned our focus to the Consumer Credit Division's branch network.

We have reviewed the waste management facilities in the branches and realised that more could be done to increase recycling in these premises. As a result, we have set a target for 2012 to introduce waste management processes in our branch offices which will enable staff to recycle more. We will also launch an intranet site which encourages employees to reduce their environmental impacts by, for example, reducing the amount of waste that is produced.

## ABSOLUTE WASTE PRODUCTION (TONNES)

Year	Head office	CCD branch network	Vanquis Bank
2011	148	1,053	39
2010	227	1,222	39
2009	201	1,562	28
2008	294	923	–

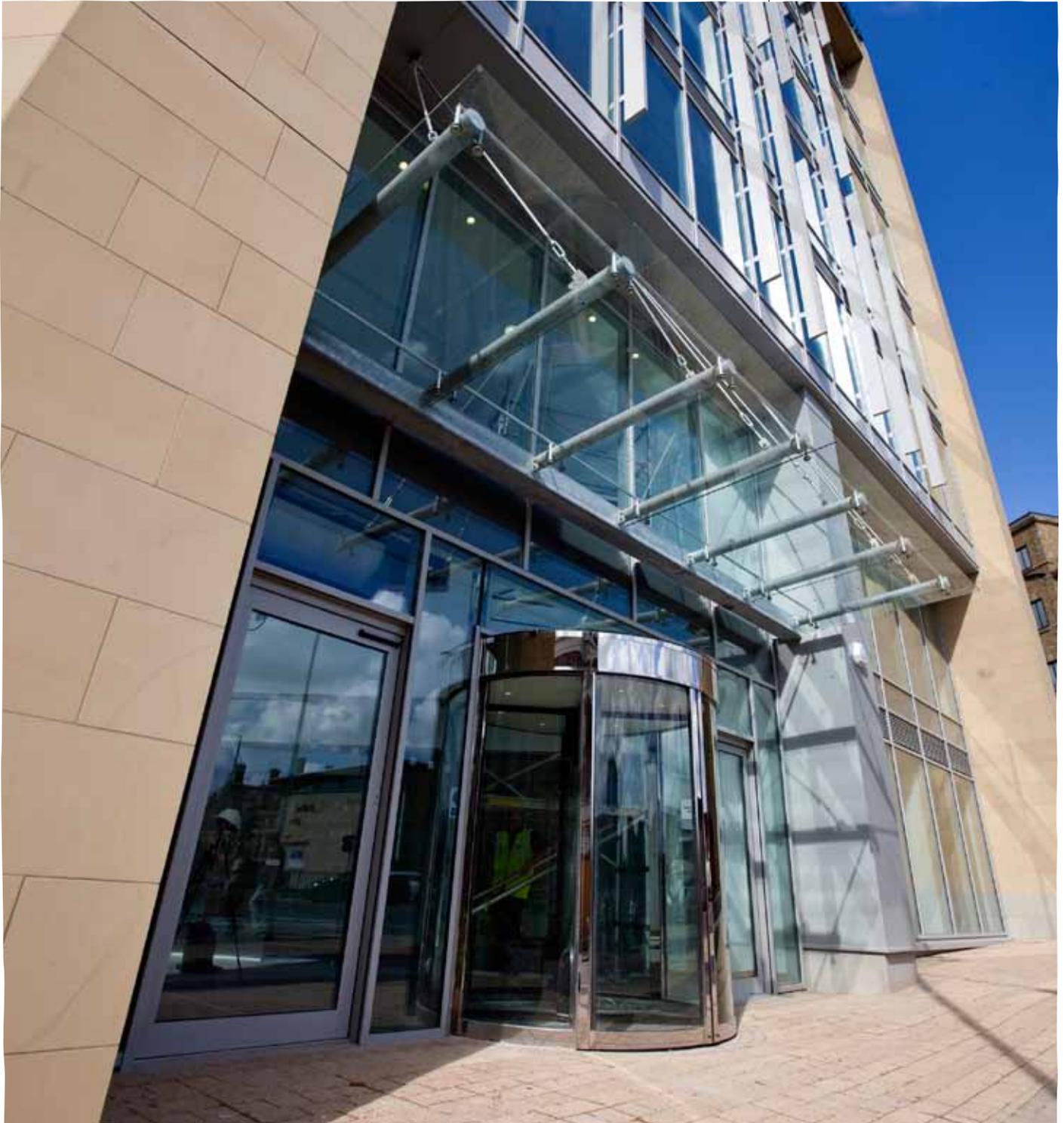
## ABSOLUTE WASTE RECYCLED (TONNES)

Year	Waste recycled
2011	977
2010	1,258
2009	1,308
2008	1,055

## GROUP PAPER USE

Year	Group paper use (tonnes)
2011	1,434
2010	1,138
2009	1,022
2008	2,412

**IN APRIL 2011, WE OBTAINED  
FORMAL CERTIFICATION  
TO ISO14001  
FOR OUR HEAD OFFICE  
IN BRADFORD.**





# ASSURANCE STATEMENT

# ASSURANCE STATEMENT AND COMMENTARY

## Provident Financial has commissioned Corporate Citizenship to provide external assurance and a commentary on its Corporate Responsibility Report 2011.

### THE SCOPE OF OUR ASSURANCE

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

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

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

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

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

### OPINION AND CONCLUSIONS

In our opinion the Provident Financial Corporate Responsibility Report 2011 reflects the principles of AA1000 (2008): inclusivity, materiality and responsiveness.

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

Materiality relates to the issues that really matter to an organisation's corporate responsibility performance and how these are identified by a company. Provident Financial has developed a clear approach to defining materiality, which includes engaging key audiences and participating in assessments against external standards.

Responsiveness relates to how an organisation responds to stakeholder concerns. The continued development of initiatives such as Good Neighbour, and transparency about corporate tax arrangements, shows that Provident Financial is responsive to stakeholder issues.

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

### COMMENTARY

Provident Financial has reported externally on its corporate responsibility performance since 2003. This report shows further progress, with Provident Financial taking into account feedback received last year. This includes information on corporate taxation and the management of fraud, as well as additional discussion around engaging agents, training and safety.

Our commentary below singles out seven points of special note, as well as areas where we believe future reporting can be strengthened.



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## POINTS OF NOTE

- Debt management is an important issue for many of Provident Financial's stakeholders. The greater coverage this year of the approach to dealing with customers that fall into arrears (including the differences between the Consumer Credit and Vanquis Bank divisions) is consequently welcome. For future reporting, we recommend the disclosure of the percentage of accounts that are handed over to the debt collection agencies at the very end of the arrears process. This would help inform the reader of how unusual it is to be passed to a debt collection agency and how well most customers are managing their accounts.
- Fraud prevention is highly relevant to financial services and in particular in the devolved business model used by Provident Financial's Consumer Credit Division. This year there have been significant improvements in discussion of prevention of money laundering and fraud. The development of a publishable metric to track fraud incidences from both divisions would be an important next step.
- Previously we have recommended adding to the risk management section of the report a discussion of the specific material risks identified, and the report includes these this year. In future years, this could be strengthened further to discuss broader risks and opportunities for the business.
- The input from a stakeholder roundtable, convened by Provident Financial, has proved an important way of determining topics covered by the report. As previously recommended, we believe there is scope for even greater stakeholder voice throughout the report. One option is to include a challenging view from an outside issue expert in each core section.
- Given Provident Financial's leading position in the non-standard credit market, its support for the money advice sector and research into debt is welcomed by specialist stakeholders. Feedback from the roundtable demonstrated an appetite for the company both to be active in public policy debates, especially at a time of economic difficulty, and to be transparent in its engagement in the political process. One option is to disclose submissions to government consultations.
- Information on supply chain management has expanded this year. The results of current work reviewing the Consumer Credit Division's top 100 suppliers can be included next year, together with how this approach is rolled out across the group. For future reporting we also recommend that Scope 3 carbon emissions are discussed more fully, such as

the emissions attributable to agents' activities.

- The reporting of the impacts and benefits of the Consumer Credit Division's Good Neighbour programme is commendable. Going forward, we believe stakeholders will expect the same good reporting practice from the Vanquis Bank division, particularly its showpiece project, Hatua.

## LOOKING FORWARD

Provident Financial's business is growing, with different corporate responsibility issues arising in the two divisions, individual consumer brands becoming more visible and new products being presented. The increasing size and profile of Vanquis Bank in particular means that specific banking issues will become more material, both to general and specialist stakeholders

### Corporate Citizenship

#### London

31 July 2012

## METHODOLOGICAL NOTES

The assurance work was commissioned in January 2012 and was completed on 31 July 2012. Detailed records were kept of meetings, assurance visits and correspondence relating to the inclusivity, materiality and responsiveness of the report, as well as to technical matters relating to the accuracy and presentation of data. A team of three, led by a Director, undertook the assurance and commentary process. The team has a variety of professional and technical competencies and experience. For further information please refer to our website [www.corporate-citizenship.com](http://www.corporate-citizenship.com).

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

- Understanding Provident Financial and its value chain, its own culture and the broader social contexts in which it operates; its approach to and understanding of corporate responsibility; how it identifies issues material to its operations.
- Benchmarking against peers, competitors, best practice and internationally recognised standards to identify the basis on which to judge Provident Financial's performance.
- Conducting a structured stakeholder roundtable involving representatives of key stakeholder groups, looking at how Provident Financial's reporting meets their needs.
- Analysis of Provident Financial's stakeholder engagement activity, including findings from employee and customer opinion research.
- Review of national and international published sources of information about the views and opinions of external stakeholders.
- Examination of the report at set stages in its development and testing of the assertions throughout, drawing from evidence and supporting documentation, reporting mechanisms, frameworks and processes.
- Examination of management and reporting systems, notably for environmental management and community investment.

- Interviews of members of staff including: Corporate Responsibility Manager (PFG), Head of Public Affairs (PFG), Community Affairs Manager (PFG), Value Management Director (CCD), Customer Relations Manager (CCD), Head of Central Debt Recovery (CCD), HR Director (CCD), Head of Customer Contact (CCD), Senior Fraud & Business Assurance Manager (CCD), Business Risk Manager and Money Laundering Reporting Officer (CCD), Head of Training and Competence (Vanquis), Customer Relations Manager (Vanquis) Head of Credit Operations (Vanquis) HR Director (Vanquis), Marketing Director (Vanquis)
- Site visits to Provident Financial's three main offices in Bradford, London and Chatham, and three Consumer Credit Division branches in Stockport (2), and Bury.
- Accompanying an agent at work in Norwood, Greater London, observing interactions with customers and collection of money in homes.
- Checks on an agreed sample basis of elements of the report's contents to underlying records, particularly of the numerical data within the report.

Our work did not extend to a complete audit of the report's contents. We have not been responsible for the preparation of the 2011 report nor in devising the internal management and reporting systems that yielded the data contained therein.

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

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

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

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## GRI INDEX

Corporate Citizenship has independently checked our 2011 CR Report and has determined that it is consistent with an application level of B+. Corporate Citizenship has assessed all additional indicators and has included in a table the indicators that are materially relevant to Provident Financial which can be found at [www.providentfinancial.com](http://www.providentfinancial.com).

## STAKEHOLDER FEEDBACK

As part of our stakeholder engagement activities we once again held a roundtable to elicit feedback from our stakeholders on our CR activities and process.

A summary of the key points and our response can be found at [www.providentfinancial.com](http://www.providentfinancial.com)

### **Paper and print specification**

This report is printed on Revive 100 offset, which is made from 100% recycled waste and the pulp used is bleached using a Totally Chlorine Free process (TCF). The printing process was waterless, alcohol and substitute free and used vegetable oil-based inks. The report has been printed by Seacourt, an award winning, FSC certified and ISO14001 certified printer.

Seacourt are carbon neutral, use only renewable energy and send zero waste to landfill. They were awarded the Queen's Award for Excellence: Sustainable Development 2011; the Waste Reduction Award at the Environmental Pioneer Awards 2010; the UK Sustainable Business Award at the Environment and Energy Awards 2010; and were winners in the continuous improvement category at the BCE Environmental Leadership Awards 2010.

Designed and produced by M4C 01625 501832

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**Feedback**

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

You can also telephone us on +44(0)1274 351351 or write to the corporate responsibility manager at: Provident Financial, No.1 Godwin Street, Bradford BDI 2SU.

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

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