

Our business





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

PFG

Provident
Financial Group

OUR PRODUCTS

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

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

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

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

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

² Represents CCD as a whole

CORPORATE GOVERNANCE

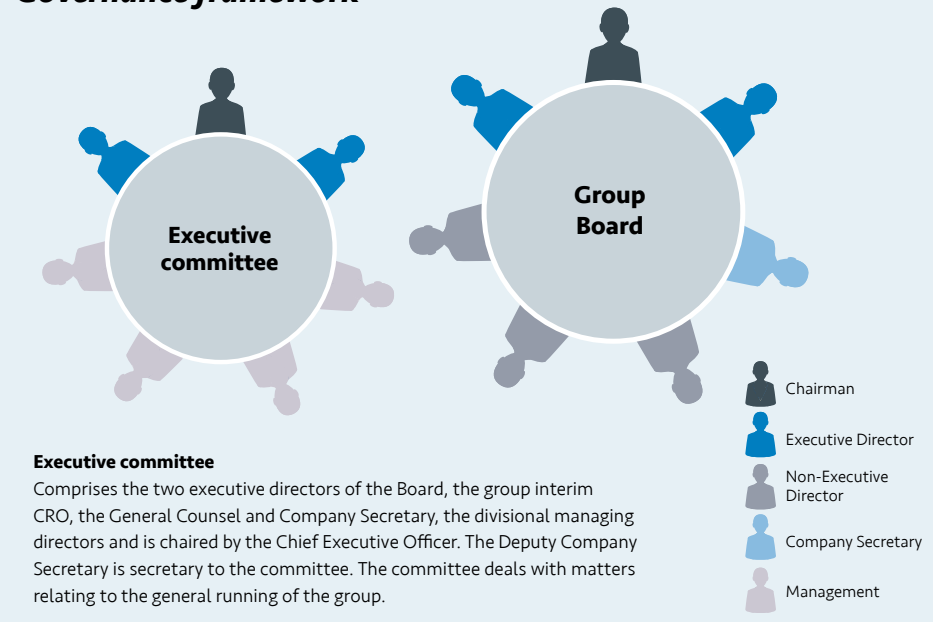
The Board has the ultimate responsibility for ensuring that the group is managed effectively and in the best interests of the shareholders, customers, employees and other stakeholders. The Board operates within a formal schedule of matters reserved to it. This schedule is reviewed and updated on a regular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

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

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

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

Governance framework



Review of governance arrangements

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

- Appointed a new group Chief Executive Officer, Malcolm Le May, and initiated the recruitment of a new external Chairman;
- Re-constituted a wider group Executive Committee which will play a far greater role in delivering on the group's vision and in enhancing the information flows and control between the group and its divisions;
- Appointed a group Chief Risk Officer role for the first time who will work closely with the Board and the group Chief Executive Officer to provide group-wide oversight of governance, risk and conduct and ensure that these all remain a key focus of the group;

- Begun the recruitment of a number of executives to create key group functions. An interim IT Strategy & Procurement Executive has been appointed and the group also intends to appoint a Group HR Executive. These appointments are intended to improve coordination, cooperation and efficiency across the group in pursuit of the group's aims and in support of the Executive Committee;
- Initiated the recruitment of up to three additional new non-executive directors with directly relevant experience (and in line with a Board skills needs assessment), to work alongside the new group Chief Executive Officer to deliver on the Board's vision; and
- Begun the process of establishing a new Board committee, to be chaired by one of the new non-executive directors noted above, focusing on the customer, culture and ethics to help drive changes in behaviours and attitudes across the group.

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

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

HOW WE ARE REGULATED

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

In the UK, the group's operating companies are regulated by the Financial Conduct Authority (FCA) which monitors all consumer credit lenders to ensure they comply with the Consumer Credit Act 1974 (as amended). Complaints are dealt with by the Financial Ombudsman Service. In the Republic of Ireland, the Provident home credit business is regulated by the Central Bank of Ireland.

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

involved in the ongoing dialogue with the FCA.

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

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

As a consequence of: (i) the disruption to the home credit business following the implementation of the new operating model in July 2017 and the subsequent implementation of the recovery plan in response to the disruption; (ii) the FCA's investigation into Vanquis Bank's ROP; and

(iii) the FCA's investigation into the processes applied by Moneybarn in relation to customer affordability assessments for vehicle finance and the treatment of customers in financial difficulties, the group is subject to enhanced supervision by the FCA. Firms placed under enhanced supervision may be required to provide formal commitments, where appropriate, to the FCA to tackle the underlying concerns raised by the FCA and the FCA may also exercise other wide-ranging powers. The FCA has required the group to undertake certain formal commitments which include the delivery to the FCA of the timetable for execution of the home credit recovery plan (which was delivered by the group in early January 2018) and to embed, by 30 June 2018, appropriate and sufficient first and second line oversight and monitoring of the home credit business.

An overview of current regulatory reviews

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

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

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

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

experience of home-collected credit and their understanding of the cost implications of refinancing and repeat borrowing.

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

FCA review of creditworthiness in consumer credit – In July 2017 the FCA published a consultation paper (CP17/27) entitled 'Assessing credit worthiness in consumer credit' in which the FCA set out the changes that it has proposed to its existing rules and guidance in this area. In CP 17/27 the FCA proposed to amend its rules and guidance with regards to credit worthiness (which the FCA stated comprises both credit risk and affordability). The proposed rules introduced a new explicit definition of 'affordability risk', in which the FCA sets out

the factors to be considered by firms when assessing if credit is likely to be affordable for the borrower. The proposals require a more detailed credit worthiness assessment including affordability at the outset for all new non-prime non-mainstream credit card customers, along with further assessments for significant individual or cumulative credit line increases thereafter. These proposals could reduce the initial booking rate of Vanquis Bank customers, with more potential customers failing credit worthiness checks, as well as fewer credit line increases being made as more customers fail the affordability checks.

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



OUR COMMITMENT TO THE SUSTAINABLE DEVELOPMENT GOALS

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

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



TARGETS FOR 2018 AND BEYOND

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

Lending responsibly to our customers	Timeframe
Maintain or, in the case of Provident home credit, improve customer satisfaction levels.	By December 2018
Extend the scope of the work delivered by the partnership between IncomeMax and Vanquis Bank into other parts of Provident Financial Group (eg Provident home credit and Satsuma).	By December 2018
Ensuring the sustainability of our people	
Ensure that there is at least 33% female representation on the Provident Financial plc board, the group's executive committee and their direct reports.	By December 2020
Sign up to the Women in Finance Charter and agree a longer-term target regarding gender diversity in our middle and other senior management grades.	By December 2018
Establish an inclusive steering group to enable the effective management of equality, diversity and inclusion issues across the group.	By December 2018
Provide mentoring opportunities for all staff members.	By December 2018
Investing in communities	
Continue to invest 1% of profit before tax in community programmes, money advice programmes and social research.	By December 2018
Maintain our ongoing commitment to the Vision for Literacy Business Pledge and contribute to the development of research in partnership with the National Literacy Trust to explore how literacy supports financial capability.	By June 2019
Support the National Numeracy Campaign to ensure more adults in the UK benefit from knowing how to use numbers well and develop a numeracy programme for partner schools in Bradford.	By June 2019
Develop and implement a school governor volunteering programme.	By June 2019
Launch new social impact funds with two community foundations.	By June 2019
Develop a consistent approach to providing money advice and enhanced customer support across all areas of the business.	By December 2019

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

Data Table

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

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

*This figure excludes Vanquis Bank.

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

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

Provident Financial Group Corporate Responsibility Report 2017

Independent Assurance statement and commentary

ASSURANCE STATEMENT

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

THE SCOPE OF OUR ASSURANCE

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

Provident Financial Group has chosen to use the AA1000 assurance standard AA1000AS (2008). Our assurance is a Type 2 assurance as defined by the standard, in that it

evaluates the nature and extent of adherence to the AA1000AS principles of inclusivity, materiality and responsiveness, and assures the performance of the organisation as reported here. Our assurance used disclosed information as its starting point and then investigated the underlying systems, processes and sustainability performance information to arrive at its conclusions.

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

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

regulations covering the financial services sector.

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

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

Opinion and conclusions

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

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

Evidence for this is the commitment to establishing a new Board committee to be chaired by a new non-executive director that will focus on the customer, the culture and ethics, as well as steering group for a Social Impact Programme. These demonstrate how actions are being undertaken to maintain the Group's delivery of its mission, social purpose and strategy after a year in which the business acknowledged that it made operational and regulatory mistakes.

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

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

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

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

The specified sustainability performance information is the non-financial information

and data outlined in the Corporate Responsibility Report 2017. Based on the work we have done, nothing has come to our attention to suggest that the specified performance information is not in accordance with the GRI Principles for Defining Report Quality: Balance, Comparability, Accuracy, Timeliness, Clarity and Reliability.

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

INDEPENDENT ASSURANCE COMMENTARY

In our view, Provident Financial Group's Corporate Responsibility Report 2017 offers clear and comprehensive coverage about its aims, approach and achievements of its corporate responsibility programme.

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

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

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

Trust and reporting

The effectiveness of traditional corporate responsibility reports as mechanisms to engage stakeholders and build trust is increasingly being called into question by companies. This is particularly pertinent for Provident Financial Group whose customer base may be better engaged through non-traditional channels, evidenced by the important role personal relationships and face-to-face contact play in the Consumer Credit Division.

Provident Financial Group can enrich the future communication of its performance by finding new ways to engage with stakeholders – especially customers, employees and regulators – about its social purpose, using that feedback to enhance the reporting process.

Stakeholder voice

As noted in last year's assurance statement and commentary, Provident Financial Group's reporting offers instances of how stakeholder opinions are taken into account. However we continue to believe the report can be further strengthened by giving that stakeholder voice fuller coverage, creating a two-way dialogue and a report with multiple voices.

This can be achieved through case studies and interviews which can impart insight in

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

UN Sustainable Development Goals

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

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

Corporate Citizenship

London
14 June 2018



METHODOLOGICAL NOTES

The assurance work was commissioned in February 2018 and was completed on 14 June 2018. Detailed records were kept of meetings, assurance visits and correspondence relating to the inclusivity, materiality and responsiveness of the report, as well as to technical matters relating to the accuracy and presentation of data. A team of two led by a director, undertook the assurance and commentary process. A second director acted as adviser to the group. The team has a variety of professional and technical competencies and experience. For further information please refer to our website www.corporate-citizenship.com.

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

- Understanding Provident Financial Group and its value chain, its own culture and the broader social contexts in which it operates; its approach to and understanding of CR; and how it identifies issues material to its operations;
- A detailed evaluation of the reporting against the principles of AA1000AS;
- A detailed evaluation against the GRI Principles for Defining Report Quality;
- Consideration of Provident Financial Group's corporate responsibility approach in the light of the changing statutory non-financial reporting regulations;

- Examination of the report at set stages in its development and testing of the assertions throughout, drawing from evidence and supporting documentation, reporting mechanisms, frameworks and processes;
- A series of 18 interviews with representatives from across the Group's divisions, including the CEO and the Company Secretary, to test assertions made in the report, give greater context to the assurance process, and review the systems in place that underline assertions made in the report;
- An employee roundtable with 12 representatives from across the Group, occupying non-senior management positions, to establish and assess the understanding and integration of corporate responsibility and the Group's social purpose.

Our work did not extend to a complete audit of the report's contents. We have not been responsible for the preparation of Corporate Responsibility Report 2017 nor in devising the internal management and reporting systems that yielded the data contained therein.

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

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

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

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

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