

Responsible business strategy

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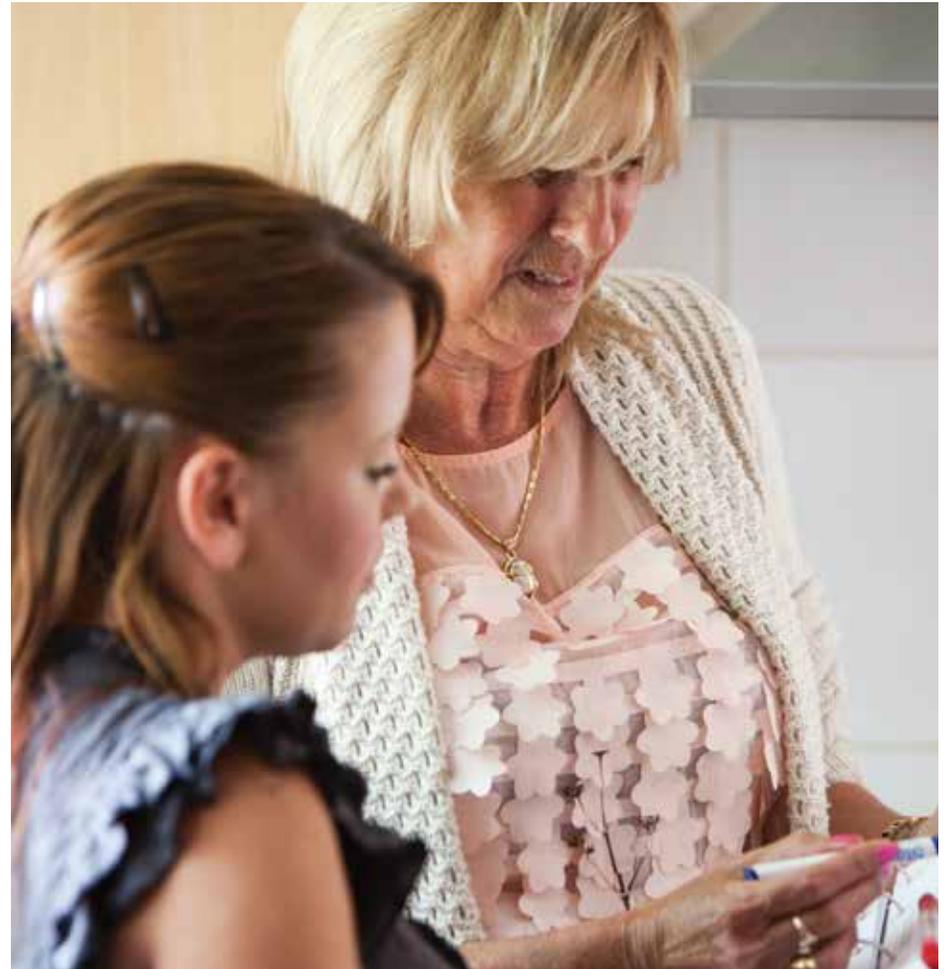
Lending and acting responsibly is a strategic priority for our business. It is how we deliver our social purpose of financial inclusion for those consumers who are not well served by the financial services industry, or are excluded altogether.

Following a difficult year, we have renewed and reinvigorated our commitment to corporate responsibility and continue to set targets and objectives to monitor, measure and improve our performance.

Our strategy is to operate our business of lending to our customers in a responsible manner, and act responsibly and sustainably in all our other stakeholder relationships.

This means that we have to put the needs of our customers at the heart of everything we do; create a working environment that is safe, inclusive and meritocratic; treat our suppliers fairly; support our communities; engage with the investment community on sustainability matters; and minimise the environmental impacts of our business.

FINANCIAL INCLUSION



Ensuring individuals have access to useful and affordable financial products and services that meet their needs.

CORPORATE RESPONSIBILITY GOVERNANCE AND MANAGEMENT

The effectiveness of our CR governance and management framework was tested during 2017 as a result of the operational and regulatory difficulties that we experienced throughout the year. It is therefore imperative that we reinforce and build on the importance of our social purpose, and enhance our governance and management structures to ensure that we conduct and develop our business responsibly, and in accordance with our social purpose.

Our CR team continues to be responsible for the ongoing delivery of the CR programme and is supported by colleagues from the operating companies. This includes the colleagues on our environmental working groups that are in place across the business who oversee the delivery of the environmental management system. To further enhance the oversight that is provided to the CR programme, and to facilitate greater group-wide working, two additional steering groups will be established in 2018. These will be an inclusive workplace steering group, to enable the effective management of equality, diversity and inclusion issues across the group, and a social impact programme steering group which will ensure that our community investment activities are aligned to, and supportive of, our social purpose, culture and ethics.

To strengthen the way that our CR programme is governed and managed, a new Board

committee will be established and chaired by a new non-executive director, focusing on the customer, our culture and ethics and to help drive changes in behaviour and attitudes across the group.

This committee will, among other things, provide oversight and challenge to the group's newly re-constituted executive committee, which includes the executive directors and senior management of the group's businesses, and is chaired by Malcolm Le May, to deliver real cultural change. The executive committee will oversee the development, embedding and monitoring of the culture and ethics of the group, consistent with being a trusted, responsible and sustainable business. This will involve ensuring that the policies, procedures, systems and behaviours of our operating companies are consistent with our social purpose, and ensuring that any material issues which relate to the culture and ethics of the group are reported to other relevant Board committees.

The operational and regulatory difficulties that the group experienced throughout 2017 means that it is essential that we reinforce and build on the importance of our social purpose. We do this by offering our 2.55 million customers appropriate and affordable products and services which responsibly provides them with credit that enables them to take part in everyday life.

Details of the policies and processes in place to manage CR issues are available on our website www.providentfinancial.com.

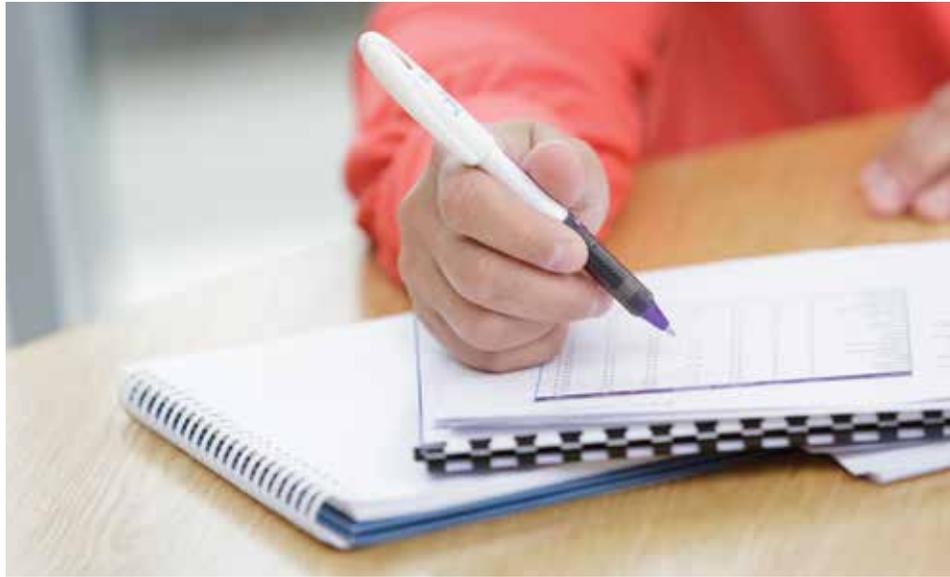
Our social purpose explained

Provident Financial Group's social purpose "is financial inclusion for those consumers who are not well served by the financial services industry, or are excluded altogether," so that they can improve their relationship with credit and take part in everyday life.

Our social purpose commits us to providing customers within this

market with appropriate amounts of credit, maintaining close contact with them throughout the term of their loan, and working with them sympathetically if they experience difficulties. The terms and conditions for our products are also designed to meet their particular needs, and rigorous checks are made to ensure customers can afford their repayments.





Provident Financial Group's market explained

There are estimated to be around 10 to 12 million consumers in the UK who are not well served or are excluded altogether by the products and services offered by the financial services industry. These consumers are not well served or are excluded altogether for a variety of reasons: they may have low/unstable incomes or a poor credit history or may have experienced a significant life event. The impact of not being well served or excluded in this way are not just

financial. It can also impact on employment, education, and health and wellbeing. Provident Financial Group is a specialist lender and, through our operating companies, we have been serving consumers who are not well served by the financial services industry or are excluded altogether since 1880. We do this by providing our customers with products and services that are tailor-made to their needs and affordability.

MATERIALITY ASSESSMENT

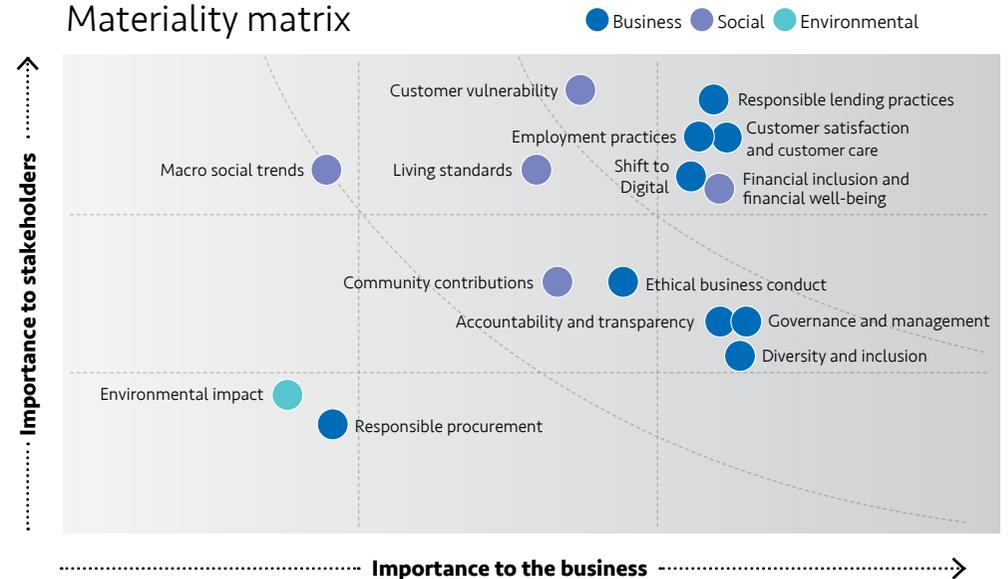
Our key stakeholders are our customers, communities, employees, suppliers, shareholders, investors and regulators. These individuals or groups have an interest in, or are affected by, the activities of our business.

We engage with these groups regularly to ensure that we are aware of their views and concerns with regard to a wide range of issues. We do this through surveys and focus groups, and by participating in consultation exercises.

We also engage with our stakeholders to ensure that we manage and report on the

CR issues that matter most to them and our business. In 2017, this involved repeating the exercise we last undertook in 2015 to identify and prioritise the CR issues that are material to the group. This helps to inform the group's social purpose and ensures that our CR reports respond to the interests of our stakeholders and comply with the Global Reporting Initiative's G4 reporting guidelines. Our second, most recent materiality assessment was carried out by the independent sustainability management consultancy Corporate Citizenship. The issues that were identified as a result of the materiality assessment exercise have been plotted on the materiality matrix below.

Materiality matrix



2017 TARGETS

In 2017, we set targets to improve our CR management performance in a number of areas. Some of these targets were set to be achieved in the calendar year, with others set as more long-term goals. Please refer to the table below for an update on our progress against these targets. You can find more information about our progress in the relevant chapters within this report and you can find further details on our future goals and targets on page 65.

Lending responsibly to our customers	
Maintain or improve customer satisfaction levels in Vanquis Bank, Satsuma and Moneybarn and re-establish relationships with customers in CCD.	Not achieved
Develop a partnership with IncomeMAX, a social enterprise that helps people to maximise their household income, and arrange for them to provide a dedicated support service for our Vanquis Bank customers and develop advice resources for staff, community partners and other stakeholders.	Achieved
Enhance the work with money advice organisations, charities and other stakeholders to improve the way that frontline staff recognise the signs of potential vulnerability, so that they can more easily refer customers to specialist support teams.	Partial progress
Creating an inclusive and sustainable workplace	
Ensure that there is at least 33% female representation on the Provident Financial plc board and in the executive committee by 2020.	Partial progress
Following the completion of the National Equality Standard (NES) assessments in all the operating businesses, establish a group-wide working group and action plan to address the findings and recommendations of the assessment.	Achieved
Continue to support Mencap's Learning Disability Week and encourage more areas of the group to participate in the initiative.	Partial progress
Undertake a group-wide talent and succession planning exercise so that all areas of the business can identify and grow talent to fill future business-critical positions.	Partial progress
Develop apprenticeship programmes across the group.	Achieved

Supporting the communities we work in	
Continue to invest 1% of profit before tax in community programmes, money advice programmes and social research.	Achieved
Develop new partnerships with at least two community foundations in other parts of the UK.	Achieved
Sign the National Literacy Trust's Business Pledge to elevate the literacy agenda within our business, and take practical action to close the literacy gap.	Achieved
Pilot the use of models such as Social Return on Investment to evaluate the social value of the Bradford Literature Festival, and at least one other element of our social impact programme.	Partial progress
Provide the Foundation for Social Improvement with funding to support Small Charities Week and hold an event for small charities and community organisations in Bradford.	Achieved
Support and participate in the Social Mobility Business Partnership to help provide a work programme to give school-aged students from less-privileged backgrounds access to the legal profession and develop their career aspirations.	Achieved
Develop and launch an online platform that will enable the business to engage with employees, manage volunteer opportunities, co-ordinate community investment activities and more accurately measure, report and communicate our business and social impacts.	Achieved
Explore new ways to introduce business skills volunteering into our graduate and leadership programmes.	Achieved
Vanquis Bank to support The Money Charity and Mencap to develop financial skills workshops to help people with learning disabilities take control of their money.	Achieved
Minimising our environmental impacts	
Reduce scope 1 and 2 GHG emissions by 30% by 2020 compared with our 2015 baseline.	Achieved
Extend GHG emissions offsetting to include all reported GHG emissions.	Achieved

Identify opportunities to include the new Customer Experience Managers in our GHG reporting.	Achieved
Extend the number of models of plug-in hybrid electric vehicles that are available to employees as company cars.	Achieved
Review the waste management arrangement at CCD's branch offices to identify opportunities to minimise waste.	Not achieved
Ensure that the environmental management system (EMS) at the head office continues to be certified to the international standard ISO14001 and achieves ISO14001: 2015 by 2017.	Achieved
Treating our suppliers fairly	
Deliver a workshop to the procurement functions of our subsidiary businesses, to enable them to explore whether there are any human rights risks within their supply chains.	Achieved
Review and, where appropriate, amend the questionnaires and other tools used by our subsidiary businesses to assess the CR performance of suppliers.	Achieved
Our subsidiary businesses to assess their performance against the Prompt Payment Code in terms of paying their suppliers within a maximum of 30 days.	Achieved
Engaging with the Investment Community through CR	
Maintain or improve our ratings on the mainstream sustainability indices.	Achieved
Continue to respond to requests for one-to-one meetings with investors and fund managers to engage with them on aspects of Provident Financial Group's CR programme	Achieved

