Responding to the climate crisis

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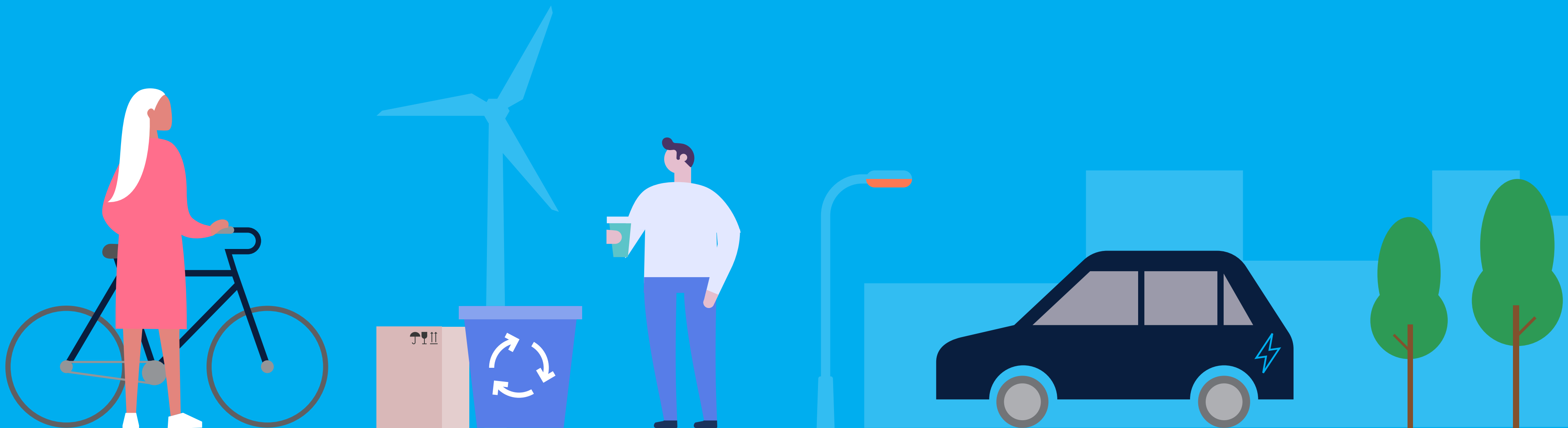
We recognise that reducing carbon emissions is for the whole of society and we are committed to minimising our environmental impacts as well as determining the risks climate change presents to our business and its stakeholders.



Understanding and disclosing how climate change may impact our business

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

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

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

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

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

TCFD TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

The TCFD explained

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

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

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

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

Offsetting our carbon footprint

Carbon offsetting

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

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

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

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

SUSTAINABLE DEVELOPMENT GOALS

7 AFFORDABLE AND CLEAN ENERGY

8 DECENT WORK AND ECONOMIC GROWTH

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

13 CLIMATE ACTION

Reducing our carbon footprint

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

54%
reduction in our air travel mileage

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

13%
reduction in the total waste arising from our activities

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

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

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

Doubled
the amount of waste we recycle

Our Blueprint: *Behaviours*

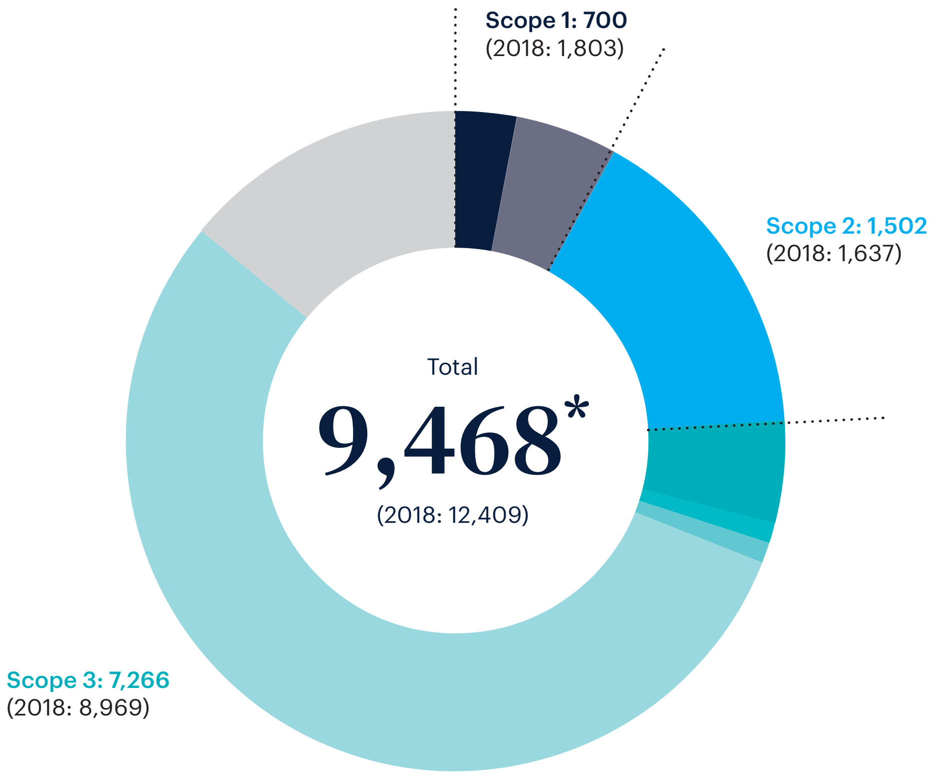
Our approach to environmental management

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

21
colleagues are members of environmental working groups

Our carbon footprint
(tonnes CO_2e)

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



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

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

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

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

A closer look at scope emissions

1 Scope 1

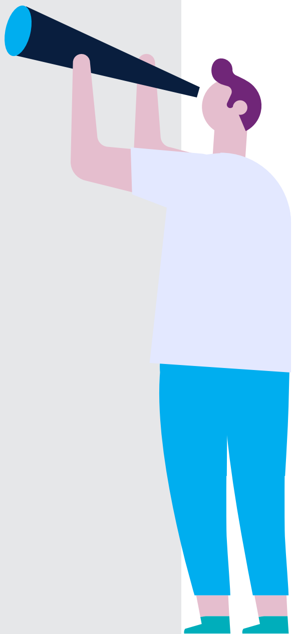
Direct emissions from sources owned or controlled by us, e.g. gas used in our boilers or petrol in company cars.

2 Scope 2

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

3 Scope 3

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



Intensity ratio

1.16

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

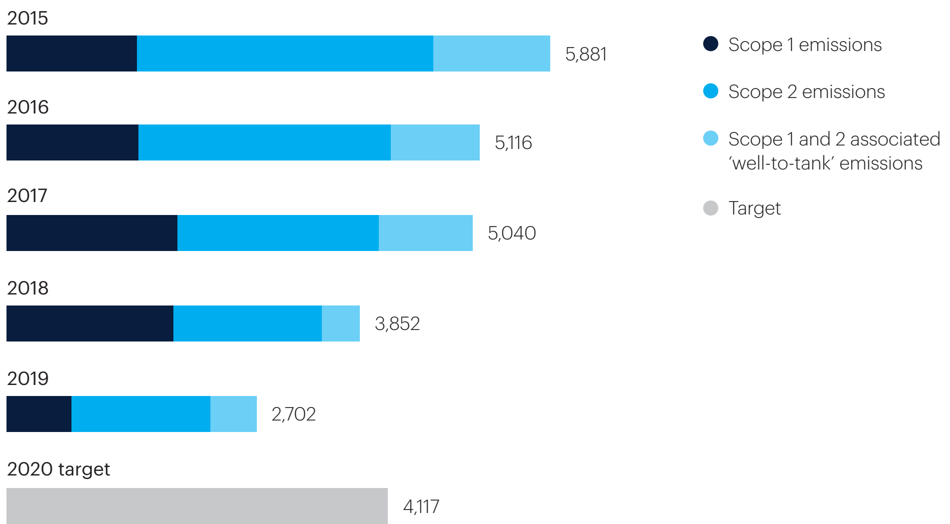
1 2

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

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

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

Scope 1 and 2 (and associated scope 3)



A closer look at scope emissions continued

3

Scope 3 emissions and business travel

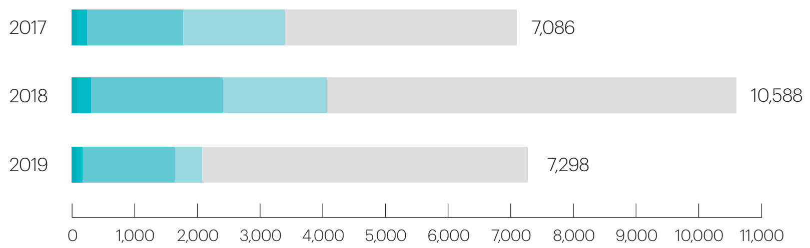
We continuously look to increase the breadth of our scope 3 reporting; however, we have not added any new elements in to our reporting whilst we focus on improving our data accuracy and transparency.

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

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

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

Business travel GHG emissions (tonnes CO_2e)



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

Business travel distance (miles)

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

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

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

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

Waste (tonnes)

Total waste generated
397 (2018: 457)

Recycled
206 (2018: 103)

Sent for energy recovery
138 (2018: 284)

Landfill
53 (2018: 70)

PF Company car fuel usage (litres)

6,922 (2018: 660,397)